

A photograph of four hikers ascending a grassy hill at night. They are wearing headlamps and carrying backpacks. In the background, a city skyline is illuminated with numerous lights, creating a bokeh effect. The sky is dark, and the overall scene conveys a sense of challenge and achievement.

**THE
WILL TO
SUCCEED**

MESSAGE FROM THE **PRESIDENT** AND THE **CHIEF EXECUTIVE**

ON THE COVER

This year our annual report showcases an area that Hong Kong people are fond and proud of – sport. Like it does as a global financial centre, Hong Kong punches above its weight on the sporting stage. Some of the world’s most prestigious sporting events are held in the city and our athletes flourish in international competitions. As with accounting, sport demands skill, dedication and perseverance to achieve success. Watch out for the full annual report for a photo essay and vignettes featuring Hong Kong sporting success stories and the roles of CPAs in them.

The cover photo was taken by Colin Beere on a hot summer night in August 2015 on a slope of Fei Ngo Shan, Kowloon. The four CPAs (from left) Jun Au, Terry Chiu, Peter Lo and Edwin Yeung are active members of the Institute’s Athletics Interest Group. They have been undergoing intensive training to prepare for the 100km hike of Oxfam Trailwalker in November 2015 and raise fund for the charity. The Institute has 10 teams participating in the event this year.



Dennis Ho
President

Raphael Ding
*Chief Executive and
Registrar*



“The government’s public consultation on proposals to improve the regulatory regime for listed entity auditors reached a conclusion, signalling the start of a new phase.”

Dear members,

The Institute began the year with collaborating and outreaching as its themes – connecting with our members, connecting with stakeholders and connecting with the public. It has been a very fruitful period and our profession has finished the year with a strong sense of future purpose, at home, in greater China, and globally.

Stewarding our profession

The government’s public consultation on proposals to improve the regulatory regime for listed entity auditors reached a conclusion, signalling the start of a new phase. We welcome the conclusion that incorporates many of the Institute’s recommendations, although more clarity is needed before the legislative process begins.

Under the reform proposals, there will be division of responsibilities between the Financial Reporting Council and the Institute with regard to listed entity auditors. The FRC would become the independent oversight body vested with inspection, investigation and sanctioning powers, while the Institute would perform the statutory functions of registration, setting standards on professional ethics, auditing and assurance as well as setting continuing professional development requirements.

Our position is that there should be a clear separation of sanctioning powers from those of inspection and investigation within the independent oversight body, which should also have adequate qualified audit professionals to effectively perform regulatory functions. In addition, sanctioning guidelines are needed, and operational costs of the oversight body should come from investors.

The Institute will continue to engage with relevant stakeholders and we are confident that with continued dialogue we will ensure the establishment of an audit regulation system that meets international benchmarks, is appropriate to local context and – most importantly – protects public interests.

After the proposed reform, the Institute will continue to shoulder important regulatory responsibilities for all of

our members. For practising members, we will continue to hold investigative, disciplinary and practice review duties on their non-listed audit engagements, and perform professional standards monitoring of published annual reports to ensure financial reporting and audit quality.

Other members who work in business will also be under the regulation of the Institute. Their professionalism and ethical behaviour are vital to Hong Kong’s success, whether they are working in management of information systems, risk, treasury, corporate finance, corporate governance, compliance, taxation, restructuring, forensic accounting, to name but a few areas.

In addition, the Institute will keep on strengthening its role in setting accounting standards that the profession adheres to – standards which have established Hong Kong’s accounting profession as one of the world’s most respected, and our city as one of the most trusted places to do business. Our Qualification Programme will continue to set a high benchmark to ensure the quality of entrants into the profession.

Meanwhile, we are firm believers of practising what we preach when it comes to good governance, which is why we will also be putting the Institute’s own operations under the microscope. We have ambitious plans to re-examine the entire governance and management structures of the Institute, to ensure it is fit for future challenges.

In the past three years, the average annual growth rate of the Institute’s membership has been more than 4.5 percent, illustrating the strength of our profession. Along with a thorough review of our regulatory processes and our Qualification Programme, we will leave no aspect of the Professional Accountants Ordinance unexamined to make sure our profession is up to date and ready to flourish in years to come.

Mainland and global outreach

Another ongoing theme for the year was the Institute’s commitment to increasing the depth and breadth of opportunities available to members.

We understand that many of our members work with or in companies on the Mainland, so we maintained outreach and



“In the past three years, the average annual growth rate of the Institute’s membership has been more than 4.5 percent, illustrating the strength of our profession.”

dialogue with Mainland authorities and regulators to advocate on our members’ behalf.

Through our dialogue with China’s Ministry of Finance, we reached special terms and exemptions for Hong Kong CPA firms in regard to the ministry’s provisional regulations on cross-border auditing. To help members meet the requirements, the Institute developed guidance setting out key matters that would be appropriate to include in an agreement that a Hong Kong CPA practice would need to put in place with a Mainland CPA practice in order to audit Chinese companies listed outside the Mainland.

The Institute also engaged the MoF and other Mainland stakeholders in dialogue regarding the access of audit working papers. We are seeing good progress following a number of meetings that enabled in-depth discussion of concerns among all participating parties, including Mainland authorities, Hong Kong regulators and accounting firms from both places.

Globally, we continued to punch above our weight throughout the year, ensuring our members’ voices were heard and taken into account.

The Institute’s Chief Executive was appointed to the Board and the Planning and Finance Committee of the International Federation of Accountants, the global organization for the accounting profession that supports the development and promotes the adoption of high-quality international auditing, ethical and accounting education standards, builds the service capacity of professional accountancy organizations and professional accountants, and speaks out on behalf of the accounting profession on public interest issues.

During the reporting period, the Institute, as chair of the Asian-Oceanian Standard-Setters Group, played host to the group’s annual meeting, and hosted the IFRS Foundation IFRS Conference in October 2015 – giving an opportunity for our members to engage with representatives of the most important standards setting bodies and stakeholders regarding issues that will have an impact on both the Hong Kong and global accounting profession.

The Global Accounting Alliance, of which the Institute is a founding member, held its September board meeting in Beijing and will hold the November one in Hong Kong.

The September meeting was the first time the GAA held its board meeting in the Mainland. The Institute provided logistical support to host these meetings and connected representatives from major accounting bodies with local government officials, regulators and leaders in the profession and business community.

During the year, we held joint events with the ICAEW, CIMA and other leading accounting institutes around the world, allowing a cross-pollination of ideas and enabling our members to acquire the latest innovative resources. And since many of our members work with the business world as auditors and consultants or within it as finance and senior executives, we continued our outreach to the business community with the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce and other business and trade organizations.

Membership initiatives

Members look to the Institute to help keep their current skills sharp and build new ones. Hence we are continuously looking at ways to boost our current CPD as well as build new specialisms to support their career growth. At the same time, we are also taking care of the special needs of our young members.

During the year, the Institute piloted the mentorship programme, which received an overwhelming response with a total of 150 pairs of mentors and mentees being matched, exceeding the original target by 50 percent. The programme offers an opportunity for our aspiring CPAs to boost their career development by learning from experienced members through consultation and experience sharing.

The Institute is presently building the financial controllership programme, which is designed to help practising accountants who are making the transition into the commercial sphere, and to equip those who are fresh to the business world. Uniquely, the programme will be facilitated by very experienced professional accountants in business, many of whom are drawn from the ranks of our own membership, meaning there will be a lot of practical learning and locally relevant content. It will be the first project of its kind ever

undertaken by a professional body in the region.

This new course will join our specialist programmes, including our specialist qualification and specialist designation in insolvency and our professional diplomas in taxation. These programmes have had several successful cohorts since they were launched, helping our members who are interested in these areas to develop the specialized skills to prosper.

A broader initiative to allow members to gain new knowledge was the launch of a series of keynote events at which prominent leaders, including those in business and in government, have been invited to speak. Highly popular ones so far include the Current Affairs series, the first event of which was on “One Belt, One Road” and the Asian Infrastructure Investment Bank, spoken by the Deputy Commissioner of the Office of the Commissioner of the Ministry of Foreign Affairs of the PRC in Hong Kong.

Through careful stewardship of our finance and operations, the Institute has once again posted a surplus for this financial period. While ensuring that the Institute maintains a strong financial position to take on future challenges and enhance services tailored for our members, part of the surplus totalling about HK\$7.5 million will be used to give members a rebate, which we encourage them to use for professional development.

For the last two years, the Institute held some of its bank balances in RMB deposits to benefit from a higher interest yield, which was reflected in the financial statements of the last two years. Due to recent devaluation of the currency, the Institute has incurred an exchange rate loss upon maturity of the deposits after the reporting date. The impact has been disclosed in the notes to the current year financial statements and will be reflected in next year’s results. Other than that, the Institute does not have any other exposures in foreign currency or investments in securities or other financial instruments.

We endeavour to listen to members’ views at every opportunity, and we plan to make the view-gathering process even more efficient and effective in future through a new member activity system. It will capture and analyse data related to our members so that we can provide tailored services relevant to each of their diverse needs.

This year, we completed another membership survey, and members who took part expressed that CPD and professional development are high on their list of priorities. The Council and management will make it the top of the Institute’s.

Meanwhile, we continue to improve our communications with members and other stakeholders, especially as the Institute’s membership become younger and more diverse. This year we refreshed *A Plus* magazine’s design and content with new elements including thought leadership and practical advice on career advancement; we conducted a survey among

members and set in motion a thorough implementation plan to launch a meaningful social media programme; and we are studying how to revamp the Institute’s website to make it easily accessible through various platforms including smartphones.

Making a difference

Public interest is always a priority for our profession, and that informs what we do in our professional work as well as our community service.

During the reporting period, the Institute completed major submissions and reports regarding the government budget; the Hong Kong stock exchanges’ consultations on environmental, social and governance reporting, risk management and internal control, and weighted voting rights; and the Financial Services and the Treasury Bureau’s consultations on money laundering, corporate insolvency and tax information exchange, among others.

Our annual Best Corporate Governance Disclosure Awards continue to recognize Hong Kong’s best examples of governance, demonstrating what good governance can achieve. We sent our latest corporate governance publication *A Guide on Better Corporate Governance Disclosure* together with the BCGD judges report to all listed companies, to raise awareness of the benefits of good corporate governance.

Meanwhile, our members are generous with their time, contributing their skills in corporate governance and financial management to charity and community organizations as part of the CPAs for NGOs programme. Supporting small- and medium-sized social service organizations receiving the government’s lump sum grant, the Institute held a seminar with more than 100 agency heads and executives to share tips on setting policies and procedures for improving their governance, accountability, financial management and human resources management.

All in all, this has been a year of excellent progress. We would like to thank the many members, the two vice presidents, the Council and the committee members for volunteering their time and expertise, as well as the staff of the Institute for their dedicated and professional contribution. Their efforts have helped the Institute achieve its many objectives under the Sixth Long Range Plan to bring the profession to a new level. There is still more to be done, but, with all your support and by collaborating with and outreaching to our stakeholders, we are confident more will be achieved.

Sincere regards,

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Notice of the 43rd annual general meeting

NOTICE IS HEREBY GIVEN that the 43rd annual general meeting of the Hong Kong Institute of Certified Public Accountants will be held in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Friday, 11 December 2015 at 5:30 p.m. for the following purposes:

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

By order of the Council

Ding Wai Chuen, Raphael

Registrar

Hong Kong Institute of Certified Public Accountants

Dated this 23rd of October 2015

Election of Council members at the 43rd annual general meeting

Composition of the Council – section 10, Professional Accountants Ordinance

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

The two ex-officio members are:

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

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

The immediate past President of the Institute is Clement Chan (陳錦榮). He shall hold office as a member of the Council until the conclusion of the 43rd annual general meeting.

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

Melissa Brown (白朗瑩)

Andrew Fung (馮孝忠)

Natalia Seng (沈施加美)

Tam Wing-pong (譚榮邦)

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

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

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

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

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

Under section 10(4) of the Professional Accountants Ordinance, the Council may co-opt not more than two certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. The current incumbents are Gary C. Biddle (白國禮) (category N) and Alec C.C. Tong (湯志超) (category N). Under section 12(4), they shall hold office until immediately before the conclusion of the 43rd annual general meeting and they shall be eligible to be co-opted again (subject to Council rules on continuous terms of co-option) or elected as members of the Council.

Retiring Council members

As prescribed by section 12 of the Professional Accountants Ordinance, the seven elected members who have been longest in office since their last election (at the 41st annual general meeting held on 13 December 2013) shall retire from office at the 43rd annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

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

The following seven elected Council members will hold office for one more year until the 44th annual general meeting:

Raymond Cheng (鄭中正)	(Category P)
Cheung Wing Han, Ivy (張穎嫻)	(Category P)
Cho Lung Pui Lan, Stella (左龍佩蘭)	(Category N)
Dennis Ho (何超平)	(Category P)
Johnson Kong (江智蛟)	(Category P)
Eric Tong (唐業銓)	(Category P)
Richard Tse (謝建朋)	(Category N)

Procedures for nomination

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

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

All nominations in writing, signed by the proposer and the seconder, together with a notice signed by the candidate giving his or her consent to stand for election, must reach the Registrar on or before Tuesday, 17 November 2015 at 6:00 p.m. A nomination form is enclosed for your convenience.

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

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. Tuesday, 24 November 2015), send a ballot paper to each certified public accountant who shall be entitled to cast one vote in respect of each of the vacancies according to the prescribed ratios of category P and N members as illustrated below:

Elected Council members	Category P	Category N	Total
Present composition	8	6	14
Composition of retiring members at the 43rd A.G.M.	3	4	7
Composition of remaining members at the 43rd A.G.M.	5	2	7
Minimum - maximum number permissible	6 - 8	6 - 8	14
Minimum - maximum number of vacancies to be filled	1 - 3	4 - 6	7

Completed ballot papers must be returned to the Registrar not less than 72 hours before the date and time fixed for the annual general meeting (i.e. before 5:30 p.m. on Tuesday, 8 December 2015).

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

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

2. Starting from 2005, members may choose to cast their votes online at the Institute's website. Details for voting online will be sent to members together with the ballot papers not less than 17 days before the 43rd annual general meeting (i.e. Tuesday, 24 November 2015).

Timetable

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

Procedure	Deadline	Authority
Nomination of Council members to be lodged with the Registrar	6:00 p.m. Tuesday, 17 November 2015	By-Law 2(3)
Sending of the list of candidates to members	Tuesday, 24 November 2015	By-Law 2(5)
Issue of ballot paper to members*	Tuesday, 24 November 2015	By-Law 3(1)
Return of completed ballot paper to the Registrar*	5:30 p.m. Tuesday, 8 December 2015	By-Law 3(4)

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

Disclosure of election results

The results of the election will be disclosed to members on the Institute's website, www.hkicpa.org.hk, after the Council meeting at which the results are delivered by the auditor under By-Law 3(5). The same will be formally announced at the 43rd annual general meeting at which the election is to be held.

Hong Kong Institute of CPAs

Nomination form for election to Council at the 43rd A.G.M.

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

(Please fill in using BLOCK LETTERS)

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

Dated this _____ of _____ 2015

Explanatory notes

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

Notes

A. Please signify:

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

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

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

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

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

- In accordance with By-Law 2(3), this nomination form must be duly signed and lodged with the Registrar before 6:00 p.m. on Tuesday, 17 November 2015 under confidential cover marked "Nomination".
- In accordance with the resolution made by the Council in January 1994, the number of votes received by individual candidates of the Institute's Council election should be disclosed. This practice has applied since the 22nd A.G.M.
- Please refer to the section "Election of Council members at the 43rd annual general meeting", pages 6 to 8.

Report of the Independent Auditor on the Summary Financial Statements

To the members of Hong Kong Institute of Certified Public Accountants

(Incorporated in Hong Kong under the Professional Accountants Ordinance)

The summary financial statements of Hong Kong Institute of Certified Public Accountants (the “Institute”) set out on pages 11 to 17, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as the “Group”) and the Institute at 30 June 2015, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and related notes, are derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 16 September 2015.

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

Council’s responsibility for the summary financial statements

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

Auditor’s responsibility

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

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2015 are consistent, in all material respects, with those audited financial statements, on the basis described in note 1 to the summary financial statements.

Mazars CPA Limited
Certified Public Accountants

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

16 September 2015

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2015

	Group		Institute	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Fixed assets	173,535	184,823	173,445	184,719
Interests in subsidiaries	-	-	-	-
Deferred tax assets	704	-	704	-
	<u>174,239</u>	<u>184,823</u>	<u>174,149</u>	<u>184,719</u>
Current assets				
Inventories	984	831	982	828
Receivables	1,268	2,251	3,018	3,129
Deposits and prepayments	8,787	6,593	8,450	6,308
Time deposits with original maturities over three months	94,903	197,759	70,283	168,491
Cash and cash equivalents	234,340	81,946	218,467	69,226
	<u>340,282</u>	<u>289,380</u>	<u>301,200</u>	<u>247,982</u>
Current liabilities				
Subscriptions and fees received in advance	(71,656)	(69,045)	(69,455)	(66,700)
Payables and accruals	(43,183)	(33,902)	(41,230)	(31,685)
Current tax liabilities	(7,294)	(5,777)	(7,294)	(5,777)
	<u>(122,133)</u>	<u>(108,724)</u>	<u>(117,979)</u>	<u>(104,162)</u>
Net current assets	<u>218,149</u>	<u>180,656</u>	<u>183,221</u>	<u>143,820</u>
Non-current liabilities				
Deferred tax liabilities	-	(70)	-	(70)
	<u>392,388</u>	<u>365,409</u>	<u>357,370</u>	<u>328,469</u>
Funds and reserve				
General fund	225,285	210,673	196,174	179,641
Capital fund	167,206	154,838	161,196	148,828
Exchange reserve	(103)	(102)	-	-
	<u>392,388</u>	<u>365,409</u>	<u>357,370</u>	<u>328,469</u>

Approved by the Council on 16 September 2015

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2015

	Note	Group		Institute	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Subscriptions and fees	2	132,737	136,287	130,660	133,716
Other revenue	3	95,369	96,646	91,575	91,220
Total revenue		228,106	232,933	222,235	224,936
Other income	4	23,720	19,386	25,048	20,843
Expenses		(233,704)	(225,996)	(227,263)	(218,163)
Surplus before tax	5	18,122	26,323	20,020	27,616
Income tax charge		(3,510)	(4,918)	(3,487)	(4,918)
Surplus		14,612	21,405	16,533	22,698
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		(1)	7	-	-
Comprehensive income		14,611	21,412	16,533	22,698

Approved by the Council on 16 September 2015

Dennis Ho
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2015

	2015						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469
Surplus	14,612	-	-	14,612	16,533	-	16,533
Other comprehensive income	-	-	(1)	(1)	-	-	-
Comprehensive income	14,612	-	(1)	14,611	16,533	-	16,533
Capital levy from members and students	-	12,368	-	12,368	-	12,368	12,368
At the end of the reporting period	225,285	167,206	(103)	392,388	196,174	161,196	357,370
	2014						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	189,268	142,928	(109)	332,087	156,943	136,918	293,861
Surplus	21,405	-	-	21,405	22,698	-	22,698
Other comprehensive income	-	-	7	7	-	-	-
Comprehensive income	21,405	-	7	21,412	22,698	-	22,698
Capital levy from members and students	-	11,910	-	11,910	-	11,910	11,910
At the end of the reporting period	210,673	154,838	(102)	365,409	179,641	148,828	328,469

Statements of Cash Flows

For the year ended 30 June 2015

	Group		Institute	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities				
Surplus before tax	18,122	26,323	20,020	27,616
Adjustments for:				
Allowance for obsolete inventories	44	12	44	11
Depreciation	12,945	12,444	12,858	12,236
Impairment of fixed assets	480	-	480	-
Impairment of receivables	501	-	501	-
Loss on disposal of fixed assets	83	93	85	58
Obsolete inventories written off	9	7	9	7
Uncollectible amounts written off	15	5	15	5
Operating cash flows before working capital changes	32,199	38,884	34,012	39,933
(Increase)/Decrease in inventories	(206)	223	(207)	222
(Increase)/Decrease in receivables	467	145	(405)	169
Increase in deposits and prepayments	(2,194)	(1,786)	(2,142)	(1,739)
Decrease/(Increase) in time deposits with original maturities over three months	102,856	(126,488)	98,208	(119,164)
Increase in subscriptions and fees received in advance	2,611	1,776	2,755	2,186
Increase/(Decrease) in payables and accruals	9,281	(10,514)	9,545	(10,086)
Cash generated from/(utilized in) operations	145,014	(97,760)	141,766	(88,479)
Net tax paid	(2,767)	-	(2,744)	-
Net cash generated from/(utilized in) operating activities	142,247	(97,760)	139,022	(88,479)
Cash flows from investing activities				
Purchase of fixed assets	(2,228)	(7,446)	(2,153)	(7,422)
Sale proceeds from disposal of fixed assets	7	1	4	1
Net cash utilized in investing activities	(2,221)	(7,445)	(2,149)	(7,421)
Cash flows from financing activities				
Capital levy received	12,368	11,910	12,368	11,910
Net increase/(decrease) in cash and cash equivalents	152,394	(93,295)	149,241	(83,990)
Cash and cash equivalents at the beginning of the reporting period	81,946	175,242	69,226	153,216
Exchange difference in respect of cash and cash equivalents	-	(1)	-	-
Cash and cash equivalents at the end of the reporting period	234,340	81,946	218,467	69,226

Notes to the Summary Financial Statements

For the year ended 30 June 2015

1. General information

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

These summary financial statements, as approved by the Council, have been derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2015 and contain the statements of financial position, the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows as presented therein. In addition, these summary financial statements contain notes, as derived from the audited financial statements, in relation to significant revenue and income generated from and expenses incurred for the principal activities of the Group and the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the results, the state of affairs and the cash flows of the Group and the Institute as would be provided by the audited financial statements. A copy of the audited financial statements in electronic form is available on the Institute’s website.

2. Subscriptions and fees

	Group		Institute	
	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Annual subscription fees				
Members (a)	73,673	77,929	73,673	77,929
Practising certificates	22,318	21,459	22,318	21,459
Students	8,449	8,377	7,392	7,130
Firms	10,714	10,566	10,714	10,566
Corporate practices	6,108	5,868	6,108	5,868
Others	1,231	1,355	445	472
First registration fees				
Members	5,732	6,123	5,732	6,123
Practising certificates	746	662	746	662
Students	1,986	2,089	1,757	1,652
Firms	172	200	172	200
Corporate practices	268	205	268	205
Others	105	113	100	109
Other fees				
Advancement to fellowship	219	194	219	194
Assessment for overseas students	1,016	1,147	1,016	1,147
	132,737	136,287	130,660	133,716

a. Members' annual subscription fees

	Group and Institute	
	2015	2014
	HK\$'000	HK\$'000
Annual subscription fees	81,199	77,929
Less: One-off rebate (i)	(7,526)	-
	<u>73,673</u>	<u>77,929</u>

(i) During the current year, the Council approved a one-off rebate of HK\$200 each to members who were on the register as at 1 January 2015 and have paid the 2015 annual subscription fees. The rebate was charged against the annual subscription fee received from members.

3. Other revenue

	Group		Institute	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from examinations	76,275	75,765	72,542	70,885
Income from seminars and courses	16,620	18,081	16,579	17,950
Income from member and student activities	2,344	2,295	2,344	2,295
Accreditation income	130	505	110	90
	<u>95,369</u>	<u>96,646</u>	<u>91,575</u>	<u>91,220</u>

4. Other income

	Group		Institute	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FRC special levy (a)	6,990	4,862	6,990	4,862
Events sponsorship	1,944	2,833	1,944	2,768
Disciplinary fines and costs recovery	6,111	3,621	6,111	3,621
Interest income	3,597	2,419	3,244	2,102
Sales of goods	1,049	1,661	878	1,459
Income from advertisements placed in the journals	447	665	444	623
Litigation costs recovery (b)	1,446	1,500	1,446	1,500
Income from hardcopy surcharge	849	727	671	654
Commission from professional indemnity insurance master policy	805	583	805	583
Commission from affinity credit card programme	169	158	169	158
Royalty income	33	72	-	-
Donations	31	39	18	27
Operating lease income	98	47	98	47
Recovery of impaired receivables	5	22	5	22
Service fees from HKIAAT	-	-	2,167	2,308
Miscellaneous	146	177	58	109
	<u>23,720</u>	<u>19,386</u>	<u>25,048</u>	<u>20,843</u>

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (“FRC”), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual budget of the FRC. The Institute’s share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$6,990,000 (2014: HK\$4,862,000) from such member practices and contributed HK\$6,990,000 (2014: HK\$4,862,000) to the FRC.

b. Litigation costs recovery

	Group and Institute	
	2015	2014
	HK\$’000	HK\$’000
Litigation costs recovery for:		
Appeal against a judicial review (i)	876	1,500
Appeals against disciplinary orders (ii)	570	-
	<u>1,446</u>	<u>1,500</u>

(i) In June 2013, the Court of Final Appeal heard and dismissed an appeal made by a firm and certain individuals (the “Applicants”), one of whom is a Council member, regarding a judicial review they had commenced in relation to a report of an Investigation Committee. During the current year, the Institute recovered HK\$876,000 from the insurers (2014: HK\$1,500,000 from the Applicants) in relation to legal costs incurred in the Court of Final Appeal proceedings.

(ii) During the current year, the Institute received HK\$570,000 (2014: Nil) from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against two disciplinary orders.

5. Surplus before tax

	Group		Institute	
	2015	2014	2015	2014
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	125,511	119,162	118,683	112,872
Depreciation	12,945	12,444	12,858	12,236
Contribution to FRC	6,990	4,862	6,990	4,862
Auditor’s remuneration	404	385	312	299
Allowance for obsolete inventories	44	12	44	11
Cost of goods sold	371	486	366	481
Donations (a)	14	10	64	60
Exchange loss	57	883	61	866
Impairment of fixed assets	480	-	480	-
Impairment of receivables	501	-	501	-
Loss on disposal of fixed assets	83	93	85	58
Obsolete inventories written off	9	7	9	7
Operating lease expenses	1,415	1,188	527	536
Recovery of obsolete inventories written off	(1)	(41)	(1)	(41)
Recovery of impaired receivables	(5)	(22)	(5)	(22)
Uncollectible amounts written off	15	5	15	5

a. During the current year, the Institute donated HK\$50,000 (2014: HK\$50,000) to The HKICPA Charitable Fund.



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