

# HARNESSING INNOVATION FOR THE FUTURE

ANNUAL GENERAL MEETING 2017



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



## ON THE COVER

This year's annual report features innovation in Hong Kong as the theme. The technology sector and inventive thinking are key to strong economic growth in Hong Kong and enhancing its international competitiveness. The full annual report will include a photo essay and accounts of how the city strives to be at the forefront of innovation, and how our members drive new ideas in both the accounting profession and in business.

The cover artwork reflects the ongoing trend of humans embracing and interacting with new technologies. It is also inspired by the reality of disruptions, such as artificial intelligence, big data and Internet of Things, which reshape Hong Kong's business landscape, and the accounting profession.

# M E S S A G E F R O M T H E P R E S I D E N T & T H E C H I E F E X E C U T I V E



**Raphael Ding**  
*Chief Executive  
& Registrar*

**Mabel Chan**  
*President*

## Dear members,

This year marked the 20th anniversary of the reunification of Hong Kong with China, giving us a good opportunity to look back at the remarkable contributions the Institute and its members have made to the economic growth of both the city and the Mainland.

We celebrated the occasion by hosting a commemorative cocktail event in July, with our 1997 president, Tim Lui, as our guest of honour. While reminiscing the significant evolution of the profession over the past 20 years, we are conscious of the importance of looking ahead, and investing in the future of the accounting profession.

### Moving forward with the times

On the solid foundation laid down through the Sixth Long Range Plan, the Institute is pushing ahead in preparation of the Seventh Long Range Plan. One of the key focuses is to respond to the rapid advancement of technology. In this respect, the Institute has launched a full-scale digital strategies project, which will propose a five-year plan to improve our IT infrastructure and capability. The objective is to greatly enhance the effectiveness, through digital means, of our engagement with members and stakeholders, hence allowing us to more readily address their feedback and needs.

At the same time, the accounting profession has gone through significant business, technological and generational changes since the Institute's last brand update in 2004. To ensure our brand remains relevant and premium, the former Editorial Advisory Group has been transformed into the Branding and Communication Advisory Panel, with an expanded role across all branding, communications and marketing strategies. The advisory panel draws from multiple committees, including Professional Accountants in Business, Professional Development, Small and Medium Practitioners and Young Members, for a well-informed approach to connect and engage with key stakeholders, and to enhance public recognition of the Institute's stature.

### Supporting our members

To ensure that our members are fully equipped to meet ever-changing business needs, the Institute spares no efforts in offering a wide range of CPD programmes to strengthen the skills and knowledge that members need today, and in the future. The range of programmes includes those which are important now,

such as accounting, auditing, taxation, legal ordinance and governance, and more future-focused programmes around technological advancements, for example through the use of big data and artificial intelligence. During the year, we offered 3,282 CPD hours and registered 73,752 enrolments.

The importance of how we support our members was highlighted in our fourth annual membership survey, which provided us with further insight into members' learning needs, earning power, business development progress and work-life balance. Taking their thoughts and suggestions into account, the Institute will enhance the professional development programmes to support members' career advancement.

One recent initiative is the official launch of the Financial Controllership Programme after the successful pilot run last year. It is a unique and tailored training aimed at providing members with practical insights on how to become a leader in finance and to contribute positively to business. The programme's modules cover core business functions including management competency development, accounting for performance and decision making, strategic finance, risk management and corporate governance, and business ethics.

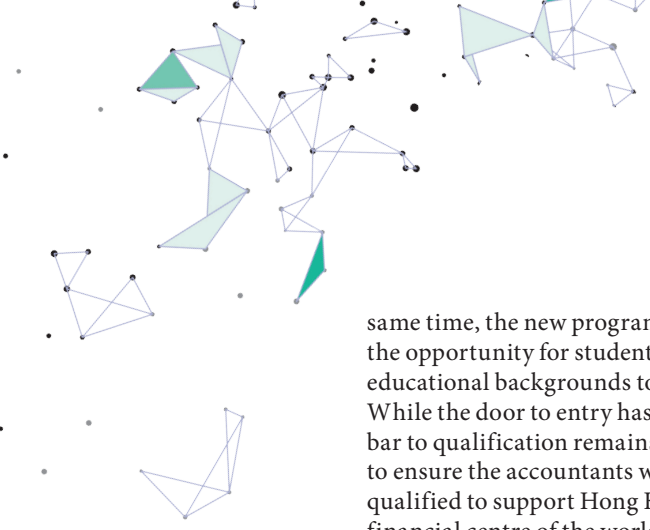
Meanwhile, the Mentorship Programme for young members is going from strength to strength, as it reaches its third year. It is another way to prepare members for the future by bringing CPA mentors and mentees of all backgrounds together to give and receive feedback.

### Grooming the next generation

The Institute is fully aware of the importance of evolving with the times, not just in the training of our members, but also the future generation. The revamp of the Qualification Programme will ensure the CPA qualification is in step with the continuous changes in business needs as well as international best practices, and to help the new generation of accountants be more advisory-oriented.

Following the launch of the Position Paper for the CPA Qualifying Process Reform, our next major target is to ensure a smooth transition to the new QP, which will be introduced in June 2019. With a new structure and rigorous training sessions, the revised programme endeavours to equip students with stronger technical competencies and ethical behaviours. At the





same time, the new programme also provides the opportunity for students of different educational backgrounds to become CPAs. While the door to entry has been widened, the bar to qualification remains at the highest level to ensure the accountants we train are well-qualified to support Hong Kong as the premier financial centre of the world.

### **Fostering relations**

We maintain our robust and positive relationship with Mainland counterparts, a key success factor to the business development of our members across the border.

The Institute's Council held its annual visit to Beijing and Shanghai in May, where we exchanged views with key Mainland authorities on a wide range of important issues including how to facilitate Mainland businesses conducted by our members.

In June, the Institute co-organized a visit to Zhuhai with the Zhuhai Institute of CPAs for the benefit of small- and medium-sized practitioners. Members gained insightful knowledge about the latest economic and infrastructure developments, including the Hong Kong-Zhuhai-Macau Bridge, and the business opportunities brought by them. Furthermore, we organized visits and seminars to explore the roles of accountants in the Belt and Road Initiative, Greater Bay Area and other major national initiatives. In July, the president led a delegation of elite CPA badminton players to participate in "The Integrity Cup" organized by the Guangdong Institute of CPAs where our members had the opportunity to build a relationship with their counterparts from over 30 cities in the province. At the end of the year, it will be our turn to host the cross-border sports competition in which we will provide further networking opportunities for members to meet their counterparts from Shenzhen and Guangzhou.

Internationally, our representatives actively engaged with standard-setting bodies, including the IFRS Foundation, the International Auditing and Assurance Standards Board, the International Ethics Standards Board for Accountants, the International Forum of Accounting Standard Setters and the Asian-Oceanian Standard-Setters Group. This ensures the voice of our members is heard on a global stage and the measures being devised are in the best public interest. Since changes in standards like HKFRS 9 and HKFRS 15 have far-reaching impacts on both users and preparers of financial

statements, the Institute has been expanding its outreach activities by working with international partners such as the International Accounting Standards Board to help various stakeholders understand and apply the latest standards.

Meanwhile, the Institute chief executive's representation on IFAC and our engagements with other international bodies like the Global Accounting Alliance, INSOL International, Accounting for Sustainability and Asia-Oceania Tax Consultants' Association ensure that Hong Kong's voice is heard.

### **Protecting the public interest**

Being the professional statutory body, we work closely with the Hong Kong government on audit regulatory reform, with a focus on areas including the disciplinary system, sanctioning guidelines, composition of the independent oversight body, operating cost and source of funding. These are important aspects that not only address the concerns of the profession, but more importantly, protect the public interest. The reform has made considerable progress, and a bill is expected to be submitted to the Legislative Council (LegCo) before the end of 2017.

Last year, the Hon. Kenneth Leung, representative of the Accountancy Functional Constituency, proposed to introduce a bill to tackle the problem of misleading business descriptions by businesses not registered as practice units under the Professional Accountants Ordinance (PAO). Mr. Leung, with input from the Institute, has finalized a draft bill. After discussions in the LegCo's Panel on Financial Affairs, he has also sought and received clearance on the draft bill from the Competition Commission. Though it is not a mandatory requirement under the PAO, members' approval at the coming annual general meeting to support the proposed bill is being sought. If approved, Mr. Leung plans to introduce the bill as set out on pages 5-6 to the LegCo in accordance with LegCo's usual procedures, including obtaining such necessary consent from relevant government departments.

The government has concluded the public consultations on anti-money laundering (AML) and beneficial ownership of companies. Given that Hong Kong is a member of the Financial Action Task Force, it is required to follow the requirements and international standards set by the inter-governmental body for combating money laundering and terrorist financing.

Under the requirements, “designated non-financial businesses and professions” including accountants that engage in certain specific types of transactions should be subject to statutory customer due diligence, record keeping and suspicious transaction reporting. The Institute has been regularly liaising with the government to ensure that the view of our members is taken into account during the consultation and legislative process.

In the first quarter of 2018, a new AML regulatory regime will be put in place, in which the Institute will become a regulator and issuer of guidelines for accountants on AML compliance. As these requirements are relatively new to our members, we have been hosting training sessions to ensure members retain the knowledge to properly comply with the guidelines.

### Advocating for best practices

This is the 18th year of our prestigious Best Corporate Governance Awards, which recognizes companies and organizations in both the private and public sectors for their high standard of governance. A new category for “Non-Hang Seng Index-constituent companies – medium market capitalization” was added to this year’s competition, aiming to facilitate comparisons between peer groups as well as encourage more listed companies to make efforts to strengthen their governance.

The Institute is also devoted to guiding non-government organizations through our social responsibility programme “CPAs for NGOs”. Two new initiatives have been introduced under this programme to help NGOs enhance their knowledge and practice of financial management and governance, including the NGO Treasurers’ Club Dialogue Series and a six-month consultation period to support NGOs with limited resources and experience.

### Looking forward

Technological developments in fields such as blockchain and artificial intelligence are causing profound changes in the profession. The skills required and the mindset of CPAs must progress with these changes. Society too has high expectations on businesses when it comes to issues such as ethics and environmental sustainability. Requiring more emphasis on sustainable business practices and models will see corresponding changes in reporting standards and requirements.

Development of the Institute’s Seventh Long Range Plan in response to these demands is in

progress. The plan will thoroughly consider the impact of technological changes and how the Institute ensures it is meeting the challenges of staying relevant in a rapidly changing world.

The Institute has embarked on two new related strategies, a digital strategy plan and a branding and communications strategy plan. Work on the digital strategy plan began this year, and will improve the technological backend of the Institute. While from next year, a new branding and communication strategy plan will re-energize our brand and enhance our communications with all our stakeholders. Together, these plans will ensure that in the future, communication channels are relevant to members.

For members’ development needs, the Institute is introducing new CPD courses, aiming to equip CPAs with both the hard and soft skills they will need to effectively conduct business.

The work of the new QP is underway, aiming to equip new members of the profession with the skills required to reach the top of an evolving business world.

While the profession has grown vastly over the past 20 years, we are confident in our members’ ability to adapt to and face the fast-changing business world. We see exciting times ahead for our members, with new opportunities for the profession and its engagement with wider economic and business developments.

Finally, we would like to thank the two vice-presidents, the Council and committee members for their contributions. With our ongoing work, your continuous support drives our pursuit of every opportunity to take the Institute and its members to the next level.

Sincere regards,

**Chan Mei Bo,  
Mabel**  
*President*

**Ding Wai Chuen,  
Raphael**  
*Chief Executive  
& Registrar*



# Notice of the 45th annual general meeting

NOTICE IS HEREBY GIVEN that the 45th annual general meeting of the Hong Kong Institute of Certified Public Accountants will be held in the Auditorium, 27th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Thursday, 14 December 2017 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. As special business, to resolve that the Institute supports the Professional Accountants (Amendment) Bill 2017 to be introduced into the Legislative Council by the Hon. Kenneth Leung to amend section 42(1) of the Professional Accountants Ordinance as set out in Appendix A below.
6. 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 26th of October 2017

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## Appendix A - Proposed amendment to section 42(1) of the Professional Accountants Ordinance

The Hon. Kenneth Leung, representative of the Accountancy Functional Constituency, has proposed to introduce a bill to tackle the problem of misleading business descriptions by businesses not registered as practice units under the Professional Accountants Ordinance (PAO). Mr. Leung, with input from the Institute, has finalized a draft bill. After discussions in the Legislative Council's (LegCo) Panel on Financial Affairs, he has also sought and received clearance on the draft bill from the Competition Commission. Though it is not a mandatory requirement under the PAO, members' approval at the coming annual general meeting to support the proposed bill is being sought. If approved, Mr. Leung plans to introduce the bill as set out below to the LegCo in accordance with LegCo's usual procedures, including obtaining such necessary consent from relevant government departments.

"Subject to this section, any person who-

- (a) being summoned to attend as a witness or to produce a document or other thing under section 36(1)(b), refuses or fails to do so or to answer any question put to him by the Disciplinary Committee;
- (b) fraudulently procures himself or any other person to be registered by means of any misleading, false or fraudulent representation or statement, either oral or in writing;
- (c) makes or causes to be made any falsification in the register or in any matter relating to the register;
- (d) personates or represents himself as being the person referred to in any certificate or document presented to the Council or the Disciplinary Committee;
- (e) falsely pretends to be qualified to practise as a certified public accountant (practising);
- (f) falsely takes or uses any name, initials, title, addition or description implying that he is qualified to be registered as a certified public accountant or to practise as a certified public accountant (practising);
- (g) not being a certified public accountant, either directly or indirectly, practises as a certified public accountant (practising);
- (h) not being a certified public accountant-
  - (i) knowingly permits the use of or uses in connection with his business, trade, calling or profession the description "professional accountant", "certified public accountant", or "certified accountant", "registered accountant", "professional accounting", "registered accounting", "certified public accounting", or "certified accounting", or the characters "專業會計師", "會計師", or "註冊會計師", "專業會計", "註冊會計", "認可會計", or "執業會計", or any written words, initials or abbreviations of words intended to cause, or which may reasonably cause, any person to believe that the person using the same is a certified public accountant; or
  - (ii) uses after or in conjunction with his name the initials "CPA";
- (ha) being a body corporate which is not a corporate practice-
  - (i) provides, offers to provide or holds itself out as providing any professional service which only a practice unit may lawfully provide; or
  - (ii) advertises or represents itself as qualified to practise as a practice unit or permits itself to be so advertised or represented; or
  - (iii) uses in conjunction with its name the description "certified public accountant (practising)" or "public accountant", or uses after or otherwise in conjunction with its name the initials "CPA (practising)" or "PA" or the characters "執業會計師", "註冊核數師", "核數師" or "審計師", or permits the use of or uses such description, initials or characters in connection with its business; or

- (iv) includes in, or uses in conjunction with, its name the description “certified public accountant”, “professional accountant”, “certified accountant”, “registered accountant”, “professional accounting”, “registered accounting”, “certified public accounting”, or “certified accounting”, the initials “CPA” or the characters “會計師”, “專業會計師”, “註冊會計師”, “專業會計”, “註冊會計”, “認可會計”, or “執業會計”, or any written words, initials or abbreviation of words (in each case other than as part of the description, initials or characters referred to in subparagraph (iii)), with the intention of causing, or in a way which may reasonably cause, a person to believe that it is a practice unit;
- (i) not being a certified public accountant holding a practising certificate or not being a practice unit the firm name of which is registered under section 28A-
  - (i) advertises, publishes or represents himself as qualified to practise as a certified public accountant (practising) or knowingly permits himself to be so advertised, published or represented; or
  - (ii) takes or uses in conjunction with his name, or any name which he may have assumed or by which he may describe himself, the description “certified public accountant (practising)” or “public accountant” or uses after or in conjunction with his name the initials “CPA (practising)” or “PA” or the characters “執業會計師”, “註冊核數師”, “核數師” or “審計師”, or knowingly permits the use of or uses such description, initials or characters in connection with his business, trade, calling or profession;
- (iaa) being a firm which is not a practice unit registered under section 28A, other than a sole proprietorship of a certified public accountant, includes in, or uses in conjunction with, its name the description “certified public accountant”, “professional accountant”, “certified accountant”, “registered accountant”, “professional accounting”, “registered accounting”, “certified public accounting” or “certified accounting”, the initials “CPA” or the characters “會計師”, “專業會計師”, “註冊會計師”, “專業會計”, “註冊會計”, “認可會計”, or “執業會計”, or any written words, initials or abbreviations of words, with the intention of causing, or in a way which may reasonably cause, a person to believe that it is a practice unit;
- (ia) being a certified public accountant who does not hold a practising certificate, carries on a business, trade or profession in a name or style-
  - (i) otherwise than his own name without any addition as registered under section 22(2); and
  - (ii) which includes the description “certified public accountant”, the initials “CPA” or the characters “會計師”;
- (j) being a corporate practice, fails to comply with any condition attached to the practice’s registration by virtue of section 28D(6)(c) or (9)(c)(i);
- (k) signs a client’s audit report which he is not qualified to sign at the time of signing or signs in the manner described in section 28D(11)(b)(iii);
- (l) being a certified public accountant (practising), a firm of certified public accountants (practising) or a corporate practice, fails to notify the Registrar of a change of location of its registered office as required by section 31(3),

shall be guilty of an offence and shall be liable on conviction as follows-

- (i) in the case of an individual, to a fine at level 45 and to imprisonment for 12 months, except where the offence is a failure described in paragraph (l) in which case he shall be liable to a fine at level 2; and
- (ii) in the case of a firm (including a firm of certified public accountants (practising)) or in the case of a body corporate (including a corporate practice) registered or formerly or never registered in the register, to a fine at level 45 except where the offence is a failure described in paragraph (l) in which case it shall be liable to a fine at level 2.”

Explanatory notes will be sent to all members by early November 2017 and will also be made available on the Institute’s website at the same time.

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## Election of Council members at the 45th annual general meeting

### Composition of the Council – Section 10, Professional Accountants Ordinance

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

The two ex-officio members are:

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

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



The immediate past President of the Institute is Cheung Wing Han, Ivy (張穎嫻). She shall hold office as a member of the Council until the conclusion of the 45th annual general meeting.

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

Melissa Brown (白朗瑩)  
Fung Hau Chung, Andrew (馮孝忠)  
Mak Yip Shing, Andrew (麥業成)  
Tam Wing Pong (譚榮邦)

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

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

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

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

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

Under section 10(4) of the Professional Accountants Ordinance, the Council may co-opt not more than two certified public accountants, each of whom should then be ordinarily resident in Hong Kong, as members of the Council. The current incumbent is Yung Wen Yee, Wendy (容韻儀) (category N). Under section 12(4), she shall hold office until immediately before the conclusion of the 45th annual general meeting and she shall be eligible to be co-opted again (subject to Council rules on continuous terms of co-option) or elected as a member 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 43rd annual general meeting held on 11 December 2015) shall retire from office at the 45th annual general meeting, but shall be eligible for re-election.

These seven retiring members are:

- Chan Mei Bo, Mabel (陳美寶) (Category P)
- Cheung Hok Yan, Jennifer (張學欣) (Category N)
- Lam Chi Yuen, Nelson (林智遠) (Category P)
- Law Cheuk Kin, Stephen (羅卓堅) (Category N)
- Law Fu Yuen, Patrick (羅富源) (Category P)
- Wong Hin Wing (黃顯榮) (Category N)
- Wong Kim Man (黃劍文) (Category N)

The following seven elected Council members will hold office for one more year until the 46th annual general meeting:

- Cheng Chung Ching, Raymond (鄭中正) (Category P)
- Fong Wan Huen (方蘊萱) (Category P)
- Kong Chi How, Johnson (江智蛟) (Category P)
- Kung Yiu Fai, Ronald (龔耀輝) (Category N)
- Charbon Lo (盧卓邦) (Category P)
- Lung Pui Lan, Stella (龍佩蘭) (Category N)
- Eric Tong (唐業銓) (Category P)

## Procedures for nomination

By-Law 2(1A) states that “Only a certified public accountant, who shall on the day of the annual general meeting of the Institute be ordinarily resident in Hong Kong, shall become a candidate for election as an elected member of the Council.” For the

purpose of this By-Law, a person shall be treated as ordinarily resident if he or she has been present in Hong Kong for not less than 180 days in the preceding 12 months.

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

All nominations in writing, signed by the proposer and the seconder, together with a notice signed by the candidate giving his or her consent to stand for election, must reach the Registrar on or before Monday, 20 November 2017 at 6:00 p.m. A nomination form is enclosed for your convenience.

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

If the number of certified public accountants nominated as candidates for election to the Council exceeds the number of vacancies for elected members, the election shall be determined by ballot. In such a case, the Registrar shall, not less than 17 days before the annual general meeting (i.e. Monday, 27 November 2017), 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 45th AGM	3	4	7
Composition of remaining members at the 45th AGM	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 Monday, 11 December 2017).

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

Notes:

1. The above paragraphs are purely explanatory and members should always refer to the Professional Accountants Ordinance and By-Laws for formal guidance on the election procedures.
2. Members may choose to cast their votes online at the Institute’s website. Details for voting online will be sent to members together with the ballot papers not less than 17 days before the 45th annual general meeting (i.e. Monday, 27 November 2017).

### Timetable

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

Procedures	Deadline	Authority
Nomination of Council members to be lodged with the Registrar	6:00 p.m. Monday, 20 November 2017	By-Law 2(3)
Sending of the list of candidates to members	Monday, 27 November 2017	By-Law 2(5)
Issue of ballot paper to members *	Monday, 27 November 2017	By-Law 3(1)
Return of completed ballot paper to the Registrar *	5:30 p.m. Monday, 11 December 2017	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](http://www.hkicpa.org.hk), after Council receives the results from the auditor under By-Law 3(5). The same will be formally announced at the 45th annual general meeting at which the election is to be held.

# Hong Kong Institute of CPAs

## Nomination form for election to Council at the 45th AGM

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

(Please fill in using BLOCK LETTERS)

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

Dated this \_\_\_\_\_ of \_\_\_\_\_ 2017

### Explanatory notes

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

Notes:

A. Please signify:

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

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

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

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

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

- In accordance with By-Law 2(3), this nomination form must be duly signed and lodged with the Registrar before 6:00 p.m. on Monday, 20 November 2017 under confidential cover marked "Nomination".
- In accordance with the resolution made by the Council in January 1994, the number of votes received by individual candidates of the Institute's Council election should be disclosed. This practice has applied since the 22nd AGM.
- Please refer to the section "Election of Council members at the 45th 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)*

## Opinion

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 2017, and the statements of comprehensive income, the statements of changes in funds and reserve, and the statements of cash flows of the Group and of the Institute for the year then ended, and related notes, are derived from the audited financial statements of the Group and of the Institute for the year ended 30 June 2017 respectively (the “Audited Financial Statements”).

In our opinion, the summary financial statements as derived from the Audited Financial Statements are consistent, in all material respects, with the Audited Financial Statements, on the basis described in note 1 to the summary financial statements.

## Summary financial statements

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 and this report, therefore, is not a substitute for reading the Audited Financial Statements and our report thereon.

## Audited financial statements and our report thereon

We expressed an unmodified audit opinion on the Audited Financial Statements in our report dated 26 September 2017.

## 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 whether the summary financial statements are consistent, in all material respects, with the Audited Financial Statements based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing 810 (Revised), “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.

## Mazars CPA Limited

*Certified Public Accountants*

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

26 September 2017

The engagement director on the audit resulting in this independent auditor’s report is:

## Chan Chi Ming Andy

Practising Certificate number: P05132

# Statements of Financial Position

At 30 June 2017

	Group		Institute	
	2017 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000	2016 HK\$ '000
<b>Non-current assets</b>				
Fixed assets	162,434	167,628	161,696	166,491
Interests in subsidiaries	-	-	-	-
Deferred tax assets	192	956	192	956
Prepayments for purchase of fixed assets	220	3,790	220	3,790
	<u>162,846</u>	<u>172,374</u>	<u>162,108</u>	<u>171,237</u>
<b>Current assets</b>				
Inventories	681	748	681	745
Receivables	2,403	2,020	2,830	2,826
Deposits and prepayments	6,886	7,777	6,763	7,667
Tax recoverable	27	11	-	-
Time deposits with original maturities over three months	321,317	317,112	293,635	286,759
Cash and cash equivalents	56,541	35,158	50,931	30,107
	<u>387,855</u>	<u>362,826</u>	<u>354,840</u>	<u>328,104</u>
<b>Current liabilities</b>				
Contract liabilities	(80,585)	(80,910)	(79,846)	(80,145)
Payables and accruals	(37,758)	(34,979)	(36,206)	(33,170)
Lease liabilities	(1,543)	(2,355)	(1,012)	(1,735)
Current tax liabilities	(128)	(2,370)	(128)	(2,370)
	<u>(120,014)</u>	<u>(120,614)</u>	<u>(117,192)</u>	<u>(117,420)</u>
<b>Net current assets</b>	<u>267,841</u>	<u>242,212</u>	<u>237,648</u>	<u>210,684</u>
<b>Non-current liabilities</b>				
Lease liabilities	(1,231)	(2,229)	(1,051)	(1,795)
Deferred tax liabilities	-	-	-	-
	<u>(1,231)</u>	<u>(2,229)</u>	<u>(1,051)</u>	<u>(1,795)</u>
	<u>429,456</u>	<u>412,357</u>	<u>398,705</u>	<u>380,126</u>
<b>Funds and reserve</b>				
General fund	242,689	232,558	217,826	206,218
Capital fund	186,889	179,918	180,879	173,908
Exchange reserve	(122)	(119)	-	-
	<u>429,456</u>	<u>412,357</u>	<u>398,705</u>	<u>380,126</u>

Approved by the Council on 26 September 2017

**Chan Mei Bo, Mabel**  
President

**Ding Wai Chuen, Raphael**  
Chief Executive and Registrar

## Statements of Comprehensive Income

For the year ended 30 June 2017

	<i>Note</i>	<b>Group</b>		<b>Institute</b>	
		<b>2017</b>	2016	<b>2017</b>	2016
		<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Subscriptions and fees	2	<b>141,172</b>	138,583	<b>139,619</b>	136,785
Other revenue	3	<b>101,136</b>	96,281	<b>100,187</b>	93,646
Total revenue from contracts with customers		<b>242,308</b>	234,864	<b>239,806</b>	230,431
Other income	4	<b>23,222</b>	18,735	<b>24,232</b>	20,216
Expenses		<b>(253,207)</b>	(242,724)	<b>(250,226)</b>	(237,136)
<b>Surplus before tax</b>	5	<b>12,323</b>	10,875	<b>13,812</b>	13,511
Income tax charge		<b>(2,192)</b>	(2,830)	<b>(2,204)</b>	(2,695)
<b>Surplus</b>		<b>10,131</b>	8,045	<b>11,608</b>	10,816
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit: Exchange loss on translating the financial statements of HKICPA Beijing		(3)	(16)	-	-
<b>Comprehensive income</b>		<b>10,128</b>	8,029	<b>11,608</b>	10,816

Approved by the Council on 26 September 2017

**Chan Mei Bo, Mabel**  
*President*

**Ding Wai Chuen, Raphael**  
*Chief Executive and Registrar*

## Statements of Changes in Funds and Reserve

For the year ended 30 June 2017

	2017						
	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	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 (a)	-	6,971	-	6,971	-	6,971	6,971
<b>At the end of the reporting period</b>	<b>242,689</b>	<b>186,889</b>	<b>(122)</b>	<b>429,456</b>	<b>217,826</b>	<b>180,879</b>	<b>398,705</b>

	2016						
	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	224,513	167,206	(103)	391,616	195,402	161,196	356,598
Surplus	8,045	-	-	8,045	10,816	-	10,816
Other comprehensive income	-	-	(16)	(16)	-	-	-
Comprehensive income	8,045	-	(16)	8,029	10,816	-	10,816
Capital levy from members and students	-	12,712	-	12,712	-	12,712	12,712
<b>At the end of the reporting period</b>	<b>232,558</b>	<b>179,918</b>	<b>(119)</b>	<b>412,357</b>	<b>206,218</b>	<b>173,908</b>	<b>380,126</b>

(a) 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.

# Statements of Cash Flows

For the year ended 30 June 2017

	<b>Group</b>		<b>Institute</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Cash flows from operating activities</b>				
Surplus before tax	12,323	10,875	13,812	13,511
Adjustments for:				
Allowance for obsolete inventories	7	160	7	160
Depreciation of fixed assets	13,641	13,809	12,949	13,103
Interest on lease liabilities	95	104	75	69
Impairment of receivables	126	-	126	-
Loss on disposal of fixed assets	-	3	-	3
Obsolete inventories written off	13	17	13	16
Uncollectible amounts written off	2	12	2	12
<b>Operating cash flows before working capital changes</b>	<b>26,207</b>	24,980	<b>26,984</b>	26,874
Decrease in inventories	47	59	44	61
(Increase)/Decrease in receivables	(511)	(764)	(132)	180
Decrease in deposits and prepayments	893	1,028	904	783
Increase in time deposits with original maturities over three months	(4,205)	(222,209)	(6,876)	(216,476)
(Decrease)/Increase in contract liabilities	(325)	6,280	(299)	7,716
Increase/(Decrease) in payables and accruals	2,771	(5,975)	3,036	(5,858)
<b>Cash generated from/(utilized in) operations</b>	<b>24,877</b>	(196,601)	<b>23,661</b>	(186,720)
Net tax paid	(3,687)	(8,017)	(3,682)	(7,871)
<b>Net cash generated from/(utilized in) operating activities</b>	<b>21,190</b>	(204,618)	<b>19,979</b>	(194,591)
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(3,873)	(1,271)	(3,873)	(1,211)
Prepayments for purchase of fixed assets	(220)	(3,790)	(220)	(3,790)
<b>Net cash utilized in investing activities</b>	<b>(4,093)</b>	(5,061)	<b>(4,093)</b>	(5,001)
<b>Cash flows from financing activities</b>				
Lease payments	(2,690)	(2,160)	(2,033)	(1,480)
Capital levy received	6,971	12,712	6,971	12,712
<b>Net cash generated from financing activities</b>	<b>4,281</b>	10,552	<b>4,938</b>	11,232
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21,378</b>	(199,127)	<b>20,824</b>	(188,360)
Cash and cash equivalents at the beginning of the reporting period	35,158	234,340	30,107	218,467
Exchange difference in respect of cash and cash equivalents	5	(55)	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>56,541</b>	35,158	<b>50,931</b>	30,107

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$806,000 and HK\$491,000 respectively by means of leases.



# Notes to the Summary Financial Statements

For the year ended 30 June 2017

## 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 of the Institute for the year ended 30 June 2017 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 of the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the financial performance, the financial position and the cash flows of the Group and of 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

	<b>Group</b>		<b>Institute</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Annual subscription fees</b>				
Members (a)	<b>81,304</b>	80,097	<b>81,304</b>	80,097
Practising certificates	<b>23,493</b>	22,854	<b>23,493</b>	22,854
Students	<b>8,401</b>	8,333	<b>7,546</b>	7,426
Firms	<b>10,913</b>	10,658	<b>10,913</b>	10,658
Corporate practices	<b>6,378</b>	6,158	<b>6,378</b>	6,158
Others	<b>1,124</b>	1,101	<b>458</b>	382
<b>First registration fees</b>				
Members	<b>5,056</b>	5,332	<b>5,056</b>	5,332
Practising certificates	<b>700</b>	721	<b>700</b>	721
Students	<b>1,858</b>	1,749	<b>1,826</b>	1,584
Firms	<b>182</b>	140	<b>182</b>	140
Corporate practices	<b>226</b>	158	<b>226</b>	158
Others	<b>85</b>	96	<b>85</b>	89
<b>Other fees</b>				
Advancement to fellowship	<b>248</b>	214	<b>248</b>	214
Assessment for overseas students	<b>1,204</b>	972	<b>1,204</b>	972
	<b>141,172</b>	138,583	<b>139,619</b>	136,785

### a. Members’ annual subscription fees

	<b>Group and Institute</b>	
	<b>2017</b>	2016
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Annual subscription fees	<b>86,551</b>	83,860
Less: One-off subscription reduction	<b>(5,247)</b>	(3,763)
	<b>81,304</b>	80,097

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 in current year represents 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 will be recognized in the year ending 30 June 2018.

The reduction for the year ended 30 June 2016 represented impact of the rebate approved in June 2015 relating to the period from 1 July 2015 to 31 December 2015 for a one-off rebate of HK\$200 each to members whose names were on the register at 1 January 2015 and have paid the 2015 annual subscription fees.

### 3. Other revenue

	Group		Institute	
	2017 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000	2016 HK\$ '000
Income from examinations	81,052	76,966	80,134	74,362
Income from seminars and courses	18,559	17,392	18,536	17,368
Income from member and student activities	1,467	1,841	1,467	1,841
Accreditation income	58	82	50	75
	<b>101,136</b>	<b>96,281</b>	<b>100,187</b>	<b>93,646</b>

### 4. Other income

	Group		Institute	
	2017 HK\$ '000	2016 HK\$ '000	2017 HK\$ '000	2016 HK\$ '000
FRC special levy (a)	7,706	7,340	7,706	7,340
Events sponsorship	1,798	2,880	1,798	2,880
Disciplinary fines and costs recovery	2,133	2,148	2,133	2,148
Interest income	3,515	2,357	3,245	2,119
Sales of goods	4,739	1,074	4,638	943
Income from advertisements placed in the journals	254	295	254	295
Litigation costs recovery (b)	89	251	89	251
Income from hardcopy surcharge	1,007	901	1,007	659
Commission from professional indemnity insurance master policy	1,169	945	1,169	945
Commission from affinity credit card programme	150	159	150	159
Royalty income	28	25	8	-
Donations	30	34	13	18
Income from sub-leasing right-of-use assets	176	156	176	156
Recovery of impaired receivables	187	68	187	68
Reversal of allowance for obsolete inventories	22	-	22	-
Service fees from HKIAAT	-	-	1,440	2,167
Miscellaneous	219	102	197	68
	<b>23,222</b>	<b>18,735</b>	<b>24,232</b>	<b>20,216</b>

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\$7,706,000 (2016: HK\$7,340,000) from such member practices and contributed HK\$7,706,000 (2016: HK\$7,340,000) to the FRC.

b. Litigation costs recovery

	<b>Group and Institute</b>	
	<b>2017</b>	2016
	<b>HK\$ '000</b>	HK\$ '000
Litigation costs recovery for:		
Appeal against a judicial review (i)	<b>89</b>	220
Appeals against disciplinary orders (ii)	-	31
	<b>89</b>	251

(i) During the current year, the Institute recovered HK\$89,000 (2016: HK\$220,000) from an applicant who applied for judicial review on the handling procedure of a complaint against him.

(ii) During the year ended 30 June 2016, the Institute received HK\$31,000 from the insurers in relation to legal costs incurred by the Institute in dealing with appeals against disciplinary orders.

## 5. Surplus before tax

	<b>Group</b>		<b>Institute</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>HK\$ '000</b>	HK\$ '000	<b>HK\$ '000</b>	HK\$ '000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	<b>138,671</b>	130,750	<b>134,189</b>	124,954
Depreciation of fixed assets	<b>13,641</b>	13,809	<b>12,949</b>	13,103
Contribution to FRC	<b>7,706</b>	7,340	<b>7,706</b>	7,340
Auditor’s remuneration	<b>437</b>	416	<b>342</b>	323
Allowance for obsolete inventories	<b>7</b>	160	<b>7</b>	160
Cost of goods sold	<b>799</b>	326	<b>798</b>	323
Donations (a)	<b>14</b>	23	<b>64</b>	73
Exchange (gain)/loss	<b>(75)</b>	1,369	<b>(83)</b>	1,357
Impairment of receivables	<b>126</b>	-	<b>126</b>	-
Interest on lease liabilities	<b>95</b>	104	<b>75</b>	69
Loss on disposal of fixed assets	-	3	-	3
Obsolete inventories written off	<b>13</b>	17	<b>13</b>	16
Recovery of impaired receivables	<b>(187)</b>	(68)	<b>(187)</b>	(68)
Recovery of obsolete inventories written off	<b>(22)</b>	(1)	<b>(22)</b>	(1)
Uncollectible amounts written off	<b>2</b>	12	<b>2</b>	12

a. During the current year, the Institute donated HK\$50,000 (2016: HK\$50,000) to The HKICPA Charitable Fund.



Hong Kong Institute of  
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## Notice of the 45th annual general meeting Explanatory notes to Appendix A – Proposed amendment to section 42(1) of the Professional Accountants Ordinance

The amendments were initiated by the Hon. Kenneth Leung, representative of the Accountancy Functional Constituency, and will be introduced into the Legislative Council by him via a Member's Bill. The reasons for the proposed amendments are set out in his background brief to the Legislative Council Panel on Financial Affairs meeting held on 15 November 2016 (Annex 1).

The amendments are to tighten up restrictions on the use of misleading descriptions by individuals, firms or companies which may mislead the public into believing that they are certified public accountants or practice units registered with the Institute, when in fact they are not. The Institute has provided support to Mr. Leung in developing the amendments. After the Annual General Meeting, Mr. Leung still has to consult and obtain approvals from various Government bureaux and, possibly, the consent from the Chief Executive, before he can introduce the bill into the Legislative Council.

The Competition Commission ("the Commission") has been consulted on the proposed amendments. According to its letter to the Hon. Kenneth Leung dated 28 August 2017, the Commission "does not consider the proposed amendments to have raised competition concerns". Extract from the letter is enclosed in Annex 2.

Currently, under section 42(1)(h) of the Professional Accountants Ordinance ("PAO"), it is a criminal offence for a person, not being a certified public accountant (i.e. a member of the Institute), to knowingly use in connection with his business the descriptions "professional accountant", "certified public accountant", "certified accountant", "專業會計師", "會計師", "註冊會計師" or any words intended to cause or which may reasonably cause anyone to believe that he is a certified public accountant. He is also prohibited from using the initials "CPA" after his name. There are other subsections under section 42(1) forbidding a body corporate or firm not registered with the Institute to use similar terms in conjunction with its name.

In addition, under section 42(1)(ia) of the PAO and section 420 of the Institute's Code of Ethics for Professional Accountants ("COE"), a certified public accountant not holding a practising certificate ("PC") is not allowed to include the descriptions "certified public accountant", "會計師" or "CPA" in his trade or business name. The use of such descriptions is restricted to practice units, i.e. a PC-holder practising on his own account ("CPA (practising)"), a firm of certified public accountants (practising) registered with the Institute ("CPA firm") or a corporate practice registered with the Institute. This is because only practice units are eligible to perform statutory audits and those descriptions indicate to the public that the entity is qualified to provide auditing services which are regulated by the Institute.

The amendments add to the relevant subsections of section 42(1) of the PAO additional descriptions such as "professional accounting", "registered accounting", "certified accounting", "專業會計" and "註冊會計" etc. (hereinafter called "specified descriptions") which may similarly mislead the public into believing that the service providers are, or are related to, certified public accountants or practice units registered with and subject to supervision by the Institute. The specified descriptions added to section 42(1) of the PAO are summarized below:

	<b>Descriptions <u>not</u> allowed to be used in the business name of the individual or entity</b>	
	<i>Under existing PAO</i>	<i>After amendments to PAO</i>
<b>Non-member [Note (i)]</b>	professional accountant, certified public accountant, certified accountant, CPA, 專業會計師, 會計師, 註冊會計師 [Note (ii)]	professional accountant, certified public accountant, certified accountant, CPA, 專業會計師, 會計師, 註冊會計師, <u>registered accountant, professional accounting, registered accounting, certified accounting, certified public accounting, 專業會計, 註冊會計, 認可會計, 執業會計</u> [Note (ii)]
<b>Non-PC holding member (i.e. CPA) [Note (i)]</b>	certified public accountant, CPA, 會計師 [Note (iii)]	certified public accountant, CPA, 會計師 [Note (iii)]
<b>PC holding member (i.e. CPA (practising)) [Note (i)]</b>	Nil	Nil
<b>Limited company not being a corporate practice or partnership not being a CPA firm (including companies/partnerships owned by non-PC holding or PC holding members)</b>	certified public accountant, CPA, 會計師 [Note (iv)]	certified public accountant, CPA, 會計師, <u>professional accountant, certified accountant, registered accountant, professional accounting, registered accounting, certified accounting, certified public accounting, 專業會計師, 註冊會計師, 專業會計, 註冊會計, 認可會計, 執業會計</u>
<b>Corporate practice or CPA firm</b>	Nil	Nil

Notes:

- (i) This refers to the person carrying on business as an individual or sole proprietor.
- (ii) For individuals, the prohibition applies to the use of the descriptions not only in the trade or business name of the individual, but also in connection with his trade or business, e.g. advertising his business using the descriptions.
- (iii) Descriptions disallowed for use by non-PC holding members in their trade or business name pursuant to section 42(1)(ia) of the PAO and section 420 of the COE. Section 42(1)(i)(ii) of the PAO also prohibits them from using descriptions like "certified public accountant (practising)", "執業會計師" or "核數師" etc. in conjunction with their name.



- (iv) *Descriptions disallowed for use by limited companies not being a corporate practice pursuant to section 42(1)(ha)(iv) of the PAO and by partnerships not being a CPA firm pursuant to section 42(1)(h) (which also prohibits the use of "professional accountant" or "certified accountant" etc.) or section 42(1)(ia)/section 420 of COE. Sections 42(1)(ha)(iii) and 42(1)(i)(ii) prohibit such limited companies and partnerships respectively from using descriptions like "certified public accountant (practising)", "執業會計師" or "核數師" etc. in conjunction with their name.*

An amendment is also added to raise the level of fine on those convicted of the section 42(1) offences from level 4 (HK\$25,000) to level 5 (HK\$50,000) in order to deter potential offenders from breaching the law.

The impacts of the amendments are as follows:

#### Individuals who are not members of the Institute

Non-members of the Institute would no longer be able to use the specified descriptions in connection with their business, and they cannot include the descriptions in their company name. For example, it will be a criminal offence for an individual, Chan XX, who is not a certified public accountant, to provide any services using the business name "Chan XX, Professional Accounting Services" or advertise that he provides "professional accounting services".

#### Limited companies or firms which are not corporate practices/ CPA firms

Limited companies or firms which are not registered with the Institute as corporate practices/ CPA firms would no longer be able to use the specified descriptions in their name. For example, it will be a criminal offence for a company which is not a corporate practice to provide any services under its name "ABC Professional Accounting Services Limited".

#### Members of the Institute

As an individual carrying on business, a member of the Institute will not be affected by the proposed PAO amendments, and he may continue to carry on business as a sole proprietor in his own name using the specified descriptions.

#### CPA firms or corporate practices of the Institute

A CPA firm or corporate practice registered with the Institute will not be affected by the proposed PAO amendments.

**Office of the Hon Kenneth Leung****Background Brief on the  
Professional Accountants (Amendment) Bill 2016****INTRODUCTION**

1. This paper sets out the background of the Hon Kenneth Leung's proposal to amend the Professional Accountants Ordinance (Cap. 50) ("PAO"), which will be introduced as a Member's Bill into the Legislative Council, namely the "Professional Accountants (Amendment) Bill 2016" ("the proposed Bill").

**PROPOSAL**

2. The proposed Bill amends the PAO –
  - (i) to prohibit any company, not being a corporate practice registered with the Hong Kong Institute of Certified Public Accountants (the "Institute") under the PAO to use in conjunction with its name with any written words, abbreviation of words, description, initials, or characters intended to cause, or which may reasonably cause any person to believe that it is a practice unit;
  - (ii) to prohibit any individual not being a certified public accountant holding a practicing certificate or not being a practice unit the firm name of which is registered with the Institute under section 28A of the PAO to use in conjunction with his name any written words, abbreviation of words, description, initials, or characters intended to cause, or which may reasonably cause, any person to believe that the person using the same is a certified public accountant holding a practising certificate or being a practice unit the firm name of which is registered with the Institute under the PAO; and
  - (iii) to increase the penalty level of offence to reinforce the deterrent effect against offences under Section 42(1) of the PAO.

**JUSTIFICATION**



3. The Hon Kenneth Leung introduced the Professional Accountants (Amendment) Bill 2013 to prohibit any company which is not a corporate practice from using the terms “certified public accountant”, “CPA” or “會計師” in its name if the intention is to cause, or which may reasonably cause any person to believe that it is a practice unit under the PAO. The Bill passed on 30 October 2013 and came into force on 14 January 2014.
4. Under section 42(1)(ha) of the PAO, it is an offence for a company not being a corporate practice, to use the descriptions “certified public accountant (practising)” or “public accountant”, the initials “CPA (practising)”, “PA” or the characters “執業會計師”, “註冊核數師”, “核數師” or “審計師”, in its name in connection with its business. Furthermore, it is an offence for a company not being a corporate practice, to use the descriptions “certified public accountant”, the initials “CPA” or the characters “會計師” with the intention of causing, or in a way which may reasonably cause a person to believe that it is a practice unit.
5. The current section 42(1)(ha) does not prohibit a company which is not a corporate practice, from using any written words, abbreviation of words, description, initials, or characters which may reasonably cause a person to believe that it is a practice unit, as long as its name does not use in conjunction with the descriptions, initials or characters stated in section 42(1)(ha) of the PAO.
6. Company searches have revealed that there are companies registered with the Companies Registry which are currently using terms such as “Professional Accounting and Secretary”, “Professional Accounting and Secretarial Services”, “Professional Accounting and Taxation”, and “Accounting and Professional Services” which may cause confusion and lead the public to believe that such companies are practice unit qualified to provide professional auditing service under the PAO.
7. In a reply to a written question raised by the Hon Kenneth Leung on 16 December 2015, the Secretary for Financial Services and the Treasury stated the Police were concerned about crimes arising from money lending activities, in particular, those with the involvement of financial intermediaries. Between August to October 2015, the Police received 235 reported case from the public concerning alleged illegal activities by financial intermediaries. Out of these cases, 61 cases had classified as criminal cases.

8. The Secretary for Financial Services and the Treasury has observed that there were cases under which financial intermediaries operating under the name of an “accounting firm”, a “law firm” or a “consultancy firm” claimed to be able to provide professional services including debt restructuring, stress test analyses, accounting advice, improvement in credit records for individuals.
9. It is in the public interest to enable the general public to identify easily whether a person or a company is a practice unit which is qualified to provide professional auditing service under the PAO. It is also important to prohibit unqualified company and individual to provide accounting and auditing services, as this practice may damage the reputation and integrity of the accountancy profession in Hong Kong.
10. According to information provided by the Institute, between 2010 and 2015, the police successfully prosecuted 16 cases of unlicensed practices, the majority of which involved an unlicensed practice holding itself out as a professional accountant to provide audit services in its website or other promotional materials, with the penalty ranging from \$2,000 to \$15,000.
11. The current pecuniary penalty provided in the PAO for the offences under Section 42(1) is a fine at level 4<sup>1</sup> and up to 12 months of imprisonment for individuals, and a fine at level 4 for firms. The current level of penalty has not been a successful deterrent to put offenders in check.

**Office of the Hon Kenneth Leung**  
**November 2016**

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<sup>1</sup> Cap 221 - Criminal Procedure Ordinance Section 113C specifies the penalty for a fine at level 4 to be \$10001 to \$25,000. A fine at level 5 is specified to be \$25,001 to \$50,000.

**Extract from the letter of the Competition Commission to the Hon. Kenneth Leung dated 28 August 2017**

**Professional Accountants (Amendment) Bill 2017**

The background to the Bill is set out in detail in the Background information on the Bill, attached to your letter to the Honourable NG Leung-sing, SBS,JP, dated 20 May 2017.

Section 42(1)(h)(i) of the Professional Accountants Ordinance ("PAO") and section 42(1)(ha)(iv) of the PAO can be generally described as prohibiting persons from using certain words and phrases in English and in Chinese in connection with their business, trade, calling or profession unless they meet the requirements of the PAO.

As set out in the Background information, your concern can be broadly summarized as that section 42(1)(h)(i) and section 42(1)(ha)(iv) of PAO are not sufficiently wide enough to stop a person or a company from using words and phrases that may reasonably cause a person to believe that a person or a company is a certified public accountant, a practice unit or a practice unit registered under section 28A.

I note that a significant portion of the proposed amendments to section 42(1)(ha)(iv) of the PAO and the addition of section 42(1)(iaa) to the PAO will make those sections consistent with the current wording of section 42(1)(h)(i) of the PAO. Therefore, this portion of the Bill does not raise any concerns on the part of the Commission.

The amendments do add additional phrases that are prohibited to the current sections 42(1)(h)(i) and, 42(1)(ha)(iv) of the PAO and add a new section 42(1)(ha)(iaa) to the PAO. The additional phrases that will be prohibited are:

***"registered accountant" "professional accounting",  
"registered accounting", "certified public accounting" and  
"certified accounting".***

The phrases "certified public accountant" and "certified accountant" are already prohibited in section 42(1)(h)(i) of the PAO and therefore adding the phrases "certified public accounting" and "certified accounting" does not significantly expand the existing prohibition. Similarly, the current version of section 42(1)(h)(i) of the PAO prohibits the phrase "professional accountant" and so the addition of "professional accounting" also does not significantly expand the existing prohibition. Therefore, these amendments do not raise any concerns on the part of the Commission.

The other new phrases that are prohibited in the Bill are "registered accountant" and "registered accounting". The addition of these phrases are, to some extent, similar to the existing prohibition against the phrase "professional accountant" in section 42(1)(h)(i) of the PAO because the word "registered", like the word "professional", is not in the phrase "certified public accountant". The word "registered" in connection with the words "accountant" or "accounting" could arguably create some confusion on the part of persons seeking accounting services. The plain meaning of the word "registered" is that a person or company has been registered by some independent body. It can also arguably suggest that the person

or company was required to meet certain requirements and is subject to supervision. It appears that the companies that are the subject of the Bill are not registered or supervised. Therefore, the prohibition of these new phrases appears to be reasonable.

The Bill appears to the Commission to be reasonable and may have little impact on the business of such companies. The, at most, modest restriction of competition by these amendments appears to be outweighed by the need to protect persons from being misled about the qualifications of companies providing accounting services.

The Commission does not consider the Bill to have raised competition concerns.