



Accounting
for
Hong
Annual General Meeting 2013
Kong
since 1973



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

40th 計 往開來四十年
ANNIVERSARY Accounting
for Hong Kong since 1973

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President's report

The Sixth Long Range Plan will chart the Institute's course for the years ahead. In terms of the audit profession regulatory regime, while we maintain that our system has proved effective, we must move forward to align with international practices and build a system that serves Hong Kong best.

Dear members,

It has been a privilege to serve the Institute's members during 2013 – a momentous milestone in our organization's history. We must all be proud of the achievements made by the accounting profession over the past 40 years. We owe a deep gratitude to the inspirational men and women who created the Institute that we know today.

As president, I have been fortunate to be able to learn from the examples set by them. Since 1973, the Institute has witnessed outstanding development from 500 or so original members to the 35,000-plus members we have today. We designed and built our world-class accounting Qualification Programme and today, less than 15 years after it was launched, about 9,000 QP graduates have obtained the prestigious and world-recognized CPA qualification, and more than 15,000 students are studying to pursue the status. Our QP is recognized as a distinguished qualification achievement by leading accounting institutes around the world through formal mutual agreements.

The Institute is, by far, the largest professional body in Hong Kong. More significantly, it is one of the world's top-tier accounting bodies and is accorded great respect internationally as a founding member of the International Federation of Accountants and the Global Accounting Alliance, and as a member of important regional and international accounting groups including the Asian-Oceanian Standard-Setters Group. The Institute is now the vice-chairman of this group and will soon become the chair.

Guiding towards our success have been the various long range plans the Institute carefully developed and implemented over the years. The latest one is the Sixth Long Range Plan, incubated under the leadership of Keith Pogson, our immediate past president, and finalized this year.

The plan follows on seamlessly from the Fifth Long Range Plan and will chart the Institute's course for the years ahead as we continue to help Hong Kong maintain its status as an international financial centre and create new opportunities for the profession.

Under my presidency a high priority has been given to member support and development through member engagement. One important new initiative has been the series of members' forums held on the last Monday of the month from April 2013. The forums have provided an excellent opportunity for members to learn more about the work of the Council and the Sixth Long Range Plan, and us to directly listen to members' opinions.

Achievements aside, there are some imminent changes. As CPAs, we operate in the public interest and so we must meet the expectations of society. In terms of the audit profession regulatory regime, while we maintain that our system has proved effective, we must move forward to align with international practices and build a system that serves Hong Kong best.

Since 2008, the Institute has been in discussion with the Financial Services and the Treasury Bureau and the Financial Reporting Council on the enhancement of the independence of auditor regulation. Years of discussion have culminated in the consultation document on the reform issued in October 2013. We have developed a comprehensive communications programme for different groups of our members to respond to the consultation, making sure their views will be seriously considered. We will also make sure to continue working with the government and other relevant organizations and stakeholders to achieve a sensible solution. Whatever final reforms are put in place, the Institute will continue to play an important role as a statutory body subject to public oversight.

Our membership has become increasingly diverse, and we as an Institute must respond to this heterogeneity. In addition

to being auditors and tax professionals, they are chief executive officers, chief financial officers, chief operating officers, board directors, as well as specialists in corporate finance, banking, restructuring, marketing, human resources, technology and law. Indeed, about 60 percent of our members are working in business and as such, we continue to expand support targeting their specific career needs, including partnering with another professional institute to offer a faculty programme on finance and management, specialized training on independent non-executive directorship and a dedicated programme on financial controllership.

As our members are also increasingly young, the Institute has also responded to make sure it remains relevant and understanding to their aspirations. When the so-called Generation X and Generation Y climb up the career ladder, it will bring change to the corporate world and the Institute. Our latest demographics show that about 44 percent of members are under 40 years old.

In recent years, one of our successful young member engagement developments has been the establishment of the 25.35 Group, aimed at CPAs in that age range. Events designed to serve them include seminars, career development talks and a wide range of networking, cultural and leisure activities. Social media has been employed to improve communication and the group has a popular Facebook presence.

Meanwhile, we have been honing the services for small- and medium-sized practitioners, by organizing technical workshops, an annual symposium, a quality assurance forum and a business networking event with Shenzhen accounting firms, as well as publishing quality control guidance and articles in *A Plus* about service opportunities. The aim is to encourage them to specialize and differentiate by consolidating their strengths, acquiring new skill sets and offering diversified products to clients, both here and in the Mainland.

As the first woman president of the Institute, I am aware of my place in its 40-year history and my obligations to all members. I am also aware of the significance as Hong Kong still lags behind in terms of the percentage of ladies present in company boards and at C-suite level. As such, over the years, I have been advocating gender diversity on many occasions including seminars, conferences and media interviews. As for our Council, I am really proud that it truly exemplifies gender balance with more than 45 percent women this year. Likewise, in our general membership, the number of females has already reached equilibrium with the number of males, and is set to increase as more female students are joining the profession. The Institute will continue to encourage and support this segment of our membership.

Hong Kong, as a vibrant city of seven million people, a Chinese special administrative region and an international

finance centre, will continue to punch above its weight in terms of influence. We continue increasing our members' opportunities in the vast Chinese market, using developments such as the Mainland and Hong Kong Closer Economic Partnership Arrangement to our best advantage. In spite of the slow pace of negotiations regarding the Qianhai special economic zone in Shenzhen, we will maintain our determination to extend access for our members into special economic and free trade zones and other regions in the Mainland.

The strength of our relationships with Mainland counterparts, Central authorities and provincial and municipal policymakers will serve us well in this regard. We will also continue to reach out to the Beijing decision-makers with whom we have close relations, such as the Ministry of Finance, China Securities Regulatory Commission, Ministry of Commerce, State Administration of Taxation and National Audit Office.

At home, we have augmented our connection with the community, not only cementing our solid ties with the financial and business sectors, but also reaching out to the general public, especially the less privileged. We have launched "CPAs for NGOs" as part of the commemoration of the Institute's 40th anniversary. This new programme recruits accountant ambassadors to be deployed in pairs to visit under-resourced NGOs and advise on their financial management and corporate governance. This joins our already significant community outreach presence, such as our anchor "Rich Kid, Poor Kid" money management programme for children. The latest initiative is our support to the government's "Future Stars" programme to broaden the horizons of the less privileged young people, and help them set clearer goals for future development and to achieve upward mobility.

The issue of work-life balance is of paramount importance and that's why the Institute supports an extensive calendar of social, cultural and sporting events designed to relax, refresh and recharge our members. From dragon boating and marathons to Chinese calligraphy and the popular Merry Monday wine tastings, we hope our members can thrive, socialize and, yes, have fun.

In closing, I would like to thank the many members who have volunteered their time, energy and expertise to our busy professional and social calendar, and extend my sincere appreciation to our vice presidents, Council and committee members, and Raphael, the Institute's chief executive, and the staff he leads, for their tireless efforts towards the achievement of the Institute's objectives on behalf of its members.

Sincere regards,

Susanna Chiu
President



Chief Executive and Registrar's review

Our improved position was achieved by effective control of operating costs, prudent stewardship of funds and a small increase in subscription fees to ensure adequate financial resources are readily available to support the Institute's statutory and membership functions.

Dear members,

The Institute has had another eventful year. On our 40th anniversary, we have a tremendous foundation to build upon, and I am confident we can meet challenges that the future will bring. The Institute has commemorated the anniversary of its founding (as the Hong Kong Society of Accountants) with several events.

Our award-winning monthly magazine, *A Plus*, featured a six-part series tracing the Institute's origins and its official launch in 1973, through its exciting history, to its present achievements and forecasts for the future. The series highlighted many success stories of our members that were closely intertwined with Hong Kong's rising from a manufacturing town to a major financial centre of the world.

The regulatory regime of Hong Kong's accounting profession has to be on par with international standards and protect the public interest. Back in 2008, the Institute initiated discussion with stakeholders about possible reform of the audit profession. We later set up relevant committees and working groups to study the matter, and started coordination with the Financial Services and the Treasury Bureau and the Financial Reporting Council on the formulation of an effective system for the oversight of auditors, which resulted in the consultation released in October 2013. We have been engaging members to respond to the consultation so that we can take into consideration their views. The reform may also bring changes to the Institute's operations, about which I will keep you posted over the coming years.

Corporate governance has its origins in the obligations of transparency and accountability on limited liability companies to stakeholders. The Institute is no exception – we have always been vigilant about this and have already put in

place a number of recommendations from our governance committee during the year. Please refer to the "Governance statements" in the full annual report for details.

Last year, the Institute reported its first ever operating deficit and the Council was wary of the risk of a structural deficit. The management is conducting ongoing organizational reviews to ensure the Institute has the right structure and the correct mix of talent to efficiently achieve the goals of the Sixth Long Range Plan. I am pleased to report that despite cost inflation and the rising level and standard of member services, the Institute recorded a surplus of HK\$5 million and a healthy overall financial position in the reporting period, compared with the HK\$8 million deficit recorded in the previous year.

Our improved position was achieved by effective control of operating costs, prudent stewardship of funds and a small increase in subscription fees to ensure adequate financial resources are readily available to support the Institute's statutory and membership functions.

We continue to closely monitor fees and other income, and critically review expenses, while ensuring that members can extract the most benefit from the Institute's resources.

One way to ensure this is the new Member Activity System, which is being developed to strengthen the Institute's database and IT platform. It will enable us to provide a comprehensive service to members covering their whole professional cycle, from registering as a student, to becoming a member, to participation in continuing professional development and other events.

This new system will also allow members to effectively manage their own MyCPA web page in respect of annual renewal, CPD hours, event enrolments and communications with the Institute. It will also provide strong analytical tools

on membership data so that the Institute can provide more targeted services to meet the specific needs of our ever growing and diversifying membership.

We introduced a digital version of *A Plus* as another initiative to effectively use our resources. It has been warmly welcomed by younger members and others who have embraced new media technologies. As guided by the Sixth Long Range Plan, we have implemented other paperless communication and social media to engage our members.

Other initiatives introduced to streamline the Institute's processes can be found in the "Finance and operations" section of the annual report.

We have adjusted our China development strategy by leveraging on our CPA brand to enhance opportunities for members. Many of our members are already working very successfully on the Mainland and their skills, competence, experience and values are highly recognized by their employers. Instead of promoting our Qualification Programme as an examination process, we aim to raise awareness among potential employers of what our members are capable of doing, thereby creating market demand for our members and our Qualification Programme.

The Institute has introduced the online Hong Kong CPA Practice Directory, which helps practices promote their statutory services as well as a wide range of other business and professional services. Another achievement in our protection of genuine CPAs was an amendment to the Professional Accountants Ordinance that seeks to prohibit non-CPA entities from using certain descriptions in their names. Meanwhile, in August 2013, we launched HKICPA Source, a new portal of accounting and finance job listings to serve CPAs and recruiters that now has more than 300 job postings.

To meet the development needs of accountants in business, we have signed a mutual examination paper exemptions agreement with the Chartered Institute of Management Accountants. The agreement provides Hong Kong CPAs with even more opportunities around the world by also becoming a member of CIMA. We also partnered with the Hong Kong Institute of Directors to launch a series of training on independent non-executive director practices.

The steady growth in the number of qualified CPAs and students reflects the continuing desirability of being an Institute member. During the year, we have achieved another record high of student enrolments and provided more services to them at higher efficiency.

Hong Kong's education landscape is changing and our Accredited Accounting Technician programme has experienced a decrease in the number of students in recent

years. We understand from a recent survey that demand for an AAT's skill sets remains strong. The Institute and HKIAAT are now working together to study how we could reposition the programme to make sure it will continue to meet the market needs.

Beyond our shores, the Institute is committed to cementing influence within the international community. Through our effective presence on a range of international and regional bodies, the Institute can ensure that Hong Kong's voice is heard. This also arises from our crucial submissions on proposed accounting, auditing and ethical standards, as well as on the constitution review of the International Federation of Accountants, which represents the accounting profession on the global stage.

We hosted a number of high-level international forums such as the IFRS Foundation Trustees meeting in January 2013, which discussed the future of global financial reporting with major stakeholders. We also hosted the seventh IFRS regional policy forum in June 2013, which welcomed senior representatives of national accounting standard-setting bodies, oversight bodies, securities exchanges, governments, practitioners, users, preparers and academia.

Hong Kong's influence in international accounting policy deliberations was reflected by the IFRS Foundation Trustees' appointment of the Institute to represent the Asian-Oceanian Standard-Setters Group in the new Accounting Standards Advisory Forum. We also played a role at the forefront of innovation, with Hong Kong being one of 15 cities chosen to launch the consultation draft of the International Integrated Reporting Council's framework in April 2013. Paul Druckman, the IIRC's chief executive officer, addressed a Hong Kong audience in June 2013 during the consultation period and spoke at our members' conference in October 2012.

Our core values extend beyond the profession and into broader society, where accountants make valuable contributions. We published our third *May Moon* book for children about money management and ethics as part of our "Rich Kid, Poor Kid" educational programme, which is aimed at teaching money values to children.

It has been a busy year and I owe my thanks to the Council, the Institute's staff and the many members who volunteer their time for the profession. Thank you all for your invaluable support in making my first year as the Institute's chief executive and registrar a rewarding one.

Sincere regards,

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Notice of the 41st annual general meeting

NOTICE IS HEREBY GIVEN that the 41st 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, 13 December 2013 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 4th day of November 2013

Election of Council members at the 41st 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 Lesley Y.C. Wong (黃徐玉娟), Director of Accounting Services, are the ex-officio members serving on the Council.

The immediate past President of the Institute is Keith Pogson (包凱), who is also an elected member. He shall hold office as a member of the Council until the conclusion of the 41st 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)
 Edith Shih (施熙德)
 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 Jennifer H.Y. Cheung (張學欣) (category N) and Sun Kwai Yu, Vivian (孫季如) (category N). Under section 12(4), they shall hold office until immediately before the conclusion of the 41st 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 39th annual general meeting held on 16 December 2011) shall retire from office at the 41st annual general meeting, but shall be eligible for re-election.

These retiring members are:

Mabel M.B. Chan (陳美寶)	(Category P)
Susanna Chiu (趙麗娟)	(Category N)
Ronald Kung (龔耀輝)	(Category N)
Lam Chi Yuen, Nelson (林智遠)	(Category P)
Stephen Law (羅卓堅)	(Category N)
Keith Pogson (包凱)	(Category P)
Kim Man Wong (黃劍文)	(Category N)

The following seven elected Council members will hold office for one more year until the 42nd annual general meeting:

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

Note: Ding Wai Chuen, Raphael (丁偉銓), an elected member, retired with effect from 31 May 2012. The Council has appointed Kim Man Wong (黃劍文) under section 11(1) to fill the vacancy with effect from 27 June 2012 who shall hold office until the conclusion of the 41st annual general meeting pursuant to section 11(2)(a).

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, 19 November 2013 at 5:30 p.m. A nomination form is enclosed for your convenience.

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

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. before 5:30 p.m. on Tuesday, 26 November 2013), 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 41st A.G.M.	3	4	7
Composition of remaining members at the 41st 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, 10 December 2013).

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 41st annual general meeting (i.e. before 5:30 p.m. on Tuesday, 26 November 2013).

Timetable

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

Procedures	Deadline	Authority
Nomination of Council members	Tuesday, 19 November 2013 5:30 p.m.	By-law 2(3) (to be lodged with the Registrar not less than 24 days prior to A.G.M.)
Posting of nominations of Council members to members	Tuesday, 26 November 2013 5:30 p.m.	By-law 2(5) (not less than 17 days prior to A.G.M.)
* Issue of ballot paper to members	Tuesday, 26 November 2013 5:30 p.m.	By-law 3(1) (not less than 17 days prior to A.G.M.)
* Return of completed ballot paper to the Institute	Tuesday, 10 December 2013 5:30 p.m.	By-law 3(4) (to be returned to the Registrar not less than 72 hours prior to A.G.M.)

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

Disclosure of election results

The results of the election will be disclosed to members on the Institute's website, www.hkicpa.org.hk, after the Council meeting at which the result is delivered by the auditor under by-law 3(5), and will be formally announced at the 41st annual general meeting at which the election is to be held.

Hong Kong Institute of CPAs

Nomination form for election to Council at the 41st 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	Category (please refer to note A)	Name of proposer	Name of seconder
Membership no.:		Membership no.:	Membership no.:

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 below.
- 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.

Candidate's signature	Category (please refer to note A)	Proposer's signature	Secunder's signature

Dated this _____ day of _____ 2013

Notes

A. Please signify:

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

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

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

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

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

- In accordance with by-law 2(3), this nomination form must be duly signed and lodged with the Registrar before 5:30 p.m. on Tuesday, 19 November 2013 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 41st annual general meeting", pages 8 to 10.

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 13 to 19, 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 2013, 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 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 24 September 2013.

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 2013 are consistent, in all material respects, with those financial statements, on the basis described in note 1 to the summary financial statements.

Mazars CPA Limited
Certified Public Accountants

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

24 September 2013

Yip Ngai Shing
Practising Certificate number: P05163

Statements of Financial Position

At 30 June 2013

	Group		Institute	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Non-current assets				
Fixed assets	189,917	199,561	189,592	199,189
Interests in subsidiaries	-	-	-	-
Deferred tax assets	-	-	-	-
	189,917	199,561	189,592	199,189
Current assets				
Inventories	1,073	993	1,068	984
Receivables	2,401	1,580	3,303	3,272
Deposits and prepayments	4,803	5,381	4,569	5,178
Tax recoverable	-	12	-	12
Time deposits with original maturities over three months	71,271	-	49,327	-
Cash and cash equivalents	175,242	208,658	153,216	161,178
	254,790	216,624	211,483	170,624
Current liabilities				
Subscriptions and fees received in advance	(67,269)	(62,892)	(64,514)	(60,198)
Payables and accruals	(44,422)	(34,663)	(41,771)	(32,173)
Current tax liabilities	(929)	-	(929)	-
	(112,620)	(97,555)	(107,214)	(92,371)
Net current assets	142,170	119,069	104,269	78,253
Non-current liabilities				
Deferred tax liabilities	-	-	-	-
	332,087	318,630	293,861	277,442
Funds and reserve				
General fund	189,268	187,250	156,943	151,956
Capital fund	142,928	131,496	136,918	125,486
Exchange reserve	(109)	(116)	-	-
	332,087	318,630	293,861	277,442

Approved by the Council on 24 September 2013

Susanna Chiu
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Comprehensive Income

For the year ended 30 June 2013

	<i>Note</i>	Group		Institute	
		2013	2012	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Subscriptions and fees	2	130,207	122,414	127,105	118,762
Other revenue	3	96,057	90,701	90,290	84,442
Total revenue		226,264	213,115	217,395	203,204
Other income	4	14,220	14,446	15,921	16,039
Expenses		(237,518)	(239,274)	(227,400)	(227,708)
Surplus/(Deficit) before tax	5	2,966	(11,713)	5,916	(8,465)
Income tax (charge)/credit		(948)	210	(929)	323
Surplus/(Deficit)		2,018	(11,503)	4,987	(8,142)
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange gain on translating the financial statements of HKICPA Beijing		7	1	-	-
Comprehensive income		2,025	(11,502)	4,987	(8,142)

Approved by the Council on 24 September 2013

Susanna Chiu
President

Ding Wai Chuen, Raphael
Chief Executive and Registrar

Statements of Changes in Funds and Reserve

For the year ended 30 June 2013

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

	2012						
	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	198,753	120,588	(117)	319,224	160,098	114,578	274,676
Deficit	(11,503)	-	-	(11,503)	(8,142)	-	(8,142)
Other comprehensive income	-	-	1	1	-	-	-
Comprehensive income	(11,503)	-	1	(11,502)	(8,142)	-	(8,142)
Capital levy from members and students	-	10,908	-	10,908	-	10,908	10,908
At the end of the reporting period	187,250	131,496	(116)	318,630	151,956	125,486	277,442

Statements of Cash Flows

For the year ended 30 June 2013

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash flows from operating activities				
Surplus/(Deficit) before tax	2,966	(11,713)	5,916	(8,465)
Adjustments for:				
Allowance for obsolete inventories	132	833	125	833
Depreciation	12,029	11,589	11,800	11,472
Impairment of receivables	-	66	-	66
Loss on disposal of fixed assets	94	-	94	-
Obsolete inventories written off	27	57	27	57
Uncollectible amounts written off	20	92	20	55
Operating cash flows before working capital changes	15,268	924	17,982	4,018
Increase in inventories	(239)	(1,084)	(236)	(1,088)
(Increase)/Decrease in receivables	(841)	825	(51)	397
Decrease/(Increase) in deposits and prepayments	571	(637)	609	(689)
(Increase)/Decrease in time deposits with original maturities over three months	(71,271)	47,803	(49,327)	30,133
Increase in subscriptions and fees received in advance	4,377	2,768	4,316	1,659
Increase/(Decrease) in payables and accruals	9,762	(10,876)	9,598	(10,457)
Cash (utilized in)/generated from operations	(42,373)	39,723	(17,109)	23,973
Net tax (paid)/refunded	(7)	(2,711)	12	(2,697)
Net cash (utilized in)/generated from operating activities	(42,380)	37,012	(17,097)	21,276
Cash flows from investing activities				
Purchase of fixed assets	(2,476)	(3,864)	(2,297)	(3,552)
Cash flows from financing activities				
Capital levy received	11,432	10,908	11,432	10,908
Net (decrease)/increase in cash and cash equivalents	(33,424)	44,056	(7,962)	28,632
Cash and cash equivalents at the beginning of the reporting period	208,658	164,601	161,178	132,546
Exchange difference in respect of cash and cash equivalents	8	1	-	-
Cash and cash equivalents at the end of the reporting period	175,242	208,658	153,216	161,178

Notes to the Summary Financial Statements

For the year ended 30 June 2013

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 2013 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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Annual subscription fees				
Members	73,085	68,145	73,085	68,145
Practising certificates	20,339	18,859	20,339	18,859
Students	8,582	8,395	7,100	6,645
Firms	10,233	9,790	10,233	9,790
Corporate practices	5,402	4,890	5,402	4,890
Others	1,478	1,294	447	292
First registration fees				
Members	5,561	5,558	5,561	5,558
Practising certificates	832	544	832	544
Students	2,542	2,448	1,964	1,890
Firms	140	122	140	122
Corporate practices	210	149	210	149
Others	186	611	175	269
Other fees				
Advancement to fellowship	260	217	260	217
Assessment for overseas students	1,357	1,392	1,357	1,392
	130,207	122,414	127,105	118,762

3. Other revenue

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Income from examinations	75,294	69,440	70,494	64,199
Income from seminars and courses	17,340	18,268	16,913	17,515
Income from member and student activities	2,553	2,248	2,553	2,248
Accreditation income	870	745	330	480
	96,057	90,701	90,290	84,442

4. Other income

	Group		Institute	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Financial Reporting Council special levy	4,631	4,410	4,631	4,410
Events sponsorship	2,388	1,805	2,388	1,805
Disciplinary fines and costs recovery	1,884	956	1,884	956
Interest income	1,472	957	1,210	727
Sales of goods	1,102	2,921	1,004	2,818
Income from advertisements placed in the journals	924	1,028	861	868
Litigation costs recovery (a)	-	710	-	710
Income from hardcopy surcharge	597	587	597	587
Commission from professional indemnity insurance master policy	577	478	577	478
Commission from affinity credit card programme	160	86	160	86
Royalty income	61	89	-	-
Donations	49	34	25	4
Operating lease income	41	102	41	102
Recovery of impaired receivables	22	80	22	80
Service fees from HKIAAT	-	-	2,308	2,308
Miscellaneous	312	203	213	100
	14,220	14,446	15,921	16,039

a. Litigation costs recovery

During the year ended 30 June 2010, a firm and certain individuals (the “Applicants”), one of whom is a Council member, applied for a judicial review in relation to a report of an Investigation Committee. The case was heard and dismissed by the Court of First Instance with costs awarded to the Institute. The Applicants subsequently filed an appeal to the Court of Appeal and, after dismissed by the Court of Appeal on 1 August 2011, then filed an appeal to the Court of Final Appeal.

On 17 June 2013, the Court of Final Appeal heard and dismissed the appeal and the Applicants have no further right to appeal against the decision.

Legal costs incurred by the Institute during the current year were HK\$1,471,000 (2012: HK\$1,566,000). The Institute will seek to recover from the Applicants such legal costs as appropriate on the basis of the Court of Final Appeal’s judgment. In the previous year, an amount of HK\$710,000 was received from the Applicants for recovery of the legal costs incurred.

5. Surplus/(Deficit) before tax

	Group		Institute	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Surplus/(Deficit) before tax has been arrived at after charging/(crediting):				
Employee benefits	122,841	121,758	114,991	113,685
Depreciation	12,029	11,589	11,800	11,472
Contribution to Financial Reporting Council	4,631	4,410	4,631	4,410
Auditor’s remuneration	373	444	288	362
Allowance for obsolete inventories	132	833	125	833
Cost of goods sold	747	812	742	802
Donations (a)	15	88	65	75
Exchange gain	(65)	(158)	(12)	(127)
Impairment of receivables	-	66	-	66
Loss on disposal of fixed assets	94	-	94	-
Obsolete inventories written off	27	57	27	57
Operating lease expenses	1,182	903	465	453
Recovery of obsolete inventories written off	(10)	(5)	(10)	(5)
Recovery of impaired receivables	(22)	(80)	(22)	(80)
Uncollectible amounts written off	20	92	20	55

a. During the current year, the Institute donated HK\$50,000 (2012: HK\$50,000) to The HKICPA Charitable Fund.

