ACCOUNTING PLUS

PROFESSION OF POSSIBILITIES

ANNUAL REPORT 2018

CPA

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

Contents

Foreword

The age of Accounting Plus is now. It is a time when the career options available for CPAs are wide and varied, and CPAs are ready and able to take on the challenges and opportunities of the future. The concept of Accounting Plus is vital to ensuring the accounting profession stays relevant as the business world continues to change rapidly.

This annual report highlights how becoming a CPA allows our members to progress in areas beyond auditing and assurance, and financial reporting, and how they are adding value to business across myriad of industries. “Accountants Plus” embrace innovation and have the relevant skills and insights needed to help organizations get to the next level in an ever-competitive business environment.

The cover artwork reflects the accounting profession as forward-thinking and prepared for disruptive new technologies. The artwork was created by Jen Choi and Valerie Tang. The photos in this report were taken by Calvin Sit.

MESSAGE FROM THE PRESIDENT

Dear members,

As we approach the annual general meeting after another busy and productive year, it is an opportune time to provide an update on the activities of the Institute and what we have achieved in delivering our strategy to you, as members, the wider profession, and Hong Kong.

This year was the final year of the Sixth Long Range Plan. Agreed in 2013, the plan cemented the position of the Institute as a world class, top quality professional body, which serves the business community and public interest of Hong Kong.

The Seventh Long Range Plan is being assessed and finalized by Council and responds to three challenges the profession faces over the next few years. Firstly, the impact on the profession of changes in technology and the business and regulatory environment; secondly, attracting and developing the best talent; and thirdly, maintaining the unique position of the Institute. The Seventh Long Range Plan seeks to make accountancy a preferred career choice for top talent. It is about creating a dynamic, relevant, and up-to-date profession and securing recognition of the Institute as a premium body both in Hong Kong and internationally.

Accounting Plus

Amidst the fast changing business world, much of the work of the Institute over the year (as it will be for the years ahead) has been preparing the CPAs of the future. The concept of Accounting Plus represents a profession which is rich-in-variety and specializations. Accounting Plus signifies a continuously learning and improving profession, utilizing the newest technologies to answer increasingly complex questions raised by businesses and society.

Accounting Plus is the key to our future, ensuring the profession remains relevant by strengthening CPAs' ability to embrace new technologies; analyse increasingly complex datasets; provide timely and insightful business advice; investigate and assess businesses; scenarios and investment proposals; and develop new skills and services to help our clients navigate business and technology disruption.

Council activities and the EGM

This year has seen significant changes in the governance of the Institute. In January, Council agreed to release abridged versions of its meeting minutes. This new level of transparency allows members to gain a deeper understanding of the activities of Council and how the Institute supports the profession.

At the extraordinary general meeting held in March, members in attendance and by proxy passed three resolutions. The resolutions have been important inputs into Council's actions over the year, and will likely remain significant in future decision-making regarding the Institute's support for the membership.

Based on the results of a holistic review of the fee structure which started in October 2017, Council decided to introduce a membership fee waiver for 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 is for the full fee (i.e. HK$2,300), and a review is planned before the renewal period for 2020 to determine the appropriate level of the waiver, ensuring sufficient reserves are maintained for expected operating expenses.

In addition, fees for most CPD seminars were reduced by 20% from 1 July 2018, non-practising certificate holder partner's annual registration fees halved, and the eligible age for waiver of membership fee lowered to 65.

Council also discussed various proposals to poll members for the election of president and vice-presidents. To further investigate the proposals, Council set up a taskforce to consider several options with the objective of holding a poll of all members under the current Council election framework. The taskforce is examining practicality and seeking legal advice. Given the potential bearing on the Professional Accountants Ordinance, amendment of the legislation is being considered in parallel.

The previous Chief Executive and Registrar left the Institute at the end of the financial year, upon the expiry of his contract. Council thanks Raphael for his dedicated service to the Institute over his six years in charge. Since then Jonathan Ng, Executive Director, Education and Training, has been Acting Registrar. To oversee the replacement, Council set up a search committee, which engaged a recruitment consultant to undertake a global search for suitable candidates.

"The Institute hosted a number of seminars to further **promote good corporate governance** through inviting award winners to share their experiences and practices."

Annual membership survey

Moving on to some of the highlights of the Institute's activities over the year. This year, the annual membership survey was conducted alongside the first studentship survey, to solicit the views of the whole profession on three topics, employment prospects, earning power, and CPA qualification and development. Regarding the employment market and economic outlook over an 18-month timeframe, the results were the most positive since surveying began on the topic in 2016 for members, while the Institute's Qualification Programme (QP) received good reviews from those who had undertaken it and was reported as adequate for meeting their job requirements.

The surveys also asked respondents about the support their employer provides for continuous professional development activities. The Institute continues to work with employers to ensure that it is offering courses that help members in all fields, and increase the number of courses made available through its digital learning platform which are available to members at any time.

Advocating for improved corporate governance

After consistent efforts over almost two decades, the Institute's Best Corporate Governance Awards is firmly established as one of the most respected in the city. At the 18th awards presentation luncheon last year, featuring guest of honour Secretary for Financial Services and the Treasury, James H Lau Jr, 20 awards, special mentions and commendations were given out – including new awards for sustainability and social responsibility reporting. The support given to the awards by both the government and business community is instrumental to their success and improving corporate governance in Hong Kong.

Throughout the year, the Institute hosted a number of seminars to further promote good corporate governance through inviting award winners to share their experiences and practices.

Another key development advocating for improvements in the corporate governance regime this year, was the release of the Institute's substantial *Report on Improving Corporate Governance in Hong Kong*, covering the findings of an independent comparative study of corporate governance in Hong Kong, the United States, the United Kingdom, Mainland China and Singapore. The report's recommendations were widely covered by the media and strengthened the thought leadership of the Institute in a topic very dear to our core values.

Legislative and regulatory developments

The Institute regularly interacts with the government regarding the development of a number of new legislative and regulatory regimes, making the views of the profession known throughout the legislative process. Two of the biggest developments this year include the Financial Reporting Council (Amendment) Bill, and the anti-money laundering and counter-terrorist financing regime.

Audit regulatory reform

In January, the government gazetted the Financial Reporting Council (Amendment) Bill 2018, further outlining its legislative approach to the regulation of auditors of listed entities. Since then the Institute has engaged with the Legislative Council Bills Committee on a number of occasions, in person and in writing, to make the views of the profession known, and ensure that the legislation works for the profession and for Hong Kong. To accompany our official engagements, a series of opinion pieces were published in newspapers to underpin the Institute's position on a number of key points of contention.

Anti-money laundering

For many practitioners this year the introduction of new anti-money laundering and counter-terrorist financing regime led to significant changes in the way they do business. The new regime brings Hong Kong into line with the Financial Action Task Force on Money Laundering (FATF) Recommendations, the internationally endorsed global standards against money laundering and terrorist financing.

To support members in complying with the new regime, the Institute produced a guidebook and commissioned the production of the *Anti-Money Laundering Procedures Manual for Accountants* to provide practical reference on procedures and forms. The Institute also supports members through specially-arranged discounts on anti-money laundering screening solutions to enable practitioners to carry out the due diligence required under the new regime. Finally, the Institute organized a series of seminars and workshops to walk through the regime and explain to members the new requirements placed on them.

A task group of members of the FATF is due to visit Hong Kong later in the year to ensure compliance with the recommendations and we look forward to meeting them to discuss the on-going efforts and challenges of implementation.

Shaping international standards

A vital role of the Institute is the shaping of international standards to work for Hong Kong. The Institute's early involvement at the development stage ensures that the views and concerns of our members and other local stakeholders are effectively expressed and considered on the global stage.

Over the year we collaborated with international standard setting bodies, such as the International Financial Reporting Standards (IFRS) Foundation, the International Auditing and Assurance Standards Board, and the International Ethics Standards Board for Accountants, and other national standard-setters. One highlight this year was the Joint Institute-IFRS Foundation stakeholder dinner we hosted in January. The dinner featured a panel debate on the theme of Hong Kong and IFRS Standards: Past, Present and Future, with business leaders from Hong Kong and the Chair of the International Accounting Standards Board. A recording of the panel is available on the Institute's YouTube channel.

Not only are we interested in shaping standards, but once implementation begins we help practitioners and the wider investor and analyst communities to understand the new standards. This year we held an education session, specifically targeted at the investor community, on two new standards, Hong Kong Financial Reporting Standard (HKFRS) 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*, both effective for reporting periods from 1 January 2018, to run investors and analysts through changes to financial reports as a consequence of the new standards and how they may affect their work.

HKFRS 9 was developed to make financial reporting for financial instruments more relevant and understandable. HKFRS 9 brings together the classification and measurement, impairment and hedge accounting phases. Also introduced this year was HKFRS 15, which establishes a single, comprehensive framework for revenue recognition. The Institute works with practitioners, users of financial statements and other stakeholders to ensure the new standards are effective, and seek feedbacks on the new standards.

A number of accounting, auditing and ethics standards were also revised this year and we organized consultations with stakeholders on improving audit quality, company reporting, and the effectiveness of the standards.

Exploring Greater Bay Area and Belt and Road opportunities

Looking beyond Hong Kong, the strength of our ties with the profession and government in the Mainland are vital for the long-term success of the profession. As the Greater Bay Area transforms the region we live into become one of the world's leading bay areas, strong relationships with our peers in Guangzhou and Shenzhen are essential.

The founding of the Hong Kong and Guangdong CPA Practices Alliance in December 2017 demonstrates the importance of the Greater Bay Area to the long-term future of the profession on both sides of the border. The first meeting of the alliance was held in June, with over 30 delegates from Hong Kong meeting 40 of their counterparts from Guangdong for

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a seminar and roundtable on the further collaboration opportunities.

As the Greater Bay Area plan develops, the Institute will continue to work with the governments of the Hong Kong Special Administrative Region and the People's Republic of China to ensure recognition and utilization of the unique skills of our member for the benefit of all.

Hong Kong is expected to be an important gateway for the Belt and Road Initiative and represents a one-stop shop of world class professional services needed to deliver projects. In February, the Institute leadership and management attended the Seminar on Strategies and Opportunities under the Belt and Road Initiative organized by the Belt and Road General Chamber of Commerce in Beijing. The seminar aimed to promote Hong Kong's highly internationalized platform and distinctive edge, including its CPAs, to Mainland government ministries and state-owned enterprises.

The Institute and the profession were also represented at the Hong Kong Trade Development Council's third Belt and Road Summit in June.

The Institute also hosted a cocktail reception in Guangzhou in March for Institute members and guests from Mainland government and regulatory authorities, professional and business organizations, universities and professional firms. Networking opportunities such as this are important for connecting our members with potential business partners.

Future-ready profession and Institute

Before I end, I wanted to detail some of the preparations for the future and the age of Accounting Plus.

New QP

The new QP entered the implementation phase this year, with major groundwork being laid for the three levels, which will be rolled out stage-by-stage. The first examination session for the Associate Modules, the Professional Modules and the Capstone will be held in June 2020, December 2020 and June 2021 respectively. Students will begin to notice changes with the introduction of the new online Student Information System in September 2019 and the publication of new study packs for exam preparation.

We also launched a consultation on changes to the Practical Experience Framework. The proposed changes aims to ensure the revised framework aligns with international standards and the best practices of leading accountancy bodies through enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the Authorized Employer and Authorized Supervisor system, and promoting communication through an online system.

Together, the new QP and the Practical Experience Framework will ensure that the profession is future ready, and prepares the "Accounting Plus" professionals who will be needed to ensure Hong Kong's status as a global financial capital.

Digital transformation – our new digital experience

To support a future-ready profession it is vital that the Institute itself is digitally enabled. Council approved the Digital Strategic Plan to upgrade the Institute's online presence to more effectively engage with members and deliver member service. This three-year project will see the development of a new website with enhanced navigation and search capabilities, and digital marketing tools to bring more relevant information and insights, events and resources to suit the various needs of our diverse membership.

The project was kicked off in June, and the first phase implementing the new website finishes with the launch in mid-November. The new website includes a new homepage design, reorganized content to be more user-focused and intuitive, making it easier to navigate to relevant content. The Institute will collect feedback from website users to make usability improvements, and new features will be rolled out on a regular basis.

Building on these changes and preparing for the Seventh Long Range Plan means that there will be many more busy and fulfilling years ahead for the Institute.

Lastly, I would like to thank the two Vice-Presidents, Council and committee members for their diligent work over the year. Future-readying our profession is a challenge we all must face together, and as a united profession we can succeed in the age of Accounting Plus.

Sincere regards,

Eric Tong
President

CONSTITUTION, GOVERNANCE AND FINANCE

As a statutory organization, we are committed to maintaining high quality governance as well as preserving and bolstering the confidence of our members, their employers and clients, and the general public.

We regularly review our internal controls, using up-to-date technologies to increase the efficiency, security and accountability of our operations, so we can deliver to members the highest quality services.

Our staff play an important part in the success of the Institute. Therefore, it is imperative for us to create a positive working environment that attracts, retains and develops talented employees amid an increasingly competitive hiring environment. Through a balance of well-maintained operations and satisfied staff, the Institute is able to perform its functions at the highest level.

Governance

Extraordinary General Meeting

In March 2018, the Institute hosted an extraordinary general meeting after more than 100 members called for one. At the meeting, members in attendance and by proxy voted for three resolutions proposed and since the meeting, Council has been working on its response. The resolutions passed were as follows:

Resolution 1 proposed redistribution of 50% of all the cash, cash equivalent and time deposits held by the Institute to members whose names appear on the register as at 31 December 2017.

Resolution 2 called for the Institute to consider and take all necessary actions to elect president and vice-presidents through a "one member, one vote" poll from general membership of all members before the Annual General Meeting, requiring Council members to vote along the lines of the membership poll.

Resolution 3 called for the termination or non-renewal of the contract with the Chief Executive and Registrar and for the Institute to conduct global recruitment for this position and significantly reduce the remuneration of this position to a level acceptable to general membership.

In October 2017, Council began a holistic review of the fee structure. Based on the review, Council decided to introduce a membership fee waiver for 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 is for the full fee (i.e. HK$2,300), and a review is planned before 2020 to determine the appropriate level of the waiver, ensuring sufficient reserves are maintained for expected operating expenses. In addition, fees for most continuing professional development seminars were reduced by 20% from 1 July 2018, non-practising certificate holder partner's annual registration fees halved, and the eligible age for waiver of membership fee lowered to 65.

Council also considered a number of proposals to poll members for the election of president and vice-presidents. A Taskforce has been set

READY FOR INSURTECH

InsurTech is a major area of innovation in the financial industry, and Raymond Lo (pictured here), Chief Financial Officer at FWD Hong Kong, is helping his company play a part in it. Last year, FWD Hong Kong announced its plans to invest HK$500 million in InsurTech in the next five years with a focus on three core areas: mobile services, Internet of Things, and Big Data analytics.

up and considered several options proposed by the management, with the objective of holding a poll of all members under the current Council election framework. The Taskforce is examining practicality and seeking legal advice. Given the potential impact on the Professional Accountants Ordinance, amendment of the legislation is being considered in parallel.

The previous Chief Executive and Registrar left the Institute at the end of the financial year. Since that time Jonathan Ng, Executive Director, Education and Training, has been Acting Registrar. Council also set up a search committee and engaged a recruitment consultant for a global search for replacement candidates.

The Council

The Council serves as the governing body of the Institute, and makes decisions on the overall strategy, policy and direction as well as matters stipulated in the Professional Accountants Ordinance. It provides guidance on the Institute's governance and operations with the assistance of several monitoring and advisory committees.

The Council consists of 21 members this year, all of them being non-executive and non-compensated. Fourteen individuals are CPAs directly elected by the membership and the immediate past president who completed her elected term also remains on Council for an additional year to provide continuity. There are also six government appointed members to provide independent views, including two ex-officio government members and four lay members of high standing in society.

Through a balance of members from within and outside the accounting profession, the Council benefits from a wide scope of views when debating and addressing issues. All Council members follow strict rules to avoid conflict of interest, such as the forbiddance of members in taking part of discussions or decisions where a real or apparent conflict of interest is present. Council members are also not to disclose any information pertaining to their work while serving as a member of the Council.

With the exception of a break in August, Council meetings are held monthly. Attendance of individual members can be found on the Institute's website, and abridged Council minutes in the Members' area of the website.

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Monitoring committees

Under the Council, the Institute is further guided by monitoring committees including the Audit Committee, Qualification Oversight Board and Regulatory Oversight Board. They ensure that the operations of the Institute's management and relevant committees are aligned with the strategies and policies set by the Council.

The **Audit Committee** is appointed by Council and consists of five members who help Council fulfil its governance and oversight responsibilities in relation to financial reporting and internal controls. It reports directly to Council and holds regular meetings with management, and both internal and external auditors in order to effectively discharge its delegated responsibilities.

The **two oversight boards** are in charge of monitoring the regulations, standards and quality, and professional qualifications of the Institute. By maintaining a vigilant eye over the work of management and relevant committees, the boards are able to ensure that the Institute's operations follow the directions provided by Council. The details of these activities are covered in respective sections of this report.

Advisory committees

Advisory committees include the Governance Committee, Nomination Committee, Remuneration Committee, and Registration and Practising Committee.

The **Governance Committee** is tasked with the development and review of existing policies and rules that the Institute adheres to. During the year, the Governance Committee developed guidance in relation to granting

permission to disclosure of information possessed by Council members and handling of complaints addressed to Council. The Governance Committee also reviewed the respective roles of the president, vice-presidents, chief executive and the immediate past president as well as the expectations on the performance of committee chairs and members. Through recommendations to Council, the Governance Committee aims to strengthen the Institute's standards of governance via both objectivity and efficiency.

The **Nomination Committee** provides recommendations to Council over the appointment of Institute members to committees, panels and working groups, the co-option of Council members and nomination of Institute representatives to take on positions in overseas bodies. It also approves, on behalf of Council, the nomination of Institute representatives to take on positions in external local bodies.

The **Remuneration Committee** is one of the leading forces behind the Institute's strong management of human resources. It is responsible for providing recommendations to Council on annual pay adjustments, performance bonuses and other employment terms and conditions.

Recommendations from the Remuneration Committee and chief executive are taken into account by the Council when it decides on the overall remuneration for general staff. Decisions for individual staff are made based on documented assessments.

For the remuneration of directorate staff, Council takes into account the recommendations of the leadership team, comprising the president, vice-presidents and the chief executive, and the parameters established by the Remuneration Committee. Council members and relevant committee chairs also provide input for the performance appraisals of directorate staff.

The remuneration of the chief executive is determined on an annual performance review by Council.

The Institute seeks to attract, motivate and retain staff with the skills, experience and qualifications needed to achieve strategic and operational goals by offering remuneration packages that are competitive according to staff performance and prevailing market practices. Compensation benchmarking is performed by conducting annual salary survey with comparable organizations, which was completed in the second quarter of 2018.

The **Registration and Practising Committee** is a statutory committee responsible for examining the qualifications of applicants for registration as CPAs. It provides recommendations to Council as to whether to accept or reject the applicants.

In addition, it serves as an advisor to Council on applications of CPAs for practising certificates, and will conduct necessary inquiries to determine whether applicants have the qualifications needed according to the Professional Accountants Ordinance. It also advises Council on the applications of members for specialist designations and other matters as required.

Execution and finance

The chief executive takes charge in the execution of Council's policies and decisions. Appointed by Council, the chief executive oversees the Institute's activities and day-to-day operations, and serves as Council's secretary and policy advisor.

The chief executive together with a management team of two executive directors, a general counsel and 12 department and section heads, direct a group of over 200 staff alongside a network of statutory and decision-making committees, as well as advisory committees and panels.

Additionally, the chief executive chairs the Executive Committee which consists of the executive directors and heads of finance and operations, legal, marketing and communications, and member support, as well as the president and two vice-presidents serving as ex-officio members. The Executive Committee holds monthly meetings to make management decisions and consider reports and recommendations to the Council.

As stated above, at the end of the financial year, the chief executive left his post. Recruitment efforts for a replacement candidate are ongoing.

At the conclusion of the financial year on 30 June 2018, the group recorded a surplus of HK$5 million. Prudent management over financial resources has allowed us to uphold a strong financial position and invest in key projects for the benefit of the profession, members and staff.

With a similar headcount to the previous financial year, the Institute further enhanced its support to members and managed another eventful year with significant changes and challenges. These included the development of the new Qualification Programme, continued enhancement of the Member Activity System, launch of the digital strategic plan, increase in the number of activities held with international and Mainland stakeholders, and formulation of the Seventh Long Range Plan.

Governance Structure

Council

Set overall strategy and direction

Advisory committees

Governance Committee
Nomination Committee
Registration and Practising Committee
Remuneration Committee

Monitoring committees

Audit Committee
Qualification Oversight Board
Regulatory Oversight Board

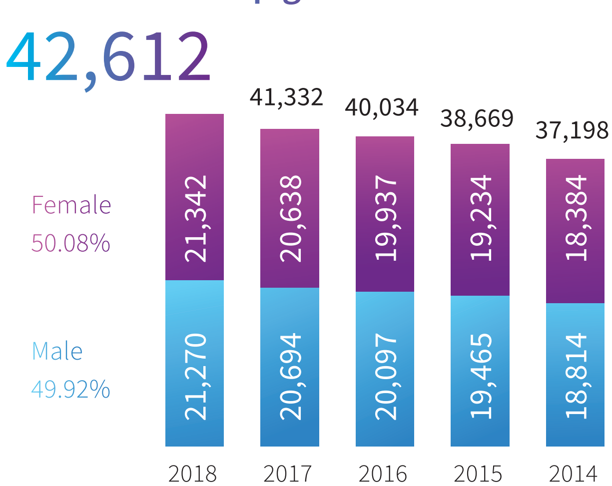
MEMBERSHIP AND QUALIFICATION

The continuing growth in the Institute's membership illustrates the accounting profession's attractiveness in the age of Accounting Plus. As of 30 June 2018, membership stood at 42,612, up from 41,332 last year, including 5,571 fellow members. There were 4,769 practising members at that date, up from 4,627 last year. The number of member practices has also grown from 1,838 in 2017 to 1,861 in 2018, including 575 corporate practices.

Since its launch in 1999, the Qualification Programme (QP) has been providing world-class and comprehensive training for aspiring accountants, equipping them with solid accounting knowledge and technical advisory skills for a successful career in either practice or business. With the upcoming changes to enhance the qualifying process, the QP will remain the premier route to becoming a CPA in the age of Accounting Plus, where technology will enable CPAs to offer higher-value analysis services to clients and employers.

As of 30 June this year, there were a total of 17,486 students at the Institute, including 778 students from a previous joint examination scheme. Of the QP students, 2,301 are from the Mainland, of which 463 are members of the Chinese Institute of CPAs and 1,838 Mainland degree holders. In terms of demographics, women account for 57 percent, or 10,039 of the overall studentship, and men account for 43 percent, or 7,447. This year, a total of 1,673 students graduated, with 605 students graduating in December 2017 and 1,068 in June 2018, bringing the cumulative number of graduates to 20,358 since the launch of the programme. The number of accredited programmes offered by local, Mainland and overseas tertiary institutions continues to increase, demonstrating the active outreach of the Institute to tertiary institutions, having risen by four to 106.

Membership growth



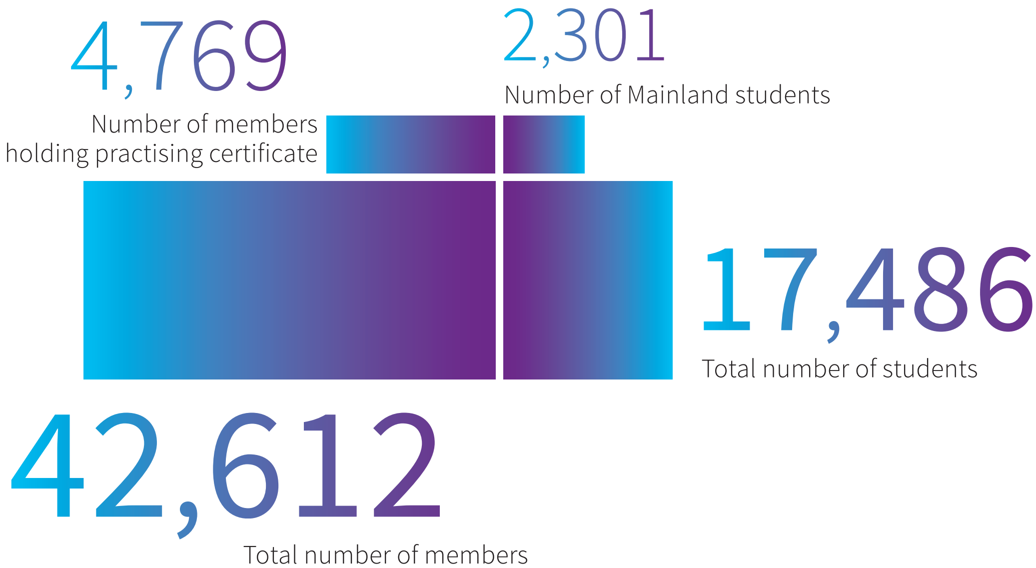
Preparing the qualifying process for the future

The Institute is implementing the new QP which will ensure the programme remains useful and relevant today and in the future. The new QP will integrate the technical knowledge across fields of expertise in accounting, business and finance while also

FOCUSED ON GROWTH

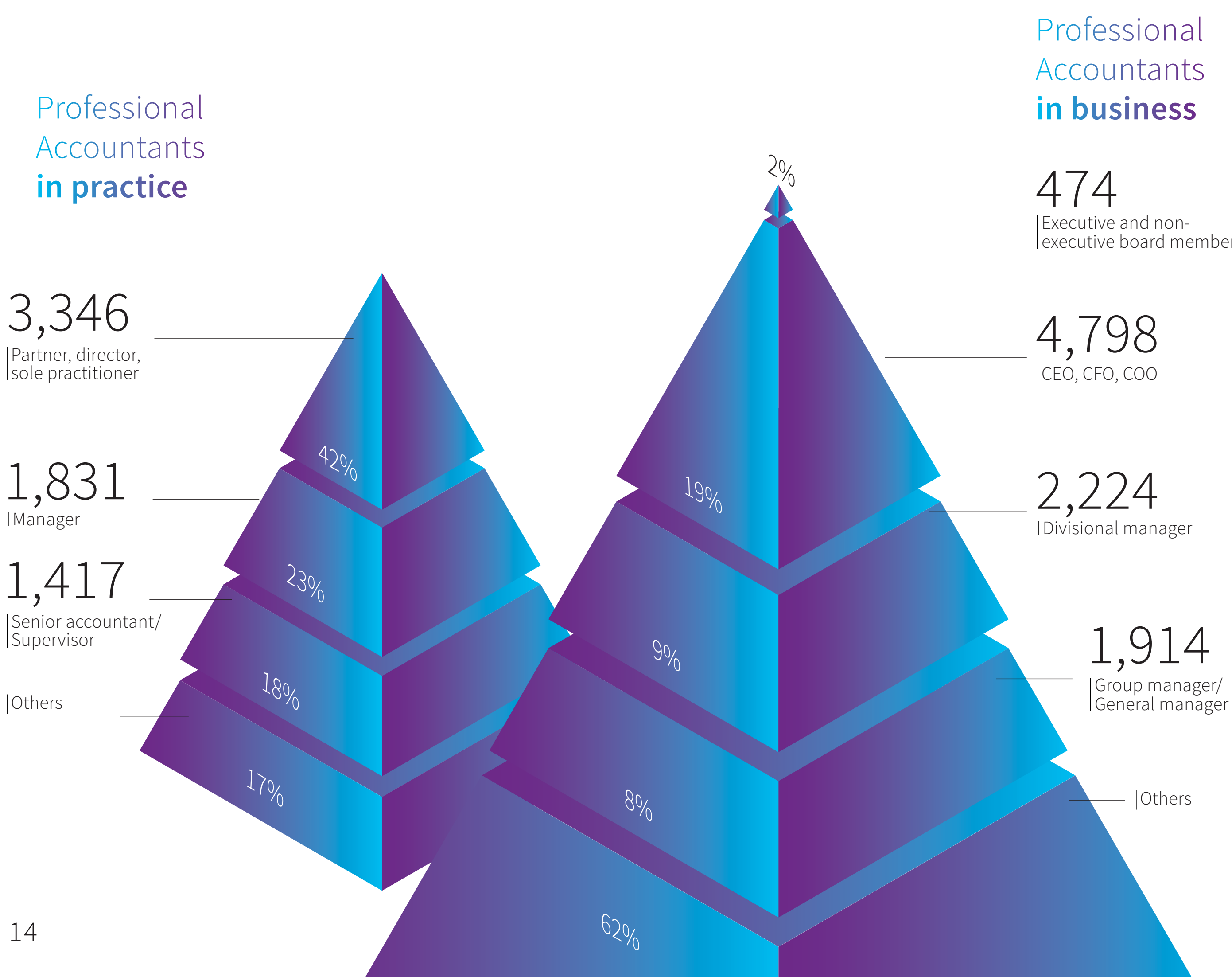
Institute member Ada Cheng is Treasury Director at The Executive Centre, a leading provider of flexible workspaces with centres across Greater China, Southeast Asia, North Asia, India, Sri Lanka, the Middle East, and Australia. She sees first-hand how her organization supports professionals and small businesses at different development stages, empowering them to succeed. In this picture, Ada meets with colleagues at The Executive Centre's newest Hong Kong space at Three Garden Road in Central.

The Institute in numbers (As of June 2018)

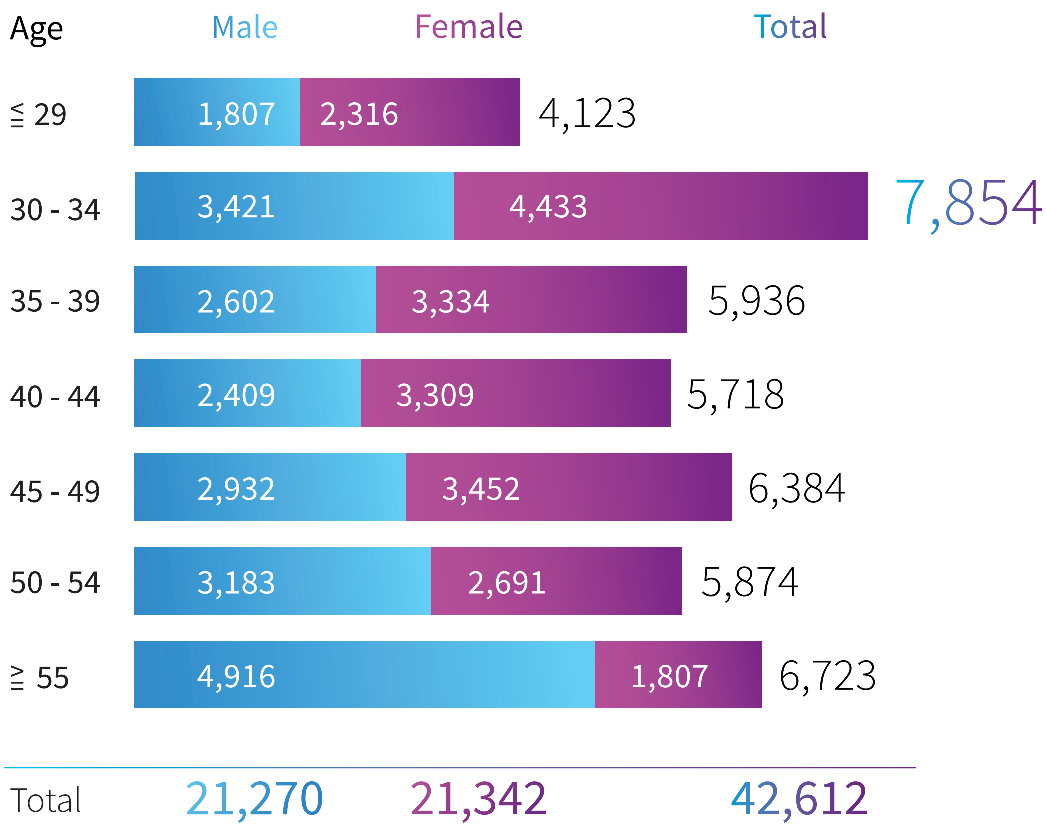


Members taking up leadership positions

Source: Among 7,921 PAIP and 25,382 PAIB respondents to member census as of June 2018



Membership age and gender distribution



22	99	43
Youngest member	Oldest member	Average member

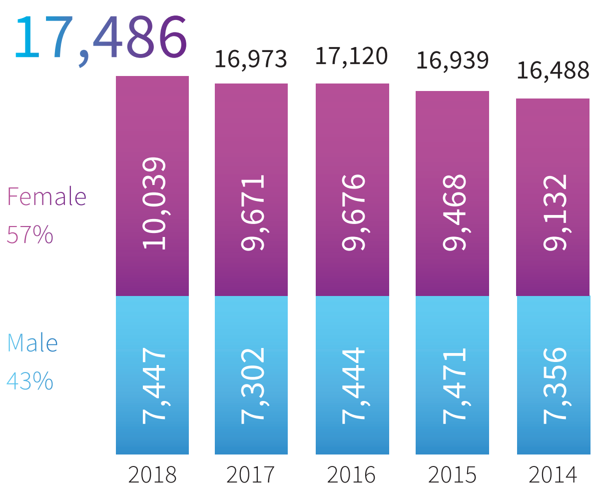
developing professional skills in analysis and critical thinking, problem-solving and leadership. The three levels of the new QP will be rolled out stage-by-stage, with the first examination session for Associate Modules, Professional Modules and Capstone to be held in June 2020, December 2020 and June 2021 respectively. As we move towards the first examinations, changes will take place as early as September 2019, such as the introduction of a new Student Information System for online registrations and the publication of new study packs to help students prepare for the examinations.

As a continuation and integral part of the development of the new QP, the Institute undertook a comprehensive review of the Practical Experience Framework to ensure the framework aligns with international standards and practices, and prepares QP graduates with the skills they need for the future.

In January 2018, the Institute released a consultation paper outlining proposals on enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the Authorized Employer (AE) and Authorized Supervisor (AS) system, and promoting communication through an online system. The public consultation closed on 4 May 2018 and the Institute is reviewing the responses before issuing a Position Paper.

As of 30 June this year, there were 1,427 AEs and 1,914 ASs registered with the Institute to provide support and practical experience for aspiring CPAs. Since the launch of the

Studentship Growth



AE/AS Enhancement Programme in 2008, the Institute has visited a total of 359 AEs and ASs to provide direct assistance and guidance.

Developing future professionals

To help improve QP students' techniques in their examination preparation, examination techniques seminars were held to address common problems that they may have encountered.

At its annual award ceremony, the Institute celebrated the success of its top QP students and scholarship recipients in September 2017, with more than 150 guests attending the party.

Scholarships have also been awarded to 83 students of accredited accounting programmes offered by Hong Kong and Mainland tertiary institutions.

Promoting the profession to the next generation

Attracting new talent is vital to the long term success of the profession. The Institute undertakes a number of activities to promote accountancy to students at all levels of the education system.

The QP case analysis competition is an inter-tertiary event aims at developing business skills, professional judgment and preparing tertiary students for the business environment. This year, over 730 teams from Hong Kong and the Mainland participated in the annual competition, analysing the case of a toy company.

The Institute organized the annual career forum in October 2017 which attracted over 700 university students. The career forum featured exhibitions, workshops as well as a panel of speakers who discussed career development and the prospects in the accounting profession. Attendees were able to get CV help and meet with employers in order to kick-start their careers in the profession.

The Institute and the Hong Kong Association for Business Education Limited jointly organized a Business, Accounting and Financial Studies (BAFS) mock examination for the 2017/18 Hong Kong Diploma of Secondary Education examination.

The mock examination aims to help senior secondary school students to prepare well for the BAFS exam as well as to develop and assess their understanding and application of basic accounting and business knowledge, skills and values to meet different business needs. The mock examination was well received, with over 4,950 enrolments from 277 secondary schools in Hong Kong and the number of participating schools increased by 12 percent.

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Accounting technicians

The Hong Kong Institute of Accredited Accounting Technicians (HKIAAT), a subsidiary of the Institute, has registered 7,608 new students to its AAT examination since the implementation of its revised framework in 2009, which serves as a benchmark for testing students' knowledge on accounting and understanding of professional ethics. The HKIAAT has also accredited 15 sub-degree accounting programmes. Accredited accounting technicians have the option of pursuing a career as an accounting technician, or taking the Professional Bridging Examination (PBE), as an alternative pathway to the QP. Since the offering of the PBE more than 15 years ago, 1,318 AATs have become eligible for entry into the QP.

STANDARDS, ETHICS AND REGULATION

The Institute is the body responsible for setting accounting, auditing and ethics standards in Hong Kong and is committed to full convergence with international standards. This means we play a crucial role in safeguarding a high quality of financial reporting by companies based or listed in Hong Kong, and maintaining the city's position as an international financial centre.

The Institute's active involvement at the development stage of international standards ensures that the views and concerns of our stakeholders are effectively expressed and considered on the global stage.

During the year, we closely collaborated with international standard setting bodies, such as the International Financial Reporting Standards (IFRS) Foundation, the International Auditing and Assurance Standards Board, and the International Ethics Standards Board for Accountants (IESBA) and national standard setters. We continued to play a leading role in the activities of the Asian-Oceanian Standard-Setters Group (AOSSG), and also participated in World Standard Setters meetings and the International Forum of Accounting Standard Setters.

The Institute identifies the most suitable candidates for international standard setting bodies and supports them during the nomination process. Alden Leung was appointed to the IESBA, effective January 2018, and we have been working closely with him in his new role, sharing our views, and those of Hong Kong stakeholders on important topics. Since December 2017, the Institute has been representing the AOSSG at the International Accounting Standards Board's (IASB) Accounting Standards Advisory Forum on technical topics, such as business combinations under common control and revenue.

At home, we issued HKFRS 17, the insurance contracts standard, in January. The standard is recognized as one of the most significant changes to insurance accounting in decades. We spoke with Hong Kong auditors, companies, investors and regulators on how to improve the quality of auditing, company reporting, and the effectiveness of standards. We have also continued our research projects on revised auditor reports for listed companies, and accounting for mergers and acquisitions. Our findings from these studies were shared locally, to raise awareness, and internationally in an effort to contribute to the development of global standards.

Also in January, the Institute and the IFRS Foundation Trustees co-hosted a dinner welcoming over 100 senior representatives of leading listed companies, investment firms and regulators to exchange views on the topic of "Hong Kong and IFRS Standards: Past, Present and Future." Together with the AOSSG, the Institute also spoke with the Trustees regarding other financial reporting matters concerning Hong Kong and the region.

THE TRUE VALUE OF CPAs

Outside of traditional accounting and auditing, CPAs are increasingly involved in business valuations, helping to ensure valuations are reasonable. Entry requirements for valuers need to be as rigorous as they for accountants, Sir David Tweedie, Chairman of the International Valuation Standards Council, once suggested. In this picture, Institute member Wiley Pun, Director, Business and Financial Instrument Valuation, at global real estate services provider Savills, conducts an internal training session on valuation best practice at the Hong Kong office.

In addition to setting standards, the Institute advocates high quality wider corporate reporting. We hosted the launch of the Natural Capital Coalition's Supplement to the Natural Capital Protocol *Connecting Finance and Natural Capital*. Business and finance leaders attended the event and were offered first access to the new global guidance. They also heard practical case studies from leading financial institutions, and debated the drivers and challenges to becoming pioneers of natural capital. We also hosted meetings for the International Integrated Reporting Council with Hong Kong academics, companies, non-governmental organizations, CPA firms and regulators on the relevance of integrated reporting in the city.

The Institute also co-hosted the Monitoring Group's roundtable discussions in Hong Kong, with audit practitioners, regulators and professional bodies from the region on the Monitoring Group's proposals to restructure the international auditing and ethical standard setting.

Supporting the application and implementation of standards

Our technical resources webpage is regularly updated to ensure members have convenient access to all technical information in one place. Through our LinkedIn showcase page, weekly e-circular and monthly *TechWatch* bulletin, the Institute is committed to keeping members and other stakeholders informed of new and revised standards. Additionally, we made sure such standards were communicated to members and the public in an informative and timely manner through articles published in our official monthly magazine *A Plus*.

Strengthening members' core skills is a key priority of the Institute, and to help achieve this goal the Institute organizes a range of technical events, courses and access to a range of online resources – more details of which can be found in Chapter 4 *Member support and professional development*.

The Institute's flagship *Audit Practice Manual* continues to be in demand after the launch of the second edition in December 2016.

Quality assurance

Through two quality assurance programmes, practice review and professional standards monitoring, the Institute is able to enhance, monitor and maintain public trust in the quality of work conducted by our members.

The practice review programme consists of inspections and reviews of audit practices in Hong Kong. By meeting the international best practices, the programme gives priority to reviewing practices with listed company clients. During the reporting period, 229 site visits and 94 desktop reviews were carried out by Institute staff, while the Practice Review Committee considered 283 reports.

Where deficiencies were identified, the committee directed firms to implement remedial action, required additional site visits be scheduled, or complaints be filed against the practices. A total of seven cases proceeded to complaints, while another two cases concerning the audits of listed companies were referred to the Financial Reporting Council for further investigation.

The Institute's 2018 activities for standards development

95 Stakeholder outreach events

16 New and revised standards updated in the Members' Handbook

16 International meetings participated

12 Comment letters on international surveys / proposals / projects

03 Presentations made at international conferences / meetings

02 Speaking engagements in Hong Kong

03 International leadership roles in technical and strategic matters

02 Chairing engagements at international events

This year, a plan was introduced to shorten the review cycle for practices without listed clients, to six years. The plan also aims to complete the reviews of practices that have not yet been reviewed, within a three-year period, under the revised practice review programme. A number of measures have been implemented, along with the plan, to enhance the efficiency of the reviews, such as the introduction of a self-evaluation process for small practices with a limited number of private clients.

The Institute referred a number of cross-border engagements to the Supervision and Inspection Bureau of the Chinese Ministry of Finance for review under our memorandum of understanding.

The Quality Assurance Department (QAD) and Practice Review Committee monitored existing practice review outcomes, and to enhance effectiveness, introduced new elements and procedures to the practice review programme.

The second review system is the professional standards monitoring programme, which involves reviewing published financial statements of Hong Kong's listed companies, including those of H-share companies audited by Mainland audit firms. A total of 90 sets of financial statements were reviewed during the year, and 31 letters were sent to auditors with recommended revisions and improvements. In one case, potentially significant non-compliance with professional standards were identified and the case referred to the Financial Reporting Council for investigation. Findings from both programmes were published in the annual *Quality Assurance Report* and communicated to members and stakeholders via articles and technical education events.

The Regulatory Oversight Board ensures that QAD activities are carried out in accordance with strategies and policies determined by Council. The oversight work includes receiving and reviewing work plans of the QAD, progress reports from management, and an annual report from the Practice Review Committee, regarding its process review of the QAD practice review activities. The results of the process review were positive, and showed that the QAD practice review activities meet statutory requirements and international standards.

Compliance

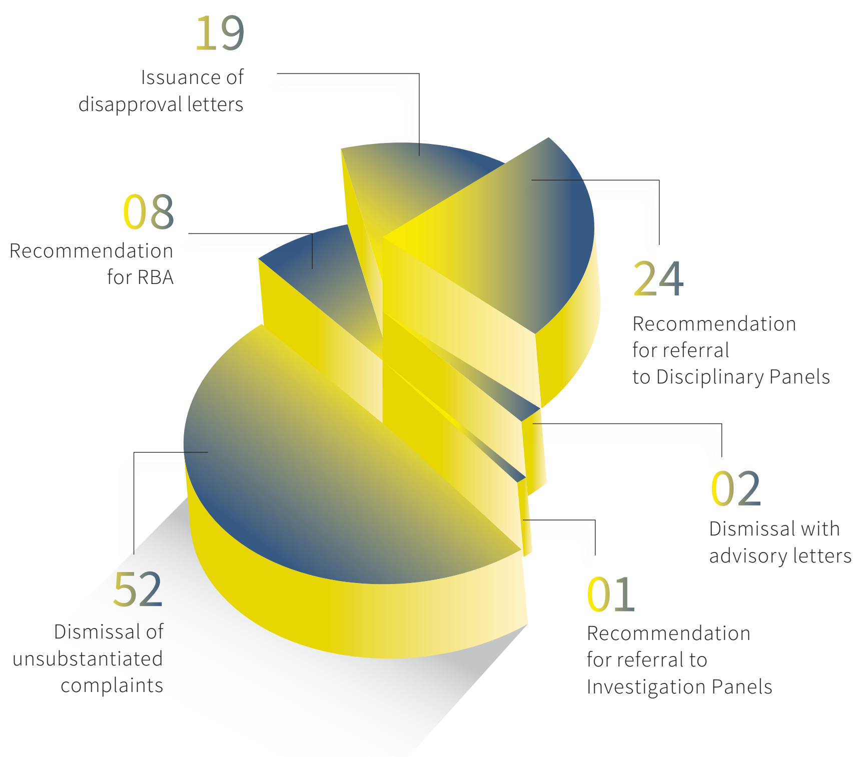
Effective regulation of the Institute's members helps maintain public confidence in the accounting profession. Failure to properly comply with technical and ethical standards will result in regulatory actions.

Compliance Department staff apply consistent procedures to investigate complaints against the Institute's members, member practices and registered students, concerning their ethical and professional conduct.

Each complaint is reported to the Professional Conduct Committee (PCC) for further evaluation.

The PCC has the power delegated by Council to dismiss unsubstantiated complaints and adjudicate minor ones by issuing disapproval letters. The committee refers more serious complaints to Council with recommendations for appropriate actions. For moderately serious cases, which meet a set of pre-determined criteria, the PCC may recommend the offer to respondents of a non-negotiable Resolution by Agreement (RBA), in lieu of formal disciplinary proceedings. Serious cases are referred to the Disciplinary Panels to be determined by independent disciplinary committees. All RBAs and disciplinary findings are published in *A Plus*, and on the Institute's website, to ensure the enforcement process remains transparent.

During the reporting period, 87 new complaints were received, bringing the caseload to 135. The PCC concluded 106 cases:



During the reporting period, Council approved seven RBA cases. Four cases were accepted by respondents and the Institute, and they were concluded. One case was still pending acceptance by respondents, and two cases were rejected by respondents. Those rejected cases will be re-considered by Council to determine whether they will be referred to the Disciplinary Panels.

At the beginning of the reporting period, 34 disciplinary cases were in progress. During the period, Council referred another 33 cases to the Disciplinary Panels. Disciplinary proceedings for 30 cases were concluded this year.

To maintain integrity of the profession, the Institute took action against individuals or companies who fraudulently held themselves out as firms of CPAs or qualified to provide services that only practising CPAs are qualified to provide. Four cases were reported to the police during the period.

To ensure that complaint handling and disciplinary processes are dealt with according to public interest and all strategies and policies determined by Council, the Regulatory Oversight Board conducted a process review of the compliance operations. This included the activities of the PCC and disciplinary proceedings. The results of the review conducted in November 2017 were positive and the board concluded that the compliance functions had adhered to established internal procedures.

Information acquired from the complaint and disciplinary processes is used to promote good practice and raise awareness of regulatory issues through seminars and articles in *A Plus*. Furthermore, the Compliance Department's *2017 Annual Report* was published to promote transparency regarding the Institute's compliance activities.

***Compliance Department** staff apply consistent procedures to investigate complaints against the Institute's members, member practices and registered students, concerning their ethical and professional conduct.*

TAILORED FOR SUCCESS

The Institute is dedicated to supporting its diverse membership, including members who are small- and medium-sized practitioners (SMPs). Seminars tailored for SMPs help members like Matthew Li (pictured), Co-founder of accounting firm Nova CPA Limited, keep up to date on practice management and new technologies that have an impact on their work and their clients. In this picture, Matthew talks through the accounting and point-of-sale systems that his firm helped to implement at his client's tailor shop.

MEMBER SUPPORT AND PROFESSIONAL DEVELOPMENT

The Institute is dedicated to supporting its diverse members throughout their professional lives. As well as catering for their professional training needs, the Institute organizes various networking events, cocktail receptions and visits – to help our members achieve work-life balance.

Continuing professional development

Members need to keep their skills relevant to achieve success in the age of Accounting Plus. To help them, the Institute organizes extensive continuing professional development (CPD) programmes. Over the financial year, the Institute offered almost 2,700 hours of CPD programmes, through a total of 309 face-to-face events, including nine collaborative events, and 318 e-learning programmes, which includes 39 collaborative programmes.

The Institute received 76,790 enrolments this year, up 4% from 73,752 last year. The Institute offers free places at selected CPD events to members in need. During the year, 711 free places were offered. Popular events included the annual update conferences, covering accounting, auditing, taxation and Mainland China tax, attracting average enrolments of more than 700. Throughout the year, participants attended talks on popular topics such as corporate finance; information technology; internal control; soft skills; environmental, social and governance; taxation; valuation; wealth management and independent non-executive directorship. This year, a number of new seminar series were introduced on topics such as investor relations, internal audit and stress management.

The most popular event, similar to previous years, was a series on current affairs attracting around 350 attendees for each seminar. A seminar, delivered by Companies Registry officers, focused on trust or company service providers (TCSP), in light of the new TCSP licensing regime introduced on 1 March 2018 with the new anti-money laundering regulations, attracted over 400 registrations.

A selection of events in high demand have been recorded and made available to members as e-seminars.

Strengthening core skills for the age of Accounting Plus

To help strengthen members' core skills, over the year the Institute held over 50 technical seminars, workshops, refresher courses and e-learning seminars, as well as the popular annual accounting and auditing updates.

The Institute places great emphasis on providing consistent and ongoing support to members. With this in mind, we renewed arrangements with the Institute of Chartered Accountants in England and Wales (ICAEW), providing members with free access to the ICAEW's online platform of premium technical resources.

The Institute has also extended its agreement with Chartered Accountants Australia and New Zealand, providing members with full access to a pragmatic and scenario-focused e-learning programme that promotes better use of professional scepticism.

Specialist development

Through offering specialist training and qualifications in insolvency and taxation, the Institute is dedicated to helping members hone their skill set in specialist fields, helping them to become Accountants Plus.

This year, Insolvency Preparatory I and Preparatory II received 106 and 84 enrolments respectively. In addition, the Professional Diploma in Insolvency was revamped as two modules, with 31 full programme enrolments and 8 module enrolments in the 2017/18 cohort. As of 30 June 2018, the programme has seen 365 graduates. Members of the Restructuring

Continuing Professional Development Programme (year to June 2018)

2,700 hours of CPD programmes

309 face-to-face events

09 collaborative events

318 e-learning programmes

39 collaborative programmes

76,790 number of enrolments

↑ **4%**

and Insolvency Faculty remained active in their support for the Institute's insolvency preparatory courses and the Professional Diploma in Insolvency.

Similarly, practitioners from the Taxation Faculty helped strengthen the courses under the Professional Diploma in China Tax and the Professional Diploma in Hong Kong Tax. There were 41 enrolments in the International Tax Course and 57 enrolments in the China Tax Course. As of 30 June 2018, 90 and 81 have graduated with a Professional Diplomas in China Tax and Hong Kong Tax respectively.

Launched in 2016, the Financial Controllership Programme is a 16-day course to train CPAs who are new to the role of financial controller. Last year's programme ended in November 2017 with a total of 74 enrolments comprising 20 full programme enrolments and 54 module enrolments. This year's cohort commenced in June, with 22 full programme enrolments. As of June 2018, there were 45 graduates of the full programme.

The annual China Taxation and Hong Kong Taxation Update conferences were held in May and July, and attended by 550 and 800 members, respectively. Both conferences included an expert panel discussion featuring case studies, exploring the different possible tax exposures. At the China Tax Conference, a senior tax official from the Shenzhen State Taxation Bureau shared the latest developments on anti-tax avoidance and transfer pricing in China.

The e-newsletters *The IP's Voice*, *Tax Link* and *Forensic Update* continued to keep members up to date with the latest developments in their respective specialist areas. Meanwhile, we ensured new and revised standards and technical updates were communicated to members in a timely manner, by coordinating input from the Institute's various departments for the monthly technical bulletin *TechWatch*.

As of mid-2018, the Restructuring and Insolvency Faculty and Taxation Faculty had 475 and 900 members respectively. The two faculties organized numerous professional development seminars and cocktail or networking events for members.

Professional interest groups

As well as supporting members through CPD and specialist training and development, the Institute runs a number of professional interest groups, in response to professional needs across a range of sectors.

Corporate finance

The Corporate Finance Interest Group held six seminars, which received an average of 240 enrolments. The seminars covered how FinTech disrupts the corporate finance ecosystem, suitability for listing, and the manager-in-charge regime and guidance on corporate advisory work on valuations. Hong Kong Stock Exchange consultations were also discussed during the seminars, on a proposed new board, capital raisings by listed issuers and delisting framework, and a listing regime for companies from emerging and innovative sectors.

Financial services

The Financial Services Interest Group held two seminars, attracting an average of 170 enrolments. One seminar discussed an update on regulatory developments in the funds industry, while the other explored how artificial intelligence can enhance the alpha of consumer loans portfolio. In addition, a cocktail reception and talk on the topic "What does the Trump tax revolution mean for Asia?" took place in February.

Forensics

Among other events, the Forensic Interest Group hosted the popular spring cocktail event, which included a light-hearted debate, where the members discussed whether more or less regulation would be beneficial to society. Since 2017, the group has been free-of-charge for Institute members, in line with other professional interest groups.

Information technology

The annual information technology conference with the theme "Grasping opportunities in the age of everything-as-a-service" took place in October 2017. The conference explored new technologies and business models accountants could leverage to increase opportunities and reduce costs. The conference attracted over 500 attendees. Meanwhile, a site visit to the Hong Kong Science Park, as well as a FinTech tour of Cyberport, attracted an average of 45 enrolments each.

Mainland business

The Mainland Business Interest Group held two seminars, attracting an average of over 160 enrolments. One seminar, held jointly with the Property, Infrastructure and Construction Interest Group, discussed China's retail real estate market. The other seminar focused on the internationalization of renminbi and the opening of China's financial markets. A cocktail reception and talk held in May 2018, spoke on "Generating revenue through integration of arts and science: How does Meitu's unique business model fit into the China market?" The group also organized a study tour to Shenzhen and Dongguan in November 2017.

Property, infrastructure and construction

The Property, Infrastructure and Construction Interest Group held two seminars, attracting an average of over 220 enrolments. Held jointly with the Young Members Committee and the Mainland Business Interest Group, the groups discussed Hong Kong's record property prices and China's retail real estate market. The group held a talk in November 2017 on "Good health and stress management from the perspective of Tai Chi." In that same month, and held jointly with the Young Members Committee, the group visited Hong Kong International Airport. A cocktail reception and talk took place in May 2018 addressing the tales of Hong Kong street names.

Small and medium practitioners

In November 2017, 340 small- and medium-sized practitioners (SMPs) attended the annual SMP symposium, featuring relevant topics such as financial reporting updates, the anti-money laundering regime, what SMPs need to know in regards to technology, cybersecurity and data privacy, as well as practice review and compliance updates. In June 2018, two lunch seminars took place, providing a total of 540 attendees with practical tips on anti-money laundering and counter-terrorist financing compliance. In the same month, close to 270 members attended a seminar on compliance matters tailored for SMPs.

Professional accountants in business

Over 130 members attended the annual conference for professional accountants in business (PAIBs), held in September 2017. With the theme "CPAs beyond the horizon", the event included a panel of speakers who shared insights on the diversity of PAIBs and advice on how members can become effective leaders in business. It also explored challenges faced by members working in a wide range of industries.

Young members

The Mentorship Programme, now in its fourth year, reflects the Institute's ongoing focus to prepare members for the future. It provides an opportunity for young members to learn from seniors through regular consultation and experience sharing for the purpose of their career development. More than 150 mentors and mentees attended the ceremony and briefing session of the 2018-19 programme in April 2018. A record of 229 mentor-mentee pairs were created under the 2018-19 programme.

***The Mentorship Programme**, now in its fourth year, reflects the Institute's ongoing focus to prepare members for the future. It provides an opportunity for young members to learn from seniors through regular consultation and experience sharing for the purpose of their career development.*

Throughout the year, young members had ample opportunities to socialize through events such as mooncake making classes, autumn hiking, jazz night and training courses on public access defibrillation.

In April, the young members embarked on a three-day course in Guangzhou to learn about the Mainland's national development and governance, further enhancing their understanding of political, economic and diplomatic affairs. A two-day study tour to Shenzhen and Foshan also took place in September 2017.

The annual career conference in November 2017 examining the career development opportunities for young members attracted 145 participants.

Events such as the whisky and chocolate workshop organized jointly with the Hong Kong General Chamber of Commerce, and an indoor war game organized together with The Hong Kong Institute of Architects and The Hong Kong Institute of Chartered Secretaries, helped to expand the network of young members beyond the accounting profession.

MAINLAND AND INTERNATIONAL

The international experience of Hong Kong CPAs shapes the profession. It is what allows them to play a vital role in running and advising a wide range of global organizations. Our members are also highly regarded and relied on for their Greater China expertise. Through ongoing communication with Mainland authorities and regulators, the Institute focuses on helping members stay on top of developments, and ensuring that their views are heard and addressed. Our presence in the Mainland and international forums strengthens Hong Kong's role as an international business and financial centre, and in connecting the Greater China market on a global scale.

The Mainland

Creating business opportunities

With the development of the Greater Bay Area, it was essential for us to conduct dialogue with relevant stakeholders to ensure our members play a key role in helping businesses capitalize on the opportunities arising from the initiative. In December 2017, the Institute oversaw the formation of the Hong Kong and Guangdong CPA Practices Alliance, with a total of 54 small- and medium-sized practices from Hong Kong and Guangdong Province agreeing to form an alliance to expand their connections and explore business opportunities and potential collaboration under the Greater Bay Area initiative.

The first meeting of the alliance was held in June 2018, with the Institute collaborating with the Guangdong Institute of CPAs to organize the event. Almost 30 Hong Kong delegates were joined by over 40 Guangdong counterparts at the meeting. It featured a seminar on "the Greater Bay Area Initiative and the Development of the Accounting Profession" and a roundtable discussion on further collaboration between the alliance firms.

The Institute also organized and joined a number of other events in the Mainland.

In March 2018, a cocktail reception hosted in Guangzhou drew over 120 members and guests from Mainland government and regulatory authorities, professional and business organizations, universities and professional firms.

The Institute joined a visit organized by the Hong Kong Coalition of Professional Services to Guangdong in June, which provided an opportunity for direct dialogue between Hong Kong professionals and the Guangdong government, and a platform to exchange views on the further opening of the Greater Bay Area.

In September 2017, the Institute's president led a Hong Kong delegation to attend the two-day 2017 Cross-straits, Hong Kong and Macau Accounting Profession Conference in Ningxia, which attracted more than 200 accounting professionals from the Mainland, Taiwan, Macau and Hong Kong. The conference focused on topics such as digital innovation in the accounting profession, new audit reporting standards, the role of accountants in anti-money laundering and counter-terrorism financing, and the development of SMPs.

In August 2017, we received representatives from the Beijing Municipal Commission of Commerce and Union of Beijing Business Services to enable them to explore potential collaboration opportunities with us. We also received a 17-person delegation from Zhejiang SMPs in the same month, to exchange views with Hong Kong SMPs regarding the expansion of non-assurance services and practice management. A delegation of Beijing firms, part of the Beijing-Hong Kong SMP Alliance, met with Hong Kong SMPs for an annual meeting in September 2017.

The Institute's leadership, convenors of the Mainland Business Interest Group, and the Working Group on Co-operations with Mainland SMPs, visited Beijing in

CHANGING FINANCE

Ricky Wong (centre), Chief Financial Officer at Alipay Payment Services (Hong Kong), is one of the Institute's many members working in the FinTech industry. With his skills as a CPA, he is helping AlipayHK to become one of Hong Kong's preferred method of payment. Wong has also seen how FinTech developments are changing the finance function. In June, AlipayHK launched the world's first digital wallet-to-wallet blockchain remittance services between Hong Kong and the Philippines, providing a low cost, secure and efficient fund remittance solution for the Filipino expatriate community in Hong Kong.

February 2018 to attend the Belt and Road forum and gala dinner, arranged by the Belt and Road General Chamber of Commerce, which was set up to promote closer relations and trade between Hong Kong and Southeast Asian countries. Participants of the events included senior government officials of both the Mainland and Hong Kong, including the Hong Kong Chief Executive.

With many of our members working across the border and engaged in cross-border business, the Institute's priority is to effectively support them by working closely with Mainland authorities and accounting bodies. Over the year, the Institute provided input to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) initiatives, and liaised with relevant authorities to resolve issues relating to the implementation of CEPA measures. We also worked with the Foreign Affairs Office of Guangzhou Municipal People's Government, and discussed the challenges of implementation under CEPA arrangements, as well as the difficulties faced by Hong Kong CPAs practising in the Mainland.

*With many of our members working across the border and engaged in cross-border business, **the Institute's priority is to effectively support them** by working closely with Mainland authorities and accounting bodies.*

Fostering productive relationships with Mainland partners

Throughout the year, we undertook various efforts in order to maintain good relationships with Mainland regulators. In November 2017, representatives from accounting organizations in Hong Kong met with Tan Tieniu, Deputy Director of the Central Government's Liaison Office in the Hong Kong SAR, and exchanged views on the development of the Hong Kong accounting profession. Meanwhile, a nine-person delegation from Guangzhou Tianhe District Business and Finance Bureau visited the Institute to discuss and promote Tianhe District's investment environment and relevant supporting policies.

Zheng Yaji, Deputy Director of the Budget Working Committee of the Standing Committee of the Guangdong Provincial People's Congress, met with Institute representatives in December 2017 to better understand service trade developments between Guangdong and Hong Kong, since the introduction of the Regulation on the China (Guangdong) Pilot Free Trade Zone.

In May, the Institute received a delegation led by Shao Min, Deputy Director-General of Department of Accounting, the Ministry of Finance (MoF). The delegation met with Institute representatives, Hong Kong CPA firms and MoF-appointed advisors, to discuss proposed revisions to China's Law on Certified Public Accountants and Accounting Law. The Institute shared with the delegation the latest developments of the Hong Kong profession, including the new Qualification Programme and audit regulatory reform.

Representatives of the China Tax Subcommittee held its seventh annual meeting with the State Administration of Taxation in Beijing in June 2018, where issues relating to Mainland and cross-border taxation affecting Hong Kong were discussed. Members of the subcommittee also held annual liaison meetings on technical matters with the state and local taxation bureaus of Guangdong and Shenzhen in December 2017.

International

Our influence as an accounting body extends far beyond Greater China. We have actively participated in many forums and arenas at the international level throughout the year to ensure the voices of our members were heard and taken into account.

Our voice was impactful in various areas beyond the standard setting, with our participation in international groups and organizations such as the Global Accounting Alliance (GAA), International Association of Restructuring, Insolvency and Bankruptcy Professionals (INSOL International) and Asia Oceania Tax Consultants' Association (AOTCA).

At INSOL International, we participated in the meeting of member associations at the INSOL New York Annual Regional Conference in April 2018. As one of its the 10 largest membership bodies, the Institute is eligible to nominate a director to its board, and Mat Ng, previous chair of the Institute's Restructuring and Insolvency Faculty Executive Committee is serving a three-year term which commenced in October 2016. We also participated in the AOTCA's AGM and tax conference, while two representatives of the Taxation Faculty Executive Committee served as advisors to the association's technical committee.

Our representative attended two meetings of the GAA's Tax Directors Group, which were held in London in October 2017 and Washington in April 2018, and also participated in periodic teleconferences. There will be a meeting later this year in Brussels and Hong Kong is proposing to host the subsequent meeting in the first half of 2019.

The Institute's representatives and technical advisors took part in the International Federation of Accountants' (IFAC) Professional Accountants in Business Committee and Small and Medium Practices Committee, as well as participating in various IFAC projects, working groups or task forces.

Persons nominated by the Institute to serve on international organizations at 30 June 2018

International Federation of Accountants

- **Raphael Ding**, Board member and member of Governance Committee
- **Chris Joy**, Technical advisor to Raphael Ding
- **Wendy Yung**, Member of Professional Accountants in Business Committee
- **Mary Lam**, Technical advisor to Wendy Yung
- **Johnson Kong**, Member of Small and Medium Practices Committee
- **Eddy Wong**, Technical advisor to Johnson Kong
- **Chris Joy and Selene Ho**, National Standard Setters – International Auditing and Assurance Standards Board (annual meeting also attended by **Paul Lau** as Chair of the Institute's Auditing and Assurance Standards Committee), and National Standard Setters – International Ethics Standards Board for Accountants

International Forum of Accounting Standard Setters

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

IFRS World Standard Setters (financial reporting)

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

Asian-Oceanian Standard-Setters Group (financial reporting)

- **Shelley So**, Institute representative
- **Christina Ng**, Technical advisor to Shelley So

Global Accounting Alliance (GAA)

- **Raphael Ding**, Board member
- **Chris Joy**, Alternate to Raphael Ding and member of GAA <IR> Working Group
- **Jonathan Ng**, Member of GAA Education Directors Group
- **Peter Tisman**, Member of GAA Tax Directors Group, **Eric Chiang** (alternate)

International Association of Restructuring, Insolvency and Bankruptcy Professionals (INSOL International)

- **Mat Ng**, Board director

Accounting for Sustainability (A4S)

- **Chris Joy**, Institute representative on the A4S Accounting Bodies Network

Asia Oceania Tax Consultants' Association

- **Anthony Tam**, Institute representative and a vice-president
- **Edward Lean**, Institute representative

Chartered Accountants Group of Executives

- **Jonathan Ng**, Member of Education Directors' Reciprocity Project

Institute of Chartered Accountants in England and Wales

- **Mark Fong**, Council member

WORKING WITH MACHINES

IBM is a venerable brand, in operation for more than 100 years. Institute member Bonnie Chan, Chief Operating Officer at IBM China and Hong Kong, is pictured here with IBM Watson. This computer system has been marketed as IBM's suite of AI services, applications and tooling, "a pioneering collection of 'cognitive' computing capabilities that can understand, reason, learn and interact."

COMMUNICATION AND ENGAGEMENT

Effective communications with members and stakeholders and a strong brand help promote engagement with the Institute and its activities and attract new entrants to the profession. Over the year the Institute undertook a number of initiatives to engage with members, stakeholders and the public, and support the profession.

Council transparency

From the start of 2018, Council began publishing abridged minutes of Council meetings for members. Through releasing these minutes, Council hopes to increase the transparency of Council and Institute activities and discussions to give members a greater understanding of the work of the Institute.

The Institute held an extraordinary general meeting in March to consider three resolutions raised by members (see *Constitution, governance and finance* chapter). After the resolutions were passed, Council provided regular updates on the progress through the abridged Council minutes as well as emails sent to members from the President.

Digital transformation

The Institute has embarked on a change journey as a result of the Digital Strategic Plan (DSP) approved by Council in February 2018. A digital team has been formed to spearhead the DSP implementation with the objectives of enhancing the member and student experience while interacting with the Institute, facilitating timely communications and improving relevance of communication to the right target audience groups. The website revamp and new Qualification Programme (QP) system implementation are well underway and the team will continue to collect feedback and improve along the way. The goal is to make information, resources and services significantly more accessible to members and QP students, so that the Institute could more efficiently fulfill its purpose of regulating the profession, educating the practitioners, and serving members.

The DSP has a three-year road map, with changes rolled out in phases, so that members would taste early benefits from the project, while enhancements and deeper overhauls are being made in subsequent phases.

In support of the upcoming DSP initiatives, the Institute has also carried out continuous improvements to the Member Activities System and IT infrastructure environment including: upgrading the storage area network, other network enhancements, and strengthening the security framework on our core systems and applications.

President meets the press

The Institute has built a strong public profile and thought leadership position through extensive media exposure. Over the year we hosted a number of key media events and briefings, to highlight the views and position of the Institute on important topics including the Financial Reporting Council (Amendment) Bill, corporate governance, and the Hong Kong Budget.

Through various media interviews, the President portrayed the rich and rewarding careers accorded by the accounting profession, and the emergence of "Accounting Plus" that epitomizes the evolvement of the profession and would gear up CPAs to stay at the forefront of a fast-developing business world in the face of technological and economic developments.

FRC (Amendment) Bill

During the year, the Institute engaged actively in making a strong representation of its position on the Financial Reporting Council (Amendment) Bill, including appearance at and written submissions to the Legislative Council Bills Committee meetings, and media interviews and opinion articles.

Soon after the gazettal of the Bill in January 2018, we published a press release raising major concerns including the funding of Financial Reporting Council (FRC), the so-called EU equivalence of the composition of the FRC, and the financial burden of maximum penalty on small- and medium-sized practitioners.

The Chief Executive and Registrar, through media interviews and strategically placed opinion pieces in the *Hong Kong Economic Journal* and *Oriental Daily News*, set out the Institute's views in determined and effective manners, ensuring the profession's voice was heeded by the government and the Legislative Councillors.

As well, the Institute stepped up its updates to keep members abreast of the Bill's legislative progress. A dedicated webpage was given prominent link on the homepage and updated regularly to include all of the Institute's submissions and media articles.

Corporate governance thought leadership

In May 2018, the Institute released the *Report on Improving Corporate Governance in Hong Kong*, conducted independently by The University of Hong Kong's Asian Institute of International Financial Law. Riding on the report findings, the Institute advocated for measures that would strengthen Hong Kong's competitiveness as an international capital market. The report and the Institute's recommendations gained widespread media coverage, and the Institute also placed a series of positional articles in the business section of *Oriental Daily News*, resulting in a high level of awareness of the Institute's thought leadership on the subject. The report became a benchmark study in Hong Kong and was repeatedly referenced in subsequent media reports featuring corporate governance.

Earlier in November 2017, the Institute presented the 18th Best Corporate Governance Awards, where a total of 20 Awards were given out – three more than the preceding year. The awards presentation received extensive media coverage in all of the major business media in Hong Kong, further underpinning the Institute's leadership position in corporate governance.

In June 2018, the promotion campaign calling for entries to the 19th Best Corporate Governance Awards also received very strong media coverage, including business media outside Hong Kong, as the long-running Awards became one of the most coveted recognitions. This year, a comprehensive communications plan is led by partnership with tier one media, including *South China Morning Post, Hong Kong Economic Times* and *Hong Kong Economic Journal*.

Career survey

The Institute conducted its annual membership survey and, for the first time, a studentship survey between November 2017 and January 2018. The surveys were combined together and released as the Career Survey Report, presenting the overall views of the entire profession on three topics, employment prospects, earning power, and CPA qualification and development. A total of 3,310 members responded to the membership survey (8% of total membership), and the studentship survey saw 3,887 responses (23% of the total). Besides the report, infographics were created and shared on social media, and the report was covered extensively by the media.

A Plus

In 2018 the Institute's members publication ran a series of articles, accompanied by a series of video interviews, titled "Accounting Plus: A Conversation with CPAs under 35" with the purpose to engage the increasingly young membership. The first series focused on four CFOs under 35, who shared about their views on the profession, their roles, and what being an accountant would mean in the future.

A new mobile version of *A Plus* was launched in September 2017 to provide an easier to use online version to engage readers. The new version is web-based, requiring no separate app download and is fully responsive to the screen size of the device used.

To further reach out to the wider local business community, Chinese articles – translated from the *A Plus* success ingredient articles – were published in *Master Insight*, a Hong Kong media portal providing insights on business, culture and technology issues with around 20,000 daily hits and targeting well-educated professionals.

Supporting professional bodies

The Institute supported events organized by the Hong Kong Coalition of Professional Services throughout the year. Council members and Institute representatives attended a luncheon talk on the Policy Address by the Chief Secretary for Administration Matthew Cheung, and a luncheon talk on the 2018/19 Budget by Financial Secretary Paul Chan.

In 2018 the Institute's members publication ran a series of articles, accompanied by a series of video interviews, titled "Accounting Plus: A Conversation with CPAs under 35" with the purpose to engage the increasingly young membership.

A Plus magazine covers

THOUGHT LEADERSHIP

Our thought leadership advocates on issues which have an impact on our profession and is dedicated to the betterment of Hong Kong and the wider world.

Throughout the year, the Institute has strived to develop thought leadership to address ongoing issues within the profession and the city.

Supporting the new anti-money laundering regime

Anti-money laundering (AML) was a hot topic this year as the Institute liaised closely with the Financial Services and the Treasury Bureau and Companies Registry on proposals for new legislative requirements on AML. The Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) 2018 subsequently came into effect from 1 March 2018, extending the scope of previous money laundering laws to cover designated non-financial businesses and professions, including accountants.

To help members comply with the new rules, the Institute issued *Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants* also on 1 March 2018, after the Institute's AML working group considered members' views in a consultation. A series of AML seminars and workshops were also organized to deepen members' knowledge on AML issues.

The Institute worked with accountancy consultants, SWAT UK, to publish an AML procedures manual. Published in June 2018, the manual provides guidance together with example policies and procedures to help members to fulfil their obligations under the guidelines, AMLO and other applicable ordinances. The Institute also negotiated favourable subscription rates for members with two market leaders in AML screening solutions: Thomson Reuters and Dow Jones.

The Institute and representatives from member firms will meet assessors from the Financial Action Task Force later this year, as part of the mutual evaluation of Hong Kong's AML regime.

Advocating for the best corporate governance

Our 18th annual Best Corporate Governance Awards presented a total of 20 awards, special mentions and commendations, to 18 different companies and organizations, including awards for sustainability and social responsibility reporting, and commendations in the specific areas of board & audit committee, risk management and internal control, and website corporate governance information. The Secretary for Financial Services and the Treasury, James H Lau Jr, was

GAME, SET, MATCH

After years working for large international companies, including one of the Big Four, Victor Tan, Co-founder of Infinity Cube, identified a need in the market. The Institute member co-founded the sports technology start-up, and with research and development funding support from the HKSAR's Innovation and Technology Fund, developed an AI system. Following two successful public pilots of the system's tennis match officiating technology with the Hong Kong Tennis Association (HKTA), the governing body for tennis in Hong Kong, the HKTA had agreed to licence the technology for use in its tennis tournaments and matches. The system can also be used to assist with coaching. In this picture, Victor tests the technology at Victoria Park Centre Court.

guest of honour at the awards presentation ceremony in November 2017. To further promote good corporate governance, award winners have been invited to share their knowledge and experience on different aspects of corporate governance including environmental, social and governance reporting with Institute members, as part of a series of events.

This year, the Institute released its substantial *Report on Improving Corporate Governance in Hong Kong*, covering the findings of an independent comparative study of the corporate governance regimes in Hong Kong, the United States, the United Kingdom, Mainland China and Singapore. The report, prepared by Syren Johnstone and Say H. Goo of the University of Hong Kong's Asian Institute of International Financial Law, made 28 recommendations to further develop the framework and enhance the city's attractiveness to investors. These include strengthening the role and accountability of independent non-executive directors, establishing a corporate governance policy unit to lead and formulate relevant policies, and addressing regulatory gaps. Based on the report, a series of events were organized to raise members' awareness to understand the corporate governance system in Hong Kong and developments elsewhere.

To promote the report to a wider audience, the Institute is publishing extracts of the report as thought leadership articles on specific topics in our monthly magazine, *A Plus*. The aim is to produce longer white papers over the coming year.

Campaigning for a fairer Hong Kong

With regards to the 2018-19 government budget, we submitted our tax policy and proposals to the Hong Kong Financial Secretary and explained the rationale behind our recommendations at a press conference, in February 2018, hosted by the Chairman of the Taxation Faculty Executive Committee KK So, and the Convenor of the Budget Proposals Subcommittee, Curtis Ng.

On budget day, the committee's chairman and subcommittee's convenor gave media interviews to share the Institute's view on the budget. A lively panel discussion took place on the evening of the budget day, involving Kenneth Leung, Legislative Council accountancy representative, Regina Ip, Member of the Executive Council of the Hong Kong government, and the committee's chairman and subcommittee's convenor.

News websites covered interviews with Curtis Ng, also a Deputy Chairman of the Taxation Faculty Executive Committee, regarding tax measures in the Policy address in October last year. The Institute welcomed the proposed changes to the profits tax regime to support small- and medium-sized enterprises, and the proposed tax deduction for research and development, which were in-keeping with measures that we had been advocating for some time.

Consultations and specialist meetings

The specialist interest groups and other committees also met with various government bodies and contributed their expertise to a number of proposals.

Detailed minutes of last year's annual meeting between representative of the Institute's Taxation Faculty Executive Committee and the Commissioner and senior staff of the Inland Revenue Department were published on our website. The minutes of the 2018 annual meeting will be published later this year.

During the reporting period, the Institute's Forensics Interest Group (ForensIG) has been actively engaging with university students through presentations that highlight the role of forensic accountants, and the wide-ranging career opportunities in the field. ForensIG nominated a speaker to join a panel discussion at the Chinese University of Hong Kong's Global Business Forum, where senior executives and business leaders shared their experiences with students.

The Institute welcomed the proposed changes to the profits tax regime to ***support small- and medium-sized enterprises,*** *and the proposed tax deduction for research and development, which were in-keeping with measures that we had been advocating for some time.*

The Institute contributed its knowledge and expertise on a range of consultations throughout the year, and made proposals to the following organizations:

Financial Services and the Treasury Bureau (Financial Services)

- Suggestions on specific issues, relating to the statutory framework for corporate rescue and insolvent trading
- Input into information requests from the Financial Action Task Force, in preparation for the assessors' mutual evaluation visit to Hong Kong

Financial Services and the Treasury Bureau (The Treasury)

- Potential tax treaty partners for Hong Kong
- Removal of "ring-fencing" features from tax regimes for funds
- Tax incentives for research and development (also submitted to the Innovation and Technology Commission)

Hong Kong Exchanges and Clearing Limited

- Review of the corporate governance code and related listing rules
- Delisting and other related rule amendments
- Backdoor listing, continuing listing criteria and other related rule amendments

Securities and Futures Commission

- Open-ended fund companies – Rules and Code

Legislative Council Bills Committees

- Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017 and Companies (Amendment) Bill 2017
- Inland Revenue (Amendment) (No. 4) Bill 2017, on extending profits tax exemption to privately-offered open-ended fund companies
- Inland Revenue (Amendment) (No. 6) Bill 2017, on transfer pricing and other measures relating to the Base Erosion and Profit Shifting initiative
- Inland Revenue (Amendment) (No. 7) Bill 2017, on a two-tier tax system
- Inland Revenue (Amendment) (No. 2) Bill 2018, on tax deductions for capital expenditure incurred for the purchase of intellectual property rights
- Inland Revenue (Amendment) (No. 3) Bill 2018, on tax deductions for research and development expenditure
- Inland Revenue (Amendment) (No. 5) Bill 2018 on budget tax concession measures

Mainland China

- The National People's Congress of People's Republic of China – Exposure draft of the revised Individual Income Tax Law

International body

- International Federation of Accountants – Comments on updating the Financial Action Task Force's Risk-based Approach Guidance for Accountants

A LEADING ADVOCATE

Pat Nie Woo, Partner, Head of Corporate Social Responsibility at KPMG China, has a passion for helping businesses become more sustainable. After more than seven years with KPMG, the Institute member left the firm in late 2004 to join his family's company, a supply chain and textile business, where he explored and developed his knowledge of sustainable development. He since returned to the firm, where today, he is a member of the China Steering Committee on Climate Change and Sustainability (CC&S) and a member of the KPMG Global CC&S network. In this picture, Pat moderates a panel discussion on global sustainable consumption during Fashion Summit 2018 at the Hong Kong Convention and Exhibition Centre.

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Institute takes corporate social responsibility seriously. It focuses on incorporating social and environmental considerations into its business operations to achieve sustainable development for the organization, staff and society as a whole. With platforms and key initiatives, the Institute mobilizes and empowers its members to contribute to the wider community.

Community involvement

This year, with the help of the Branding and Communication Advisory Panel, the Institute set up the Community Services Working Group (CSWG). The group aims to advise the panel on developing social service and charity activities for the Institute, allowing members to utilize their professional knowledge and expertise in a meaningful way.

New and existing corporate social responsibility programmes reflect the Institute's commitment to good corporate citizenship. Throughout the year, members gave back to the community by voluntarily contributing to various projects and activities.

Members also actively participated in a wide range of external charity events such as the Oxfam Trailwalker and UNICEF 3km Leadership Challenge.

CPA for NGO: promoting best corporate governance in NGOs

We advocate best governance practices to board members of NGOs through our CPA for NGO progamme. In August 2017, the programme launched a six-month pilot run of a pro-bono advisory service, pairing Accountant Ambassadors with small NGOs to offer professional advice on accounting, governance and risk management. Induction sessions were held on 6 and 22 September 2017 for the 26 Accountant Ambassadors to meet with nine NGO representatives.

Supporting external organizations

As an extension to our CPA for NGO social responsibility programme, we proudly support The Hong Kong Council of Social Service's (HKCSS) NGO Governance Platform Project as its sole strategic partner. This year, the Institute's president, vice-presidents, Chairman of the CSWG and Accountant Ambassadors took part in the fourth, fifth and sixth NGO Directors' Luncheons, and met over 110 board members and agency heads from 46 NGOs. The fourth luncheon was particularly well-attended by six local charities including Lok Sin Tong, Po Leung Kuk, Pok Oi Hospital, Tung Wah Group of Hospitals, Yan Chai Hospital and Yan Oi Tong. The series of luncheons successfully assisted over 300 board members

from around 130 NGOs, who receive lump-sum grants from the Social Welfare Department.

Also as part of the programme, 20 Accountant Ambassadors facilitated case studies at a lunch seminar on “Financial Reporting 101” in June 2018 for more than 90 partners of the Arts Capacity Development Funding Scheme and Hong Kong Church Network for the Poor.

Jointly with the HKCSS, we launched the “Treasurers’ Club” initiative last year, aimed at equipping treasurers with relevant knowledge in governance, financial reporting, risk management and financial projection, among others, through workshops facilitated by our Accountant Ambassadors. Almost 25 Accountant Ambassadors were facilitators for the series of six workshops.

Rich Kid, Poor Kid: encouraging financial responsibility in Hong Kong’s children

The Institute’s “Rich Kid, Poor Kid” programme involves CPAs visiting primary and secondary schools throughout Hong Kong to instil good money management in young people. From July 2017 to June 2018, 11,000 primary and secondary school students were taught by the Institute’s Accountant Ambassadors over 62 sessions, and learned basic money management skills.

This year, we participated in “Money Month 2018,” organized by the Investor Education Centre. As part of the event, 52 parents and 63 children took part in a “Rich Kid, Poor Kid” family storytelling session and learned about money management through listening to the *May Moon* story about a young girl May Moon applying the money and ethics lessons learned from CPAs to save her personal and family finances, and the world economy.

In an extension to our pursuit to nurturing future generations, the Institute co-organized a career talk with Caritas School Social Work Service for some 250 secondary school students. Accountant Ambassadors from sectors including in business, in practice, charity and from a regulatory body were the speakers. The Accountant Ambassadors shared their working experience and tips on job interviews. Investing in the city's future, we continued to support the government's "Future Stars" programme through the HKICPA Charitable Fund. We sponsored 12 scholarships for secondary school students from less privileged backgrounds to encourage them to achieve upward social mobility.

A sustainable Institute

As well as our external activities, the Institute ensures it acts as a responsible body through various internal actions.

Use of resources

Steps have been taken to apply energy-saving and sustainability measures and minimize the Institute's carbon footprint throughout its offices.

Energy conservation

To reduce overall power consumption, LED lights have replaced energy-consuming halogen spotlights in several areas, such as the boardroom, conference rooms, VIP rooms, the library, training centre, lift lobby and counter service area.

To meet and maintain the Institute's long-term energy-saving goals, staff have collectively put in a conscious effort to switch off lights after work and when rooms are not in use. To further reduce energy consumption, we have been using zoning controls to manage lighting.

Paper consumption

The Institute prioritized using electronic copies instead of hard copies, with documents such as leave applications, performance evaluations, salary records and approval of overtime work for staff now prepared and processed digitally. In the financial year of 2017/18, 39,911 members received annual renewal notices by email, compared to 1,926 who received a hard copy by postal mail. The e-renewal system also applied to students, with 17,664 students receiving e-renewal notices while only 126 were sent hard copy notices. Through these efforts, paper usage has been significantly reduced from 121,377 sheets of paper in the previous financial year to 3,852 this financial year for members, and 36,000 sheets in 2015/16 down to 126 sheets this financial year for students.

Waste management

Our recycling facilities collect used plastics such as toner and ink cartridges from printers, and general plastic waste accumulated within the premises.

Wastewater from our pantries and kitchens is also filtered via grease traps before being released into the building's sewage system and public sewers. The built-up sludge in the traps that could add to our carbon footprint is safely extracted every six to nine months, helping to reduce overall waste. The use of recycled paper and double-sided printing is also practiced throughout our offices.

Green procurement

The Institute uses energy-efficient electrical appliances, recognized by official certification schemes. Before installing new office equipment, we primarily consider products that meet the grade 1 standard of the Hong Kong government's Electrical Mechanical Services Department efficiency label.

Old printers have also been replaced with models with green initiative features. Old copiers and other used consumables were returned to the Fuji Xerox Integrated Recycling System for Asia-Pacific for processing and reuse. Following this, the Institute received a certificate of appreciation from Fuji Xerox (HK), in support of its zero landfill goal.

Experience the mobile-friendly digital version of this annual report by visiting:

annualreport.hkicpa.org.hk

Council

Elected members		Council meeting attendance△
1	Eric Tong (*President*)	11/11
2	Law Fu Yuen, Patrick (*Vice-President*)	11/11
3	Johnson Kong (*Vice-President*)	11/11
4	Raymond Cheng	11/11
5	Cho Lung Pui Lan, Stella	11/11
6	Fong Wan Huen, Loretta	10/11
7	Fung Ling Yip	11/11
8	Ronald Kung*	9/11
9	Lee Suk Yee	11/11
10	Leung Man Chun	11/11
11	Leung Man Kit	11/11
12	Leung Sze Kit, Roy	10/11
13	Li Kin Hang	11/11
14	Charbon Lo	11/11

Immediate Past President

15	Mabel M.B. Chan	11/11

Government-appointed lay members

16	Melissa Brown*	5/11
17	Chui Yik Chiu, Vincent	7/11
18	Tam Wing-pong*	9/11
19	Wong Kam Pui, Wilfred	8/11

Ex-officio members		Council meeting attendance△
20	Ada Chung (*Representative of the Financial Secretary, Government of the HKSAR*)	11/11
21	Charlix Wong# (*Director of Accounting Services, Government of the HKSAR*)	10/10

Acting Registrar

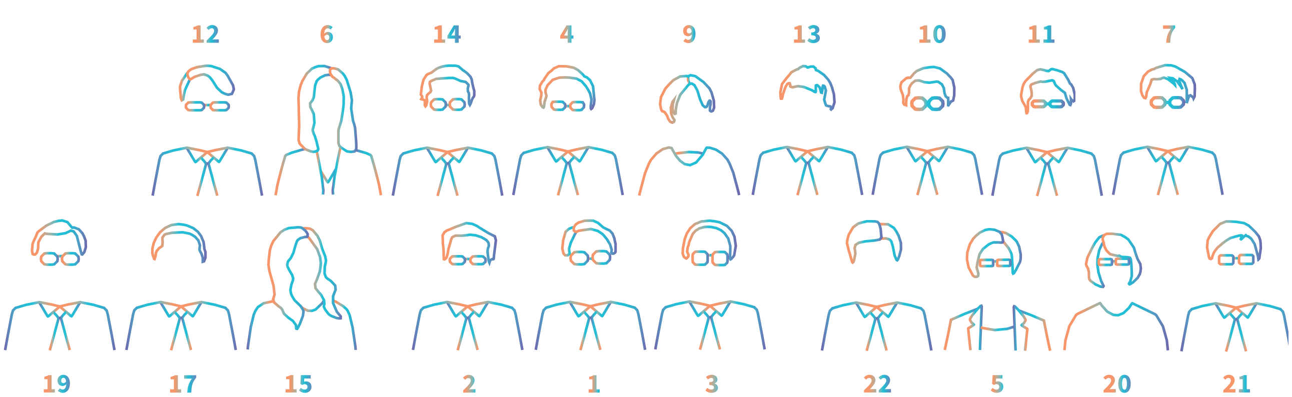
22	Jonathan Ng^ (*Secretary*)	10/10

△ Attendance from 14 December 2017 to 30 September 2018.

* Ronald Kung, Melissa Brown and Tam Wing-pong were absent from the photo shooting session.

\# Charlix Wong took over as Director of Accounting Services on 3 January 2018 after the retirement of Martin Siu (attendance: 1/1) on 2 January 2018.

^ Jonathan Ng has been Acting Registrar since 1 July 2018 after the previous Chief Executive and Registrar, Ding Wai Chuen, Raphael (attendance: 9/9), left the Institute on 30 June 2018. Mr. Ng has attended 2 meetings as Acting Registrar and 8 meetings as a member of the Institute's management.



Committees and Working Groups

Statutory	Chairmen and convenors
Disciplinary Panels	Russell Coleman
Investigation Panels	Yih Lai Tak, Dieter
Practice Review Committee	Cecilia Yam
Qualification and Examinations Board	Woo King Wa, Shirley
Registration and Practising Committee	Law Fu Yuen, Patrick

Non-statutory	Chairmen and convenors
Audit Committee	Fong Chung, Mark
Auditing and Assurance Standards Committee	Lau Kwok Yin, Paul
Education Standards Committee	Kim Man Wong
Ethics Committee	Virginia You
Financial Reporting Standards Committee	Shelley So
Governance Committee	Edith Shih
HKIAAT Board	Ng Kam Wah, Webster
Insolvency SD Vetting Committee	Bruno Arboit
Nomination Committee	Eric Tong
Professional Accountants in Business Committee	Jennifer H.Y. Cheung
Professional Conduct Committee	Johnson Kong
Professional Development Committee	Kim Man Wong
Qualification Oversight Board	Johnson Kong
Regulatory Oversight Board	Melissa Brown
Remuneration Committee	Edith Shih
Restructuring and Insolvency Faculty Executive Committee	Kan Lap Kee, Terry
Small and Medium Practitioners Committee	Johnson Kong
Sports and Recreation Committee	Vincent Chan
Taxation Faculty Executive Committee	So Kwok Kay
Young Members Committee	Chan Hiu Fun, Ivan

Panels and working groups	Chairmen and convenors
Accountancy Manpower Research Advisory Panel	Cho Lung Pui Lan, Stella
Audit Profession Reform Advisory Panel	Charles Lee
Audit Profession Reform Working Group	Eric Tong
Banking Regulatory Advisory Panel	Tso Pui Sze, Teresa
Branding and Communication Advisory Panel	Eric Tong
Corporate Finance Advisory Panel	Paul Chau
Corporate Governance Working Group	Kim Man Wong
Insurance Regulatory Advisory Panel	Francesco Nagari
Investment Funds Regulatory Advisory Panel	Christine Lin
Professional Standards Monitoring Expert Panel	*Not applicable*
Securities Regulatory Advisory Panel	Tso Miu Yue, Agnes
Sustainability and Integrated Reporting Advisory Panel	Melissa Brown
Tax Specialization Development Working Group	Cho Lung Pui Lan, Stella

Management Team

Acting Registrar

1 Jonathan Ng*

Executive Directors

1 Jonathan Ng
Qualification and Education

2 Chris Joy
Standards and Regulation

General Counsel

3 Donald Leo

Directors

4 Tracy Wong
Admission

5 Peter Tisman
Advocacy and Practice Development

6 Linda Biek
Compliance

7 Shanice Tsui
Education and Training

8 Perry Pang
Finance and Operations

9 Terry Lee#
Marketing and Communications

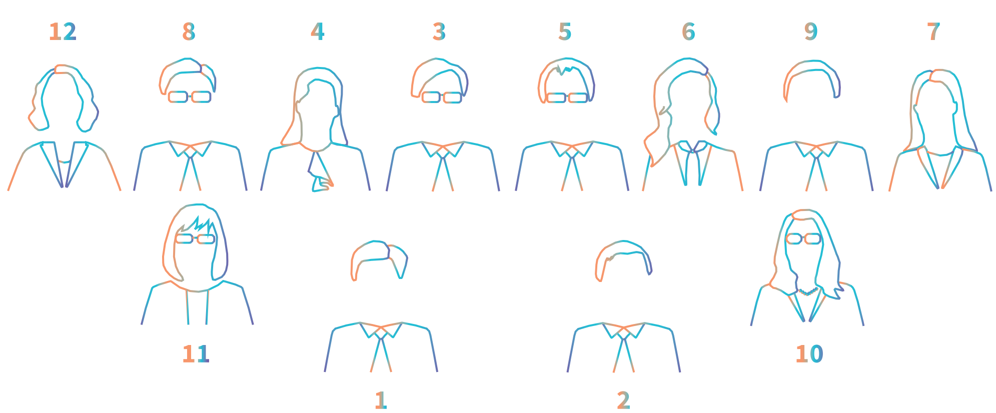
10 Mary Lam
Member Support

11 Elsa Ho
Quality Assurance

12 Christina Ng
Standard Setting

* Jonathan Ng has been Acting Registrar since 1 July 2018 after the previous Chief Executive and Registrar, Ding Wai Chuen, Raphael, left the Institute on 30 June 2018.

\# Terry Lee resigned on 28 September 2018.



AUDITOR'S REPORT AND FINANCIAL STATEMENTS

HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE HKICPA TRUST FUND

THE HKICPA CHARITABLE FUND

Independent Auditor's Report

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

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

Opinion

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 48 to 82, 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 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Institute at 30 June 2018, and of the financial performance and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Institute and have been properly prepared in accordance with the Professional Accountants Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Institute. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our report. We are independent of the Group in accordance with the Institute's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Council of the Institute is responsible for the other information. The other information comprises the information included in the Institute's 2018 annual report but does not include the financial statements of the Group and the Institute and our auditor's report thereon. The other information obtained at the date of this auditor's report is the financial statements of the Institute's subsidiaries, The HKICPA Trust Fund and The HKICPA Charitable Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Council for the Financial Statements

The Council of the Institute is responsible for maintaining proper accounts and preparing annual financial statements pursuant to the Professional Accountants Ordinance that give a true and fair view in accordance with HKFRSs issued by the Institute, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 16 of the Professional Accountants Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate number: P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
20 September 2018

Statements of Financial Position

At 30 June 2018

		Group		Institute	
		2018	2017	**2018**	2017
	Note	***HK$ '000***	*HK$ '000*	***HK$ '000***	*HK$ '000*
Non-current assets					
Fixed assets	*4*	**155,668**	162,434	**154,481**	161,696
Interests in subsidiaries	*5*	**-**	-	**-**	-
Deferred tax assets	*6*	**70**	192	**70**	192
Prepayments for purchase of fixed assets		**1,430**	220	**1,430**	220
		157,168	162,846	**155,981**	162,108
Current assets					
Inventories		**699**	681	**625**	681
Receivables	*7*	**4,680**	2,403	**4,996**	2,830
Deposits and prepayments		**5,819**	6,886	**5,690**	6,763
Tax recoverable		**31**	27	**-**	-
Time deposits with original maturities over three months	*21a*	**368,327**	321,317	**343,151**	293,635
Cash and cash equivalents	*8*	**32,539**	56,541	**26,167**	50,931
		412,095	387,855	**380,629**	354,840
Current liabilities					
Contract liabilities	*9*	**(82,758)**	(80,585)	**(82,119)**	(79,846)
Payables and accruals	*10*	**(40,339)**	(37,758)	**(38,746)**	(36,206)
Lease liabilities	*4*	**(2,385)**	(1,543)	**(1,705)**	(1,012)
Current tax liabilities		**(1,044)**	(128)	**(1,044)**	(128)
		(126,526)	(120,014)	**(123,614)**	(117,192)
Net current assets		**285,569**	267,841	**257,015**	237,648
Non-current liabilities					
Lease liabilities	*4*	**(1,117)**	(1,231)	**(593)**	(1,051)
Deferred tax liabilities	*6*	**-**	-	**-**	-
		(1,117)	(1,231)	**(593)**	(1,051)
		441,620	429,456	**412,403**	398,705
Funds and reserve					
General fund	*11*	**247,714**	242,689	**224,395**	217,826
Capital fund	*11*	**194,018**	186,889	**188,008**	180,879
Exchange reserve		**(112)**	(122)	**-**	-
		441,620	429,456	**412,403**	398,705

Approved by the Council on 20 September 2018

Eric Tong
President

Jonathan Ng
Executive Director

Statements of Comprehensive Income

For the year ended 30 June 2018

		Group		Institute	
		2018	2017	**2018**	2017
	Note	***HK$ '000***	*HK$ '000*	***HK$ '000***	*HK$ '000*
Subscriptions and fees	*12*	**148,637**	141,172	**147,282**	139,619
Other revenue	*13*	**104,256**	101,136	**103,562**	100,187
Total revenue from contracts with customers		**252,893**	242,308	**250,844**	239,806
Other income	*14*	**29,181**	23,222	**30,198**	24,232
Expenses	*15*	**(275,862)**	(253,207)	**(273,307)**	(250,226)
Surplus before tax	*16*	**6,212**	12,323	**7,735**	13,812
Income tax charge	*17*	**(1,187)**	(2,192)	**(1,166)**	(2,204)
Surplus		**5,025**	10,131	**6,569**	11,608
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain/(loss) on translating the financial statements of HKICPA Beijing		**10**	(3)	**-**	-
Comprehensive income		**5,035**	10,128	**6,569**	11,608

Approved by the Council on 20 September 2018

Eric Tong
President

Jonathan Ng
Executive Director

Statements of Changes in Funds and Reserve

For the year ended 30 June 2018

	2018						
	Group				**Institute**		
	General fund	**Capital fund**	**Exchange reserve**	**Total**	**General fund**	**Capital fund**	**Total**
	HK$ '000	***HK$ '000***	***HK$ '000***	***HK$ '000***	***HK$ '000***	***HK$ '000***	***HK$ '000***
At the beginning of the reporting period	**242,689**	**186,889**	**(122)**	**429,456**	**217,826**	**180,879**	**398,705**
Surplus	**5,025**	**-**	**-**	**5,025**	**6,569**	**-**	**6,569**
Other comprehensive income	**-**	**-**	**10**	**10**	**-**	**-**	**-**
Comprehensive income	**5,025**	**-**	**10**	**5,035**	**6,569**	**-**	**6,569**
Capital levy from members and students	**-**	**7,129**	**-**	**7,129**	**-**	**7,129**	**7,129**
At the end of the reporting period	**247,714**	**194,018**	**(112)**	**441,620**	**224,395**	**188,008**	**412,403**

	2017						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the reporting period	232,558	179,918	(119)	412,357	206,218	173,908	380,126
Surplus	10,131	-	-	10,131	11,608	-	11,608
Other comprehensive income	-	-	(3)	(3)	-	-	-
Comprehensive income	10,131	-	(3)	10,128	11,608	-	11,608
Capital levy from members and students	-	6,971	-	6,971	-	6,971	6,971
At the end of the reporting period	242,689	186,889	(122)	429,456	217,826	180,879	398,705

Statements of Cash Flows

For the year ended 30 June 2018

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash flows from operating activities				
Surplus before tax	**6,212**	12,323	**7,735**	13,812
Adjustments for:				
Allowance for obsolete inventories	**41**	7	**41**	7
Depreciation of fixed assets	**13,790**	13,641	**13,049**	12,949
Interest on lease liabilities	**125**	95	**98**	75
Impairment of receivables	**17**	126	**17**	126
Obsolete inventories written off	**5**	13	**5**	13
Uncollectible amounts written off	**18**	2	**18**	2
Operating cash flows before working capital changes	**20,208**	26,207	**20,963**	26,984
(Increase)/decrease in inventories	**(64)**	47	**10**	44
Increase in receivables	**(2,312)**	(511)	**(2,201)**	(132)
Decrease in deposits and prepayments	**1,064**	893	**1,073**	904
Increase in time deposits with original maturities over three months	**(47,010)**	(4,205)	**(49,516)**	(6,876)
Increase/(decrease) in contract liabilities	**2,173**	(325)	**2,273**	(299)
Increase in payables and accruals	**1,026**	2,771	**973**	3,036
Cash (utilized in)/generated from operations	**(24,915)**	24,877	**(26,425)**	23,661
Net tax paid	**(153)**	(3,687)	**(128)**	(3,682)
Net cash (utilized in)/generated from operating activities	**(25,068)**	21,190	**(26,553)**	19,979
Cash flows from investing activities				
Purchase of fixed assets	**(1,889)**	(3,873)	**(1,889)**	(3,873)
Prepayments for purchase of fixed assets	**(1,430)**	(220)	**(1,430)**	(220)
Net cash utilized in investing activities	**(3,319)**	(4,093)	**(3,319)**	(4,093)
Cash flows from financing activities				
Lease payments	**(2,744)**	(2,690)	**(2,021)**	(2,033)
Capital levy received	**7,129**	6,971	**7,129**	6,971
Net cash generated from financing activities	**4,385**	4,281	**5,108**	4,938
Net (decrease)/increase in cash and cash equivalents	**(24,002)**	21,378	**(24,764)**	20,824
Cash and cash equivalents at the beginning of the reporting period	**56,541**	35,158	**50,931**	30,107
Exchange difference in respect of cash and cash equivalents	**-**	5	**-**	-
Cash and cash equivalents at the end of the reporting period (note 8)	**32,539**	56,541	**26,167**	50,931

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK$3,314,000 (*2017: HK$806,000*) and HK$2,158,000 (*2017: HK$491,000*) respectively by means of leases. At 30 June 2018, HK$1,567,000 for additions of owned assets was included in "Payables and accruals" for the Group and the Institute.

Notes to the Financial Statements

1. Principal activities and registered office

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 (collectively referred to as the "HKIAAT Group").

The Institute is a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance with its registered office located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. Its principal activities include, *inter alia*, the registration of certified public accountants, firms of certified public accountants and corporate practices and the issuance of practising certificates; the development and promulgation of financial reporting, auditing and assurance, and ethical standards and guidelines; the regulation of the practice of the accountancy profession; the operation and promotion of the Institute's qualification programme and professional examinations; representing the views of the profession; providing membership and student support services and preserving the profession's integrity and status.

HKICPA Beijing is incorporated as a foreign enterprise in Mainland China. Its principal activities are the promotion of the Institute's qualification programme and provision of services to members in Mainland China.

The HKICPA Trust Fund was formed under a trust deed dated 21 January 1998. The fund was set up for the relief of poverty of members of the Institute. Its trustees are the president, the immediate past president, a vice president and a past president of the Institute. The power to appoint and remove trustees is vested with the Institute.

The HKICPA Charitable Fund was formed under a trust deed dated 2 December 2001 for general charitable purposes. Its trustees are the president, the immediate past president and the chief executive of the Institute. The power to appoint and remove trustees is vested with the Institute.

HKIAAT is incorporated in Hong Kong under the Hong Kong Companies Ordinance as a company limited by guarantee. Its principal activities are the award of the "Accredited Accounting Technician" qualification through conducting professional examinations, offering quality services to members and students, accrediting relevant sub-degree qualifications and promoting the study of accountancy among sub-degree holders and secondary school students. HKIAAT has three voting members who are the president and the two vice presidents of the Institute. The power to appoint and remove members of the Board of HKIAAT is vested with the Institute. In recent years, the HKIAAT has confronted enormous challenges due to changes in the educational landscape and manpower needs. To pave the way for the transformation, the Institute and HKIAAT have conducted a project to enhance the Certified Public Accountant qualifying process through the development of the Qualification Programme ("QP"). The current examinations held by HKIAAT will be restructured under the Institute as the Associate Level of the new QP. The HKIAAT will cease to hold examinations after 31 December 2019 and will maintain the register for Accredited Accounting Technician members until December 2029.

The HKIAAT Trust Fund was formed under a trust deed dated 21 June 1999 for educational purposes and in particular for the provision of scholarships to persons studying for the examinations held by HKIAAT. Its trustees are the president, the immediate past president and a vice president of HKIAAT. The power to appoint and remove trustees is vested with HKIAAT.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute, accounting principles generally accepted in Hong Kong and the requirements of the Professional Accountants Ordinance. These financial statements have been prepared under the historical cost convention. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Depreciation

The residual values, useful lives and depreciation method applied in the recognition of depreciation are reviewed, and adjusted if appropriate, at least at the end of each reporting period. In arriving at the depreciation charges, management has applied estimates to the residual values and useful life of each class of assets. Depreciation is provided on a straight-line basis over the useful life of each class of assets.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default. The Group uses judgment in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 21b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2017 had been early adopted by the Group in prior years. The following new/revised HKFRSs, which are applicable to the Group but are not yet effective for the current year, have been early adopted in prior years:

HKFRS 9 (2014)	"Financial Instruments"
HKFRS 15	"Revenue from Contracts with Customers"
HKFRS 16	"Leases"

b. New/revised HKFRSs that were issued during the current year and after 30 June 2018

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Group has early adopted these new/revised HKFRSs, which have no significant impact on the results and the financial positions.

The Institute has not issued any new/revised HKFRSs after 30 June 2018 and up to the date of approval of these financial statements.

c. Basis of consolidation and subsidiaries

The consolidated financial statements include the financial statements of the Institute and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Institute using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A subsidiary is an entity over which the Institute has control. The Institute controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the Institute's statement of financial position, the interests in subsidiaries are stated at cost less impairment charges.

d. Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Group's financial assets, including receivables, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2e) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities include lease liabilities, payables and accruals. All financial liabilities are subsequently measured at amortized cost using the effective interest method, except for lease liabilities as stated in note 2i.

e. Impairment of financial assets

The Group recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Group considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Group considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Group has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

f. Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Group transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

g. Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognized in surplus or deficit whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are credited to surplus or deficit in the period in which the reversals are recognized.

h. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment charges. The cost of an item of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any cost directly attributable to bringing the item of fixed assets to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of any cost of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after the item of fixed assets has been put into operation, such as repairs and maintenance cost, is normally charged to surplus or deficit in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure is capitalized as an additional cost to that asset or as a replacement. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in surplus or deficit in the period the item is derecognized, is the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation of fixed assets is calculated to write off their depreciable amounts over their estimated useful lives using the straight-line method. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The residual values and useful lives of assets and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes will be accounted for as a change in an accounting estimate. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, no depreciation is charged.

The estimated useful lives of fixed assets are as follows:

Owned assets	
Buildings	20 years
Leasehold improvements	10 years or over the lease term whichever is shorter
Furniture, fixtures and equipment	3 to 10 years
Right-of-use assets	
Land	Over the lease term
Buildings	Over the lease term
Furniture, fixtures and equipment	Over the lease term

Items of a capital nature costing less than HK$1,000 are recognized as expenses in the period of acquisition.

i. Leases

Lessee

All leases with a term of more than 12 months are recognized (i.e. an asset representing the right to use of the underlying asset and a liability representing the obligation to make lease payments), unless the underlying asset is of low value. Both the asset and the liability are initially measured on a present value basis. Right-of-use assets are recognized under fixed assets and are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the assets and the lease term. Lease liabilities are initially measured at the present value of unpaid lease payments and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

Lessor

Leases where substantially all the risks and rewards of ownership of assets remain with the Group are classified as operating leases. Assets leased under operating leases are included in fixed assets and rentals receivable are credited to surplus or deficit on the straight-line basis over the lease term.

j. Inventories

Inventories, comprising publications and souvenirs held for sale, are stated at the lower of cost determined on a weighted average basis, and net realizable value. Cost includes direct costs of purchases and incidental costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs to be incurred prior to sale.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

l. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

m. Capital levy

The capital levy is an equity contribution from members and students, and is taken to the capital fund in the period of receipt.

n. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Institute and its subsidiaries are measured using the currency of the primary environment in which the Institute and its subsidiaries operate respectively (the functional currency). These financial statements are presented in Hong Kong dollars, which is the Institute's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The transaction date is the date on which the Group initially recognizes such non-monetary items. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognized in surplus or deficit except when the related gains and losses are recognized outside surplus or deficit.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the end of the reporting period, their income and expenses are translated at the average exchange rates for the period, and the resulting exchange differences are included in exchange reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in exchange reserve and accumulated in a separate component of funds and reserve is reclassified to surplus or deficit when the gain or loss on disposal is recognized.

o. Revenue recognition

Interest income from bank deposits and savings accounts is recognized as it accrues using the effective interest method.

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset:

(i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Group.

(ii) First registration fees are recognized at a point in time on completion of assessment services by granting the qualification and status to the applicants.

(iii) Income from examinations is recognized over time based on the cost-to-cost method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(iv) Income from seminars and courses, member and student activities is recognized over time as the services are rendered.

(v) Accreditation income is recognized at a point in time on completion of services.

The Group has applied the practical expedient and thus has not adjusted the promised amount of consideration for the effects of any significant financing components because the Group does not expect, at contract inception, the period between the transfer of the promised goods or services to the customer and the payment by the customer exceeds one year.

p. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the period. Taxable surplus differs from surplus as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and is accounted for using the liability method. Except to the extent that the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss, deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which deductible temporary differences, tax losses and credits can be utilized. However, deferred tax liabilities are not recognized for taxable temporary differences arising on interests in subsidiaries where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to surplus or deficit, except when it relates to items charged or credited to other comprehensive income or directly to funds and reserve, in which case the deferred tax is also dealt with outside surplus or deficit.

q. Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

(ii) Retirement benefits costs

The Group operates two approved defined contribution retirement benefits schemes for employees: a registered scheme under Mandatory Provident Fund ("MPF") Exempted Occupational Retirement Schemes Ordinance and a MPF scheme under the Mandatory Provident Fund Schemes Ordinance.

The contributions payable to the Group's defined contribution retirement benefits schemes are charged to surplus or deficit as incurred.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for unused annual leave as a result of services rendered by the employees up to the end of the reporting period.

r. Related parties

A related party is a person or entity that is related to the Group.

(i) A person or a close member of that person's family is related to the Group if that person:
- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:
- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

3. Financial instruments by category

The carrying amounts of financial instruments at the end of the reporting period are as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets – measured at amortized cost				
Accounts receivable, net of charges for impairment	**4,680**	2,403	**4,518**	2,258
Amounts due from subsidiaries	**-**	-	**478**	572
Time deposits with original maturities over three months	**368,327**	321,317	**343,151**	293,635
Cash and cash equivalents	**32,539**	56,541	**26,167**	50,931
	405,546	380,261	**374,314**	347,396
Financial liabilities – measured at amortized cost				
Payables	**4,601**	8,709	**4,455**	8,619
Amounts due to subsidiaries	**-**	-	**50**	50
Accruals	**18,583**	11,352	**18,189**	10,884
Lease liabilities				
- Current	**2,385**	1,543	**1,705**	1,012
- Non-current	**1,117**	1,231	**593**	1,051
	26,686	22,835	**24,992**	21,616

The carrying amounts of the Group's and the Institute's financial instruments at the end of the reporting period approximate their fair value.

4. Fixed assets and lease liabilities

	Right-of-use assets			
	Land	**Buildings**	**Furniture, fixtures and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2018 - Group	(a)	(b)	(c)	
Net book value at 1 July 2017	131,895	1,528	1,203	134,626
Additions	-	1,966	1,348	3,314
Depreciation	(4,398)	(1,631)	(1,007)	(7,036)
Exchange realignment	-	32	-	32
Net book value at 30 June 2018	**127,497**	**1,895**	**1,544**	**130,936**
At cost	184,669	4,329	4,500	193,498
Accumulated depreciation and impairment	(57,172)	(2,434)	(2,956)	(62,562)
	127,497	**1,895**	**1,544**	**130,936**
2018 - Institute				
Net book value at 1 July 2017	131,895	828	1,203	133,926
Additions	-	810	1,348	2,158
Depreciation	(4,398)	(936)	(1,007)	(6,341)
Net book value at 30 June 2018	**127,497**	**702**	**1,544**	**129,743**
At cost	184,669	2,846	4,500	192,015
Accumulated depreciation and impairment	(57,172)	(2,144)	(2,956)	(62,272)
	127,497	**702**	**1,544**	**129,743**

Owned assets				
Buildings	Leasehold improvements	Furniture, fixtures and equipment	Total	Total
HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a)				
17,308	2,343	8,157	27,808	162,434
-	-	3,676	3,676	6,990
(2,163)	(433)	(4,158)	(6,754)	(13,790)
-	2	-	2	34
15,145	**1,912**	**7,675**	**24,732**	**155,668**
43,255	25,247	45,879	114,381	307,879
(28,110)	(23,335)	(38,204)	(89,649)	(152,211)
15,145	**1,912**	**7,675**	**24,732**	**155,668**
17,308	2,326	8,136	27,770	161,696
-	-	3,676	3,676	5,834
(2,163)	(415)	(4,130)	(6,708)	(13,049)
15,145	**1,911**	**7,682**	**24,738**	**154,481**
43,255	25,176	45,612	114,043	306,058
(28,110)	(23,265)	(37,930)	(89,305)	(151,577)
15,145	**1,911**	**7,682**	**24,738**	**154,481**

	Right-of-use assets			
	Land	**Buildings**	**Furniture, fixtures and equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
<u>2017 - Group</u>	(a)	(b)	(c)	
Net book value at 1 July 2016	136,292	2,274	2,274	140,840
Additions	-	806	-	806
Depreciation	(4,397)	(1,531)	(1,071)	(6,999)
Exchange realignment	-	(21)	-	(21)
Net book value at 30 June 2017	131,895	1,528	1,203	134,626
At cost	184,669	3,883	3,152	191,704
Accumulated depreciation and impairment	(52,774)	(2,355)	(1,949)	(57,078)
	131,895	1,528	1,203	134,626
<u>2017 - Institute</u>				
Net book value at 1 July 2016	136,292	1,233	2,274	139,799
Additions	-	491	-	491
Depreciation	(4,397)	(896)	(1,071)	(6,364)
Net book value at 30 June 2017	131,895	828	1,203	133,926
At cost	184,669	2,036	3,152	189,857
Accumulated depreciation and impairment	(52,774)	(1,208)	(1,949)	(55,931)
	131,895	828	1,203	133,926

Owned assets				
Buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Total**	**Total**
HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
(a)				
19,471	3,090	4,227	26,788	167,628
-	-	7,663	7,663	8,469
(2,163)	(746)	(3,733)	(6,642)	(13,641)
-	(1)	-	(1)	(22)
17,308	2,343	8,157	27,808	162,434
43,255	25,245	42,473	110,973	302,677
(25,947)	(22,902)	(34,316)	(83,165)	(140,243)
17,308	2,343	8,157	27,808	162,434
19,471	3,049	4,172	26,692	166,491
-	-	7,663	7,663	8,154
(2,163)	(723)	(3,699)	(6,585)	(12,949)
17,308	2,326	8,136	27,770	161,696
43,255	25,176	42,208	110,639	300,496
(25,947)	(22,850)	(34,072)	(82,869)	(138,800)
17,308	2,326	8,136	27,770	161,696

Year ended 30 June	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest on lease liabilities	**125**	95	**98**	75
Expense relating to short-term leases				
- Lease term of more than one month	**152**	154	**152**	154
- Lease term of one month or less (d)	**16,580**	16,385	**16,568**	16,362
Expense relating to variable lease payments not included in the measurement of lease liabilities	**237**	292	**237**	292
Income from sub-leasing right-of-use assets	**121**	176	**121**	176
Total cash outflow for leases				
- Lease liabilities	**2,744**	2,690	**2,021**	2,033
- Short-term lease and variable lease payments	**15,542**	16,083	**15,530**	16,060
	18,286	18,773	**17,551**	18,093

At 30 June	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Maturity profile of lease liabilities:				
- Within 1 year	**2,480**	1,591	**1,753**	1,049
- Between 1 to 2 years	**1,047**	739	**511**	629
- Between 3 to 5 years	**90**	521	**89**	447
Lease liabilities (undiscounted)	**3,617**	2,851	**2,353**	2,125
Discount amount	**(115)**	(77)	**(55)**	(62)
Lease liabilities (discounted)	**3,502**	2,774	**2,298**	2,063
Current	**2,385**	1,543	**1,705**	1,012
Non-current	**1,117**	1,231	**593**	1,051
Lease liabilities (discounted)	**3,502**	2,774	**2,298**	2,063

Movements of the carrying amount of lease liabilities:

Year ended 30 June	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the reporting period	**2,774**	4,584	**2,063**	3,530
Non-cash changes:				
- Interest expense	**125**	95	**98**	75
- New leases	**3,314**	806	**2,158**	491
- Exchange differences	**33**	(21)	**-**	-
Cash payments	**(2,744)**	(2,690)	**(2,021)**	(2,033)
At the end of the reporting period	**3,502**	2,774	**2,298**	2,063

a. The Group's and the Institute's right of use in leasehold land represents prepaid lease payments. The leasehold land, together with the owned buildings held for own use, comprise the 37th floor and 27th floor of Wu Chung House located at 213 Queen's Road East, Wanchai, Hong Kong with a total gross area of 49,722 sq. ft. acquired on 8 July 2005 and 28 February 2006 respectively. The leasehold land is held on medium-term leases expiring on 30 June 2047.

b. The Group entered into lease agreements in respect of premises at two industrial buildings for storage purpose in Hong Kong, one office building in Beijing and one office building for the promotion of the Institute's Qualification Programme in Zhuhai and Guangzhou respectively. All of these agreements were entered into by the Institute except for the office buildings in Beijing and Guangzhou. The lease terms range from two to three years with no extension or termination options and all the lease payments are fixed.

c. The Institute entered into lease agreements in respect of copiers and server racks in Hong Kong. The lease term ranges from two to five years with no extension or termination options. Apart from the fixed payments, the rentals of the copiers also include variable payments based on usage which are recognized in surplus or deficit in the period during which the expenses are incurred.

d. The Group entered into lease agreements in respect of venues for examination or event in Hong Kong and Mainland China. The lease terms were mainly on daily basis with no extension or termination options.

5. Interests in subsidiaries

	Institute	
	2018	2017
	HK$'000	*HK$'000*
At cost	**300**	300
Impairment charges	**(300)**	(300)
	-	-

Details of the Institute's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment and operations	Registered and paid-up capital	Equity interest held	Principal activities
HKICPA (Beijing) Consulting Co., Ltd. (a)	Mainland China	HK$300,000	100%	Promotion of the Institute's Qualification Programme and provision of services to members in Mainland China
The HKICPA Trust Fund (a)	Hong Kong	-	(c)	Relief of poverty of members of the Institute
The HKICPA Charitable Fund (a)	Hong Kong	-	(c)	General charitable purposes
Hong Kong Institute of Accredited Accounting Technicians Limited (a)	Hong Kong	-	(c)	Award of the "Accredited Accounting Technician" qualification
The HKIAAT Trust Fund (b)	Hong Kong	-	(c)	Provision of scholarships to persons studying for the examinations held by HKIAAT

(a) Held/controlled directly by the Institute.
(b) Controlled directly by HKIAAT.
(c) Accounted for as a subsidiary and 100% consolidated by virtue of control.

HKICPA Beijing is a wholly-owned subsidiary of the Institute incorporated as a foreign enterprise in Mainland China.

The HKICPA Trust Fund and The HKICPA Charitable Fund were set up with no capital injection by the Institute.

HKIAAT was founded by former Council members on behalf of the Institute.

The HKIAAT Trust Fund was set up with no capital injection by HKIAAT.

Nature and purpose of funds

The general fund of HKIAAT of HK$17,570,000 (*2017: HK$19,130,000*) represents the accumulated surplus from the operation and the fund can be used to fulfill the objects of HKIAAT as set out in its Articles of Association. The information about the capital fund of HKIAAT is set out in note 11.

The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund have accumulated funds in total of HK$5,015,000 (*2017: HK$5,133,000*), the use of which is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

Use of bank balances

Included in the Group's time deposits and cash and cash equivalents is an amount in total of HK$31,548,000 (*2017: HK$33,292,000*) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

6. Deferred tax assets and liabilities

a. Details of deferred tax assets/(liabilities) recognized in the statements of financial position and the movements during the year are as follows:

	Group			Institute		
	Accelerated tax depreciation	Other temporary differences	Total	Accelerated tax depreciation	Other temporary differences	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016	(903)	1,859	956	(903)	1,859	956
(Charged)/Credited to surplus (note 17)	(898)	134	(764)	(898)	134	(764)
At 30 June 2017 and 1 July 2017	(1,801)	1,993	192	(1,801)	1,993	192
Credited/(Charged) to surplus (note 17)	68	(190)	(122)	68	(190)	(122)
At 30 June 2018	**(1,733)**	**1,803**	**70**	**(1,733)**	**1,803**	**70**

b. Details of items for which no deferred tax assets/(liabilities) are recognized at the end of the reporting period are as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decelerated/(accelerated) tax depreciation	**10**	(8)	-	-
Other temporary differences	**1,571**	1,765	-	-
Tax losses	**17,363**	15,492	-	-
	18,944	17,249	-	-

No deferred tax assets are recognized by the Group in respect of above unused tax losses and deductible temporary differences because it is not certain whether future taxable profit will be available against which the Group can utilize the benefits therefrom. Neither the tax losses nor the temporary differences have expiration dates under current tax legislation.

7. Receivables

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accounts receivable	**4,946**	2,791	**4,784**	2,646
Amounts due from subsidiaries	**-**	-	**478**	572
	4,946	2,791	**5,262**	3,218
Charges for impairment (a)	**(266)**	(388)	**(266)**	(388)
	4,680	2,403	**4,996**	2,830

The accounts receivable mainly are professional idemnity insurance recovery, bank interest receivables, outstanding disciplinary fines and legal costs recovery.

The bank interest receivables are mainly derived from time deposits with reputable and creditworthy banks in Hong Kong. All of the time deposits have a term of less than 12 months. Management considers the interest receivables have low credit risk.

For the receivables relating to the disciplinary fines and legal costs recovery, the Group evaluates the probability of default on a case-by-case basis.

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

a. Movements on the charges for impairment of receivables are as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At the beginning of the reporting period	**388**	518	**388**	481
Recovery of impaired receivables (note 14)	**(20)**	(187)	**(20)**	(187)
Bad debts written off for the year	**(119)**	(69)	**(119)**	(32)
Impairment charged during the year	**17**	126	**17**	126
At the end of the reporting period	**266**	388	**266**	388

The individually impaired receivables have been assessed by management who considers that their risk of default in payment is high. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the receivables, which approximates their fair value.

b. The ageing analysis of receivables at the end of the reporting period that are not considered to be impaired is as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Not past due	**3,590**	1,700	**3,486**	1,556
Within 30 days past due	**369**	574	**789**	1,145
31 to 90 days past due	**158**	60	**158**	60
91 to 180 days past due	**499**	-	**499**	-
181 to 270 days past due	**64**	-	**64**	-
Over 270 days past due	**-**	69	**-**	69
	1,090	703	**1,510**	1,274
	4,680	2,403	**4,996**	2,830

Receivables of the Institute that are neither past due nor impaired are mainly bank interest receivables and professional indemnity insurance recovery.

Receivables that are past due but not impaired relate to a number of parties that either have subsequently settled the amounts due or have no records of default in payments. Based on experience, existing market conditions as well as forward looking estimates, management is of the opinion that no charge for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of these parties and the balances are still considered fully recoverable. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

8. Cash and cash equivalents

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank balances				
- Time deposits with original maturities within three months	**12,942**	27,251	**10,255**	27,251
- Savings accounts	**3,517**	5,203	**2,034**	3,520
- Current accounts	**16,009**	23,994	**13,809**	20,071
Cash on hand	**71**	93	**69**	89
	32,539	56,541	**26,167**	50,931

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are mainly made for three-month periods depending on the immediate cash requirement of the Group and the Institute and earn interest at the prevailing short-term deposit rates.

9. Contract balances

Since payments are received in advance, the Group and the Institute do not have any contract assets or receivables from contracts with customers. Besides, there are no significant costs to obtain or fulfill contracts with customers to be amortized.

Contract liabilities:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subscription fees received in advance	**69,734**	66,208	**69,126**	65,509
Other fees received in advance	**13,024**	14,377	**12,993**	14,337
	82,758	80,585	**82,119**	79,846

The Institute and HKIAAT charge their members and students an annual subscription fee for renewal of membership/studentship on a calendar-year basis (i.e. from 1 January to 31 December), which is recognized in surplus or deficit on a straight-line basis over the subscription period. The contract liabilities mainly relate to (1) the subscription fees received in advance which represent the unearned subscription income for the period from 1 July to 31 December of a year and (2) other fees received in advance which mainly relate to first registration applications to be assessed, and examinations and seminars to be conducted or to be completed after the end of the reporting period.

Above balances represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, most of which will be recognized as revenue during the next reporting period. No consideration from contracts with customers is excluded from the transaction price.

Significant changes in the balances of contract liabilities during the year:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	**(80,268)**	(80,410)	**(79,530)**	(79,645)
Increases due to cash received during the year	**255,067**	241,983	**253,118**	239,507
Decrease due to the recognition of revenue for cash received during the year	**(172,626)**	(161,898)	**(171,315)**	(160,161)

10. Payables and accruals

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Payables	**4,601**	8,709	**4,455**	8,619
Amounts due to subsidiaries	**-**	-	**50**	50
Accruals	**18,583**	11,352	**18,189**	10,884
Financial liabilities	**23,184**	20,061	**22,694**	19,553
Employee benefits obligations	**17,155**	17,697	**16,052**	16,653
	40,339	37,758	**38,746**	36,206

Payables and accruals are mainly litigation costs and costs related to examinations, seminars and courses. At 30 June 2018, HK$5,231,000 is accrued as potential liability arising from an appeal against a disciplinary order.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The maturity profile of the Group's and the Institute's financial liabilities at the end of the reporting period based on the contracted undiscounted cash flows is as follows:

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**10,542**	13,527	**10,070**	13,059
Between 31 and 90 days	**5,810**	5,167	**5,810**	5,139
Between 91 and 180 days	**5,249**	12	**5,231**	-
Between 181 and 270 days	**979**	1,251	**979**	1,251
Over 270 days	**604**	104	**604**	104
	23,184	20,061	**22,694**	19,553

11. General fund and capital fund

The general fund of the Institute represents the accumulated surplus from the operation and the fund can be used to fulfill the objects of the Institute as set out in section 7 of the Professional Accountants Ordinance.

The Group has two capital funds:

a. The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy are decided annually by the Council. In 2016, the Council decided to reduce the capital levy of members by HK$150 from 2017 onwards.

b. The capital fund of HKIAAT represents a capital levy from its members and students to meet future office expansion. The rates of levy are decided annually by the Board of Directors of HKIAAT. Effective from the year ended 30 June 2009, no capital levy has further been collected.

12. Subscriptions and fees

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Annual subscription fees				
Members (a)	**87,145**	81,304	**87,145**	81,304
Practising certificates	**24,202**	23,493	**24,202**	23,493
Students	**8,229**	8,401	**7,534**	7,546
Firms	**10,794**	10,913	**10,794**	10,913
Corporate practices	**6,807**	6,378	**6,807**	6,378
Others	**1,237**	1,124	**615**	458
First registration fees				
Members	**5,118**	5,056	**5,118**	5,056
Practising certificates	**892**	700	**892**	700
Students	**1,882**	1,858	**1,846**	1,826
Firms	**130**	182	**130**	182
Corporate practices	**220**	226	**220**	226
Others	**317**	85	**315**	85
Other fees				
Advancement to fellowship	**276**	248	**276**	248
Assessment for overseas students	**1,388**	1,204	**1,388**	1,204
	148,637	141,172	**147,282**	139,619

a. Members' annual subscription fees

	Group and Institute	
	2018	2017
	HK$'000	*HK$'000*
Annual subscription fees	**88,894**	86,551
Less: One-off subscription reduction	**(1,749)**	(5,247)
	87,145	81,304

In October 2016, the Council approved a one-off subscription reduction of HK$180 to each current member (prorated for members enjoying concessionary rates) who renews their membership for the calendar year 2017. According to HKFRS 15, the reduction is recognized at the later of (a) when the reduction is announced to the members and (b) when the revenue for the transfer of the related goods or services to the members is recognized. As a result, the reduction for the year ended 30 June 2017 represented the impact related to the periods from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 June 2017. The remaining balance of HK$1,749,000 related to the period from 1 July 2017 to 31 December 2017 was recognized in the current year.

In June 2018, the Council announced a membership fee waiver for calendar years 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 will be for the full fee, and a review will be conducted before 2020 to determine the appropriate level of the waiver.

13. Other revenue

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Income from examinations	**81,209**	81,052	**80,525**	80,134
Income from seminars and courses	**21,133**	18,559	**21,123**	18,536
Income from member and student activities	**1,914**	1,467	**1,914**	1,467
Accreditation income	**-**	58	**-**	50
	104,256	101,136	**103,562**	100,187

14. Other income

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
FRC special levy (a)	**8,092**	7,706	**8,092**	7,706
Events sponsorship	**2,132**	1,798	**2,132**	1,798
Disciplinary fines and costs recovery	**8,238**	2,133	**8,238**	2,133
Interest income	**4,309**	3,515	**4,007**	3,245
Sales of goods	**2,098**	4,739	**2,028**	4,638
Income from advertisements placed in the journals	**326**	254	**326**	254
Litigation costs recovery (b)	**1,548**	89	**1,548**	89
Income from hardcopy surcharge	**790**	1,007	**790**	1,007
Commission from professional indemnity insurance master policy	**1,263**	1,169	**1,263**	1,169
Commission from affinity credit card programme	**129**	150	**129**	150
Royalty income	**18**	28	**4**	8
Donations	**46**	30	**31**	13
Income from sub-leasing right-of-use assets	**121**	176	**121**	176
Recovery of impaired receivables (note 7a)	**20**	187	**20**	187
Reversal of allowance for obsolete inventories	**11**	22	**11**	22
Service fees from HKIAAT	**-**	-	**1,440**	1,440
Miscellaneous	**40**	219	**18**	197
	29,181	23,222	**30,198**	24,232

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 funding 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$8,092,000 (*2017: HK$7,706,000*) from such member practices and contributed HK$8,092,000 (*2017: HK$7,706,000*) to the FRC (note 16).

b. Litigation costs recovery

	Group and Institute	
	2018	2017
	HK$'000	*HK$'000*
Litigation costs recovery for:		
Appeal against a judicial review (i)	**-**	89
Professional indemnity insurance recovery (ii)	**1,548**	-
	1,548	89

(i) During the year ended 30 June 2017, the Institute recovered HK$89,000 from an applicant who applied for judicial review on the handling procedure of a complaint against him.

(ii) During the current year, the Institute recognized HK$1,548,000 as potential recovery from the insurers for settlement of legal costs and possible claim incurred by the Institute in dealing with an appeal against a disciplinary order. The amount is recognized in accordance with the accounting policy on provisions that it is virtually certain. At 30 June 2018, HK$5,231,000 is accrued as potential liability for the case (note 16), which is under on-going settlement discussions. The actual recovery and liability will depend upon a number of factors including taxation, agreement reached with the appellant and the insurers agreement to such amounts.

15. Income and expenses by activity

An analysis of the Group's and the Institute's income and expenses by main activities is set out below:

2018	Group			Institute		
	Income	Expenses	Surplus before tax	Income	Expenses	Surplus before tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Members						
Annual subscription fees	128,190	-	128,190	128,190	-	128,190
Admission and registration	8,605	(5,959)	2,646	8,605	(5,959)	2,646
Standards and regulation	18,094	(65,368)	(47,274)	18,094	(65,368)	(47,274)
Professional development and specialization	22,233	(28,658)	(6,425)	22,233	(28,658)	(6,425)
Interest groups and networking activities	2,559	(11,075)	(8,516)	2,559	(11,202)	(8,643)
	179,681	(111,060)	68,621	179,681	(111,187)	68,494
Qualification	93,131	(63,664)	29,467	93,130	(63,740)	29,390
Corporate functions						
Constitution, governance and corporate activities	1,888	(8,513)	(6,625)	1,888	(8,513)	(6,625)
Branding and communication	12	(7,214)	(7,202)	12	(7,214)	(7,202)
Publications	327	(6,261)	(5,934)	327	(6,261)	(5,934)
Advocacy	-	(941)	(941)	-	(941)	(941)
Legal	-	(4,220)	(4,220)	-	(4,220)	(4,220)
China and international relations	-	(6,064)	(6,064)	-	(6,064)	(6,064)
General administration, finance and operations	4,566	(43,873)	(39,307)	6,004	(45,313)	(39,309)
Depreciation and building related expenses	-	(19,854)	(19,854)	-	(19,854)	(19,854)
	6,793	(96,940)	(90,147)	8,231	(98,380)	(90,149)
HKIAAT Group	2,413	(3,918)	(1,505)	-	-	-
HKICPA Charitable Fund	11	(264)	(253)	-	-	-
HKICPA Trust Fund	45	(16)	29	-	-	-
Total	282,074	(275,862)	6,212	281,042	(273,307)	7,735

2017	Group			Institute		
	Income	Expenses	Surplus before tax	Income	Expenses	Surplus before tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Members						
Annual subscription fees	121,026	-	121,026	121,026	-	121,026
Admission and registration	8,076	(6,057)	2,019	8,076	(6,057)	2,019
Standards and regulation	10,125	(55,219)	(45,094)	10,125	(55,219)	(45,094)
Professional development and specialization	22,490	(27,467)	(4,977)	22,490	(27,467)	(4,977)
Interest groups and networking activities	2,108	(10,785)	(8,677)	2,108	(10,932)	(8,824)
	163,825	(99,528)	64,297	163,825	(99,675)	64,150
Qualification	92,662	(60,706)	31,956	92,662	(60,804)	31,858
Corporate functions						
Constitution, governance and corporate activities	1,526	(6,119)	(4,593)	1,526	(6,119)	(4,593)
Branding and communication	2	(5,630)	(5,628)	2	(5,630)	(5,628)
Publications	271	(6,151)	(5,880)	271	(6,151)	(5,880)
Advocacy	-	(1,271)	(1,271)	-	(1,271)	(1,271)
Legal	-	(4,032)	(4,032)	-	(4,032)	(4,032)
China and international relations	-	(5,732)	(5,732)	-	(5,732)	(5,732)
General administration, finance and operations	4,236	(39,466)	(35,230)	5,752	(40,945)	(35,193)
Depreciation and building related expenses	-	(19,867)	(19,867)	-	(19,867)	(19,867)
	6,035	(88,268)	(82,233)	7,551	(89,747)	(82,196)
HKIAAT Group	2,953	(4,428)	(1,475)	-	-	-
HKICPA Charitable Fund	15	(243)	(228)	-	-	-
HKICPA Trust Fund	40	(34)	6	-	-	-
Total	265,530	(253,207)	12,323	264,038	(250,226)	13,812

16. Surplus before tax

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	**148,377**	138,671	**144,306**	134,189
Depreciation of fixed assets	**13,790**	13,641	**13,049**	12,949
Contribution to FRC (note 14a)	**8,092**	7,706	**8,092**	7,706
Award for an appeal case (note 14b (ii))	**5,231**	-	**5,231**	-
Auditor's remuneration	**399**	437	**309**	342
Allowance for obsolete inventories	**41**	7	**41**	7
Cost of goods sold	**228**	799	**227**	798
Donations (a)	**14**	14	**64**	64
Exchange loss/(gain)	**105**	(75)	**118**	(83)
Impairment of receivables (note 7a)	**17**	126	**17**	126
Interest on lease liabilities	**125**	95	**98**	75
Obsolete inventories written off	**5**	13	**5**	13
Recovery of impaired receivables (note 7a)	**(20)**	(187)	**(20)**	(187)
Recovery of obsolete inventories written off	**(11)**	(22)	**(11)**	(22)
Uncollectible amounts written off	**18**	2	**18**	2

a. During the current year, the Institute donated HK$50,000 (*2017: HK$50,000*) to The HKICPA Charitable Fund.

17. Income tax charge

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current tax				
Hong Kong Profits Tax:				
Current year	**1,074**	1,717	**1,074**	1,717
Overprovision in prior year	**(30)**	(277)	**(30)**	(277)
	1,044	1,440	**1,044**	1,440
Mainland China income tax:				
Current year	**19**	8	**-**	-
Under/(over)provision in prior year	**2**	(20)	**-**	-
Total current tax charge	**1,065**	1,428	**1,044**	1,440
Deferred tax				
Effect on opening deferred tax of decrease in tax rate	**25**	-	**25**	-
Origination and reversal of temporary differences	**97**	764	**97**	764
	122	764	**122**	764
Total tax charge	**1,187**	2,192	**1,166**	2,204

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the year ended 30 June 2018, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 30 June 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% on the estimated assessable profits arising in Hong Kong.

Mainland China income tax has been provided at the statutory rate of 25% (*2017: 25%*) in accordance with the relevant tax laws in Mainland China.

The reconciliation between income tax charge and surplus before tax at the applicable rate (i.e. the statutory tax rate for the jurisdiction in which the Institute and the majority of its subsidiaries are domiciled) is as follows:

	Group		**Institute**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Surplus before tax	**6,212**	12,323	**7,735**	13,812
Tax at the applicable rate of 16.5% (*2017: 16.5%*)	**1,025**	2,033	**1,276**	2,279
Tax effect of the two-tiered profits tax rates regime	**(165)**	-	**(165)**	-
Tax effect of different tax rate for a subsidiary in Mainland China	**13**	17	**-**	-
Tax effect of non-deductible expenses	**784**	791	**736**	738
Tax effect of non-assessable income	**(696)**	(661)	**(661)**	(536)
Tax effect of unrecognized tax losses	**308**	295	**-**	-
Tax effect of temporary differences not recognized	**(40)**	26	**-**	-
Overprovision in prior year	**(28)**	(297)	**(30)**	(277)
Others	**(14)**	(12)	**10**	-
Total tax charge	**1,187**	2,192	**1,166**	2,204

18. Employee benefits

	Group		**Institute**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	**140,213**	130,458	**136,415**	126,259
Provident fund contributions	**8,164**	8,213	**7,891**	7,930
	148,377	138,671	**144,306**	134,189
Number of staff				
At the beginning of the reporting period	**208**	205	**198**	191
At the end of the reporting period	**211**	208	**203**	**198**

19. Key management personnel remuneration

	Group and Institute	
	2018	2017
	HK$'000	*HK$'000*
Chief Executive and Registrar (a)		
Salaries and allowances (b)	**4,090**	4,583
Performance bonus	**-**	561
Retirement benefits	**18**	18
	4,108	5,162

a. The remuneration charges were recognized for the services rendered by the immediate past Chief Executive and Registrar in the years who left the Institute upon completion of his contract on 30 June 2018.

b. The amount includes gratuity, movement of accruals for annual leave entitlements and other employee benefits.

Key management personnel comprise members of the Council and the Chief Executive and Registrar. Council members are not remunerated.

20. Related party transactions

a. Members of the Institute's Council

Members of the Council do not receive any fees or other remuneration for serving as a member of the Council. Other than the information disclosed elsewhere in the financial statements, the Group and the Institute entered into the following material transactions with Council members or parties related to Council members:

(i) During the current year, the Institute incurred expenses of HK$329,000 (*2017: HK$321,000*) in respect of services provided by United International College ("UIC"), of which a Council member of the Institute is a member of the senior management, for the promotion of the Institute's Qualification Programme and rental of training rooms in Mainland China.

(ii) During the current year, the Institute incurred expenses of HK$823,000 (*2017: HK$669,000*) for rental of training rooms and courses provided by Hong Kong Baptist University, of which a Council member of the Institute is a council member.

(iii) During the current year, the Institute incurred expenses of HK$1,980,000 in respect of consulting services for developing a Digital Strategic Plan provided by Deloitte Advisory (Hong Kong) Limited, a group company of Deloitte Touche Tohmatsu, of which a Council member of the Institute is a partner.

(iv) During the current year, the Institute incurred expenses of HK$366,000 (*2017: HK$180,000*) mainly for the update of international and china tax course materials provided by Ernst & Young ("EY") and the professional fee for cyber advisory services provided by Ernst & Young Advisory Services Limited, a group company of EY. A Council member of the Institute is a partner of EY.

(v) During the current year, the Institute incurred expenses of HK$8,195,000 (*2017: HK$8,172,000*) for rental of venue and administration fee for examinations provided by Hong Kong Examinations and Assessment Authority ("HKEAA"), of which a Council member of the Institute is a council member. At 30 June 2018, included in "Payables and accruals" is an amount of HK$4,049,000 (*2017: HK$3,450,000*) due to HKEAA. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period. In addition, the Institute entered into several service contracts with HKEAA on 7 April 2017 for examinations. At 30 June 2018, included in "Prepayment" is an amount of HK$213,000 (*2017: HK$450,000*) paid to HKEAA for these contracts and total outstanding commitment is HK$459,000.

In addition, the Group and the Institute received income in the ordinary course of business, such as subscriptions and fees from Council members or parties related to Council members. The Group and the Institute also paid honoraria to recipients, some of whom are Council members or parties related to Council members, for various services provided to the Group and the Institute such as giving lectures and providing venues for training courses, providing consultancy service, contributing articles to the Group's and the Institute's publications and reviewing listed companies' annual reports. The total amount paid to Council members or parties related to Council members in this regard was not significant.

b. Subsidiaries of the Institute

(i) HKICPA Beijing
During the current year, the Institute paid service fees of HK$3,454,000 (*2017: HK$3,290,000*) to HKICPA Beijing for the promotion of the Institute's qualification programme and the provision of services to members in Mainland China.

(ii) The HKICPA Charitable Fund
During the current year, the Institute donated HK$50,000 (*2017: HK$50,000*) to The HKICPA Charitable Fund. At 30 June 2018, included in "Payables and accruals" of the Institute is an amount of HK$50,000 (*2017: HK$50,000*) due to The HKICPA Charitable Fund.

(iii) HKIAAT
During the current year, the Institute charged service fees of HK$1,440,000 (*2017: HK$1,440,000*) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK$1,855,000 (*2017: HK$2,441,000)* were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2018, included in "Receivables" of the Institute is an amount of HK$478,000 (*2017: HK$572,000*) due from HKIAAT arising from the services provided.

21. Financial risk management

Financial instruments mainly consist of receivables, time deposits, cash and cash equivalents, payables and accruals, and lease liabilities. The Group and the Institute are exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Group's and the Institute's interest-bearing financial assets are as follows:

	Group		**Institute**	
	2018	2017	**2018**	2017
	% p.a.	*% p.a.*	***% p.a.***	*% p.a.*
Time deposits	**1.14%**	1.02%	**1.21%**	1.11%
Savings accounts	**0.01%**	0.01%	**0.01%**	0.01%

The Group's and the Institute's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers the Group and the Institute have limited exposure to interest rate risk relating to the savings accounts as the changes in the interest rate of the savings accounts over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Group and the Institute did not have any variable interest-bearing loans. The Group and the Institute manage the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Group's and the Institute's surplus before tax and funds and reserve.

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Time deposits				
- with original maturities within three months	**12,942**	27,251	**10,255**	27,251
- with original maturities over three months	**368,327**	321,317	**343,151**	293,635
	381,269	348,568	**353,406**	320,886

Impact of interest rate deviation

Change in interest rate by 0.25% (*2017: 0.25%*)				
- Change in surplus before tax and funds and reserve	**953**	871	**884**	802

Time deposits with original maturities over three months carry interest at market rates from 0.3% to 2.17% (*2017: 0.45% to 1.68%*) per annum and with maturities which range from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group and the Institute consider the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Institute compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group and the Institute consider reasonable and supportive forward-looking information that is available, including the following indicators:

- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtors, including changes in the payment pattern of debtors

A default on a financial asset is assessed on a case-by-case basis but generally occurs when the contractual payments are 90 days or more past due.

Financial assets are written off when there is no reasonable expectation of recovery.

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and the Institute's "Receivables", other than the amounts due from subsidiaries, are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sales of goods are made in cash or via credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. The recovery of the costs and the settlement of penalties in relation to disciplinary and legal cases are closely monitored by management and there was no default in most of the cases according to past experience. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7 to the financial statements.

Most of the Group's and the Institute's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. In accordance with the Group's bank deposit policy, approximately 90% of those funds are deposited with banks that have a "A" grade credit rating or higher as rated by two international credit rating agencies. Management considers there is minimal credit risk associated with those balances.

c. Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group and the Institute manage liquidity risk by maintaining adequate reserves. The Group and the Institute perform periodically cash flow forecasts to monitor future cash flows. The subscription fees and registration fees provide a stable source of funds to the Group and the Institute. The current financial strength of the Group and the Institute poses no threat of liquidity to the Group and the Institute.

d. Foreign currency risk

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have bank balances denominated in Renminbi ("RMB") in total of HK$1,117,000 and HK$17,000 (*2017: HK$835,000 and HK$42,000*) respectively. In respect of the Group's bank balances denominated in RMB, HK$1,100,000 (*2017: HK$793,000*) is held by HKICPA Beijing for the operations in Mainland China. The exposure to foreign currency risk is primarily caused by the fluctuation in the exchange rate of RMB. The exposure is not expected to be significant.

22. Capital management

The Group's and the Institute's objectives when managing capital are:

- to safeguard the Group's and the Institute's ability to continue as a going concern to enable their obligations under the Professional Accountants Ordinance, the Hong Kong Companies Ordinance and the trust deeds are fulfilled;
- to develop and maintain the qualification programme and continuing professional development programme for students and members; and
- to provide capital for the purpose of strengthening the Group's and the Institute's operational efficiency.

The Group and the Institute regularly review and manage their capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the general fund for future operational needs which are non-property related. The Group and the Institute charge an annual capital levy on its members and students, which is transferred directly to the capital fund (note 11). The capital fund is maintained to ensure sufficient resources are available to finance the purchase, improvement and/or expansion of the Group's and the Institute's office facilities.

The Council of the Institute and the Board of HKIAAT regularly review the need to adjust membership/studentship subscriptions and the capital levy to ensure operational and property needs are fully covered. The Group's and the Institute's capital levy policy is therefore based on a need basis and the Council of the Institute and the Board of HKIAAT have the discretion to alter the capital levy policy on an annual basis, if required.

For the purpose of capital disclosure, the Council regards the funds and reserve as capital of the Group and the Institute.

23. Capital commitments

	Group		Institute	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements	**12,882**	11,351	**12,882**	11,351
Capital expenditure in respect of system implementation authorized but not contracted for in the financial statements	**3,783**	-	**3,783**	-
	16,665	11,351	**16,665**	11,351

Independent Auditor's Report

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

To the Trustees of The HKICPA Trust Fund

Opinion

We have audited the financial statements of The HKICPA Trust Fund (the "Trust Fund") set out on page 85 to 91, which comprise the statement of financial position at 30 June 2018, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Trust Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the Financial Statements

The Trustees of the Trust Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate number: P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
20 September 2018

Statement of Financial Position

At 30 June 2018

	Note	2018 HK$	2017 HK$
Current assets			
Other receivables	4	**30,098**	29,291
Time deposits with original maturities over three months		**3,692,202**	3,750,482
Cash and cash equivalents	5	**202,168**	115,738
Net assets		**3,924,468**	3,895,511
Accumulated funds		**3,924,468**	3,895,511

Approved by the Trustees on 20 September 2018

Chan Mei Bo, Mabel	**Eric Tong**	**Law Fu Yuen Patrick**	**Wong Hong Yuen**
Trustee	*Trustee*	*Trustee*	*Trustee*

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 HK$	2017 HK$
Revenue			
Donations	6	**4,000**	2,050
Interest income		**41,473**	38,407
		45,473	40,457
Expenses			
Grants to members	7	**(14,726)**	(32,015)
Bank charges		**(1,790)**	(2,250)
		(16,516)	(34,265)
Surplus		**28,957**	6,192
Other comprehensive income		**-**	-
Comprehensive income		**28,957**	6,192

Statement of Changes in Accumulated Funds

For the year ended 30 June 2018

	2018	2017
	HK$	*HK$*
Accumulated funds		
At the beginning of the reporting period	**3,895,511**	3,889,319
Surplus	**28,957**	6,192
Other comprehensive income	**-**	-
Comprehensive income	**28,957**	6,192
At the end of the reporting period	**3,924,468**	3,895,511

Statement of Cash Flows

For the year ended 30 June 2018

		2018	2017
	Note	***HK$***	*HK$*
Cash flows from operating activities			
Surplus		**28,957**	6,192
Increase in other receivables		**(807)**	(14,181)
Decrease in time deposits with original maturities over three months		**58,280**	27,800
Net cash generated from operating activities and net increase in cash and cash equivalents		**86,430**	19,811
Cash and cash equivalents at the beginning of the reporting period		**115,738**	95,927
Cash and cash equivalents at the end of the reporting period	*5*	**202,168**	115,738

Notes to the Financial Statements

For the year ended 30 June 2018

1. Principal activities

The HKICPA Trust Fund (the "Trust Fund") was formed under a trust deed dated 21 January 1998 together with an initial sum of HK$345,000 donated by the then Hong Kong Society of Accountants, which was renamed on 8 September 2004 as the Hong Kong Institute of Certified Public Accountants (the "Institute"). The trustees of the Trust Fund are the president, the immediate past president, a vice president and a past president of the Institute. The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Trust Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Trust Fund was set up for the relief of poverty of members of the Institute by means of subsidy and/or loan. The Trust Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust Fund's accounting policies. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Impairment of financial assets
The impairment provisions for financial assets are based on assumptions about risk of default. The Trust Fund uses judgment in making these assumptions based on the Trust Fund's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 8b.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs
New/revised HKFRSs issued on or before 30 June 2017 had been early adopted by the Trust Fund in prior years. The following new HKFRS, which is applicable to the Trust Fund but is not yet effective for the current year, has been early adopted in prior year:

HKFRS 9 (2014)	"Financial Instruments"

b. New/revised HKFRSs that were issued during the current year and after 30 June 2018

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Trust Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The Institute has not issued any new/revised HKFRSs after 30 June 2018 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Trust Fund becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Trust Fund's financial assets, including other receivables, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Trust Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Trust Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Trust Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Trust Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Trust Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, and deposits with banks and other financial institutions having a maturity of three months or less at acquisition.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Trust Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank deposits and bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Trust Fund.

(i) A person or a close member of that person's family is related to the Trust Fund if that person:
- (a) has control or joint control over the Trust Fund;
- (b) has significant influence over the Trust Fund; or
- (c) is a member of the key management personnel of the Trust Fund or of a parent of the Trust Fund.

(ii) An entity is related to the Trust Fund if any of the following conditions applies:
- (a) The entity and the Trust Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.
(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) The entity is a post-employment benefit plan for the benefit of employees of either the Trust Fund or an entity related to the Trust Fund.
(f) The entity is controlled or jointly controlled by a person identified in (i).
(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Trust Fund or to its parent.

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized costs at the end of the reporting period are as follows:

	2018	2017
	HK$	*HK$*
Other receivables	**30,098**	29,291
Time deposits with original maturities over three months	**3,692,202**	3,750,482
Cash and cash equivalents	**202,168**	115,738
	3,924,468	3,895,511

The carrying amounts of the Trust Fund's financial assets at the end of the reporting period approximate their fair value.

4. Other receivables

	2018	2017
	HK$	*HK$*
Interest receivable	**30,098**	29,291

5. Cash and cash equivalents

	2018	2017
	HK$	*HK$*
Bank balances		
- Savings account	**31,501**	27,941
- Current account	**170,667**	87,797
	202,168	115,738

Cash at bank earns interest at floating rates based on daily bank deposit rates.

6. Donations

	2018	2017
	HK$	*HK$*
Donation from other parties	**4,000**	2,050

7. Grants to members

During the current year, grants totaling HK$14,726 *(2017: HK$32,015)* were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

Financial instruments consist of cash and cash equivalents, time deposits and other receivables. The Trust Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The effective interest rates of the Trust Fund's interest bearing financial assets are as follows:

	2018	2017
	% p.a.	*% p.a.*
Time deposits	**1.115%**	1.01%
Saving accounts	**0.001%**	0.001%

The Trust Fund's exposure to interest rate fluctuations is mainly limited to interest receivable on its time deposits at the end of the reporting period. Management considers that the Trust Fund has limited exposure to interest rate risk relating to the savings account as the changes in interest rate of the savings account over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Trust Fund did not have any interest bearing loans. The Trust Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates over the period until the end of the next annual reporting period, with all other variables held constant, of the Trust Fund's surplus and accumulated funds.

	2018	2017
	HK$	*HK$*
Time deposits		
- with original maturities over three months	**3,692,202**	3,750,482
Impact of interest rate deviation		
Change in interest rate by 0.25% *(2017: 0.25%)*		
- Change in surplus and accumulated funds	**9,231**	9,376

Time deposits with original maturities over three months carry interest at market rates from 0.75% to 1.29% *(2017: 0.75% to 1.15%)* per annum and have maturities ranging from six to twelve months.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Trust Fund has designed its credit policy with an objective to minimize its exposure to risk. The Trust Fund also has a policy in place to evaluate credit risk when loans are granted to members of the Institute and the repayments of short term loans to members of the Institute are closely monitored.

The Trust Fund's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Trust Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Trust Fund to ensure its capital adequacy.

Independent Auditor's Report

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

To the Trustees of The HKICPA Charitable Fund

Opinion

We have audited the financial statements of The HKICPA Charitable Fund (the "Charitable Fund") set out on page 94 to 99, which comprise the statement of financial position at 30 June 2018, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Charitable Fund at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Charitable Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Trustees for the Financial Statements

The Trustees of the Charitable Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charitable Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charitable Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charitable Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Charitable Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate number: P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
20 September 2018

Statement of Financial Position

At 30 June 2018

	Note	2018 HK$	2017 HK$
Current assets			
Amount due from the Institute	4	**50,000**	50,000
Cash and cash equivalents	5	**779,822**	983,139
Net assets		**829,822**	1,033,139
Accumulated funds		**829,822**	1,033,139

Approved by the Trustees on 20 September 2018

Eric Tong
Trustee

Chan Mei Bo, Mabel
Trustee

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 HK$	2017 HK$
Revenue			
Donations	6	**61,000**	64,880
Interest income		**33**	38
		61,033	64,918
Expenses			
Sponsorship		**(263,200)**	(240,300)
Bank charges		**(1,150)**	(1,610)
		(264,350)	(241,910)
Deficit		**(203,317)**	(176,992)
Other comprehensive income		**-**	-
Comprehensive income		**(203,317)**	(176,992)

Statement of Changes in Accumulated Funds

For the year ended 30 June 2018

	2018	2017
	HK$	*HK$*
Accumulated funds		
At the beginning of the reporting period	**1,033,139**	1,210,131
Deficit	**(203,317)**	(176,992)
Other comprehensive income	**-**	-
Comprehensive income	**(203,317)**	(176,992)
At the end of the reporting period	**829,822**	1,033,139

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018	2017
	Note	*HK$*	*HK$*
Cash flows from operating activities			
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents		**(203,317)**	(176,992)
Cash and cash equivalents at the beginning of the reporting period		**983,139**	1,160,131
Cash and cash equivalents at the end of the reporting period	*5*	**779,822**	983,139

Notes to the Financial Statements

For the year ended 30 June 2018

1. Principal activities

The HKICPA Charitable Fund (the "Charitable Fund") was set up under a trust deed dated 2 December 2001 for general charitable purposes like relieving poverty, making donations to charitable organizations, providing emergency support for disaster, etc. The trustees of the Charitable Fund are the president, the immediate past president and the chief executive of the Hong Kong Institute of Certified Public Accountants (the "Institute"). The Institute, a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance, is the parent of the Charitable Fund. Its registered office is located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Charitable Fund, being a charitable trust, is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

2. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Institute and accounting principles generally accepted in Hong Kong. These financial statements have been prepared under the historical cost convention.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs
New/revised HKFRSs issued on or before 30 June 2017 had been early adopted by the Charitable Fund in prior years. The following new HKFRS, which is applicable to the Charitable Fund but is not yet effective for the current year, has been early adopted in prior year:

HKFRS 9 (2014) "Financial Instruments"

b. New/revised HKFRSs that were issued during the current year and after 30 June 2018

The Institute has issued certain new/revised HKFRSs during the current year that are available for early adoption. The Charitable Fund has early adopted these new/revised HKFRSs which have no significant impact on the results and the financial position.

The Institute has not issued any new/revised HKFRSs after 30 June 2018 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Charitable Fund becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

The Charitable Fund's financial assets, including amount due from the Institute and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2d) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

d. Impairment of financial assets

The Charitable Fund recognizes loss allowances for expected credit loss on the financial instruments that are not measured at fair value through surplus or deficit. The Charitable Fund considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Charitable Fund considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in surplus or deficit. The receivable is written off against the receivable impairment charges account when the Charitable Fund has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of expected credit losses decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in surplus or deficit.

e. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Charitable Fund transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

g. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Charitable Fund and when the revenue can be measured reliably.

Donations are recognized on an accrual basis when receipt thereof is certain.

Interest income from bank savings accounts is recognized as it accrues using the effective interest method.

h. Related parties

A related party is a person or entity that is related to the Charitable Fund.

(i) A person or a close member of that person’s family is related to the Charitable Fund if that person:
  (a) has control or joint control over the Charitable Fund;
  (b) has significant influence over the Charitable Fund; or
  (c) is a member of the key management personnel of the Charitable Fund or of a parent of the Charitable Fund.

(ii) An entity is related to the Charitable Fund if any of the following conditions applies:
  (a) The entity and the Charitable Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (c) Both entities are joint ventures of the same third party.
  (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (e) The entity is a post-employment benefit plan for the benefit of employees of either the Charitable Fund or an entity related to the Charitable Fund.
  (f) The entity is controlled or jointly controlled by a person identified in (i).
  (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Charitable Fund or to its parent.

3. Financial instruments by category

The carrying amounts of financial assets measured at amortized cost at the end of the reporting period are as follows:

	2018	2017
	HK$	*HK$*
Amount due from the Institute	**50,000**	50,000
Cash and cash equivalents	**779,822**	983,139
	829,822	1,033,139

The carrying amounts of the Charitable Fund's financial assets at the end of the reporting period approximate their fair value.

4. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand.

5. Cash and cash equivalents

	2018	2017
	HK$	*HK$*
Bank balances		
- Savings accounts	**692,026**	892,783
- Current accounts	**87,796**	90,356
	779,822	983,139

Cash at bank earns interest at floating rates based on daily deposit rates.

6. Donations

	2018	2017
	HK$	*HK$*
Donation from the Institute	**50,000**	50,000
Donation from other parties	**11,000**	14,880
	61,000	64,880

7. Related party transactions

During the current year, the Charitable Fund received a donation of HK$50,000 *(2017: HK$50,000)* from the Institute. At 30 June 2018, the amount due from the Institute is HK$50,000 *(2017: HK$50,000)* and has been settled after the end of the reporting period.

8. Financial risk management

Financial instruments consist of amount due from the Institute and cash and cash equivalents. The Charitable Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Charitable Fund's exposure to interest rate fluctuations is limited to interest receivable on its bank savings accounts at the end of the reporting period. Management considers that the Charitable Fund has limited exposure to interest rate risk relating to the Charitable Fund's bank balances as the changes in interest rate for these items over the period until the end of the next annual reporting period are expected to be minimal. Any fluctuation in the prevailing levels of market interest rates will have an impact on the interest income only as the Charitable Fund did not have any interest bearing loans. The Charitable Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on interest income.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Charitable Fund raises donations for general charitable purposes and donations are either collected from the Institute or other parties in advance for subsequent allocation to respective charitable organizations.

The Charitable Fund's funds in banks have been deposited with reputable and creditworthy banks in Hong Kong. Management considers there is minimal risk associated with the bank balances.

9. Capital management

The Charitable Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the event of capital needs, the Institute will make donations to the Charitable Fund to ensure its capital adequacy.

Produced by
M&L

Hong Kong Institute of
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香港會計師公會

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