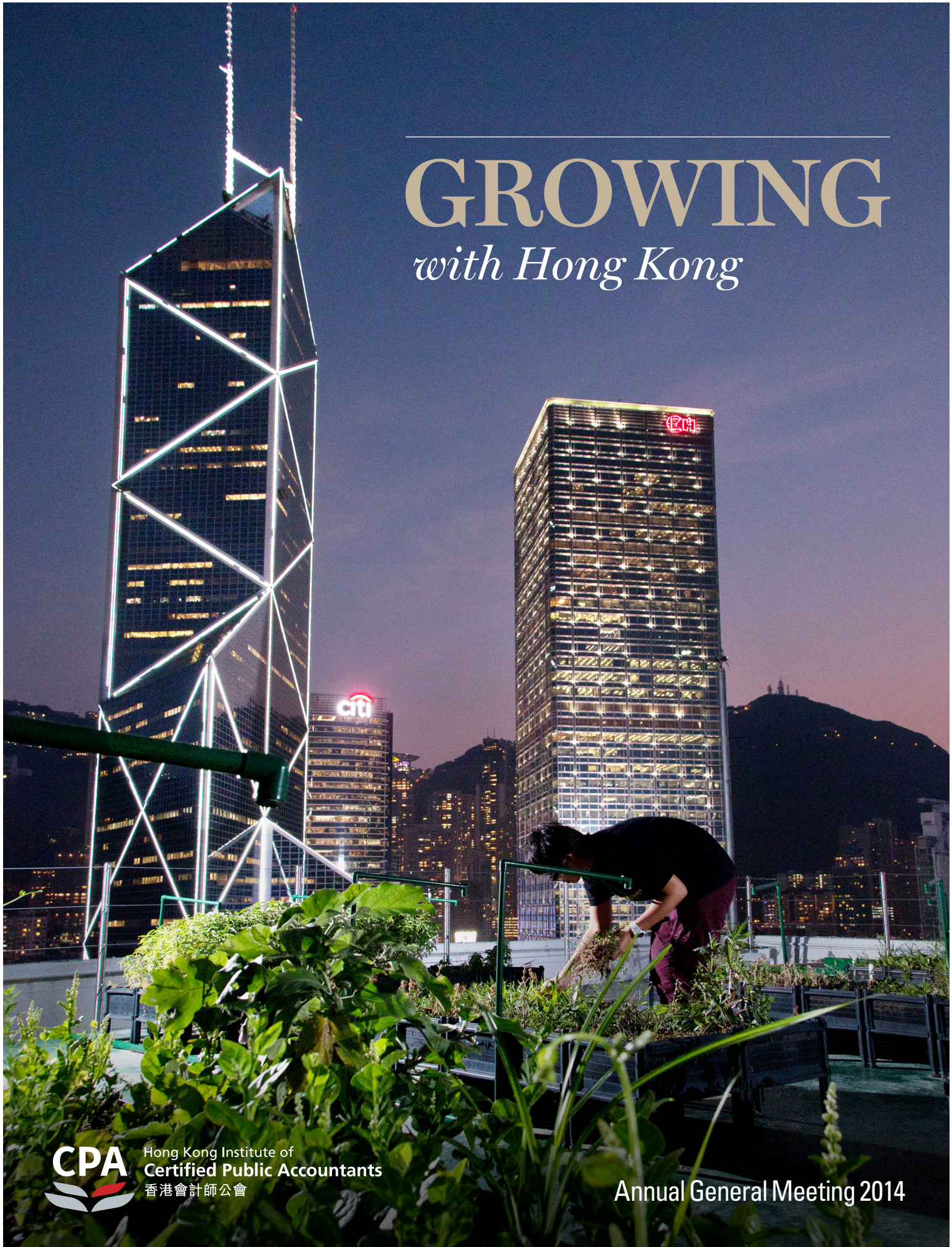


GROWING

with Hong Kong



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Annual General Meeting 2014

Message from the President and the Chief Executive and Registrar

On the cover

The cover shows a scene that reflects Hong Kong's efforts to combine leadership as an international finance centre with livability, environmental awareness and work-life balance. The theme of the Institute's annual report this year is sustainability, a topic of growing interest to governments, companies and investors across the world. It's an area in which the profession – as guardians of Hong Kong's financial system – is committed to playing an important role. In the picture is Peggie Ho of Time To Grow, a group dedicated to urban farming, who is tending a roof garden on the Bank of America Tower in Central. See our full annual report for more.



Past Presidents

John C. Chan
陳洲

Thomas Spink
柏士德

David Lewis
伊登士

Alan H. H. Ho
黃匡源

Joseph M. Lee
黎明

Robert Giff
羅華

Clement Chan
President

Raphael Ding
Chief Executive and
Registrar



“The Institute must always keep a careful eye on how the profession is regulated in order to preserve our strength and remain in line with international benchmarks.”

Dear members,

While Hong Kong’s growth has slowed in recent quarters, and China continues to carefully reposition its economy from an export orientation to domestic consumption amid an uncertain international financial and trade environment, the accounting profession in Hong Kong continues to display strength and resilience.

The Hong Kong Institute of CPAs is steadfastly adhering to its vision of being an internationally recognized, world-class, top quality professional body that serves both the business community and the wider public interest in Hong Kong and contributes to its sustainable development as a leading financial centre.

It is especially important amid the current global environment that the Institute meets its goals to contribute to and influence the future of the profession worldwide.

As a statutory and key professional membership organization, the Institute provides clear, decisive and innovative leadership to a financially and business-attuned accounting profession.

During the year, the Institute faced a number of challenges and achieved much progress through championing thought leadership and upholding core ethical values, the public spirit of accounting and the integrity of the profession.

Launching major reform

As the Hong Kong regulatory and practising environment evolves to meet international expectations and best practices, the Institute must work closely with the government and regulators to ensure the new audit regulatory regime is appropriate for Hong Kong.

The Institute must always keep a careful eye on how the profession is regulated in order to preserve our strength and remain in line with international benchmarks to maintain Hong Kong’s premier position as a listing destination.

To meet these standards, the Institute, the Hong Kong government and the Financial Reporting Council agreed that there should be an independent body to exercise oversight over or assume direct responsibility for certain audit regulatory functions.

The Institute began its work on audit reform in 2008 and developed proposals to submit to the government. That process culminated in 2013 with the release by the Institute of an information paper, and a request for members to comment, on the Regulatory Framework for Listed Company Audits jointly developed by the government, the Financial Reporting Council and the Institute.

The resulting member consultation indicated strong support for the Council’s position on the proposed reform. However, members indicated a general concern over the lack of detail in some of the framework proposals resulting in questions on the powers and functions of the independent oversight body and how such powers would be exercised fairly and through due process.

The government launched its public consultation in June 2014 and took up many of the comments arising from our member consultation. Still, there are certain questions to be addressed, including the independence of disciplinary processes, the penalty level, and the governance and funding of the independent body. The Institute will continue to work with the government and stakeholders to ensure fair debate is encouraged on outstanding issues.

Upholding quality

We ensure that our Qualification Programme remains globally recognized and continues to provide the skills, expertise and ethics training needed by our prospective members, who will be charged with a critical role to maintain Hong Kong’s status as an international financial centre.

Today’s accountants need highly tuned skills and, to support this, we are conducting a review of the QP qualifying process and revamping the programme’s content and structure to ensure that the accountants we train have the skill-set to meet the demands of employers and the global market.

The Institute believes that an accountant’s learning is lifelong, and we are committed to providing the best education to hone their skills, broaden their expertise and develop their specializations. We are working on a financial controllership programme to support members who wish to become professional accountants in business.

“We represent Hong Kong’s interests in many regional and global organizations, such as the International Federation of Accountants and the Global Accounting Alliance.”



We will also continue to strengthen our specialist qualifications in insolvency and specialist training in taxation.

Global influence

The Institute, as the standard setting body, strives to enhance public trust and confidence in the profession by fully converging with international accounting, auditing and ethics standards since 2005. We help our members adhere to high-quality standards and oversee their professional conduct.

The commitment to use international standards and benchmarks underscores the Institute’s role in assuring the quality of service provided by professional accountants.

We represent Hong Kong’s interests in many regional and global organizations, such as the International Federation of Accountants and the Global Accounting Alliance. We play an influential role at the Asian-Oceania Standard-Setters Group, taking up the chairmanship for two years from November 2013. As chair, the Institute represents the group on the IASB Accounting Standards Advisory Forum, further deepening our dialogue with the International Accounting Standards Board. We also addressed important issues such as reporting of non-compliance with laws and regulations to the International Ethics Standards Board for Accountants.

In the Mainland, the Institute maintains dialogue with its counterparts in accordance with the joint declarations to ensure ongoing convergence of Chinese and Hong Kong standards. This work is of great importance as it emphasizes the special role the Institute can play in facilitating the Mainland’s continuing engagement with the international accounting community.

Fostering Mainland ties

Our presence in China and international forums enhances Hong Kong’s unique role in serving and globally connecting the Greater China market. The Institute has established a special advisory group to develop consistent and effective promotion of the Hong Kong CPA brand across the boundary.

Our interactivity with the Mainland includes networking events; meetings with national, provincial and municipal government and professional organizations; business trips and visits; trade and industry fairs; and seminars throughout the year to help our members – whether professional accountants in business or small- and medium-sized practitioners – to establish, grow and enhance their business.

The signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement in 2003 and subsequent supplements have not only resulted in examination paper exemptions for QP graduates seeking Chinese Institute of CPAs admission, but have also opened up talks with the Mainland on mutual recognition and market access for Hong Kong accountants in China.

The Institute was able to obtain clarification of a Ministry of Finance exposure draft that had caused concern over possible restrictions on the provision of audit services by our members to Mainland entities listed in Hong Kong.

At a meeting with the Institute, the ministry reaffirmed its commitment to the continuous opening up of the Mainland market to Hong Kong under CEPA and made it clear that the exposure draft’s primary objective was to strengthen regulation over illegal cross-border audit activities in the Mainland.

Another important subject that we expect to resolve through dialogue with the ministry is the matter of access to audit working papers in the Mainland. We would like to thank the Supervision and Inspection Bureau of the Ministry of Finance for inspection work that has been done on our behalf.

Helping members succeed

The Institute’s ideas, products and services must serve the needs of our members and support the development of their professional careers.

Despite the rapidly changing regulatory environment, members are able to stay up to date through our supporting initiatives, including seminars, technical guidance notes and website resources. Information about major developments that have substantial impact

on the accounting profession, such as Hong Kong's new Companies Ordinance, is communicated and explained in a timely, effective way.

As a membership organization, the Institute fully engages with members to create a strong sense of professional pride, loyalty and inclusiveness in many ways. In addition to professional and technical support, the Institute facilitates various leisure groups formed under the Sports and Recreation Club. Enthusiasm, good health and a strong sense of work-life balance help create well-rounded professionals. Total membership of the club's interest groups is now over 4,000.

Engaging stakeholders

The importance and relevance of the Institute's statutory roles, mission, values and brand must be effectively communicated to members, partners, other professional organizations, governmental and regulatory bodies, the broader business community and the public in general.

The past year has seen a number of issues related to the accounting profession attracting mainstream attention, such as audit regulation reform, the Ministry of Finance exposure draft and the new Companies Ordinance.

Such news events are opportunities for the Institute to explain the position of the profession in the wider context of its role in protecting the public interest and contributing to Hong Kong's status as an important international financial centre.

We also offer expertise and insight to the media in addressing crucial and complicated financial and business topics. The Institute's leadership, Council and expert committee members were sought for comment on major issues such as the Hong Kong budget.

Through engagement with the media at home and abroad, the Institute demonstrates its members' diversity of skills, competence and values, ethics and integrity, international status and influence, and special relationship with the Mainland.

The award-winning monthly magazine *A Plus* is the Institute's flagship publication, which examines accounting, finance and business in Hong Kong, China and the world, through the eyes of the Institute and its members. It encompasses news and features, as well as lighter reading reflecting the interests and enthusiasms of our members, whether they are in public practice, business or government, newly graduated or considering retirement.

Another initiative is our cooperation with *Xinlicai*, a magazine for finance professionals published in the Mainland under the auspices of the Ministry of Finance. It reproduces the popular Success Ingredient profile interviews of our members published in *A Plus*. With its wide distribution network among top executives and government officials, we are able to explain the strength and attributes of our CPAs and how they are able to contribute to the economic progress of the Mainland.

Making a difference

Our devotion to integrity, ethics and public trust has led to our pursuit of activities to benefit the wider community.

Members continue to bring the particular skills of the accounting profession, in a non-partisan and independent way, to relevant areas of public policy debate through active participation in consultations conducted by the government, regulators and international bodies.

We have made submissions on important topics such as bankruptcy, tax, trade, anti-money laundering and financial reporting. Our commitment to furthering the public interest is manifested in such endeavours as the annual Best Corporate Governance Disclosure Awards and the publication of a new guide to better corporate governance.

This year, we are introducing a corporate social responsibility element to our annual report for the first time, to set out what the Institute's management has been doing to enhance workplace quality, environmental protection, operating practices and community involvement.

The Institute's commitment to society runs long and deep and we are still innovating. The "CPAs for NGOs" programme, launched last year, is now up and running and will benefit many smaller NGOs that lack the resources and skills needed to sustain sound governance and financial management.

Our finances

The Institute has strengthened its financial position in order to continue to provide members with a high level of service, to sustain important programmes that we have developed, and to provide funding to address future issues.

This reporting year, the group recorded a HK\$21 million surplus after tax, stemming from a natural membership increase, the recovery of disciplinary costs, and reduced expenditure as a result of streamlining our operations. The result is a leaner, more efficient Institute that is better placed to provide stronger member service.

Our net current assets cover about 10 months of operating costs. The Institute will continue to implement prudent stewardship of members' funds to further enhance the QP qualifying process, provide relevant and innovative thought leadership, and fund programmes that extend the profession's international influence.

We are committed to maintaining our high standard of financial management to meet the foreseeable needs of the future.

All in all, this has been an eventful year. We would like to take this opportunity to thank the many members who have volunteered their time, energy and expertise for the betterment of the profession, and extend our sincere appreciation to the two Vice Presidents, Council and committee members, and the staff for their tireless efforts in contributing towards the achievement of the Institute's objectives on behalf of its members.

Sincere regards,

Clement Chan
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Notice of the 42nd annual general meeting

NOTICE IS HEREBY GIVEN that the 42nd annual general meeting of the Hong Kong Institute of Certified Public Accountants will be held in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Friday, 12 December 2014 at 5:30 p.m. for the following purposes:

1. To receive the President's address.
2. To receive the annual report of the Institute and approve the statement of accounts.
3. To appoint an auditor of the Institute under Professional Accountants by-law 42.
4. To elect seven Council members in accordance with sections 12 and 13 of the Professional Accountants Ordinance.
5. To transact any other ordinary business.

By order of the Council

Ding Wai Chuen, Raphael

Registrar

Hong Kong Institute of Certified Public Accountants

Dated this 30th of October 2014

Election of Council members at the 42nd annual general meeting

Composition of the Council – section 10, Professional Accountants Ordinance

The Council shall consist of the following members: two ex-officio members, 14 elected members, the immediate past President of the Institute, up to two co-opted members and four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region.

The two ex-officio members are:

- a. The Financial Secretary or a person appointed by him as his representative; and
- b. The Director of Accounting Services or a person appointed by him as his representative.

Ada Chung (鍾麗玲), representative of the Financial Secretary, and Martin Siu (蕭文達), Director of Accounting Services, are the ex-officio members serving on the Council.

The immediate past President of the Institute is Susanna Chiu (趙麗娟). She shall hold office as a member of the Council until the conclusion of the 42nd annual general meeting.

The four lay persons appointed by the Chief Executive of the Hong Kong Special Administrative Region are:

Melissa Brown (白朗瑩)
 Andrew Fung (馮孝忠)
 Natalia Seng (沈施加美)
 Tam Wing-pong (譚榮邦)

A lay person shall not be appointed for a term exceeding two years but shall be eligible for re-appointment for a further term or terms of not exceeding two years each.

The 14 elected members shall be certified public accountants registered under section 24(1) of the Professional Accountants Ordinance, each of whom shall on the day of the annual general meeting be ordinarily resident in Hong Kong and of whom at the time of election:

- a. not less than six shall be certified public accountants in full time practice as certified public accountants (practising); and
- b. not less than six shall be certified public accountants otherwise than in full time practice as certified public accountants (practising).

In other words, the 14 elected Council members may be made up as follows:

- a. six certified public accountants who are in full time practice as certified public accountants (practising) (hereafter represented by the letter “P”);
- b. six certified public accountants who are not in full time practice as certified public accountants (practising), who may or may not hold a practising certificate (hereafter represented by the letter “N”); and
- c. two certified public accountants of whom either one or both can be of category P or of category N as mentioned above.

Under section 10(4) of the Professional Accountants Ordinance, the Council may co-opt not more than two certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. The current incumbents are Gary C. Biddle (白國禮) (category N) and Richard Tse (謝建朋) (category N). Under section 12(4), they shall hold office until immediately before the conclusion of the 42nd annual general meeting and they shall be eligible to be co-opted again (subject to Council rules on continuous terms of co-option) or elected as members of the Council.

Retiring Council members

As prescribed by section 12 of the Professional Accountants Ordinance, the seven elected members who have been longest in office since their last election (at the 40th annual general meeting held on 14 December 2012) shall retire from office at the 42nd annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

Clement Chan (陳錦榮)	(Category P)
Raymond Cheng (鄭中正)	(Category P)
Cheung Wing Han, Ivy (張穎嫻)	(Category P)
Cho Lung Pui Lan, Stella (左龍佩蘭)	(Category N)
Dennis Ho Chiu Ping (何超平)	(Category P)
Doug Oxley (岳思理)	(Category N)
Eric Tong (唐業銓)	(Category P)

The following seven elected Council members will hold office for one more year until the 43rd annual general meeting:

Mabel M.B. Chan (陳美寶)	(Category P)
Jennifer H.Y. Cheung (張學欣)	(Category N)
Ronald Kung (龔耀輝)	(Category N)
Lam Chi Yuen, Nelson (林智遠)	(Category P)
Law Fu Yuen, Patrick (羅富源)	(Category P)
Stephen Law (羅卓堅)	(Category N)
Kim Man Wong (黃劍文)	(Category N)

Procedures for nomination

By-law 2(1A) states that “Only a certified public accountant, who shall on the day of the annual general meeting of the Institute be ordinarily resident in Hong Kong, shall become a candidate for election as an elected member of the Council.” For the purpose of this by-law, a person shall be treated as ordinarily resident if he or she has been present in Hong Kong for not less than 180 days in the preceding 12 months.

By-law 2(1) states that “A certified public accountant who is a candidate for election as an elected member of the Council shall be nominated by 2 certified public accountants.”

All nominations in writing, signed by the proposer and the seconder, together with a notice signed by the candidate giving his or her consent to stand for election, must reach the Registrar on or before Tuesday, 18 November 2014 at 5:30 p.m. A nomination form is enclosed for your convenience.

Ballot for elected members of the Council – section 13(1)(b) and by-law 3

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. before 5:30 p.m. on Tuesday, 25 November 2014), send a ballot paper to each certified public accountant who shall be entitled to cast one vote in respect of each of the vacancies according to the prescribed ratios of category P and N members as illustrated below:

Elected Council members	Category P	Category N	Total
Present composition	8	6	14
Composition of retiring members at the 42nd A.G.M.	5	2	7
Composition of remaining members at the 42nd A.G.M.	3	4	7
Minimum - maximum number permissible	6 - 8	6 - 8	14
Minimum - maximum number of vacancies to be filled	3 - 5	2 - 4	7

Completed ballot papers must be returned to the Registrar not less than 72 hours before the date and time fixed for the annual general meeting (i.e. before 5:30 p.m. on Tuesday, 9 December 2014).

If equal votes have been cast between any candidates, the President shall have a casting vote to determine which one or more of these candidates shall be elected.

Notes: 1. The above paragraphs are purely explanatory and members should always refer to the Professional Accountants Ordinance and By-laws for formal guidance on the election procedures.

2. Starting from 2005, members may choose to cast their votes online at the Institute's website. Details for voting online will be sent to members together with the ballot papers not less than 17 days before the 42nd annual general meeting (i.e. before 5:30 p.m. on Tuesday, 25 November 2014).

Timetable

The following is a timetable governing the various stages of the election to be conducted in accordance with the Professional Accountants Ordinance and By-laws.

Procedures	Deadline	Authority
Nomination of Council members	Tuesday, 18 November 2014 5:30 p.m.	By-law 2(3) (to be lodged with the Registrar not less than 24 days prior to A.G.M.)
Posting of nominations of Council members to members	Tuesday, 25 November 2014 5:30 p.m.	By-law 2(5) (not less than 17 days prior to A.G.M.)
* Issue of ballot paper to members	Tuesday, 25 November 2014 5:30 p.m.	By-law 3(1) (not less than 17 days prior to A.G.M.)
* Return of completed ballot paper to the Institute	Tuesday, 9 December 2014 5:30 p.m.	By-law 3(4) (to be returned to the Registrar not less than 72 hours prior to A.G.M.)

**According to section 13(1)(b), these procedures shall become operative if the number of nominations exceeds the number of vacancies for elected members.*

Disclosure of election results

The results of the election will be disclosed to members on the Institute's website, www.hkicpa.org.hk, after the Council meeting at which the result is delivered by the auditor under by-law 3(5), and will be formally announced at the 42nd annual general meeting at which the election is to be held.

Hong Kong Institute of CPAs

Nomination form for election to Council at the 42nd A.G.M.

To nominate one certified public accountant to the Council of the Hong Kong Institute of Certified Public Accountants under Professional Accountants by-law 2.

(Please fill in using BLOCK LETTERS)

Name of candidate	Membership no.	Signature
Category: (please refer to note A)		
Name of proposer	Membership no.	Signature
Name of seconder	Membership no.	Signature

Dated this _____ day of _____ 2014

Explanatory notes

- Under Professional Accountants by-law 2(1) and (2), a certified public accountant who is a candidate for election as an elected member of the Council shall be nominated by two certified public accountants. The nomination shall be in writing, proposed by one certified public accountant and seconded by another certified public accountant. In this connection, the proposer and seconder please sign above.
- Signature by a candidate on this form will be accepted by the Registrar as sufficient notice that he or she is willing to offer himself or herself for election to the Council under by-law 2(2)(c). The signature also serves as a declaration by the candidate that he or she is ordinarily resident in Hong Kong under by-law 2(1A).
- Signature by a candidate on this form will constitute agreement on his or her part to abide by the disclosure practice of the Council, if he or she is elected to the Council.

Notes

A. Please signify:

- by the letter "P" for the candidate who is in full time practice as a certified public accountant (practising);
- by the letter "N" for the candidate who is not in full time practice as a certified public accountant (practising), who may or may not hold a practising certificate.

A certified public accountant shall be regarded as being in full time practice as a certified public accountant (practising) if he –

- holds a practising certificate;
- is free to devote substantially the whole of his time during normal office hours to provide his services as a certified public accountant (practising); and
- has not entered into and there is not subsisting a contract of employment between him and an employer (other than an employer who is a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice) under which he is bound to devote the whole or substantially the whole of his time during normal office hours to his employment.

A certified public accountant holding a practising certificate shall not be treated as not being in full time practice as a certified public accountant (practising) by reason only of the fact that he is in the employment of a certified public accountant (practising) or a firm of certified public accountants (practising) or a corporate practice.

Normal office hours shall mean those hours at which banks are generally open for business in Hong Kong.

- In accordance with by-law 2(3), this nomination form must be duly signed and lodged with the Registrar before 5:30 p.m. on Tuesday, 18 November 2014 under confidential cover marked "Nomination."
- In accordance with the resolution made by the Council in January 1994, the number of votes received by individual candidates of the Institute's Council election should be disclosed. This practice has applied since the 22nd A.G.M.
- Please refer to the section "Election of Council members at the 42nd annual general meeting", pages 6 to 8.

Report of the Independent Auditor on the Summary Financial Statements

To the members of
Hong Kong Institute of Certified Public Accountants
(Incorporated in Hong Kong under the Professional Accountants Ordinance)

The summary financial statements of Hong Kong Institute of Certified Public Accountants (the “Institute”) set out on pages 11 to 17, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as the “Group”) and the Institute at 30 June 2014, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and related notes, are derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 18 September 2014.

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Institute. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Group and the Institute.

Council’s responsibility for the summary financial statements

The Council of the Institute is responsible for the preparation of a summary of the audited financial statements in accordance with section 16(4A) of the Professional Accountants Ordinance and on the basis described in note 1 to the summary financial statements.

Auditor’s responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing 810, “Engagements to Report on Summary Financial Statements” issued by the Institute. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2014 are consistent, in all material respects, with those financial statements, on the basis described in note 1 to the summary financial statements.

Mazars CPA Limited
Certified Public Accountants

42nd floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

18 September 2014

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2014

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Non-current assets				
Fixed assets	184,823	189,917	184,719	189,592
Interests in subsidiaries	-	-	-	-
Deferred tax assets	-	-	-	-
	184,823	189,917	184,719	189,592
Current assets				
Inventories	831	1,073	828	1,068
Receivables	2,251	2,401	3,129	3,303
Deposits and prepayments	6,593	4,803	6,308	4,569
Time deposits with original maturities over three months	197,759	71,271	168,491	49,327
Cash and cash equivalents	81,946	175,242	69,226	153,216
	289,380	254,790	247,982	211,483
Current liabilities				
Subscriptions and fees received in advance	(69,045)	(67,269)	(66,700)	(64,514)
Payables and accruals	(33,902)	(44,422)	(31,685)	(41,771)
Current tax liabilities	(5,777)	(929)	(5,777)	(929)
	(108,724)	(112,620)	(104,162)	(107,214)
Net current assets	180,656	142,170	143,820	104,269
Non-current liabilities				
Deferred tax liabilities	(70)	-	(70)	-
	365,409	332,087	328,469	293,861
Funds and reserve				
General fund	210,673	189,268	179,641	156,943
Capital fund	154,838	142,928	148,828	136,918
Exchange reserve	(102)	(109)	-	-
	365,409	332,087	328,469	293,861

Approved by the Council on 18 September 2014

Clement Chan
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2014

	<i>Note</i>	Group		Institute	
		2014	2013	2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscriptions and fees	2	136,287	130,207	133,716	127,105
Other revenue	3	96,646	96,057	91,220	90,290
Total revenue		232,933	226,264	224,936	217,395
Other income	4	19,386	14,220	20,843	15,921
Expenses		(225,996)	(237,518)	(218,163)	(227,400)
Surplus before tax	5	26,323	2,966	27,616	5,916
Income tax charge		(4,918)	(948)	(4,918)	(929)
Surplus		21,405	2,018	22,698	4,987
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		7	7	-	-
Comprehensive income		21,412	2,025	22,698	4,987

Approved by the Council on 18 September 2014

Clement Chan
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2014

	2014						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861
Surplus	21,405	-	-	21,405	22,698	-	22,698
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	21,405	-	7	21,412	22,698	-	22,698
Capital levy from members and students	-	11,910	-	11,910	-	11,910	11,910
At the end of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469

	2013						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	187,250	131,496	(116)	318,630	151,956	125,486	277,442
Surplus	2,018	-	-	2,018	4,987	-	4,987
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	2,018	-	7	2,025	4,987	-	4,987
Capital levy from members and students	-	11,432	-	11,432	-	11,432	11,432
At the end of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861

Statements of Cash Flows

For the year ended 30 June 2014

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities				
Surplus before tax	26,323	2,966	27,616	5,916
Adjustments for:				
Allowance for obsolete inventories	12	132	11	125
Depreciation	12,444	12,029	12,236	11,800
Loss on disposal of fixed assets	93	94	58	94
Obsolete inventories written off	7	27	7	27
Uncollectible amounts written off	5	20	5	20
Operating cash flows before working capital changes	38,884	15,268	39,933	17,982
Decrease/(Increase) in inventories	223	(239)	222	(236)
Decrease/(Increase) in receivables	145	(841)	169	(51)
(Increase)/Decrease in deposits and prepayments	(1,786)	571	(1,739)	609
Increase in time deposits with original maturities over three months	(126,488)	(71,271)	(119,164)	(49,327)
Increase in subscriptions and fees received in advance	1,776	4,377	2,186	4,316
(Decrease)/Increase in payables and accruals	(10,514)	9,762	(10,086)	9,598
Cash utilized in operations	(97,760)	(42,373)	(88,479)	(17,109)
Net tax (paid)/refunded	-	(7)	-	12
Net cash utilized in operating activities	(97,760)	(42,380)	(88,479)	(17,097)
Cash flows from investing activities				
Purchase of fixed assets	(7,446)	(2,476)	(7,422)	(2,297)
Sale proceeds from disposal of fixed assets	1	-	1	-
Net cash utilized in investing activities	(7,445)	(2,476)	(7,421)	(2,297)
Cash flows from financing activities				
Capital levy received	11,910	11,432	11,910	11,432
Net decrease in cash and cash equivalents	(93,295)	(33,424)	(83,990)	(7,962)
Cash and cash equivalents at the beginning of the reporting period	175,242	208,658	153,216	161,178
Exchange difference in respect of cash and cash equivalents	(1)	8	-	-
Cash and cash equivalents at the end of the reporting period	81,946	175,242	69,226	153,216

Notes to the Summary Financial Statements

For the year ended 30 June 2014

1. General information

The Group refers to Hong Kong Institute of Certified Public Accountants (the “Institute”) and its subsidiaries: HKICPA (Beijing) Consulting Co., Ltd. (“HKICPA Beijing”), The HKICPA Trust Fund, The HKICPA Charitable Fund and Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary, The HKIAAT Trust Fund.

These summary financial statements, as approved by the Council, have been derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2014 and contain the statements of financial position, the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows as presented therein. In addition, these summary financial statements contain notes, as derived from the audited financial statements, in relation to significant revenue and income generated from and expenses incurred for the principal activities of the Group and the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the results, the state of affairs and the cash flows of the Group and the Institute as would be provided by the audited financial statements. A copy of the audited financial statements in electronic form is available on the Institute’s website.

2. Subscriptions and fees

	Group		Institute	
	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000
Annual subscription fees				
Members	77,929	73,085	77,929	73,085
Practising certificates	21,459	20,339	21,459	20,339
Students	8,377	8,582	7,130	7,100
Firms	10,566	10,233	10,566	10,233
Corporate practices	5,868	5,402	5,868	5,402
Others	1,355	1,478	472	447
First registration fees				
Members	6,123	5,561	6,123	5,561
Practising certificates	662	832	662	832
Students	2,089	2,542	1,652	1,964
Firms	200	140	200	140
Corporate practices	205	210	205	210
Others	113	186	109	175
Other fees				
Advancement to fellowship	194	260	194	260
Assessment for overseas students	1,147	1,357	1,147	1,357
	136,287	130,207	133,716	127,105

3. Other revenue

	Group		Institute	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from examinations	75,765	75,294	70,885	70,494
Income from seminars and courses	18,081	17,340	17,950	16,913
Income from member and student activities	2,295	2,553	2,295	2,553
Accreditation income	505	870	90	330
	96,646	96,057	91,220	90,290

4. Other income

	Group		Institute	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial Reporting Council special levy	4,862	4,631	4,862	4,631
Events sponsorship	2,833	2,388	2,768	2,388
Disciplinary fines and costs recovery	3,621	1,884	3,621	1,884
Interest income	2,419	1,472	2,102	1,210
Sales of goods	1,661	1,102	1,459	1,004
Income from advertisements placed in the journals	665	924	623	861
Litigation costs recovery (a)	1,500	-	1,500	-
Income from hardcopy surcharge	727	597	654	597
Commission from professional indemnity insurance master policy	583	577	583	577
Commission from affinity credit card programme	158	160	158	160
Royalty income	72	61	-	-
Donations	39	49	27	25
Operating lease income	47	41	47	41
Recovery of impaired receivables	22	22	22	22
Service fees from HKIAAT	-	-	2,308	2,308
Miscellaneous	177	312	109	213
	19,386	14,220	20,843	15,921

a. Litigation costs recovery

On 17 June 2013, the Court of Final Appeal heard and dismissed an appeal made by a firm and certain individuals (the “Applicants”), one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. The Applicants have no further right to appeal against the decision. An amount of HK\$1,500,000 (2013: Nil) was subsequently received from the Applicants as final settlement for recovery of the legal costs incurred in the Court of Final Appeal proceedings.

During the current year, legal costs incurred by the Institute on this matter were HK\$92,000 (2013: HK\$1,471,000).

5. Surplus before tax

	Group		Institute	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	119,162	122,841	112,872	114,991
Depreciation	12,444	12,029	12,236	11,800
Contribution to Financial Reporting Council	4,862	4,631	4,862	4,631
Auditor’s remuneration	385	373	299	288
Allowance for obsolete inventories	12	132	11	125
Cost of goods sold	486	747	481	742
Donations (a)	10	15	60	65
Exchange loss/(gain)	883	(65)	866	(12)
Loss on disposal of fixed assets	93	94	58	94
Obsolete inventories written off	7	27	7	27
Operating lease expenses	1,188	1,182	536	465
Recovery of obsolete inventories written off	(41)	(10)	(41)	(10)
Recovery of impaired receivables	(22)	(22)	(22)	(22)
Uncollectible amounts written off	5	20	5	20

a. During the current year, the Institute donated HK\$50,000 (2013: HK\$50,000) to The HKICPA Charitable Fund.



Hong Kong Institute of
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