

ANNUAL
GENERAL
MEETING
2016

FASHIONING A FUTURE FOR HONG KONG



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

Message from
the President
&
the Chief Executive

ON THE COVER

This year's annual report features Hong Kong apparel industry as the theme. Once a hub for clothing and accessories factories, Hong Kong has rebuilt its garment sector into a high-tech centre for finance, logistics, sourcing and design. Watch for the full annual report for a photo essay and vignettes about Hong Kong fashion and the involvement of our members.

The cover picture was taken at Centrestage, Hong Kong's new fashion event spotlighting on local and international talents. Organized by HKTDC in September 2016, the show highlighted brands like KOYO by Hong Kong-based designer William Cheung as pictured. The cover photo was taken by Colin Beere.

A professional photograph of two individuals standing in a modern office hallway. On the left is Raphael Ding, a man with dark hair and glasses, wearing a dark pinstriped suit, a white shirt, and a red tie. On the right is Ivy Cheung, a woman with short dark hair, wearing a blue and black patterned dress with sheer black sleeves and black heels. They are standing on a polished white floor in front of a glass-walled office area. To the right of Ivy Cheung is a wooden podium.

Raphael Ding
Chief Executive

Ivy Cheung
President



The third annual membership survey results showed the profession keeps on prospering with members having stable incomes, positive job prospects and mobile roles.

Dear members,

As we approach our annual general meeting in December, we would like to give you a brief update on what the Institute has achieved in delivering its strategy for members and the wider profession, as well as a perspective on the future. More details about our work are covered in respective sections of the full annual report.

Supporting members' growth

The third annual membership survey results showed the profession keeps on prospering with members having stable incomes, positive job prospects and mobile roles.

It also affirmed the important contribution of our members to Hong Kong – the majority of CPAs in business work in leadership positions of pillar industries, while CPAs who work in audit and provide specialized services, support the smooth operation of our capital market and Hong Kong's role as a trusted business and commercial hub.

The survey also reflected that many members would like to develop the skills needed in new and non-traditional CPA roles amid a changing business environment.

To support them, we offered more than 3,278 CPD hours and registered 63,204 enrolments during the year. Of particular note, we piloted the Financial Controllership Programme to groom future business leaders, with encouraging feedback from participants.

We also emphasized soft skills training, covering topics such as creative thinking, adaptability and problem-solving, since such attributes are critical to career advancement.

Other in-depth CPD series focusing on specific business functions, including corporate finance, strategic management, and environmental, social and governance reporting, were also held

to support members in building up their knowledge.

Evolving with times

The Institute understands it needs to evolve in its training of the next generation. The consultation on reforming the Qualification Programme was issued, aiming to train accountants for the future, and provide more opportunities for students of different backgrounds to become a CPA.

Launched in October 2015, the Institute's official Facebook page attracted more than 2,000 "likes" and achieved a post reach of more than 20,000 in the first two weeks. The page was a much-needed addition to match our tech-savvy members. In addition, we have set up a LinkedIn page to engage with members and stakeholders specifically on accounting, auditing and ethical issues.

The Institute is committed to investing in the future and we are conscious of the great responsibility we hold in stewarding the wise use of our cash reserve. We have posted a surplus for this year due to some unexpected and external reasons. However, as most of the projects under the Sixth Long Range Plan are already up and running, there is no immediate need to use the surplus. The Council therefore has decided to give a one-off subscription reduction of HK\$180 to each current member (prorated for members enjoying concessionary rates) for the calendar year 2017, and would like to encourage them to invest this amount back into their professional training. At the same time, the Institute will holistically review the long-term funding structure, and the appropriate level of cash reserve, as we prepare for the next long range plan.

The Council has also decided to reduce the capital levy on property from HK\$300 to HK\$150 from 2017

onwards. This again is a result of careful consideration by the Council that the Institute has already recouped a major portion of the amount invested in existing properties, and it is fair to spread the capital levy contribution over a longer time period so that new members are also involved.

Reinforcing ties

The provisional regulations on CPA practices providing auditing services regarding the listing of Chinese enterprises outside of China, and the access of audit working papers continued to be our top issues of focus.

In addition to fostering closer connections with Mainland authorities and partners, we organized activities for members to develop business networks. The 10th Cross-Straits, Hong Kong and Macau Accounting Profession Conference was one such event and featured the theme of information technology, with Financial Secretary John Tsang as the guest of honour.

The extension of scope of the Closer Economic Partnership Arrangement was a breakthrough, allowing members who meet certain criteria to become partners of CPA firms throughout China.

Working with the International Federation of Accountants, the Institute has been advocating balanced financial regulation for the healthy development of business. In view of this aim, 10 principles have been developed for adoption by regulators around the world.

Several far-reaching standards like IFRS 9, IFRS 15 and Responding to Non-Compliance with Laws and Regulations will be implemented within the next two years. The Institute has provided various resources to prepare members and the business community for the changes.

With ICAEW, we held a conference to look into the future of the profession; with the Institute of Chartered

Working with the International Federation of Accountants, the Institute has been advocating balanced financial regulation for the healthy development of business.



Accountants of Scotland, we held a seminar on business ethics; and with the International Auditing and Assurance Standards Board, we reinforced our engagement when it held its full board meeting at the Institute in September 2016.

Local initiatives and advocacy

We continued to work with the government to address outstanding issues regarding audit regulation reform, while also supporting the preparation of a bill for the Legislative Council.

The Institute's vision of making a difference by influencing from the top has been furthered as we work with the Hong Kong Council of Social Services to visit boards of NGOs.

This year saw a new initiative called the President's Dinner, where leading figures are invited to share professional and broader issues affecting Hong Kong. Former LegCo president Jasper Tsang was our first guest.

The Best Corporate Governance Awards programme headed into its 17th successful year and continued to advocate for high standards. Three new awards and a self-nomination for the significant improvement awards were added to encourage wider participation.

We maintain a high level of media exposure to offer thought-leadership, allowing the public to hear our views on topics such as the government budget, Belt and Road, and the widespread Panama papers saga. Our investor education programme with TVB was a highlight, covering basic accounting concepts for the general public.

Looking to the future

Overall, a solid foundation has been laid out as we start to chart the Seventh Long Range Plan. The profession is evolving rapidly due to technology and the Institute is committed to help members prepare for the future. Members also need to adapt quickly to take on more roles, and pursue every opportunity to build up their strengths.

We would like to thank the two vice presidents, the Council and committee members for their contributions. The Institute still has much to accomplish in the years to come, but with your support, we can continue to achieve our goals with unwavering purpose.

Sincere regards,

Ivy Cheung
President

Raphael Ding
Chief Executive

Notice of the

44th

annual general meeting

NOTICE IS HEREBY GIVEN that the 44th 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 Thursday, 15 December 2016 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 24th of October 2016

Election of Council members at the 44th 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.

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

The immediate past President of the Institute is Ho Chiu Ping, Dennis (何超平), who is also an elected member. He shall hold office as a member of the Council until the conclusion of the 44th 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)
Fung Hau Chung, Andrew (馮孝忠)
Mak Yip Shing, Andrew (麥業成)
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 Tong Chi Chiu, Alec (湯志超) (category N) and Yung Wen Yee, Wendy (容韻儀) (category N). Under section 12(4), they shall hold office until immediately before the conclusion of the 44th 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 42nd annual general meeting held on 12 December 2014) shall retire from office at the 44th annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

- Cheng Chung Ching, Raymond (鄭中正) (Category P)
- Cheung Wing Han, Ivy (張穎嫻) (Category P)
- Ho Chiu Ping, Dennis (何超平) (Category P)
- Kong Chi How, Johnson (江智蛟) (Category P)
- Lung Pui Lan, Stella (龍佩蘭) (Category N)
- Eric Tong (唐業銓) (Category P)
- Tse Kin Pang, Richard (謝建朋) (Category N)

The following seven elected Council members will hold office for one more year until the 45th annual general meeting:

- Chan Mei Bo, Mabel (陳美寶) (Category P)
- Cheung Hok Yan, Jennifer (張學欣) (Category N)
- Lam Chi Yuen, Nelson (林智遠) (Category P)
- Law Cheuk Kin, Stephen (羅卓堅) (Category N)
- Law Fu Yuen, Patrick (羅富源) (Category P)
- Wong Hin Wing (黃顯榮) (Category N)
- Wong Kim Man (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 Monday, 21 November 2016 at 6:00 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. Monday, 28 November 2016), 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 44th AGM	5	2	7
Composition of remaining members at the 44th AGM	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 Monday, 12 December 2016).

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. 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 44th annual general meeting (i.e. Monday, 28 November 2016).

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 to be lodged with the Registrar	6:00 p.m. Monday, 21 November 2016	By-Law 2(3)
Sending of the list of candidates to members	Monday, 28 November 2016	By-Law 2(5)
Issue of ballot paper to members*	Monday, 28 November 2016	By-Law 3(1)
Return of completed ballot paper to the Registrar*	5:30 p.m. Monday, 12 December 2016	By-Law 3(4)

* 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 Council receives the results from the auditor under By-Law 3(5). The same will be formally announced at the 44th annual general meeting at which the election is to be held.

Hong Kong Institute of CPAs

Nomination form for election to Council at the 44th AGM

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 _____ of _____ 2016

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, both their signatures are required as 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 6:00 p.m. on Monday, 21 November 2016 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 AGM.
- Please refer to the section "Election of Council members at the 44th annual general meeting", pages 5 to 7.

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 10 to 16, 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 2016, 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 2016 (the “Audited Financial Statements”). We expressed an unmodified audit opinion on the Audited Financial Statements in our report dated 20 September 2016.

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.

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 are consistent, in all material respects, with the Audited 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

20 September 2016

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2016

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Non-current assets				
Fixed assets	167,628	173,535	166,491	173,445
Interests in subsidiaries	-	-	-	-
Deferred tax assets	956	704	956	704
Prepayments for purchase of fixed assets	3,790	-	3,790	-
	<u>172,374</u>	<u>174,239</u>	<u>171,237</u>	<u>174,149</u>
Current assets				
Inventories	748	984	745	982
Receivables	2,020	1,268	2,826	3,018
Deposits and prepayments	7,777	8,787	7,667	8,450
Tax recoverable	11	-	-	-
Time deposits with original maturities over three months	317,112	94,903	286,759	70,283
Cash and cash equivalents	35,158	234,340	30,107	218,467
	<u>362,826</u>	<u>340,282</u>	<u>328,104</u>	<u>301,200</u>
Current liabilities				
Contract liabilities/subscriptions and fees received in advance	(80,910)	(71,656)	(80,145)	(69,455)
Payables and accruals	(34,979)	(43,183)	(33,170)	(41,230)
Lease liabilities	(2,355)	-	(1,735)	-
Current tax liabilities	(2,370)	(7,294)	(2,370)	(7,294)
	<u>(120,614)</u>	<u>(122,133)</u>	<u>(117,420)</u>	<u>(117,979)</u>
Net current assets	<u>242,212</u>	<u>218,149</u>	<u>210,684</u>	<u>183,221</u>
Non-current liabilities				
Lease liabilities	(2,229)	-	(1,795)	-
Deferred tax liabilities	-	-	-	-
	<u>(2,229)</u>	<u>-</u>	<u>(1,795)</u>	<u>-</u>
	<u>412,357</u>	<u>392,388</u>	<u>380,126</u>	<u>357,370</u>
Funds and reserve				
General fund	232,558	225,285	206,218	196,174
Capital fund	179,918	167,206	173,908	161,196
Exchange reserve	(119)	(103)	-	-
	<u>412,357</u>	<u>392,388</u>	<u>380,126</u>	<u>357,370</u>

Approved by the Council on 20 September 2016

Cheung Wing Han, Ivy
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2016

	Note	Group		Institute	
		2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Subscriptions and fees	2	138,583	132,737	136,785	130,660
Other revenue	3	96,281	95,369	93,646	91,575
Total revenue from contracts with customers/Total revenue		234,864	228,106	230,431	222,235
Other income	4	18,735	23,720	20,216	25,048
Expenses		(242,724)	(233,704)	(237,136)	(227,263)
Surplus before tax	5	10,875	18,122	13,511	20,020
Income tax charge		(2,830)	(3,510)	(2,695)	(3,487)
Surplus		8,045	14,612	10,816	16,533
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		(16)	(1)	-	-
Comprehensive income		8,029	14,611	10,816	16,533

Approved by the Council on 20 September 2016

Cheung Wing Han, Ivy
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Cash Flows

For the year ended 30 June 2016

	Group		Institute	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Cash flows from operating activities				
Surplus before tax	10,875	18,122	13,511	20,020
Adjustments for:				
Allowance for obsolete inventories	160	44	160	44
Depreciation of fixed assets	13,809	12,945	13,103	12,858
Interest on lease liabilities	104	-	69	-
Impairment of fixed assets	-	480	-	480
Impairment of receivables	-	501	-	501
Loss on disposal of fixed assets	3	83	3	85
Obsolete inventories written off	17	9	16	9
Uncollectible amounts written off	12	15	12	15
Operating cash flows before working capital changes	24,980	32,199	26,874	34,012
Decrease/(Increase) in inventories	59	(206)	61	(207)
(Increase)/Decrease in receivables	(764)	467	180	(405)
Decrease/ (Increase) in deposits and prepayments	1,028	(2,194)	783	(2,142)
(Increase)/Decrease in time deposits with original maturities over three months	(222,209)	102,856	(216,476)	98,208
Increase in contract liabilities /subscriptions and fees received in advance	6,280	2,611	7,716	2,755
(Decrease)/Increase in payables and accruals	(5,975)	9,281	(5,858)	9,545
Cash (utilized in)/generated from operations	(196,601)	145,014	(186,720)	141,766
Net tax paid	(8,017)	(2,767)	(7,871)	(2,744)
Net cash (utilized in)/generated from operating activities	(204,618)	142,247	(194,591)	139,022
Cash flows from investing activities				
Purchase of fixed assets	(1,271)	(2,228)	(1,211)	(2,153)
Prepayments for purchase of fixed assets	(3,790)	-	(3,790)	-
Sale proceeds from disposal of fixed assets	-	7	-	4
Net cash utilized in investing activities	(5,061)	(2,221)	(5,001)	(2,149)
Cash flows from financing activities				
Lease payments	(2,160)	-	(1,480)	-
Capital levy received	12,712	12,368	12,712	12,368
Net cash generated from financing activities	10,552	12,368	11,232	12,368
Net (decrease)/increase in cash and cash equivalents	(199,127)	152,394	(188,360)	149,241
Cash and cash equivalents at the beginning of the reporting period	234,340	81,946	218,467	69,226
Exchange difference in respect of cash and cash equivalents	(55)	-	-	-
Cash and cash equivalents at the end of the reporting period	35,158	234,340	30,107	218,467

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$4,697,000 respectively by means of leases.

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 2016 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	
	2016 HK\$’000	2015 HK\$’000	2016 HK\$’000	2015 HK\$’000
Annual subscription fees				
Members (a)	80,097	73,673	80,097	73,673
Practising certificates	22,854	22,318	22,854	22,318
Students	8,333	8,449	7,426	7,392
Firms	10,658	10,714	10,658	10,714
Corporate practices	6,158	6,108	6,158	6,108
Others	1,101	1,231	382	445
First registration fees				
Members	5,332	5,732	5,332	5,732
Practising certificates	721	746	721	746
Students	1,749	1,986	1,584	1,757
Firms	140	172	140	172
Corporate practices	158	268	158	268
Others	96	105	89	100
Other fees				
Advancement to fellowship	214	219	214	219
Assessment for overseas students	972	1,016	972	1,016
	138,583	132,737	136,785	130,660

a. Members' annual subscription fees

	Group and Institute	
	2016	2015
	HK\$'000	HK\$'000
Annual subscription fees	83,860	81,199
Less: One-off rebate (i)	(3,763)	(7,526)
	80,097	73,673

(i) In June 2015, the Council approved a one-off rebate of HK\$200 each to members whose names were on the register at 1 January 2015 and have paid the 2015 annual subscription fees. The impact of the adoption of HKFRS 15 on the accounting for rebate of the 2015 annual subscription fees is reflected above. The comparative information has not been restated.

3. Other revenue

	Group		Institute	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from examinations	76,966	76,275	74,362	72,542
Income from seminars and courses	17,392	16,620	17,368	16,579
Income from member and student activities	1,841	2,344	1,841	2,344
Accreditation income	82	130	75	110
	96,281	95,369	93,646	91,575

4. Other income

	Group		Institute	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FRC special levy (a)	7,340	6,990	7,340	6,990
Events sponsorship	2,880	1,944	2,880	1,944
Disciplinary fines and costs recovery	2,148	6,111	2,148	6,111
Interest income	2,357	3,597	2,119	3,244
Sales of goods	1,074	1,049	943	878
Income from advertisements placed in the journals	295	447	295	444
Litigation costs recovery (b)	251	1,446	251	1,446
Income from hardcopy surcharge	901	849	659	671
Commission from professional indemnity insurance master policy	945	805	945	805
Commission from affinity credit card programme	159	169	159	169
Royalty income	25	33	-	-
Donations	34	31	18	18
Income from sub-leasing right-of-use assets/ Operating lease income	156	98	156	98
Recovery of impaired receivables	68	5	68	5
Service fees from HKIAAT	-	-	2,167	2,167
Miscellaneous	102	146	68	58
	18,735	23,720	20,216	25,048

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (the "FRC"), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual budget of the FRC. The Institute's share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$7,340,000 (2015: HK\$6,990,000) from such member practices and contributed HK\$7,340,000 (2015: HK\$6,990,000) to the FRC.

b. Litigation costs recovery

	Group and Institute	
	2016	2015
	HK\$'000	HK\$'000
Litigation costs recovery for:		
Appeal against a judicial review (i)	220	876
Appeals against disciplinary orders (ii)	31	570
	<u>251</u>	<u>1,446</u>

- (i) During the current year, the Institute recovered HK\$220,000 from an applicant who applied for judicial review on the handling procedure of a complaint against him.

During the year ended 30 June 2015, the Institute recovered HK\$876,000 from the insurers in relation to legal costs incurred in the Court of Final Appeal proceedings for an appeal made by a firm and certain individuals, one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. The appeal was dismissed by the Court of Final Appeal in June 2013.

- (ii) During the current year, the Institute received HK\$31,000 (2015: HK\$570,000) from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against disciplinary orders.

5. Surplus before tax

	Group		Institute	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Surplus before tax has been arrived at after charging/ (crediting):				
Employee benefits	130,750	125,511	124,954	118,683
Depreciation of fixed assets	13,809	12,945	13,103	12,858
Contribution to FRC	7,340	6,990	7,340	6,990
Auditor's remuneration	416	404	323	312
Allowance for obsolete inventories	160	44	160	44
Cost of goods sold	326	371	323	366
Donations (a)	23	14	73	64
Exchange loss	1,369	57	1,357	61
Impairment of fixed assets	-	480	-	480
Impairment of receivables	-	501	-	501
Interest on lease liabilities	104	-	69	-
Loss on disposal of fixed assets	3	83	3	85
Obsolete inventories written off	17	9	16	9
Recovery of impaired receivables	(68)	(5)	(68)	(5)
Recovery of obsolete inventories written off	(1)	(1)	(1)	(1)
Uncollectible amounts written off	12	15	12	15

- (a) During the current year, the Institute donated HK\$50,000 (2015: HK\$50,000) to The HKICPA Charitable Fund.



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