

ANNUAL REPORT 2019

Nurturing success

The Qualification Programme turns 20



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

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FOREWORD

Since its launch in 1999, the Qualification Programme (QP) has developed into the premier route to becoming a CPA and has nurtured the success of generations of accountants. The programme provides world-class professional training, equipping accountants with both the solid accounting knowledge and skills and values necessary for a successful career – in practice or in business. Today, the QP's evolution continues. As well as celebrating the 20th anniversary of the programme, this year the Institute is launching the new QP to ensure that the qualifying process enables future graduates to be the critical thinkers, problem solvers and potential leaders the business world will need. In the increasingly complex, connected and cooperative world of Accounting Plus, accountants must perform even more versatile roles to help employers and clients respond to challenges and to grow.

This annual report includes photo essays of QP graduates who nurture the success of their clients and employers, and add value across a wide range of sectors. Collectively, their experiences showcase how the programme effectively equips CPAs with the skills to meet ever-changing market needs in the age of Accounting Plus. The photo on page 29 was taken by Jeff Gilbert, and the photos on pages 44 and 46 were taken by Anthony Tung. The rest were taken by Calvin Sit.

MESSAGE FROM THE PRESIDENT

“The Institute has undertaken significant efforts over the past years to prepare for the first sitting of the new QP in 2020.”



Dear members,

A strong Institute requires strong leadership. The hiring of the new Chief Executive and Registrar Margaret W.S. Chan, who joined in July 2019, will help the Institute to develop further. Under her leadership, I foresee a great future for the Institute and the accounting profession in Hong Kong.

Another new development this year was the preparation of biographies of Council members on the Institute’s website. These biographies inform members about the background of Council members, their skills and experience, and other relevant information. Ensuring that members are aware of the background of our Council members can help them to feel more connected to the Institute and help them understand how it is working in their interests.

The Institute has been increasingly transparent and openly engaging with members, expanding pathways to membership and developing different ways to provide innovative support and services to members.

With the approval of the Council, the Institute embarked on a three-year Digital Strategic Plan to develop the Institute’s digital capabilities and improve the digital experience for our members and Qualification Programme (QP) students, including revamping of

the Institute’s website and updating its event mobile application. The new website received positive feedback regarding the design and mobile compatibility.

The Council determined to introduce a full fee waiver for members who were on the register of members at 31 December 2017 for the 2019 financial year. Maintaining sufficient reserves for the Institute’s planned developments is vital. In 2019, the Council determined that another full fee waiver would be appropriate for 2020, and so members who were on the register at 31 December 2017 will again enjoy another membership fee waiver this year.

Upgrading the Qualification Programme

The Institute’s commitment to nurturing a new generation of thinking and forward-looking accountants through the QP continues to see an encouraging return. As of the end of September 2019, over 22,000 QP students have graduated from the programme since its inception in 1999.

This year marks the 20th anniversary of the QP and also the launch of the new QP, which comprises three progressive levels with 14 modules and a Capstone. The new QP is important in preparing our students to be Accountants Plus. One feature of the new QP that will help promote the profession to university students from a wider range of disciplines is the Associate level. Rather than being required to take a conversion course, the Associate level equips accountant

aspirants with the fundamentals needed for the rest of the QP.

The Professional and the Capstone levels aim to further develop students' skills in research, analysis, the application of technical knowledge, and inter-participant experience sharing, as well as the ability to handle situations professional accountants typically encounter.

The Institute has undertaken significant efforts over the past years to prepare for the first sitting of the new QP in 2020.

Preparing members for opportunities ahead

Careers increasingly face disruption by technology and changing business demands for the services of accountants. An accountant must ensure their skills are kept up-to-date and they have training on the technology they need to use. To assist its members, the Institute regularly offers new continuing professional development content. Increasingly, online courses are being offered, including recordings of traditional face-to-face events, to enable members to study any time they want.

Technical seminars and workshops on new regulations and technologies held this year updated members on the changing environment and helped them to respond to the ever-evolving business demands. As well as the seminars and workshops, the Institute organized conferences for professional accountants in business (PAIBs) and small- and medium-sized practices (SMPs). This year, the PAIB Conference was themed "Digital & Virtual Banking: tomorrow's banking today?" and covered the impacts of new technologies on the development of the accounting profession.

Maintaining Hong Kong's role as a leading financial centre requires constant improvements. The year saw the passing of the Financial Reporting

Council (Amendment) Bill to transfer the regulation of public interest entity auditors from the Institute to the independent Financial Reporting Council (FRC). This change brings Hong Kong in line with international practices. The Institute and the FRC have met often to ensure the handover of responsibilities is smooth.

Developing our GBA relations

The development of the Greater Bay Area (GBA) is one of the key strategies for China's continued successful economic development. This year saw the unveiling of the official blueprint for the GBA, the Outline Development Plan, in February 2019. Governments, professional bodies (including the Institute), industries, and business communities are proactively responding to develop the GBA for the betterment of all. The Institute's members cover a wide range of specializations and have the ability to help the GBA initiative achieve its goals.

The Guangdong-Hong Kong-Macau CPA Practices Alliance is a key way to connect our SMPs with their contemporaries across the GBA. The alliance held its third meeting on 21 June 2019, under the theme of "Digital Economy and the GBA Construction", with close to 150 participants attending to strengthen relationships and exchange views among CPAs in the GBA.

The Institute also organizes regular events across the GBA to promote interactions and discussions. The annual cocktail reception in February 2019 in Guangzhou saw over 100 members and guests from Mainland government and regulatory authorities, professional and business organizations, universities and professional firms come together to celebrate the new year. In June 2019, a delegation of 30 SMPs visited Huizhou to learn about the latest economic developments and explore cooperation opportunities.

As well as the GBA, the Institute arranges tours for members across the Mainland.

In October 2018, the Young Members Committee organized a four-day study tour to Shanghai for 40 young members, visiting local government bureaux, the Asian Infrastructure Investment Bank, the Shanghai Stock Exchange, and an automobile company, to enhance their understanding of Shanghai's financial and business sectors.

Advancing the profession's image

In early June, the Institute proactively engaged with a financial news programme to secure a 10-minute feature for promoting the accounting profession. I shared my views on how the demand for accounting professionals has changed from traditional auditing and taxation services to talents with cross-disciplinary experience, and the determination of the Institute to train Accountants Plus with the necessary skills to deal with growing client needs. The feature also interviewed two young members, who shared how they seize the opportunities and tackle work challenges in an accounting firm and a corporate respectively.

It has been my great honour to be able to serve as President in 2019. I would like to record my thanks to all Council members, committee members, and the management and staff of the Institute for their great support and teamwork, particularly the two Vice-Presidents, Johnson Kong and Nelson Lam. Last but not least, my big thank you also goes to all the members who gave their views at various occasions, including the three members' forums held in September, to help shape the Institute's future direction.

Together we have achieved a lot and I trust next year to be even more eventful with all the hard work preparing for the future over the past year.

Sincere regards,

Patrick Law
President

“Only through open dialogue can we work together to achieve success, to celebrate the 20th anniversary of the QP, and to build a future-ready profession.”

Dear members,

I am honoured to have joined the Institute and to lead it at such an important time. Great work has already been done in preparing the Institute and the profession for the future. The roll-out of the new Qualification Programme (QP) is underway, with new study materials and training for workshop facilitators and markers. The three-year Digital Strategic Plan continues on from the successful launch of the improved website last year with the digitalization of the Institute’s members facing platform – with the team releasing a new events

app for mobile devices. Finally, for some members, the transition to the new audit regulatory regime will change the requirements for public interest entity auditors. But our work cannot stop with these developments.

“Building a Future Ready Profession” is the theme of the Institute’s forthcoming Long Range Plan, which will guide the activities of the Institute as it seeks to ensure that the profession is ready for the age of Accountants Plus. As the business world continues to change, Accountants Plus are those who respond to new opportunities, and utilize new technologies to provide higher value-added services to clients and employers.

This next Long Range Plan will help current and future Accountants Plus by ensuring accounting remains a preferred career choice for top talent, the profession is dynamic and relevant to the needs of businesses and society, and that the Institute continues to be regarded as a premium body both in Hong Kong and internationally. These three objectives will benefit the profession like the original roll out of the QP did 20 years ago.

More tailored support

Some progress has been made in preparing members to be Accountants Plus, with expanded continuing professional development (CPD) courses and programmes being a good example of the Institute’s work focused on career opportunities for members and demands of employers. But it is important that we continue our work to ensure you, our fellow members, are ready for the opportunities and the challenges ahead.

For the Institute to tailor its support to the needs of members, we need to hear from you, and understand what help you need to be successful in your work. That is why the members’ forums we organized in September were useful activities for us.

The world has changed significantly since many of us obtained our CPA designations – new technologies, globalization and the growing importance of China have all transformed how Hong Kong’s accountants work and the projects they are working on. These have affected

“As the business world continues to change, Accountants Plus are those who respond to new opportunities, and utilize new technologies to provide higher value-added services to clients and employers.”

MESSAGE FROM THE CHIEF EXECUTIVE AND REGISTRAR

members' career expectations and the paths available within the profession. With 40 percent of our members aged 40 or below, it is important that we hear from these younger members and respond to their needs. At the forums, young members spoke of the desire for dynamic learning programmes, blending face-to-face and online study, and support in obtaining work-life balance.

Challenges to overcome

Turning to the activities of our members, more than 60 percent are working in business, while on the practising side 70 percent of our member firms and corporate practices only have one partner or director. These groups need support tailored to their needs, business environments and the opportunities available to them.

Members told us of the challenging business environment they are facing, with the economic downturn and changes to their working conditions due to new regulatory regimes including the anti-money laundering and counter-terrorist financing regime, and new standards. Change is disruptive, and

it's the Institute's responsibility to ensure members have access to the tools and information they need to rise to the challenges. We will continue to explore new ways to achieve this and deliver the support you need.

Working together

We shall continue building our mutual understanding of members' needs through further engagement activities.

This will allow us to strengthen our strategic focus, and prepare the profession to meet the challenges of the continually changing business environment in the age of Accounting Plus.


I hope to meet many of you in the coming months and learn about your needs and expectations. Only through open dialogue can we work together to achieve success, to celebrate the 20th anniversary of the QP, and to build a future-ready profession.

Sincere regards,

Margaret W.S. Chan
Chief Executive and
Registrar



THE HISTORY OF



David Chow, Chief Operating Officer of China Asset Management (Hong Kong) Limited, was one of the first Institute members who qualified through the QP. “The QP provided me with the right training, confidence and credentials to move forward in life,” he says. “I still apply the teamwork and communication skills I attained from the QP workshops in my role today. I have always felt extremely lucky and proud to be one of the first members to graduate.”

THE QUALIFICATION PROGRAMME

1999

The Qualification Programme (QP) launched with 99 registered students.

2000

The Institute signed the first mutual recognition agreements, allowing members who qualify through the QP to become members of the Association of Chartered Certified Accountants and CPA Australia. Established the Institute's QP scholarships.

2001

First cohort of graduates from the QP joined the Institute as members.

2002

The Institute signed reciprocal membership agreements with six of the world chartered accountancy bodies from Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa. Over 4,000 students registered for the QP.

2006

A new logo, visual identity and brand vocabulary were developed for the QP to position it as a world leading qualification.

2005

The Institute signed an agreement with the Chinese Institute of CPAs outlining detailed procedures for members and graduates of both bodies to sit for each other's examinations under mutual examination paper exemptions. The QP is introduced to the Mainland in December.

2004

Over 5,000 students registered. Authorized Employer (AE) and Authorized Supervisor (AS) training system began with 226 AEs and 656 ASs.

2003

The QP is recognized as a reimbursable course under the Continuing Education Fund.

2007

The Institute commissioned a comprehensive and independent review of the QP and qualifying process. It confirmed that the QP provided Hong Kong with the world-class accounting professionals it needed.

2008

The QP took in 80 percent of all accounting graduates in Hong Kong. Over 40 accountancy programmes operated by universities and institutions, including a conversion programme offered in the Mainland, accredited for entry to the QP. The QP in the Mainland extended to Guangzhou.

2009

At the 10 year anniversary of the QP, nearly 1,700 students graduated from the programme, taking the total number of QP graduates to over 5,200.

2010

The enhanced QP launched after a major review. The programme was redesigned to place more emphasis on developing the mind-set needed to be a CPA.

2011

The QP examination centre centralized at AsiaWorld-Expo. Introduced a new QP graduate register to recognize the status of graduates, extending a range of services to support their career development.

2012

The QP Resource Centre opened in Zhuhai at United International College to provide on-site support to students from accredited universities for QP enrolments and examinations. The total number of QP graduates reached almost 11,000.

2016

Issued the consultation on reforming the programme, leading to the development of the new QP. The proposals were built on the best of the existing programme and offer alternative pathways and greater flexibility for students with different educational backgrounds.

2015

Almost 100 programmes recognized by the Institute for direct entry to the QP. To showcase the Institute's brand and the QP in the Mainland, the Guangzhou liaison office was opened in March.

2014

Over 10,000 CPAs had passed through the QP since 1999.

2013

The QP had nearly 16,000 students registered, with almost 2,000 graduating each year.

2017

The Institute obtained official recognition of the exit qualification of the Associate Level of the new QP at the Hong Kong Qualifications Framework Level 5.

2018

The new QP entered the implementation phase, with major groundwork being laid for the three levels to be rolled out stage-by-stage. A consultation on changes to the practical experience framework was launched.

2019

Introduced a new Student Information System for online registration and the publication of new study packs to help students prepare for the examinations.

Cherie Lau was awarded the Gold Award for achieving the highest mark in the Final Examination of the QP in June 2018. She is Assistant Manager in Financial Services at KPMG. "The QP provided me with numerous opportunities to apply the practical skills gained and exercise professional behaviour in business," she says. "For example, when communicating with clients, I am able to present information in a clear and logical manner, properly supported by factual evidence or technical knowledge, such as by referencing relevant accounting standards or industry updates."





Paul She is Deputy Chairman of the Institute's Qualification and Examinations Board. He graduated from the QP in 2003 and is Practising Director at Mazars CPA Limited. "The QP is not just an exam, but a holistic training and development programme to nurture professional accountants and leaders," he says.

Nelson Lam, Chairman of Nelson CPA Limited, is a Vice-President of the Institute, Chairman of the Qualification Oversight Board, and an Authorized Supervisor who trains prospective members. "The QP is a passport to the accounting profession not only in Hong Kong, but also around the world," he says.

Shirley Woo is Partner at Deloitte and Chairman of the Institute's Qualification and Examinations Board. "I believe the QP nurtures young talent in the profession and provides our newly qualified CPAs with an internationally recognized designation," she says.

CONSTITUTION, GOVERNANCE & FINANCE

As a body acting in the public interest, maintaining high quality governance as well as bolstering the confidence of our members, their clients and the general public is of prime importance to us.

This year, a great deal of work was undertaken to ensure our internal controls and the technologies we use are up to date to preserve and increase the efficiency, security and accountability of our operations.

We invested tremendous efforts to improve the data security and core infrastructure of the Institute. The security framework and governance of the Institute's core infrastructure and systems were reviewed and strengthened, to ensure safeguarding of all stakeholder data possessed by the Institute at all times. A mandatory training course on data privacy and information security was also provided to all Institute staff, to enhance their awareness and keep their knowledge up-to-date on the latest cybersecurity and data privacy risks. Furthermore, the audio-visual system at the Wu Chung House facility was revamped to provide a much enriched experience to our members, students, and stakeholders when attending events and meetings.

Staff training and well-being continues to play an important part in the Institute's success. Through building a positive work environment that attracts, retains

and develops talented employees, we are able to deliver to members and students the highest quality services.

GOVERNANCE

Major governance developments

There were a number of key governance developments approved by the Council this year, including recruiting a new Chief Executive and Registrar, enacting another membership fee waiver, creating biographies for Council members on the Institute's website, and including a summary of members' involvement with Council and committees in the candidates' personal information sheets during the Council election period.

In June 2019, the Institute announced the recruitment of the new Chief Executive and Registrar, Margaret W.S. Chan, who joined the organization in mid-July. The recruitment allows the Institute to further develop the profession in Hong Kong and lead the implementation of the new Qualification Programme.

In May 2019, the Council determined that it would be appropriate to introduce a fee waiver for 2020, as proposed in May 2018. The fee waiver for 2020 is for the full fee (i.e. HK\$2,300) and for members whose names were on the register at 31 December 2017.

This year, at the recommendation of the Governance Committee, biographies of Council members were created and uploaded to the website to promote

“Through building a positive work environment that attracts, retains and develops talented employees, we are able to deliver to members and students the highest quality services.”

Institute members' understanding of the Council. The biographies detail the members' involvement with the Institute's Council, committees and working groups over the preceding two years, professional qualifications, positions in their organizations, other public appointments and their skills and experiences.

The Council also continued its discussions and investigations into how to poll members for the election of the president and vice-presidents.

THE COUNCIL

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

Governance structure



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

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

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

MONITORING COMMITTEES

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

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

The two oversight boards are in charge of monitoring the regulations, standards and quality, assurance activities and professional qualifications of the Institute. By maintaining a vigilant eye over the work of management and relevant committees, the boards are able to ensure that the Institute's operations

follow the directions provided by the Council.

The **Regulatory Oversight Board** ensures that the activities of the Quality Assurance, Compliance and Legal departments, and the Practice Review and Professional Conduct Committees are carried out in accordance with strategies and policies determined by the Council. Its oversight work includes receiving and reviewing work plans of the departments and committees and progress reports from management. The board also provides its views and advice to the Council on the Institute's policies, priorities and resource allocations in respect of monitoring and regulation of the professional conduct of its members and member practices and the outcomes of those activities.

The role of the **Qualification Oversight Board** is to provide oversight of the activities of the Education and Training and Admission departments and the Qualification and Examinations Board, HKIAAT Board and Registration and Practising Committee. The board ensures these departments and committees activities are carried out in accordance with the strategies and policies determined by the Council and in the public interest. The board also

measures the Institute's activities against its strategic goals. The board acts as advisors to management and the Council for developing strategies and policies, receives reports on qualification and admission matters.

ADVISORY COMMITTEES

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

The **Governance Committee** is tasked with the development and review of the existing policies and rules that the Institute adheres to, in relation to Council meetings, Council elections, the election of the president and vice-presidents, co-option of Council members, committee appointments and the role of the Institute during public elections. Through recommendations to the Council, the Governance Committee aims to strengthen the Institute's standards of governance through objectivity and efficiency.

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

The Institute is committed to effective corporate governance. The **Remuneration Committee** is one of the leading forces behind the Institute's strong management of human resources, providing recommendations to the Council on annual salary reviews, performance bonuses and other employment terms and conditions.

The Remuneration Committee's recommendations are of paramount importance as the Institute is committed

to employing and motivating high-calibre personnel to achieve strategic and operational goals by offering competitive remuneration packages. The Institute conducts a salary survey every year to ensure remuneration packages are developed based on competitive benchmarking and staff performance.

The Council takes the recommendations from the Remuneration Committee and chief executive into account when it decides on the overall remuneration for general staff. Decisions for individual staff are made based on documented performance evaluation.

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

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

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

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

EXECUTION AND FINANCE

The chief executive takes charge in the


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

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

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

The prudent financial management of the group's assets safeguards the Institute's resources for the benefits of its members and students. At the conclusion of the financial year on 30 June 2019, the group reported a deficit of HK\$61 million. Despite this, the net asset balance was healthy at HK\$382 million for this financial year. The deficit is mainly the result of the membership fee waiver for 2019.

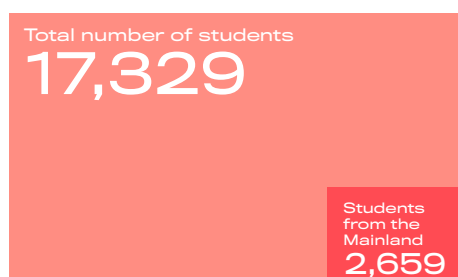
With a similar headcount to the previous financial year, the Institute further enhanced its support to members and managed another eventful year with significant changes and challenges. These included the development of the new Qualification Programme, commencement of the Member Activity System, the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

A professional photograph of Steve Cheung, a man with short dark hair, wearing a dark blue suit, white shirt, and blue striped tie. He is standing in a modern office environment with large windows and contemporary furniture. He is leaning on a light-colored wooden desk or counter. The background is slightly blurred, showing office seating and architectural details.

Steve Cheung graduated from the QP in 2009 and is currently Passenger Sales Accounting Manager at Cathay Pacific Airways. "The QP has equipped me with the technical knowledge of a CPA, and continuously helps me in my role at the company. It has also given me the necessary skills to thrive in an ever-changing business environment," says Cheung, who is also a QP facilitator teaching Module C - Business Assurance.

MEMBERSHIP & QUALIFICATION

The Institute in numbers (As of June 2019)



Demonstrating the attractiveness of our profession, and the dedication of the people in it, the Institute's membership continues to grow. To maintain our status as one of Hong Kong's preeminent professional bodies, the Qualification Programme (QP), is being improved upon. This new QP demonstrates our commitment to equipping aspiring accountants with the solid and relevant accounting knowledge and skills needed for a successful career in practice or business. As of 30 June 2019, membership stood at 44,269, up from 42,612 last year, including 5,756 fellow members. There were 4,938 practising members at that date, up from 4,769 last year. The number of member practices has also grown to 1,891 from 1,861 in 2018, including 608 corporate practices.

As of 30 June 2019, there were a total of 17,329 students at the Institute, including 706 students from a previous joint examination scheme. Of the QP students, 2,659 are from the Mainland,

of which 582 are members of the Chinese Institute of CPAs and 2,077 Mainland degree holders. In terms of demographics, women account for 58 percent, or 10,006 of the overall studentship, and men account for 42 percent, 7,323. This year achieved a record number of QP module and final examination enrolments at over 27,000.

During the year, a total of 1,778 students graduated, with 772 students graduating in December 2018 and 1,006 in June 2019, bringing the cumulative number of graduates to 22,136, since the programme launched in 1999. The number of accredited programmes offered by local, Mainland and overseas tertiary institutions increased by one to 107, of which 40 are Mainland programmes.

MAINTAINING STANDARDS IN QUALIFICATION

To assist QP students in their preparations for the examinations, the Institute held a series of examination

techniques seminars to help them improve their examination techniques and address common problems encountered during examination preparation.

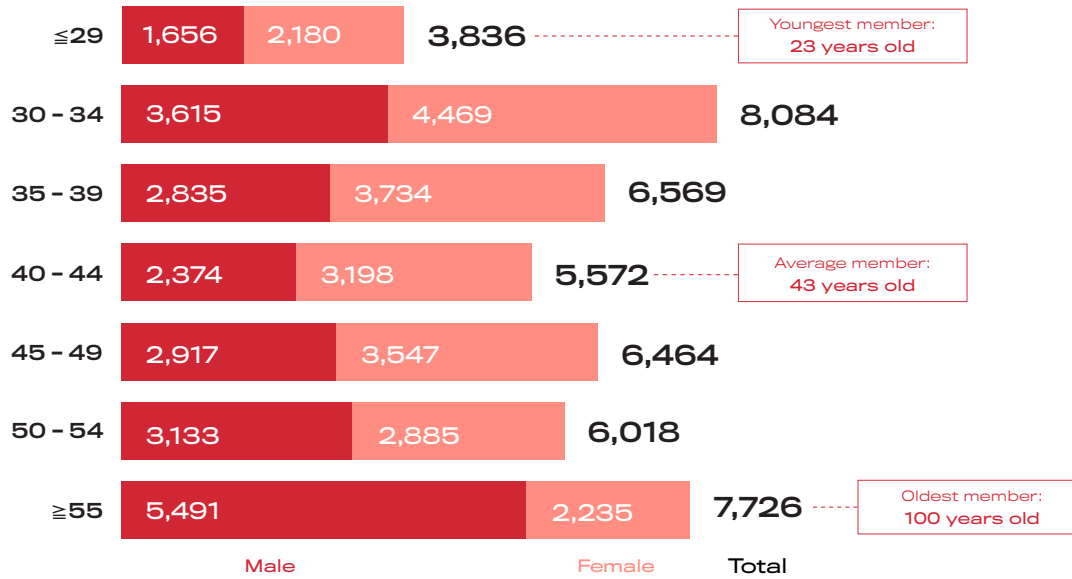
As well as the examinations, the QP involves a practical experience component. As of 30 June 2019, 1,465 employers and 1,815 supervisors have registered as Authorized Employers (AEs) or Authorized Supervisors (ASs) with the Institute to train prospective CPAs.

To maintain the high quality of the AE and AS system, the Institute visits a number of AEs and ASs each year as part of the AE/AS Enhancement Programme to provide them direct support. This year, the Institute visited 42 AEs and ASs, taking the total to 401 since the launch of the programme in 2008.

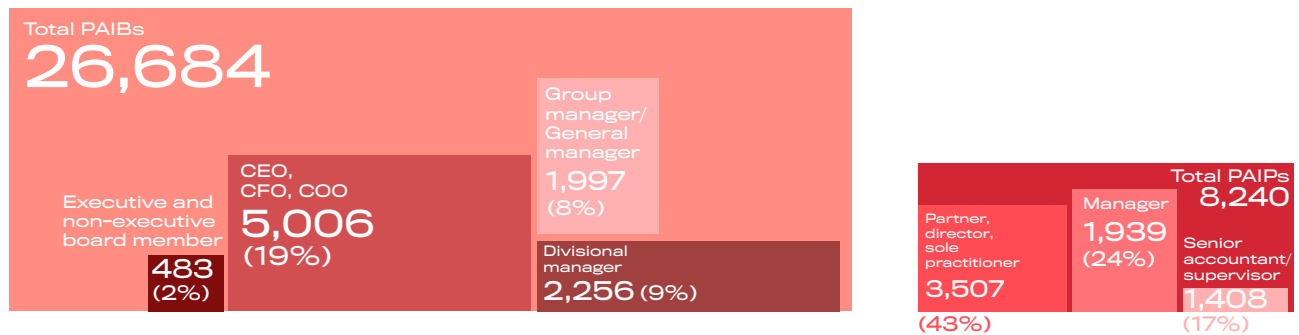
PREPARING FOR 20 MORE YEARS OF SUCCESS

The upcoming changes to the QP will be the most thorough to the programme since its launch. The changes will enhance

Membership age and gender distribution (As of June 2019)



Members taking up leadership positions



Source: Among 26,684 professional accountants in business (PAIBs) and 8,240 professional accountants in practice (PAIPs) respondents to the member census as of June 2019

Membership (As of 30 June each year)

	Male 49.7%	Female 50.3%	
2019	22,021	22,248	44,269
2018	21,270	21,342	42,612
2017	20,694	20,638	41,332
2016	20,097	19,937	40,034
2015	19,465	19,234	38,699

the qualifying process, and ensure the QP will remain the premier route to becoming a CPA into the future.

We are committed to helping our members thrive in the age of Accounting Plus, where the rapid evolution of the business environment is driven by technological advancement, the proliferation of innovative business models, and new and higher expectations on professional accountants. The changing environment has a significant impact on accountants, not just in the services they provide clients, but the role they play in society.

The Institute is implementing the new QP, to nurture future-ready accountants with the agility and capability to meet these developing market needs. Through the top-quality, comprehensive training offered by the QP, the students will acquire the necessary knowledge, skills and values to be professional accountants by completing workshop training, passing professional examinations and acquiring practical experience under an AE or AS. In the longer term, the new QP will help future

CPAs to succeed not only in accounting but also enhance their employability and mobility more widely. They will be able to capture many opportunities around the region and across different industries, and thereby advance their career development as Accountants Plus.

The new QP consists of three progressive levels. The Associate level builds a solid foundation of technical accounting knowledge. The Professional level deepens the technical knowledge and teaches students to apply enabling competences in the workplace. Finally, the Capstone level integrates the knowledge, skills and experiences gained from the previous levels to solve complex business problems and offer holistic practical solutions.

The new QP will be rolled out stage-by-stage with the first examination session for the Associate modules, the Professional modules and the Capstone to be held in June 2020, December 2020 and June 2021 respectively. As we move towards the first examinations, changes began in September 2019, with the introduction of a new Student

Information System for online registration and the publication of a new set of study packs for examination preparation.

To ensure a smooth transition to the new QP, the Institute completed review exercises of existing accredited programmes to ascertain their fulfilment of the accreditation requirements and to determine the module exemption under the new QP.

To prepare workshop facilitators for the new workshop format and delivery, the Institute has devised a comprehensive “Train-the-Trainers” programme which will be rolled out to more than 140 workshop facilitators.

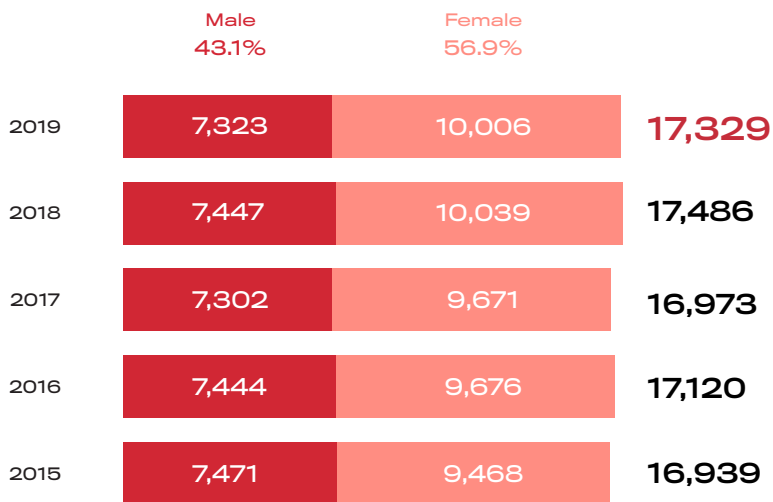
In November 2018, the Institute issued a position paper outlining the changes to the practical experience framework with the objectives on enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the AE and AS system, and promoting communication through online system.

PROMOTING THE PROFESSION TO FUTURE ACCOUNTANTS PLUS

Attracting the best talent is vital for the long-term success of the profession. To assist with this goal the Institute has a number of promotional events and projects aimed at secondary school and university students.

For secondary school students, the Institute and the Hong Kong Association for Business Education Limited jointly organize the Business, Accounting and Financial Studies mock examination for the Hong Kong Diploma of Secondary Education. The mock examination aims to help secondary students prepare for the examination, as well as develop their understanding and application of basic accounting and business knowledge, skills and values to meet different business needs. The mock

Studentship (As of 30 June each year)



examination for the 2018-2019 session was well received, with over 5,000 enrolments from 284 secondary schools in Hong Kong.

As one of the flagship events among the secondary schools, the HKICPA Accounting and Business Management Case Competition 2018-19 was successfully held with over 2,140 students from 111 schools joining in the competition. This annual event allows senior secondary school students to apply their textbook knowledge in the areas of accounting and business to the real world. It also enhances students' enabling skills such as analytical thinking, time management, presentation skills, creativity and team building.

Promoting the accounting profession to university students is also important. With this aim, the President, Vice-Presidents and various Council and committee members regularly attend university student union accounting association inaugurations and other events to speak about the profession. At these events, they promote the QP and the opportunities available in the profession in the age of Accounting Plus.

Over the year, representatives took part in more than 15 events.

The HKICPA Business Case Competition is an inter-tertiary event organized by the Institute and has been in running since 2003. In 2018, we combined the Hong Kong and Mainland competitions and renamed it from the "QP Business Case Analysis Competition," with the objective of expanding the exposure for students across Greater China. The competition helps students to develop skills such as case analysis, problem solving, team building and presentation. Over 630 teams from Hong Kong and the Mainland participated in the competition in 2018, analysing the case of a chain of fitness centres.

The Institute organizes an annual career forum for university students. Last year's theme was "The Critical Piece", and the forum was held in October 2018 and attracted over 600 university students. Attendees experienced a new and interactive format of the event which featured focus groups on the concept of Accounting Plus, employer exhibitions, career-oriented workshops as well as a free luncheon with CPAs.

Attendees were also able to get help with their CVs and meet with employers in order to kick-start their careers in the profession.

Hong Kong is not the only market where the Institute promotes the QP. Engaging with the Mainland market is vital for the long-term success of the profession. In the past year, the Mainland China team has promoted the QP at more than 15 universities accredited by the Institute and major accounting firms through over 70 QP promotion talks on-site across the Mainland. As a result, the number of Mainland-based QP students has been steadily increasing.


ACCOUNTING TECHNICIANS

The Hong Kong Institute of Accredited Accounting Technicians (HKIAAT), a subsidiary of the Institute, has registered 7,625 students to its AAT examination since the implementation of its revised framework in 2009, which serves as a benchmark for testing students' knowledge on accounting and understanding of professional ethics.

The HKIAAT has accredited 13 sub-degree accounting programmes. Accredited accounting technicians (AATs) have the option to either pursue a career as an accounting technician, or take the Professional Bridging Examination, which serves as an alternate route for those wishing to undertake the QP. Since the examination's commencement more than 15 years ago, 1,367 AATs have become eligible for entry into the QP.

In recent years, the HKIAAT has confronted enormous challenges due to changes in the educational landscape and manpower needs in Hong Kong. To address this, examinations held by the HKIAAT will be restructured as the Associate level of the new QP. The HKIAAT ceased to hold the AAT examinations after 31 December 2018 and the last offering of Professional Bridging Examination will be held in December 2019.

STANDARDS, REGULATION



Eric Wong graduated from the QP in 2007 and is Associate Director of an asset management company. "In addition to technical knowledge, the QP has provided me with the right ethical mindset to carry out my professional work," he says. Wong is a QP facilitator for Module A – Financial Reporting.

& PROFESSIONAL CONDUCT

The Institute plays a crucial role in safeguarding a high quality of financial reporting by companies based or listed in Hong Kong. This helps to maintain the city's leading position as an international financial centre. As the body responsible for setting accounting, auditing and ethics standards in Hong Kong, the Institute is committed to full convergence with international standards. Not only does the Institute shape international standards to work for Hong Kong, from the development stage to successful implementation, its activities in quality assurance and compliance ensure that accountants follow these standards.

DEVELOPING EFFECTIVE STANDARDS THROUGH COMPREHENSIVE RESEARCH

During the year, the Institute closely collaborated with international standard-setting bodies, including the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA) and various national standard-setters. The Institute's active involvement at the development stage of international standards ensures that its views, and the views and concerns of its stakeholders, are effectively expressed and considered on the global stage.

We were invited by the Accounting Standards Committee of Germany to participate in its 20th anniversary event, and also by the Board of the European Financial Reporting Advisory Group to present and discuss the Institute's standard-setting activities and topical reporting concerns.

We continued our collaboration project with the Italian standard setter, the Organismo Italiano di Contabilità, to develop sound principles for the accounting of business combinations under common control, and worked with the Canadian Accounting Standards Board and the Korea Accounting Standards Board to drive global discussions on International Financial Reporting Standard (IFRS) 17 *Insurance Contracts* implementation developments. This year, we commenced a joint research project with the Accounting Standards Board of Japan to investigate better ways to account for goodwill. We also continued in our leading role in the activities of the Asian-Oceanian Standard-Setters Group (AOSSG), and also participated in various other standard-setters meetings.

The Institute supports and advises Alden Leung, who was appointed to the IESBA Board from January 2018, on technical and strategic board activities. The Institute also continues to represent the AOSSG at the IASB's Accounting Standards Advisory Forum on technical topics, such as business combinations under common control and revenue.

Back in Hong Kong, the Institute conducted a major review of its home-grown *Small- and Medium-Sized Entity Financial Reporting Framework and Financial Reporting Standard* to ensure that the standard and framework are still fit for purpose. To do so, we reached out to small- and medium-sized entities and practitioners (SMEs and SMPs), and key users of SME financial reports. In addition, the Institute published its *Second Year Review of Enhanced Auditor's Reports*, comprising findings from its ongoing study on the quality of the new long-form audit reports and whether they add value to users of financial reports.

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

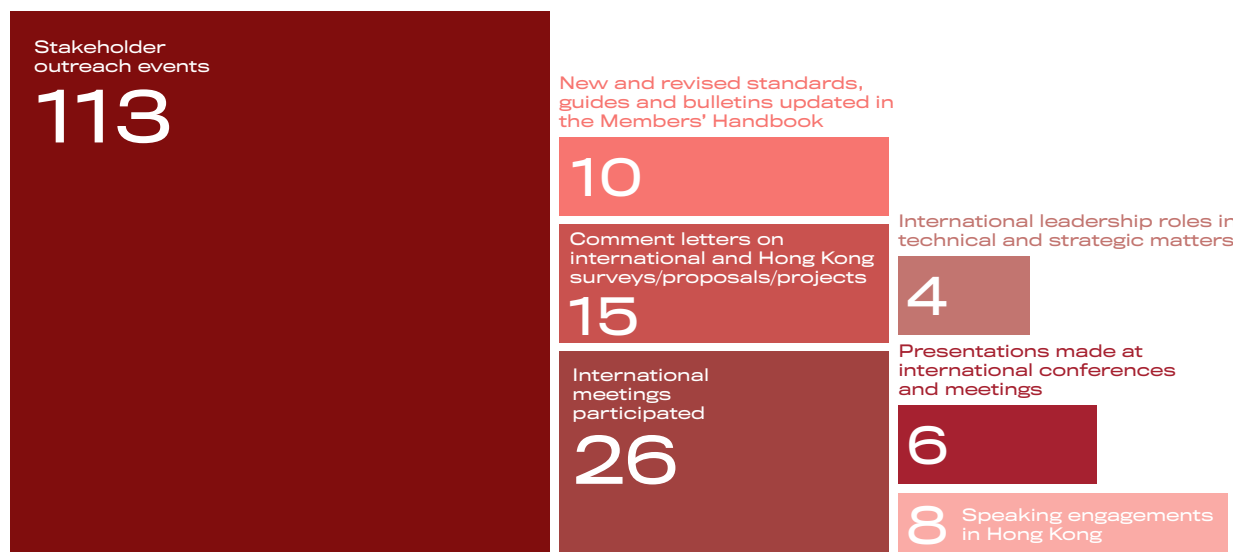
EDUCATING STAKEHOLDERS

The Institute also plays a vital role in bridging in-person dialogue between our stakeholders and the IASB, the IAASB and the IESBA, ensuring their views are effectively expressed. We worked with these boards and brought together Hong Kong investors, senior executives and accountants of financial and corporate entities of all sizes, auditors, technical advisors and regulators, by way of roundtables, to discuss topical concerns and auditing or reporting challenges.

Another important part of standard-setting is the Institute's role in educating the wider Hong Kong reporting stakeholders. We continued to meet with and inform investors and regulatory and governmental bodies about the impact of new financial reporting and auditing and assurance standards, and how they could benefit from them.

Apart from setting standards, the Institute has been vocal about the need to strengthen the business valuation quality in Hong Kong given the prevalence of “fair values” in financial reporting. Accordingly, along with other targeted key

The Institute's 2019 activities for standards development



stakeholders, we actively participated in a local working group that aims to establish a professional valuation framework to help elevate standards and professionalism in valuations for Hong Kong. This working group is in collaboration with, and facilitated by, the International Valuation Standards Council.

SUPPORTING THE APPLICATION AND IMPLEMENTATION OF STANDARDS

Our technical resources webpage is regularly updated to ensure members have convenient access to all technical information in one place. Through our LinkedIn showcase page, weekly e-circular and monthly *Tech Watch* bulletin, the Institute is committed to an open communication with members and other stakeholders. Additionally, we made sure that challenges in implementing standards are addressed through expert group discussions, training and Q&A publications, and that standards are communicated to members and the public in an informative and timely manner through

public forums and articles published in our official monthly magazine, *A Plus*.

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

QUALITY ASSURANCE

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

Prior to October 2018, the Institute's practice review programme consisted of inspections and reviews of audit practices in Hong Kong. By applying international best practices, the programme gives priority to reviewing practices with listed company clients. In October 2018, the Institute launched a new anti-money laundering and counter-terrorist financing (AML) compliance

monitoring programme which covers all practice units – including those previously exempted from practice reviews due to non-performance of audits.

Since then, the Institute has included an AML review in its practice reviews of audit practices, and arranged a separate AML review for those practices which do not provide audit services.

During the reporting period, 216 site visits and 104 desktop reviews were carried out by Institute staff, while the Practice Review Committee (PRC) considered 342 reports. While this demonstrates the dedication and effectiveness of the programme, the Institute's three-year plan to shorten the practice review cycle for practices without listed clients to six years had still not been achieved. However, the goal remains and the Institute intends to achieve it as soon as resources permit.

Where deficiencies are identified, the PRC exercises appropriate responses. Depending on the severity of the issues, the PRC can direct firms to implement remedial action, require additional

site visits be scheduled, or raise complaints against practices. A total of 19 cases were referred for disciplinary action, while two other cases concerning the audits of listed companies were referred to the Financial Reporting Council (FRC) for further investigation.

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

The Quality Assurance Department and the PRC monitored existing practice review outcomes and, to enhance effectiveness, introduced new elements and procedures to the practice review programme.

Following on from the passing of the Financial Reporting Council (Amendment) Ordinance in early 2019, the practice review responsibilities for auditors of public interest entities completed after 1 October 2019 has transferred to the FRC. The Institute has liaised with the FRC about the transitional arrangements, and will continue to do so in the future. The Institute has made announcements about the changes to its members.

Although its role is changing, the Institute will continue to visit all practice units, where practice reviews will focus on the regulation of non-listed audits and AML compliance monitoring.

The second review system is the professional standards monitoring programme, which involves reviewing published financial statements of Hong Kong's listed companies, including those of H-share companies audited by Mainland audit firms. A total of 58 sets of financial statements were reviewed during the year, and 12 letters were sent to auditors with recommended revisions and improvements. Findings from both programmes were published

in the annual Quality Assurance Report and communicated to members and stakeholders via articles and technical education events.

COMPLIANCE

In the midst of a global focus on audit quality, the Institute is committed to upholding the integrity of the profession through effective and efficient complaint handling. To promote proficiency, the Compliance Department also organizes technical forums and publishes articles in *A Plus* to alert members of contemporary regulatory issues and to promote good practices. Furthermore, the department's 2018 Annual Report publicized the Institute's compliance and enforcement activities.

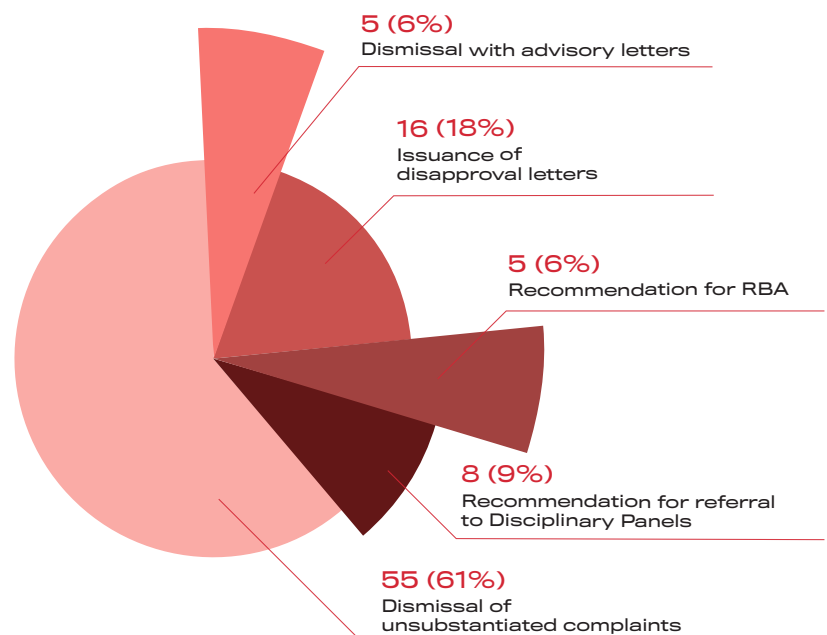
Every complaint received by the Compliance Department is investigated in accordance with an established complaint handling system. Cases are reported to the Professional Conduct Committee (PCC), or considered by an Investigation Committee (IC), for further evaluation.

The PCC has the power delegated by Council to dismiss unsubstantiated complaints and adjudicate minor ones by issuing private reprimands known as disapproval letters.

The PCC and IC refer more serious complaints to the Council for determination of appropriate actions. For moderately serious complaints that meet a set of pre-determined criteria, the PCC may recommend resolving it by Resolution by Agreement (RBA) in lieu of formal disciplinary proceedings. For serious complaints, the cases may be referred to the Disciplinary Panels for determination by independent Disciplinary Committees (DCs). All RBAs and disciplinary orders are published in *A Plus* and on the Institute's website to ensure transparency of the enforcement process.

During the reporting period, 101 new complaints were received, bringing the caseload during the year to 130. The PCC considered 89 cases and approved the following outcomes:

Professional Conduct Committee decisions



During the period, Council considered recommendations from the PCC and approved seven RBA cases. Six were accepted by respondents and concluded during this reporting period, including one which was pending acceptance by respondents at the beginning of the period. Two cases were pending acceptance by respondents at the end of the period.

To protect the public, the Institute took action against companies or individuals who fraudulently held themselves out as firms of CPAs or offered to provide services that only practising CPAs are

qualified to provide. Five cases were reported to the police during the period.

ENFORCEMENT

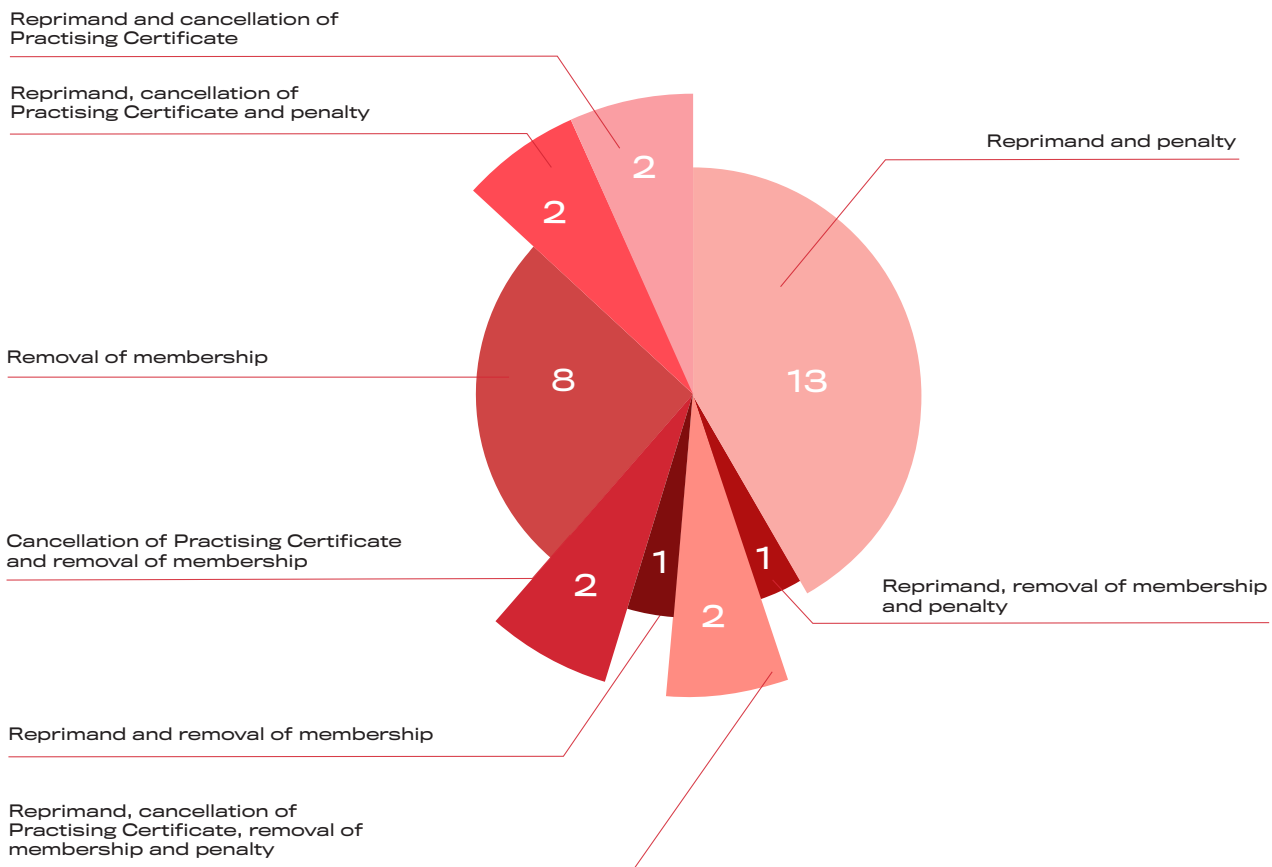
At the beginning of the reporting period, the Enforcement division was established under the Legal Department, with overall responsibility for prosecutions, to ensure the effectiveness of the disciplinary process while lowering costs.

Council will determine whether complaints referred from the PCC, PRC and ICs of the Institute require disciplinary action.

During the reporting period, the Enforcement division handled prosecutions of 60 disciplinary cases referred by the Council for determination by the independent DCs. At the beginning of the reporting period, 37 disciplinary cases were in progress and Council referred another 23 cases. A total of 31 disciplinary orders were issued by DCs and their outcomes are summarized below.

Disciplinary orders are published in *A Plus* and on the Institute's website in accordance with the Institute's publication policy.

Sanctions imposed by Disciplinary Committees



MEMBER SERVICES,

Lucinda Chan is Vice President of Finance and Business Development at Wharf Hotels Management Limited. She graduated from the QP in 2004, and is now an Authorized Supervisor. "The QP is a platform for developing prospective CPAs, and also offers Authorized Supervisors an opportunity to continuously sharpen their coaching and supervisory skills," she says.

DEVELOPMENT & EVENTS

The Institute endeavours to provide a variety of services to its members. These range from continuing professional development (CPD) events and programmes, which help members to enhance their technical knowledge and professional skills, to leisure activities, networking events and visits – all to help members achieve work-life balance.

CONTINUING PROFESSIONAL DEVELOPMENT

Training for accountants does not stop after they complete the Qualification Programme (QP). Regular professional development is vital to honing skills and learning new ones. To help its members, the Institute organizes a wide range of CPD events – including seminars, workshops and conferences.

In the financial year ended 30 June 2019, the Institute organized close to 360 face-to-face events (including nine collaborative events) and offered around 500 e-learning programmes. To enable members to gain more in-depth knowledge and understanding on various subject areas, the Institute held 156 workshops this year, compared to 96 workshops in 2018 (63 percent more). In addition, events in high demand by members such as the update conferences were recorded and offered as e-seminars. The Institute received over 91,000 enrolments this year as compared to 76,790 in 2018, representing a 19 percent increase. To assist members in need, the Institute offers free places at selected CPD events. During the year, 825 free places were taken.

Throughout the year, the popular topics that attracted higher attendance

were anti-money laundering (AML); fintech; corporate finance; tax; China development; internal audit; business start-up; practice management for small and medium practices (SMPs); independent non-executive directorship; enterprise resource planning implementation; and workshops for listing on Hong Kong Stock Exchange. The Institute also introduced new series of seminars covering business start-ups, China today, company secretarial practices, fintech, and investment and practice management for SMPs.

With the amended Anti-money Laundering and Counter-Terrorist Financing Ordinance (AMLO) which came into effect on 1 March 2018, a webinar delivered by SWAT UK to guide members through the *AML Procedures Manual for Accountants*, published in June 2018, attracted over 340 registrations. Its e-recording also accumulated close to 1,000 enrolments up to 30 June 2019.

In support of the Institute's efforts in promoting good corporate governance, the Institute organized a series of member forums on corporate governance and sustainability. At the events, regular award winners from the Institute's Best Corporate Governance Awards, including speakers from Hong Kong Exchanges and Clearing Ltd., CLP Power Hong Kong Ltd. and the Airport Authority Hong Kong, shared their knowledge, experience and organizational values.

The Institute also collaborated with other accounting bodies to offer members specialist training. In partnership with the Institute of Internal Auditors, the Institute offered the Certified Internal Auditor (CIA) Challenge Exam for the first time.

The exam is a fast track route for Institute members to gain the CIA designation and received more than 250 applications.

Throughout the year, the Institute also collaborated with the Chartered Institute of Management Accountants (CIMA) to offer the Chartered Global Management Accountant (CGMA) Program a number of times to Institute members who have qualified through QP.

SPECIALIST DEVELOPMENT

Through its specialist training programmes and qualifications in insolvency and taxation, the Institute's members are able to hone their skills in specialist fields. This helps them on their journeys to becoming true Accountants Plus.

The Financial Controllership Programme, launched in 2016, is a 16-day course to train CPAs on how to become an effective financial controller that adds value to their employer's business. The 2018 cohort of the programme was completed in December 2018 with 84 enrolments, comprising 22 full programme enrolments and 62 module enrolments. As of June 2019, there are 70 graduates of the programme. The 2019 cohort started in June 2019 with 19 full programme enrolments.

This year, Insolvency Preparatory I had 92 enrolments and Insolvency Preparatory II had 65 enrolments. The revamped Professional Diploma in Insolvency 2018-19 ran from November 2018 to June 2019 with 23 full programme enrolments and 12 module enrolments. The diploma has 383 graduates to date.

The International Tax Course had 35 enrolments, and the Advanced Hong Kong Tax Course had 28 enrolments. As of June 2019, there are 107 graduates of the Professional Diploma in China Tax and 84 graduates of the Professional Diploma in Hong Kong Tax.

“Through its specialist training programmes and qualifications in insolvency and taxation, the Institute’s members are able to hone their skills in specialist fields.”

THE SPECIALIST FACULTIES

As both interest and advocacy groups, the two specialist faculties covering restructuring and insolvency and taxation organize training events and advocate for best practices relevant to their fields in order to raise standards. The faculties also act as the professional and public voice of the Institute.

Restructuring and Insolvency Faculty

The Restructuring and Insolvency Faculty (RIF) had 480 members at the end of the financial year. The Institute publishes an e-newsletter for faculty members, *The IP’s Voice*, and organizes monthly seminars and events for members. This year, the faculty invited different judges from the Mainland’s Intermediate People’s Court to meet members and share views on developments in Mainland and cross-border bankruptcy and insolvency issues at two lunch seminars, held in November 2018 and June 2019.

Members of the RIF also share their time and knowledge in support of the specialist insolvency courses.

Taxation Faculty

The Taxation Faculty (TF) had 700 members at the end of the financial year. This year, over 40 seminars and other events were run on tax issues. As for the RIF, there is a specialist e-newsletter for TF members called *Tax Link*.

The major annual China Taxation and Hong Kong Taxation Update conferences were held in May and July 2019, with enrolments of around 700 and 960 respectively. At the China Tax Update, a senior tax official from the Guangdong Provincial Tax Services, State Taxation Administration shared with members the latest developments on the individual income tax reform in China. Both conferences included an expert panel discussion, covering tax and policy issues in the Greater Bay Area and contemporary transfer pricing issues in Hong Kong, respectively.

TF members contribute their time and expertise to the Institute’s tax training programmes.

PROFESSIONAL COMMITTEES

As well as the specialist faculties, advisory panels and interest groups, there are three committees covering specific groups of members.

Young members

The 2019-20 Mentorship Programme was the fifth running of the successful programme. This year it paired over 250 mentors and mentees attended the ceremony and briefing session on 13 March 2019 which marked the end of the 2018-19 programme and the beginning of the 2019-20 programme.

The young members’ career conference held in November 2018, titled “Young

“The 2019-20 Mentorship Programme was the fifth running of the successful programme. This year it paired over 250 mentors-mentees.”

Accountants @tech”, attracted over 120 participants.

A study tour to Yangtze River Delta Economic Circle – Shanghai in October 2018, and a three-day course on China’s national affairs in Guangzhou in March 2019 enhanced members’ understanding of China’s political, economic and diplomatic affairs.

As well as the professional events there were a host of social activities with peers, including steamed cupcake making, autumn hiking, sake tasting, as well as course on wine manner. Site visits to Cathay Pacific City, the Hong Kong International Airport, the Hong Kong Exchanges and Clearing, and theDesk, a co-working space, attracted over 130 enrolments.

The Institute jointly organized the following activities with other bodies to help expand young members’ network beyond the accounting profession:

- Hong Kong Bar Association, The Hong Kong Institute of Architects, The Hong Kong Institute of Planners, The Hong Kong Institute of Surveyors and The Law Society of Hong Kong (October 2018) – Beyond the Stage of Cantonese Opera.
- Hong Kong General Chamber of Commerce and The Hong Kong Chinese Enterprises Association (November 2018) – Joint Happy

Hour for Young Professionals –
A taste of the local and original
culture of Hong Kong.

Small and medium practices

The Institute organized a range of events for SMPs. These included the annual SMP symposium held in late November 2018 covering regulatory, technical and practice management updates which was attended by 340 practitioners.

There were two seminars in June 2019 concerning compliance. Close to 240 members attended a seminar on compliance matters tailored for SMPs. The second was a lunch seminar arranged in collaboration with the Hong Kong Police Force, where the impact of the anti-money laundering and counter-terrorist financing regulatory regime on accountants was reviewed. It attracted over 260 enrolments.

A delegation of around 30 SMPs visited Huizhou in June 2019 after a previous delegation of around 30 SMPs visited Jiangmen and Zhongshan in July 2018. These visits allowed SMPs to learn the latest economic development in the Greater Bay Area and explore possible business and cooperation opportunities brought by the initiative. They also helped to strengthen the relationship between Hong Kong CPA firms and their counterparts in Mainland China.

Professional accountants in business

The annual PAIB Conference 2018 was held in September 2018 with the theme “The Day After Tomorrow: A Reality Check for Accountants Today”. The guest of honour was Laurence Lu-jen Li, Chairman of the Financial Services Development Council, who together with other renowned speakers, shared their insights on key challenges that professional accountants in business were facing and the opportunities ahead with over

220 members working in the business sector.

PROFESSIONAL INTEREST GROUPS

The Institute’s professional interest groups serve members in various important sectors, providing specialized training and networking events.

Corporate finance

The Corporate Finance Interest Group held two seminars, which attracted an average of over 230 enrolments. The seminars covered new economy companies under the new listing rules in Hong Kong, a comparison of new and old rules and matters requiring attention, and Hong Kong IPO offering structures and GEM placing guideline.

Financial services

To welcome the new year, a cocktail reception and talk on the topic “Predicting investor behaviours by blood type” took place in January 2019. The interest group also organized a seminar on the topic “Fintech for you”, which attracted 320 enrolments.

Forensic

The Institute organizes regular events for Forensics Interest Group (ForensIG) members. Events this year included a popular lunch event at which internationally renowned market analyst and short seller, Soren Aandahl, spoke about the use and misuse of market research data, and a networking and cocktail event at which Thomas Atkinson, the executive director responsible for enforcement at the Securities and Futures Commission, was the guest speaker. ForensIG members also receive a specialist e-newsletter, *Forensic Update*.

At the request of the Commercial Crime Bureau of the Hong Kong Police Force, a member of the interest group’s management committee spoke to officers on topics including the latest techniques and tools to effectively detect fraud-related red flags.

Information technology

The annual information technology conference carrying the theme “Impact of Fintech and Artificial Intelligence to the Accountancy Profession” was held in October 2018 to examine new technologies that accountants should be aware of and their impact on the profession. The conference attracted over 600 attendees. There were also two seminars, which attracted an average of close to 180 enrolments, on intelligence automation for finance and accounting, and how opportunities for Hong Kong small- and medium-sized enterprises can grow through cloud technology.

In November 2018, 50 members of the interest group also visited HKTVMall’s Logistics Centre.

Mainland business

The Mainland Business Interest Group organized a half day joint seminar with the Financial & Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association on the topic “Impacts of Greater Bay Area development on accounting professionals” in May 2019, which attracted 180 attendees.

The interest group held two seminars attracting an average of over 270 enrolments. One seminar discussed money laundering cross-border commercial crimes, while the other covered the impact of the trade war between China and the United States on customs and other relevant issues.

Property, infrastructure and construction

The interest group organized four seminars over the year, with an average of over 230 enrolments at each. The seminars covered the impact of Hong Kong Financial Reporting Standard 16 *Leases* on property, infrastructure and construction industries, developing next generation clinical systems by leveraging cloud technologies, introduction to the Reverse Mortgage Programme, and the trend of office rentals.

The interest group also organized a site visit to Asiaray, a leading out-of-home media company, with over 30 members in attendance.

LEISURE ACTIVITIES

As well as the professional development events the Institute organizes a range of networking and leisure events, and has 15 sports and recreation interest groups that participate in competitions in Hong Kong and the Mainland.

Corporate events

The Institute hosts six major corporate events each year – five in Hong Kong and one in Guangzhou.

The National Day Dinner, jointly organized with the Society of Chinese Accountants and Auditors, held in September and celebrates the founding of the People's Republic of China. Over 700 guests from the

governments of Hong Kong and the Mainland, academia, businesses and members attended the event in 2018.

The President's Dinner gets together the past presidents and other key stakeholders of the Institute, including Council members, committee chairs and senior management. Last year, Norman Chan, Chief Executive of Hong Kong Monetary Authority, was guest of honour.

The Annual Dinner, held in December, is the Institute's flagship event. The theme of the dinner is in keeping with that of the annual report – last year, this was the concept of Accounting Plus. Almost 600 members and guests attended the dinner, held on 3 December 2018, with Matthew

Cheung Kin-chung, Chief Secretary for Administration as guest of honour.

The Guangzhou and Hong Kong Spring Cocktails, held on 14 and 15 February 2019 respectively, saw guests from the governments, businesses, and regulators join the Institute's new Council and committee members in celebration of the new year. Over 100 guests attended the Guangzhou cocktail and 300 the Hong Kong event.

The New Members Cocktail, held in May 2019, welcomes the Institute's new members who have gained their CPA designation over the preceding year. This year, over 100 members met with Council, committee and sports and recreation group members, to learn about the Institute and the services it provides its members.

Our members also represented the Institute in the following competitions:

Events

Around the Island Race 2018

CPA Cup – National Day Celebration Dragon Boat Invitational Race 2018

Cross Border Sports Competition 2018 (Badminton and Football)

Five-point Invitational Competition 2019 (Badminton and Table Tennis)

Golf Tournament with the Hong Kong Medical Golfers Association 2018

HKMA Family Sports Day 2018 – Inter-Professional 4 x 100m Invitational Relay Race

HKMA Swimming Gala 2018 – Inter-Professional 4 x 50m Invitational Relay Race

Homeless World Cup (HK) Fund-raising Tournament 2018

Integrity Cup Table Tennis Competition 2018

Ngong Ping Charity Walk 2019

Oxfam Trailwalker 2018

Recreation and Sports Club for Hong Kong Professional Bodies Tournaments – Badminton, Basketball, Bowling, Bridge, Dragon Boat, Golf, Marathon, Singing, Snooker, Table Tennis and Tennis

Standard Chartered Hong Kong Marathon 2019 – Chamber of Commerce Cup

Sun Life Stanley International Dragon Boat Championships 2019 (Tuen Ng Festival Race)



Loretta Chiu is an Associate Director at asset management company Barings (U.K.) Limited in London. “As part of my current role, I’m always communicating with different parties, and I have to be detail-oriented and stay organized. The QP training was priceless in preparing me for this,” she says. “After I qualified and became an external auditor, I was able to apply my project management skills and deal with pressure while still getting the work done.”

MAINLAND & INTERNATIONAL

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

Our presence in the Mainland and international forums strengthens Hong Kong's role as an international business and financial centre, and in connecting the Greater China market on a global scale.

In November 2018, the Institute joined the annual Cross-straits, Hong Kong and Macau Accounting Profession Conference. Held in Macau, the conference covered developments in international auditing standards, and the impact of new tools on auditing methods. The conference also discussed the Greater Bay Area (GBA), and the development of the accounting industry.

THE MAINLAND

Creating business opportunities in the Greater Bay Area

The development of the GBA initiative is one of China's key national strategies for its continued prosperity. The unveiling of the official blueprint for the GBA, the Outline Development Plan, in February 2019 was a critical milestone of the initiative. Governments, professional bodies, industries, and business communities are proactively responding to the plan to take forward the development of the GBA for the betterment of the society. The Institute, with its membership covering a wide

spectrum of interests and sectors, has the position and ability to bring together various stakeholders and is well placed to help the accounting profession to explore opportunities in the GBA.

With many of our members working across the border and others engaged in cross-border business, the Institute's priority is to effectively support them by working closely with Mainland authorities and accounting bodies. The Institute continues to provide a wish list and input to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) initiatives, and liaised with relevant authorities including the Hong Kong government to resolve issues relating to the implementation of CEPA measures.

The expanded Guangdong-Hong Kong-Macau CPA Practices Alliance welcomed eight Macau CPA practices in late 2018, making it a professional network of over 60 CPA firms in the GBA. The first meeting of the expanded alliance was held in December 2018 in Guangzhou. Around 100 representatives met to welcome the Macau CPA practices, followed by a talk on the China-United States trade war.

A regular gathering of the alliance was held in Guangzhou in June 2019. Nearly 30 Hong Kong delegates were joined by over 120 of their Guangdong and Macau counterparts at the meeting, which featured a seminar on the digital economy and building the GBA, a roundtable experience sharing and discussion on further collaboration between the firms.

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

In April, the Institute renewed the QP Resource Centre contract with the United International College (UIC), jointly founded by Beijing Normal

University and Hong Kong Baptist University, and hosted a high-table dinner where the Institute President delivered a speech on "CPAs for GBA" inspiring the UIC students to be Accountants Plus in the digital era.

In June, the Institute joined a GBA task force, led by the Hong Kong Coalition of Professional Services, working closely with Guangzhou Tianhe District to jointly promote modern service industry. A series of events and match-making activities will be organized in the second half of the year for members to attend.

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

Fostering productive relationships with Mainland partners

Throughout the year, we undertook various efforts in order to maintain good relationships with Mainland regulators.

In November 2018, the Institute met with representatives from Guangzhou Municipal Commission of Commerce to explore potential collaboration opportunities.

Representatives from Shenzhen Luohu District Investment Promotion Bureau visited the Institute in January to discuss how to strengthen exchange and cooperation of accounting professional services and modern service industry

between Hong Kong and Shenzhen under the GBA initiative.

Also in January, the Institute's Council representatives met with Tan Tieniu, Deputy Director of the Central People's Government's Liaison Office in the Hong Kong SAR, and exchanged views on the development of the Hong Kong accounting profession.

In March, the leadership also received a 10-person delegation from the Beijing Institute of Certified Public Accountants (BICPA) and signed a memorandum of understanding to jointly provide continuing professional development and other training courses to BICPA members.

In April, we welcomed representatives from the Ministry of Finance (MoF) and gathered MoF-appointed Accounting Advisors to discuss the amendments to the "Law of the PRC on Certified Public Accountants" as well as sharing updates on the implementation of IFRS 16 *Leases*.

In June, the Institute's leadership, along with key management visited the MoF, the Chinese Institute of Certified Public Accountants, the China Securities Regulatory Commission to exchange views on the latest industry developments and update each other on recent regulatory changes and trends.

Also in June, representatives of the Institute's China Tax Subcommittee held its eighth annual meeting with the State Taxation Administration (STA) in Beijing in June, where issues relating to Mainland and cross-border taxation affecting Hong Kong were discussed. Minutes of the eighth meeting have been published on the Institute's website.

In December 2018, China Tax Subcommittee representatives held annual liaison meetings on technical matters with the STA's Guangdong Provincial Tax Service and Shenzhen Tax Service.

The minutes of these meetings have been published on the Institute's website.

The Restructuring and Insolvency Faculty Executive Committee (RIFEC) Chairman, Terry Kan, participated in the 10th PRC Bankruptcy Law Forum, the largest bankruptcy law forum held in the Mainland annually, in June 2019. The event was organized by Renmin University of China Law School, Guangxi Higher People's Court and China Council for the Promotion of International Trade and Beijing Bankruptcy Law Society. Over 400 judges from Mainland bankruptcy courts, insolvency practitioners and academics attended the forum.

INTERNATIONAL

The Institute plays a leading role in a range of international accounting bodies. Through meetings, forums and seminars, the Institute represents the Hong Kong profession on a global stage and ensures its views are taken into account.

The Institute provides technical support to its representatives on the International Federation of Accountants (IFAC) Professional Accountants in Business Committee (Wendy Yung) and Small and Medium Practices Committee (Johnson Kong), facilitating their participation in various IFAC projects and working groups or task forces.

The Global Accounting Alliance's (GAA) Tax Directors Group, established by the board of the GAA in 2009 to share information and best practice on tax matters, to network, and discuss and collaborate on important international issues and solutions to common concerns, held two face-to-face meetings during the year. One in Brussels in November 2018, attended by the Deputy Director, Advocacy and Practice Development, and the other in Hong Kong and Beijing in April 2019, which the Institute hosted. The Hong Kong meeting included a number of briefing sessions on current

issues in Hong Kong and Mainland tax, the legislative process in a meeting with the accountancy functional constituency representative, and the Belt and Road and GBA initiatives. The tax directors from the United States, United Kingdom and Ireland also spoke at a seminar, giving updates on U.S. tax reform and Brexit. To promote the role of the GAA to the Institute's members, a roundtable was organized for *A Plus* to report the views of the directors on key global tax developments.

Institute representatives participated in the Asia Oceania Tax Consultants' Association's (AOTCA) annual meeting and tax conference in October 2018. During the period, two Institute representatives (2017 Taxation Faculty Executive Committee chair, Anthony Tam, and member, Edward Lean) served as technical advisors on AOTCA's Technical Committee.

As one of the 10 largest member associations, the Institute holds a directorship on the board of INSOL International, the international body for restructuring and insolvency professionals. The then RIFEC chair, Mat Ng, was nominated for a three-year term, commencing October 2016. His successor has been announced as Terry Kan, the current RIFEC Chair.

INSOL held a one-day conference in Hong Kong in November 2018, supported by the Institute, and followed this with a board meeting. In view of the success of the Hong Kong event, INSOL held another well-attended one-day seminar in Hong Kong in October 2019.

INSOL's 2019 Annual Regional Conference was held in Singapore in April 2019. In conjunction with this, INSOL organized a one-day meeting for representatives of member associations, in which the Director, Advocacy and Practice Development participated on behalf of the Institute.

Persons nominated by the Institute to serve on international organizations at 30 June 2019

International Federation of Accountants

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

International Ethics Standards Board for Accountants

- **Alden Leung**, Board member
- **Selene Ho**, Technical advisor to Alden Leung

International Forum of Accounting Standard Setters

- **Ernest Lee**, Institute representative
- **Christina Ng**, Technical advisor to Ernest Lee

IFRS World Standard Setters (financial reporting)

- **Ernest Lee**, Institute representative
- **Christina Ng**, Technical advisor to Ernest Lee

Asian-Oceanian Standard-Setters Group (financial reporting)

- **Ernest Lee**, Institute representative
- **Christina Ng and Michelle Fisher**, Technical advisors to Ernest Lee

Global Accounting Alliance (GAA)

- **Chief Executive**, Board member
- **Chris Joy**, Alternate Board member to Chief Executive, member of the GAA Technical Directors Group and member of the GAA Sustainability Working Group
- **Jonathan Ng**, Member of the GAA Education Directors Group
- **Peter Tisman**, Member of the GAA Tax Directors Group, **Eric Chiang** (alternate)

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

- **Mat Ng**, Board director

Accounting for Sustainability (A4S)

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

Asia Oceania Tax Consultants' Association

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

COMMUNICATION

Sophia Wong is Director of Investor Relations and Corporate Communications at Xtep International Holdings Limited, a Hong Kong-listed sportswear company. She graduated from the QP in 2009. “As an investor relations professional, the QP has equipped me with a strong foundation in accounting and financial analytics, which helps me to effectively communicate with the investment community,” she says.



& ENGAGEMENT

Effective communication with members and stakeholders is underpinned by a strong brand and a consistent message. The Institute's branding and marketing activities help promote the profession and attract new entrants. Over the year, the Institute undertook a number of initiatives to engage with its stakeholders and the public, and to support the profession.

THE ACCOUNTING PLUS BRAND

A strong brand helps the Institute to advertise the services of its members and the strength of the profession, as well as attract new entrants to the profession.

This year, we ran advertising campaigns in Hong Kong and the Mainland highlighting the Accounting Plus brand, what the concept means and how Hong Kong Accountants Plus can help businesses. In Hong Kong, we published an advert alongside an advertorial on accounting in the *South China Morning Post*. The advertorial also featured the Institute's leadership discussing the new Qualification Programme (QP). As part of our long-term relationship with *Xinlicai*, a leading magazine specialized in finance and economics, supervised by the Ministry of Finance, the Institute sponsored the 14th China CFO Forum.

With the 20th anniversary of the QP approaching and the launch of the new QP, work began this year to celebrate this milestone. The Institute launched a 20th Anniversary Logo Design Competition for the QP inviting accountants, students and the public to produce a special logo for the celebrations. Work also began on developing a new set of thematic collaterals, videos and visuals to communicate the concepts of the QP to students and the public in a new manner, and highlighting the

professionalism and prestigious identity the QP represents.

NEW DIGITAL PRESENCE

Throughout the year, the digital transformation team made significant progress on the Digital Strategic Plan. The website revamp project, which launched in November, was a success, with positive testimonials from various Institute members regarding the website's modern look and feel and its compatibility with most mobile devices. This year also saw the release of a new mobile app that aims to provide a better event experience, and features artificial intelligence – the first time for the Institute's digital solutions. Members can now search for events, pay with Apple and Android pay, check into events via a QR code, download event materials, engage with speakers and rate our events all through the mobile app.

The team has also embarked on the next digital initiative: a customer relationship management system (CRM). The CRM will allow the Institute to better understand our members and students, consolidate and streamline our communications, as well as improve our services by providing the necessary tools to our internal teams to facilitate information sharing and collaboration.

MEDIA ENGAGEMENTS

Regular engagement with the media is vital to getting the Institute's message to the public. The Institute organized a number of press events and contributions to media platforms over the year to publicize its messages.

Best Corporate Governance Awards

The call for entry for the 2018 Awards was reported in media outlets from across Asia. The press coverage

highlighted the importance of good corporate governance for gaining investors' confidence. After the awards were held, the Institute held a press conference where media reported on the judging panel's recommendations, including strengthening board disclosures.

Finally, ahead of the 2019 awards the Institute issued its call for entry with special features on *etnet*, *HKET* and in the *South China Morning Post*. The awards are celebrating their 20th anniversary this year, and the call generated over 100 articles throughout the region, focusing on how good corporate governance is vital for gaining investors' confidence. The articles also introduced the categories of awards and commendations inviting entries.

2019-20 Budget

In January 2019, before the Hong Kong budget, the Institute held a press conference on its 2019-20 Budget Proposals hosted by the Chair of the Taxation Faculty Executive Committee KK So, and the Convenor of the Budget Proposals Subcommittee, Curtis Ng. Media conducted one-on-one interviews with the spokespersons afterwards. News reports that followed reported on the Institute reiterating its view that there needs to be an extensive review of the tax system to support Hong Kong's competitiveness, particularly against the background of a changing global business and tax environment, and the increasing complexity of the local tax system. News reports highlighted measures including a proposed tax deduction of up to HK\$100,000 annually for taxpayers' rental payments on their primary residence for those unable to benefit from the home loan interest deduction.

After the budget was announced in February, the Institute held a follow-up press conference, again featuring

KK So and Curtis Ng. Media reports included that the Institute believed the budget to be fairly prudent, given the economy and the challenges faced by the government. The Institute also reiterated the continuing need for some of its proposals.

President meets the media

In February, Institute President Patrick Law met several media outlets. The president spoke on a number of topics including the “One Member, One Vote” taskforce. He commented that the taskforce was set up by the Council and had looked into election models of eight other professional bodies. He also spoke about the recruitment of the new Chief Executive and Registrar, and the professional opportunities for accountants in 2019.

On 9 June 2019, the TVB programme *Finance Magazine* featured interviews with President Patrick Law, then-Acting Registrar Jonathan Ng and two young members discussing the accounting profession. The feature covered the development of the profession in the past as well as the prospects for the future in the Accounting Plus era. The feature also covered how accounting services are increasingly going beyond traditional auditing and taxation services to business advisory services including mergers and acquisitions, corporate

finance and technology. The interviews also covered how the new QP aims to train professional accountants with the necessary skills to deal competently with these growing client needs.

Media luncheon

The Institute held a media luncheon in May with the President and Vice-Presidents which attracted 18 media organizations. Their coverage discussed the qualification process and work-life balance within the profession. Many outlets focused on the new QP, and how it will include training on topics such as big data, artificial intelligence, and cloud computing, to equip its students with the latest knowledge and skills. The reports also noted the different interest groups of the Institute and leisure events it organizes to promote members’ work-life balance. The media also highlighted the Institute’s development of new financial reporting standards and its views on some recent government and regulator activities.

FRC AMENDMENT BILL

The Institute updated its webpage on the legislative developments of the Financial Reporting Council (Amendment) Bill, in preparation for the passing of responsibility for the regulation of auditors of public interest entities to the Financial Reporting Council. Since

the passing of the bill, the Institute has begun preparations for the new regime, and informed those affected of how the regulatory environment will change.

A PLUS

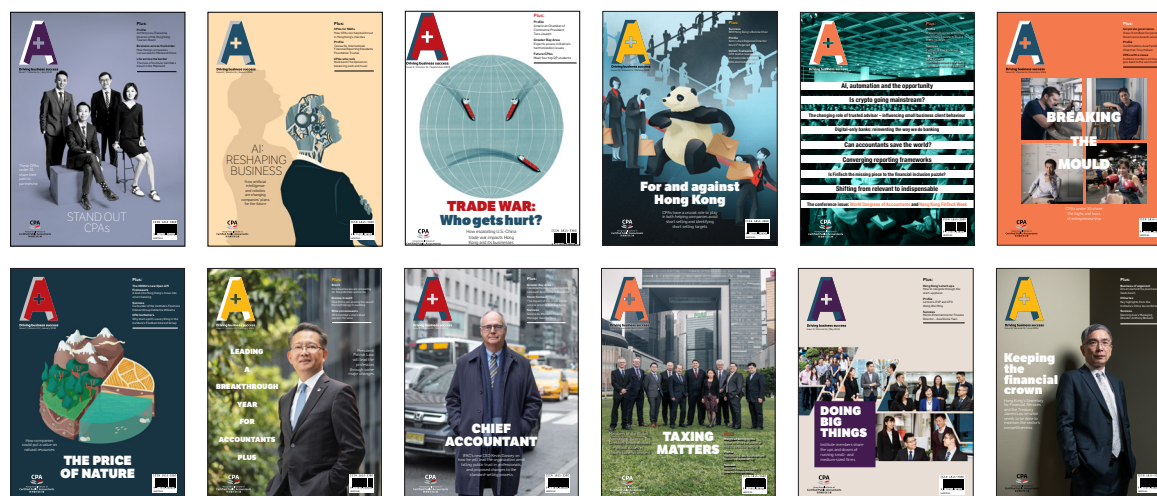
This year *A Plus*, the Institute’s monthly publication, ran two new videos series under “Accounting Plus: A conversation with CPAs under 35”. The videos featured accounting firm partners and entrepreneurs discussing how being a CPA helps them in their working lives.

As well as the videos, roundtable feature articles were introduced to the magazine. These articles covered developments in Mainland China and global tax.

The Institute continued its relationships with *Master Insight*, a Hong Kong media portal providing insights on business, cultural and technology issues, and *Xinlicai* to publish translated *A Plus* articles to promote our insights to a wider audience.

“Over the year, the Institute undertook a number of initiatives to engage with its stakeholders and the public, and to support the profession.”

A Plus magazine covers



THOUGHT LEADERSHIP



Andy Chan is Asia Pacific Head of Tax and Treasury at a luxury fashion house, as well as an Authorized Supervisor. He graduated from the QP in 2005. "The QP emphasizes the full application of knowledge.

It has greatly strengthened my problem-solving skills and helps me deal with the day-to-day challenges that come with being a CPA in this dynamic world," he says.

From contributing its expertise on matters of policy, to advocating for a diversified and strong economy, the Institute is dedicated to championing thought leadership for the betterment of the profession and Hong Kong.

SUPPORTING THE ANTI-MONEY LAUNDERING REGIME

Enhancing the regime

The Institute worked closely with the Financial Services and the Treasury Bureau and the Narcotics Division of the Security Bureau, as well as representatives from member practices, to prepare for the mutual evaluation review of the technical compliance and effectiveness of Hong Kong's anti-money laundering and counter-terrorist financing (AML/CFT) framework by the Financial Action Task Force (FATF), the international AML/CFT body.

Given the AML/CFT regulatory requirements and expectations on the Institute and the profession, after discussions with the government, we issued an alert in October 2018 to announce the introduction of an AML/CFT monitoring programme within the Institute's practice review system. This is an important development in our active participation in the AML/CFT regulatory regime. We also issued a questionnaire to all member practices to better understand their involvement in service

areas that may be more vulnerable to money laundering or terrorist financing and to strengthen the Institute's ability to conduct risk-based monitoring of compliance by members.

The Institute and representatives from member practices separately met the assessment team from the FATF in November 2018 as part of the review of Hong Kong's AML regime. After the assessors' visit to Hong Kong was completed, the Institute was invited to comment on relevant sections of the drafts of the mutual evaluation report. The final report was published in September 2019 and Hong Kong's AML/CFT regime was assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result.

Equipping members for the requirements

To assist member practices with their AML/CFT compliance, the Institute provided a range of services. In addition to an ongoing programme of seminars and workshops, to strengthen members' practical knowledge of AML/CFT requirements and to promote good practice, we arranged a webcast by the author of the *AML Procedures Manual for Accountants* published in mid-2018 to help members navigate their way through the manual. The Institute continued to arrange favourable subscription rates for members with two market leaders in AML/CFT screening solutions:

Thomson Reuters (now Refinitiv) and Dow Jones. The Institute's AML webpage was strengthened by providing regular updates on United Nations sanctions and lists of terrorists.

“The introduction of an AML/CFT monitoring programme within the Institute's practice review system. This is an important development in our active participation in the AML/CFT regulatory regime.”

ADVOCATING FOR THE BEST CORPORATE GOVERNANCE

The 19th edition of the Institute's highly-respected Best Corporate Governance Awards reached a successful conclusion with the presentation ceremony held in November 2018 and the publication of the detailed judges' report. The Permanent Secretary for Financial Services and the Treasury (Financial Services), Andrew Wong Ho-yuen, JP, was guest of honour at the awards presentation ceremony. A record total of 23 awards, special mentions and commendations across eight different categories were given out, including a



number of awards for sustainability and social responsibility (SSR) reporting and the first ever award in the small market capitalization category for listed companies, which was set up in 2016. Around 700 annual and sustainability reports were initially examined to determine which listed companies and public sector/not-for-profit organizations merited a more in-depth review of their corporate governance or SSR reporting.

CAMPAIGNING FOR A MORE RESPONSIVE AND COMPETITIVE TAX SYSTEM

With regard to the 2019-20 government budget, the Institute submitted its tax policy and other budget proposals to the Financial Secretary. As well as the media activities responding to the budget

(see Chapter 6 Communication and Engagement), a lively panel discussion was held in the evening of budget day. Kenneth Leung, the Legislative Council accountancy functional constituency representative, David Webb, Founder of webb-site.com, Professor Ho Lok Sang, Dean and Professor of Economics, Faculty of Business and Chu Hai College of Higher Education, KK So, the Taxation Faculty Executive Committee (TFEC) Chair, provided an analysis and commentary on the measures contained in the budget. The discussion was moderated by the Convenor of the Budget Proposals Subcommittee, Curtis Ng.

ADVOCATING FOR THE PROFESSION

The specialist faculties and other committees also met with various government bodies and contributed their

expertise to a number of proposals across a range of areas.

Detailed minutes of last year's annual meeting between representatives of the TFEC and the Commissioner and senior staff of the Inland Revenue Department were published on our website. The 2019 annual meeting was held in May and the record of discussions will be published.

The Institute's Restructuring and Insolvency Faculty Executive Committee (RIFEC) completed the updating of Liquidation and Insolvency Guidance Notes (previously called the Insolvency Guidance Notes). The guidance aims to promote and encourage high standards in the insolvency profession, and the adoption of good practice by insolvency practitioners when carrying out professional work relating to liquidation and insolvency appointments.

With the help of committees of experts, including the TFEC, the RIFEC and the Corporate Finance Advisory Panel, the Institute contributed its knowledge and expertise, and conveyed the views of the profession on a range of consultations and legislative proposals to different government departments and bureaux and other local and international bodies. Submissions included:

Financial Services and the Treasury Bureau (Financial Services)

- Suggestions on specific issues, relating to the statutory framework for corporate rescue and insolvent trading

Financial Services and the Treasury Bureau (Treasury)

- Legislative amendments on adoption of fair value accounting for financial instruments for tax reporting

Hong Kong Exchanges and Clearing Limited

- Backdoor listing, continuing listing criteria and other related rule amendments
- Review of the corporate governance code and related listing rules
- Review of structure in relation to Listing Committee decisions
- Listed issuers with disclaimer or adverse audit opinion on financial statements

Securities and Futures Commission

- Revised operational model for implementing an uncertified securities market in Hong Kong

Security Bureau (Narcotics Division)

- Information requests from the FATF in preparation for the FATF assessors' mutual evaluation visit to Hong Kong
- Comments on the draft mutual evaluation report on Hong Kong

Inland Revenue Department

- Departmental Interpretation and Practice Notes on transfer pricing
- Revised profits tax return forms

Department of Justice

- Proposed arrangement between Hong Kong and the Mainland on reciprocal recognition and enforcement of judgements in civil and commercial matters in relation to insolvency matters

Property Management Services Authority

- Consultation on Licensing of Property Management Practitioners

Legislative Council Bills Committees

- Inland Revenue (Amendment) (No. 3) Bill 2018, on enhanced deductions for research and development expenditure
- Inland Revenue (Amendment) (No. 5) Bill 2018, on personal assessment, environment equipment, etc.
- Inland Revenue (Amendment) (No. 7) Bill 2018, on tax treatment of fair value accounting
- Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018, on profits tax exemption for funds

Mainland China tax authority

- Legal Work Committee of the Standing Committee of the National People's Congress – Amendment Bill on Individual Income Tax Law

International

- International Federation of Accountants
 - Comments on the FATF's proposed revision of Risk-based Approach Guidance for Accountants

CORPORATE SOCIAL RESPONSIBILITY

Emma Tang graduated from the QP in 2009 and is Fund Services Manager of international fund administration company Alter Domus. "My role requires both professional accounting knowledge and risk management skills. I believe the skills I acquired through the QP helps me to assist my clients on their accounting operations, prioritize resources and enhance the risk awareness of a company's operations," she says.



& SUSTAINABILITY

The Institute regards corporate social responsibility (CSR) and sustainability as essential components of its operation. We continued to make substantial progress in our CSR programmes, including the number of beneficiaries served, programmes assisting society, and ongoing initiatives to green our operations and improve the Institute's sustainability.

COMMUNITY INVOLVEMENT

New and existing CSR programmes reflect the Institute's commitment to good corporate citizenship. Throughout the year, over 10,000 members of the public benefited from the various projects and activities our members voluntarily contribute to.

Since its establishment in 2017, the Community Services Working Group (CSWG), has been providing advice on developing social service and charity activities to allow the Institute's members to utilize their professional knowledge and expertise in a meaningful way.

RICH KID, POOR KID

Efforts pay off with financial education award

In 2005, the Institute initiated its flagship CSR programme "Rich Kid,

Poor Kid", which aims to instil in young people proper values about money management through school talks. More than 9,800 primary and secondary school students were taught by the Institute's Accountant Ambassadors over 57 sessions, and learned basic money management skills this year, bringing the total number of students reached by the programme to over 140,000 since 2005.

This year, the programme was recognized by the Hong Kong Strategy for Financial Literacy as a Financial Education Champion, a new award recognizing organizations that offer high-quality financial education. The award acknowledges the Institute's contributions and achievements in promoting financial education over the years.

Revamp of the Rich Kid, Poor Kid

To maintain its relevance, we started a programme revamp to develop new components this year. Through collaboration with the Hong Kong Monetary Authority (HKMA) and the Hong Kong Deposit Protection Board, the newly-written comic series features smart tips concerning online and banking security, ATM security, stored value facilities and the Deposit Protection Scheme – all bringing the financial education of the programme up-to-date.

CPA FOR NGO: PROMOTING BEST CORPORATE GOVERNANCE IN NGOS

We advocate best governance practices to board members of non-governmental organizations (NGOs) through our CPA for NGO programme, which aims to improve the financial reporting and governance of NGOs with CPAs' expertise. We have reached out to more than 1,350 board members, agency heads and executives from over 300 NGOs since the programme launch in December 2013, through various channels including thematic seminars, advisory service, visits, online resources and publications.

The Chairman of CSWG attended The Hong Kong Council of Social Service's (HKCSS) NGO Governance Forum to share insights on the status of financial reserves of NGOs and interpret key findings from the Survey on Financial Reserves of Social Service Agencies.

The HKICPA Charitable Fund

We proudly support the HKCSS NGO Governance Platform as its sole strategic partner. In 2018-19, the HKICPA Charitable Fund continued its support to the new series of NGO Directors' Luncheon. The Institute's President, Vice-Presidents, Chairman of the CSWG, and Accountant Ambassadors took part in several luncheons, and met

over 370 board members and agency heads from 213 NGOs. Guest speakers of this series included David Sun, the then Director of Audit, who spoke on the topic “NGO Governance and Public Trust”; and Paul Lam, Chairman of the Consumer Council, who spoke on “Governance Philosophy and Practice in Statutory Organization”. NGOs receiving lump-sum grants from the Social Welfare Department and non-subsidized agencies participated in the luncheons and enjoyed the face-to-face interactions with the guest speakers.

Other events sponsored by the HKICPA Charitable Fund include CPA teams at Oxfam Trailwalker 2018, Ngong Ping Charity Walk 2019, Standard Chartered Hong Kong Marathon 2019 Chairman Cup and Corporate Challenge, and 2019 Homeless World Cup (Hong Kong) Fund-raising Tournament.

COLLABORATION WITH VARIOUS ORGANIZATIONS

This year, the Institute kick-started a new initiative in partnership with the HKMA and the Child Education Centre for Teaching and Learning of the Hong Kong Institute of Vocational Education. The series of parents’ talk on family budgeting runs from June 2019 to April 2020. The talks, part of the Kiddie-Family Moneyland education programme (童心親親理財學堂), feature the Institute’s Accountant Ambassadors explaining family budgeting to parents, and representatives from the HKMA introducing banking tips. We have taken a big leap forward in promoting

financial literacy of parents.

Through the continued support for the government’s Future Stars Upward Mobility Scholarship programme provided by the HKICPA Charitable Fund we pursue the objective of nurturing future generations. We awarded 12 scholarships for secondary school students from less privileged backgrounds to encourage them to achieve upward social mobility. Nine Accountant Ambassadors have signed up as mentors for the programme.

OTHER SOCIAL SERVICES

Educational support programme: helping secondary school students better understand the accounting profession and the business world

Caritas School Social Work Service has been our partner for over 20 years. In recent years, through career talks and firm visits, we benefit about 270 secondary students studying Business, Accounting and Financial Studies annually.

This year, the Institute co-organized a career talk with Caritas for nearly 250 secondary school students. Accountant Ambassadors from practice, business, and a regulatory body were invited to share the different roles of CPAs in their respective fields, their working experience and tips on job interviews.

The Institute also organized visits to the Big Four, BDO, Grant Thornton, ShineWing, Moore Stephens and RSM.

More than 230 secondary school students participated in the visits and gained insights on the structure and operation of an accounting firm, as well as the working life of a CPA in practice.

Accountant Ambassadors signed up as mentors for the inter-school case competition on the theme “Revitalization of Historic Building” (活化歷史建築) of the Millennium Entrepreneurship Programme, organized by Wofoo Social Enterprises. They led a team of secondary school students to prepare a business plan for the competition. The final took place last March.

Free Public Advisory Service Scheme

The Free Public Advisory Service Scheme offers weekly sessions for members of the public to meet CPAs face-to-face and receive pro-bono accounting-related advice. Service leaflets and application forms are available at 20 Home Affairs Enquiry Centres and the Hong Kong Trade Development Council SME Centre.

“More than 230 secondary school students participated in the visits and gained insights on the structure and operation of an accounting firm, as well as the working life of a CPA in practice.”



A SUSTAINABLE INSTITUTE

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

Use of resources

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

Energy management

To reduce overall power consumption, the Institute continued to replace energy-consuming halogen spotlights with LED lights in the newly renovated office open areas.

Reducing excessive lighting has always been the Institute's recommended practice. A zone lighting control system was installed in open office area to control the use of lighting and energy consumption. To meet and maintain the Institute's long-term energy-saving

goals, staff members were educated and reminded to turn off the lighting when the rooms are not in use and after work.

Paper reduction

To promote environmentally-friendly practices, the Institute continues to encourage members to receive Institute communications electronically. We continued to send out the annual renewal notices by email rather than by post to our members and students. In the financial year, 41,279 members received annual renewal notices by email, compared to 1,833 who received a hard copy by postal mail. The e-renewal system also applied to students, with 17,637 students receiving e-renewal notices while only 114 were sent hard copy notices. Through these efforts, there was a continuous reduction in paper usage, from 3,852 sheets of paper in the previous financial year to 3,666 this financial year for members, and 126 sheets in 2017/18 down to 114 sheets this financial year for students.

Internally, the Institute continues to implement measures to reduce the use of paper in office. We adopted electronic and automated internal administrative processes for leave application, performance evaluation, approval of overtime work and monthly payment processing. In addition to the recommended practice for double-sided printing, we also posted in-house reminders near each copy machine and printer to add efficiency.

Waste management

This year, we continued to have recycling facilities to collect used paper and plastics such as toner and ink cartridges from printers, and general plastic waste accumulated within the premises. We always ensured adequate paper collection systems are in place and clearly labelled recycling bins near copiers are available. We also reused envelopes collected for internal distribution and provided CMDS recycling bags to collect waste confidential paper upon requests.

THE COUNCIL



Elected members

1	Law Fu Yuen, Patrick (<i>President</i>)	9/9
2	Johnson Kong (<i>Vice-President</i>)	9/9
3	Lam Chi Yuen, Nelson (<i>Vice-President</i>)	9/9
4	Alan Au	9/9
5	Au Chun Hing, Edward	9/9
6	Raymond Cheng	9/9
7	Jennifer H. Y. Cheung	8/9
8	Fong Wan Huen, Loretta	9/9
9	Ernest Fung	9/9
10	Rosalind Suk Yee Lee	9/9
11	Louis Leung	7/9
12	Oliver Leung Man Kit	9/9
13	Roy Leung	9/9
14	Li Kin Hang	9/9

Immediate Past President

15	Eric Tong	8/9
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Council meeting attendance[△]

9/9
9/9
9/9
9/9
9/9
9/9
8/9
9/9
9/9
9/9
7/9
9/9
9/9
9/9
9/9

Government-appointed lay members

16	Chui Yik Chiu, Vincent	6/9
17	Susie Ho Shuk Yee, GBS, JP	9/9
18	Theresa Ng Choi Yuk, JP	9/9
19	Wong Kam Pui, Wilfred, JP	9/9

Ex-officio members

20	Ada Chung, JP (<i>Representative of the Financial Secretary, Government of the HKSAR</i>)	8/9
21	Charlix Wong, JP (<i>Director of Accounting Services, Government of the HKSAR</i>)	9/9

Chief Executive and Registrar

22	Margaret W.S. Chan* (<i>Secretary</i>)	2/2
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[△] Attendance from 14 December 2018 to 30 September 2019.

* Margaret W.S. Chan became Chief Executive and Registrar on 11 July 2019. Jonathan Ng served as Acting Registrar from 1 July 2018 to 10 July 2019. Mr. Ng attended 7 meetings as Acting Registrar and 2 meetings as a member of the Institute's management.



COMMITTEES & WORKING GROUPS

Statutory	Chairmen and convenors
Disciplinary Panels	Shum Sze Man, Erik Ignatius
Investigation Panels	Yih Lai Tak, Dieter
Practice Review Committee	Cecilia Yam
Qualification and Examinations Board	Woo King Wa, Shirley
Registration and Practising Committee	Law Fu Yuen, Patrick
Non-statutory	Chairmen and convenors
Audit Committee	Keith Pogson
Auditing and Assurance Standards Committee	Lau Kwok Yin, Paul
Education Standards Committee	Kim Man Wong
Ethics Committee	Johnson Kong
Financial Reporting Standards Committee	Lee Chun Ho, Ernest
Governance Committee	Edith Shih
Greater Bay Area Committee	Johnson Kong
HKIAAT Board	Ng Kam Wah, Webster
Nomination Committee	Law Fu Yuen, Patrick
Professional Accountants in Business Committee	Jennifer H.Y. Cheung
Professional Conduct Committee	Johnson Kong
Professional Development Committee	Kim Man Wong
Qualification Oversight Board	Lam Chi Yuen, Nelson
Regulatory Oversight Board	Susie Ho Shuk Yee
Remuneration Committee	Ng Chung Wai, David
Restructuring and Insolvency Faculty Executive Committee	Kan Lap Kee, Terry
Small and Medium Practices Committee	Johnson Kong
Sports and Recreation Committee	Yeung Chi Wai, Edwin
Sustainability Committee	Kim Man Wong
Taxation Faculty Executive Committee	So Kwok Kay
Young Members Committee	Yeung Long Yan
Panels and working groups	Chairmen and convenors
Accountancy Manpower Research Advisory Panel	Cho Lung Pui Lan, Stella
Audit Profession Reform Working Group	Eric Tong
Banking Regulatory Advisory Panel	Tso Pui Sze, Teresa
Branding and Communication Advisory Panel	Eric Tong
Corporate Finance Advisory Panel	Paul Chau
Insurance Regulatory Advisory Panel	Francesco Nagari
Investment Funds Regulatory Advisory Panel	Christine Lin
Professional Standards Monitoring Expert Panel	<i>Not applicable</i>
Securities Regulatory Advisory Panel	Tso Miu Yue, Agnes

MANAGEMENT TEAM



Chief Executive and Registrar

- 1 Margaret W.S. Chan*

Executive Directors

- 2 Jonathan Ng*
Qualification and Education
- 3 Chris Joy
Standards and Regulation

General Counsel

- 4 Donald Leo

* Margaret W.S. Chan became Chief Executive and Registrar on 11 July 2019. Jonathan Ng served as Acting Registrar from 1 July 2018 to 10 July 2019.

Directors

- 5 Tracy Wong
Admission
- 6 Peter Tisman
Advocacy and Practice Development
- 7 Linda Biek
Compliance
- 8 Kit Wong
Education and Training
- 9 Perry Pang
Finance and Operations
- 10 Mary Lam
Member Support
- 11 Elsa Ho
Quality Assurance
- 12 Christina Ng
Standard Setting



AUDITOR'S REPORT & FINANCIAL STATEMENTS

HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE HKICPA TRUST FUND

THE HKICPA CHARITABLE FUND

INDEPENDENT AUDITOR'S REPORT



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

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

Opinion

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the “Institute”) set out on pages 50 to 84, 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 2019, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Institute at 30 June 2019, and of the financial performance and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Institute and have been properly prepared in accordance with the Professional Accountants Ordinance.

Basis for Opinion

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

Other Information

The Council of the Institute is responsible for the other information. The other information comprises the information included in the Institute’s 2019 annual report but does not include the financial statements of the Group and the Institute and our auditor’s report thereon. The other information obtained at the date of this auditor’s report is the financial statements of the Institute’s subsidiaries, The HKICPA Trust Fund and The HKICPA Charitable Fund.

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

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

Responsibilities of Council for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENTS OF FINANCIAL POSITION

At 30 June 2019

	Note	Group		Institute	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Non-current assets					
Fixed assets	4	162,566	155,668	162,064	154,481
Interests in subsidiaries	5	-	-	-	-
Deferred tax assets	6	-	70	-	70
Prepayments for purchase of fixed assets		597	1,430	597	1,430
		163,163	157,168	162,661	155,981
Current assets					
Inventories		471	699	405	625
Receivables	7	4,457	4,680	4,374	4,996
Deposits and prepayments		7,726	5,819	7,675	5,690
Tax recoverable		200	31	165	-
Time deposits with original maturities over three months	21(a)	201,244	368,327	183,054	343,151
Cash and cash equivalents	8	122,593	32,539	111,418	26,167
		336,691	412,095	307,091	380,629
Current liabilities					
Contract liabilities	9	(68,547)	(82,758)	(68,547)	(82,119)
Payables and accruals	10	(45,292)	(40,339)	(43,932)	(38,746)
Lease liabilities	4	(1,658)	(2,385)	(1,152)	(1,705)
Current tax liabilities		-	(1,044)	-	(1,044)
		(115,497)	(126,526)	(113,631)	(123,614)
Net current assets		221,194	285,569	193,460	275,015
Non-current liabilities					
Lease liabilities	4	(698)	(1,117)	(698)	(593)
Deferred tax liabilities	6	(2,085)	-	(2,085)	-
		(2,783)	(1,117)	(2,783)	(593)
		381,574	441,620	353,338	412,403
Funds and reserve					
General fund	11	186,259	247,714	163,900	224,395
Capital fund	11	195,448	194,018	189,438	188,008
Exchange reserve		(133)	(112)	-	-
		381,574	441,620	353,338	412,403

Approved by the Council on 17 September 2019

Law Fu Yuen, Patrick
President

Margaret W.S. Chan
Chief Executive and Registrar

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	Group		Institute	
		2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Subscriptions and fees	12	85,509	148,637	84,886	147,282
Other revenue	13	96,425	104,256	96,147	103,562
Total revenue from contracts with customers		181,934	252,893	181,033	250,844
Other income	14	34,118	29,181	34,312	30,198
Expenses	15	(275,345)	(275,862)	(273,685)	(273,307)
(Deficit)/surplus before tax	16	(59,293)	6,212	(58,340)	7,735
Income tax charge	17	(2,162)	(1,187)	(2,155)	(1,166)
(Deficit)/surplus		(61,455)	5,025	(60,495)	6,569
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange (loss)/gain on translating the financial statements of HKICPA Beijing		(21)	10	-	-
Comprehensive income		(61,476)	5,035	(60,495)	6,569

Approved by the Council on 17 September 2019

Law Fu Yuen, Patrick
President

Margaret W.S. Chan
Chief Executive and Registrar

STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2019

	2019						
	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	247,714	194,018	(112)	441,620	224,395	188,008	412,403
Deficit	(61,455)	-	-	(61,455)	(60,495)	-	(60,495)
Other comprehensive income	-	-	(21)	(21)	-	-	-
Comprehensive income	(61,455)	-	(21)	(61,476)	(60,495)	-	(60,495)
Capital levy from members and students	-	1,430	-	1,430	-	1,430	1,430
At the end of the reporting period	186,259	195,448	(133)	381,574	163,900	189,438	353,338
	2018						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	242,689	186,889	(122)	429,456	217,826	180,879	398,705
Surplus	5,025	-	-	5,025	6,569	-	6,569
Other comprehensive income	-	-	10	10	-	-	-
Comprehensive income	5,025	-	10	5,035	6,569	-	6,569
Capital levy from members and students	-	7,129	-	7,129	-	7,129	7,129
At the end of the reporting period	247,714	194,018	(112)	441,620	224,395	188,008	412,403

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2019

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities				
(Deficit)/surplus before tax	(59,293)	6,212	(58,340)	7,735
Adjustments for:				
Allowance for obsolete inventories	37	41	37	41
Depreciation of fixed assets	15,102	13,790	14,409	13,049
Gain on disposal of fixed assets	(11)	-	(11)	-
Interest on lease liabilities	117	125	70	98
Impairment of receivables	-	17	-	17
Obsolete inventories written off	11	5	11	5
Uncollectible amounts written off	7	18	7	18
Operating cash flows before working capital changes	(44,030)	20,208	(43,817)	20,963
Decrease/(increase) in inventories	180	(64)	172	10
Decrease/(increase) in receivables	216	(2,312)	615	(2,201)
(Increase)/decrease in deposits and prepayments	(1,903)	1,064	(1,985)	1,073
Decrease/(increase) in time deposits with original maturities over three months	167,083	(47,010)	160,097	(49,516)
(Decrease)/increase in contract liabilities	(14,211)	2,173	(13,572)	2,273
(Decrease)/increase in payables and accruals	(707)	1,026	(453)	973
Cash generated from/(utilized in) operations	106,628	(24,915)	101,057	(26,425)
Net tax paid	(1,220)	(153)	(1,209)	(128)
Net cash generated from/(utilized in) operating activities	105,408	(25,068)	99,848	(26,553)
Cash flows from investing activities				
Purchase of fixed assets	(13,351)	(1,889)	(13,306)	(1,889)
Prepayments for purchase of fixed assets	(597)	(1,430)	(597)	(1,430)
Sale proceeds from disposal of fixed assets	11	-	11	-
Net cash utilized in investing activities	(13,937)	(3,319)	(13,892)	(3,319)
Cash flows from financing activities				
Lease payments (note 4)	(2,844)	(2,744)	(2,135)	(2,021)
Capital levy received	1,430	7,129	1,430	7,129
Net cash (utilized in)/generated from financing activities	(1,414)	4,385	(705)	5,108
Net increase/(decrease) in cash and cash equivalents	90,057	(24,002)	85,251	(24,764)
Cash and cash equivalents at the beginning of the reporting period	32,539	56,541	26,167	50,931
Exchange difference in respect of cash and cash equivalents	(3)	-	-	-
Cash and cash equivalents at the end of the reporting period (note 8)	122,593	32,539	111,418	26,167

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$1,617,000 (2018: HK\$3,314,000) and HK\$1,617,000 (2018: HK\$2,158,000) respectively by means of leases. At 30 June 2019, HK\$5,639,000 (2018: HK\$1,567,000) for additions of owned assets was included in "Payables and accruals" for the Group and the Institute.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities and registered office

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

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

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

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

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

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

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

2. Principal accounting policies

a. Basis of preparation

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

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

Depreciation

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

Impairment of financial assets

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

Early adoption of HKFRSs

New/revised HKFRSs issued on or before 30 June 2018 had been early adopted by the Group in prior years. The following new HKFRS, which is applicable to the Group but is not yet effective for the current year, has been early adopted in prior years:

HKFRS 16	“Leases”
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b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

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

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Basis of consolidation and subsidiaries

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

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

d. Financial instruments

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

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

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

e. Impairment of financial assets

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

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

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

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

f. Derecognition of financial assets and financial liabilities

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

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

g. Impairment of non-financial assets

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

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

h. Fixed assets

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

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

The estimated useful lives of fixed assets are as follows:

Owned assets

Buildings	20 years
Leasehold improvements	10 years or over the lease term whichever is shorter
Furniture, fixtures and equipment	3 to 10 years

Right-of-use assets

Land	Over the lease term
Buildings	Over the lease term
Furniture, fixtures and equipment	Over the lease term

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

i. Leases

Lessee

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

Lessor

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

j. Inventories

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

k. Cash and cash equivalents

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

l. Provisions

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

m. Capital levy

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

n. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

o. Revenue recognition

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

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

- (i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Group.
- (ii) First registration fees are recognized at a point in time on completion of assessment services by granting the qualification and status to the applicants.

- (iii) Income from examinations is recognized over time based on the cost-to-cost method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (iv) Income from seminars and courses, member and student activities is recognized over time as the services are rendered.
- (v) Accreditation income is recognized at a point in time on completion of services.

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

p. Income tax

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

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

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

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

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

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

q. Employee benefits

- (i) Short term employee benefits

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

- (ii) Retirement benefits costs

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

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

(iii) Employee leave entitlements

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

r. Related parties

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

(i) A person or a close member of that person's family is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

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

3. Financial instruments by category

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

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets - measured at amortized cost				
Accounts receivable, net of charges for impairment	4,457	4,680	4,243	4,518
Amounts due from subsidiaries	-	-	131	478
Deposits	1,922	2,345	1,874	2,296
Time deposits with original maturities over three months	201,244	368,327	183,054	343,151
Cash and cash equivalents	122,593	32,539	111,418	26,167
	330,216	407,891	300,720	376,610
Financial liabilities - measured at amortized cost				
Payables	11,411	4,601	11,323	4,455
Amounts due to subsidiaries	-	-	50	50
Accruals	15,896	18,583	15,811	18,189
Lease liabilities				
- Current	1,658	2,385	1,152	1,705
- Non-current	698	1,117	698	593
	29,663	26,686	29,034	24,992

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

4. Fixed assets and lease liabilities

	Right-of-use assets			
	Land <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
2019 - Group	(a)	(b)	(c)	
Net book value at 1 July 2018	127,497	1,895	1,544	130,936
Additions	-	1,494	123	1,617
Depreciation	(4,398)	(1,641)	(1,072)	(7,111)
Exchange realignment	-	(37)	-	(37)
Net book value at 30 June 2019	123,099	1,711	595	125,405
At cost	184,669	3,736	3,154	191,559
Accumulated depreciation and impairment	(61,570)	(2,025)	(2,559)	(66,154)
	123,099	1,711	595	125,405
2019 - Institute				
Net book value at 1 July 2018	127,497	702	1,544	129,743
Additions	-	1,494	123	1,617
Depreciation	(4,398)	(973)	(1,072)	(6,443)
Net book value at 30 June 2019	123,099	1,223	595	124,917
At cost	184,669	2,304	3,154	190,127
Accumulated depreciation and impairment	(61,570)	(1,081)	(2,559)	(65,210)
	123,099	1,223	595	124,917

Owned assets

Buildings	Leasehold improvements	Furniture, fixtures and equipment	Total	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(a)				
15,145	1,912	7,675	24,732	155,668
-	1,736	18,684	20,420	22,037
(2,163)	(454)	(5,374)	(7,991)	(15,102)
-	-	-	-	(37)
12,982	3,194	20,985	37,161	162,566
43,255	26,981	60,715	130,951	322,510
(30,273)	(23,787)	(39,730)	(93,790)	(159,944)
12,982	3,194	20,985	37,161	162,566
15,145	1,911	7,682	24,738	154,481
-	1,736	18,639	20,375	21,992
(2,163)	(454)	(5,349)	(7,966)	(14,409)
12,982	3,193	20,972	37,147	162,064
43,255	26,912	59,996	130,163	320,290
(30,273)	(23,719)	(39,024)	(93,016)	(158,226)
12,982	3,193	20,972	37,147	162,064

Right-of-use assets

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

Owned assets

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

<u>Year ended 30 June</u>	<u>Group</u>		<u>Institute</u>	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	117	125	70	98
Expense relating to short-term leases				
- Lease term of more than one month	112	152	112	152
- Lease term of one month or less (d)	17,727	16,580	17,720	16,568
Expense relating to variable lease payments not included in the measurement of lease liabilities	264	237	264	237
Income from sub-leasing right-of-use assets	32	121	32	121
Total cash outflow for leases				
- Lease liabilities	2,844	2,744	2,135	2,021
- Short-term lease and variable lease payments	16,724	15,542	16,717	15,530
	<u>19,568</u>	<u>18,286</u>	<u>18,852</u>	<u>17,551</u>

<u>At 30 June</u>	<u>Group</u>		<u>Institute</u>	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maturity profile of lease liabilities:				
- Within 1 year	1,711	2,480	1,193	1,753
- Between 1 to 2 years	718	1,047	718	511
- Between 3 to 5 years	-	90	-	89
Lease liabilities (undiscounted)	2,429	3,617	1,911	2,353
Discount amount	(73)	(115)	(61)	(55)
Lease liabilities (discounted)	<u>2,356</u>	<u>3,502</u>	<u>1,850</u>	<u>2,298</u>
Current	1,658	2,385	1,152	1,705
Non-current	698	1,117	698	593
Lease liabilities (discounted)	<u>2,356</u>	<u>3,502</u>	<u>1,850</u>	<u>2,298</u>

Movements of the carrying amount of lease liabilities:

<u>Year ended 30 June</u>	<u>Group</u>		<u>Institute</u>	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the reporting period	3,502	2,774	2,298	2,063
Non-cash changes:				
- Interest expense	117	125	70	98
- New leases	1,617	3,314	1,617	2,158
- Exchange differences	(36)	33	-	-
Cash payments	(2,844)	(2,744)	(2,135)	(2,021)
At the end of the reporting period	<u>2,356</u>	<u>3,502</u>	<u>1,850</u>	<u>2,298</u>

- a. The Group's and the Institute's right of use in leasehold land represents prepaid lease payments. The leasehold land, together with the owned buildings held for own use, comprise the 37th floor and 27th floor of Wu Chung House located at 213 Queen's Road East, Wanchai, Hong Kong with a total gross area of 49,722 sq. ft. acquired on 8 July 2005 and 28 February 2006 respectively. The leasehold land is held on medium-term leases expiring on 30 June 2047.
- b. The Group entered into lease agreements in respect of premises at two industrial buildings for storage purpose in Hong Kong, one office building in Beijing and one office building for the promotion of the Institute's qualification programme in Zhuhai and Guangzhou respectively. All of these agreements were entered into by the Institute except for the office buildings in Beijing and Guangzhou. The lease terms range from two to three years with no extension or termination options and all the lease payments are fixed.
- c. The Institute entered into lease agreements in respect of copiers and server racks in Hong Kong. The lease term ranges from two to five years with no extension or termination options. Apart from the fixed payments, the rentals of the copiers also include variable payments based on usage which are recognized in surplus or deficit in the period during which the expenses are incurred.
- d. The Group entered into lease agreements in respect of venues for examination or event in Hong Kong and Mainland China. The lease terms were mainly on daily basis with no extension or termination options.

5. Interests in subsidiaries

	Institute	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	300	300
Impairment charges	(300)	(300)
	<u>-</u>	<u>-</u>

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

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

(a) Held/controlled directly by the Institute.

(b) Controlled directly by HKIAAT.

(c) Accounted for as a subsidiary and 100% consolidated by virtue of control.

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

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

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

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

Nature and purpose of funds

The general fund of HKIAAT of HK\$16,585,000 (2018: HK\$17,570,000) represents the accumulated surplus from the operation and the fund can be used to fulfill the objects of HKIAAT as set out in its Articles of Association. The information about the capital fund of HKIAAT is set out in note 11.

The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Trust Fund have accumulated funds in total of HK\$5,196,000 (2018: HK\$5,015,000), the use of which is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

Use of bank balances

Included in the Group's time deposits and cash and cash equivalents is an amount in total of HK\$29,365,000 (2018: HK\$31,548,000) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

6. Deferred tax assets and liabilities

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

	Group			Institute		
	Accelerated tax depreciation	Other temporary differences	Total	Accelerated tax depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2017	(1,801)	1,993	192	(1,801)	1,993	192
Credited/(charged) to surplus (note 17)	68	(190)	(122)	68	(190)	(122)
At 30 June 2018 and 1 July 2018	(1,733)	1,803	70	(1,733)	1,803	70
Credited/(charged) to deficit (note 17)	(2,537)	382	(2,155)	(2,537)	382	(2,155)
At 30 June 2019	(4,270)	2,185	(2,085)	(4,270)	2,185	(2,085)

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

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decelerated tax depreciation	20	10	-	-
Other temporary differences	1,451	1,571	-	-
Tax losses	91,005	17,363	72,320	-
	92,476	18,944	72,320	-

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

7. Receivables

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts receivable	4,723	4,946	4,509	4,784
Amounts due from subsidiaries	-	-	131	478
	4,723	4,946	4,640	5,262
Charges for impairment (a)	(266)	(266)	(266)	(266)
	4,457	4,680	4,374	4,996

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

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

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

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

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

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At the beginning of the reporting period	266	388	266	388
Recovery of impaired receivables (note 14)	-	(20)	-	(20)
Bad debts written off for the year	-	(119)	-	(119)
Impairment charged during the year	-	17	-	17
At the end of the reporting period	266	266	266	266

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

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

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

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Not past due	3,039	3,590	2,884	3,486
Within 30 days past due	114	369	188	789
31 to 90 days past due	40	158	38	158
91 to 180 days past due	543	499	543	499
181 to 270 days past due	721	64	721	64
	1,418	1,090	1,490	1,510
	4,457	4,680	4,374	4,996

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

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

8. Cash and cash equivalents

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Bank balances				
- Time deposits with original maturities within three months	80,402	12,942	73,449	10,255
- Savings accounts	6,358	3,517	5,067	2,034
- Current accounts	35,737	16,009	32,819	13,809
Cash on hand	96	71	83	69
	122,593	32,539	111,418	26,167

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

9. Contract balances

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

Contract liabilities:

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Subscription fees received in advance	54,370	69,734	54,370	69,126
Other fees received in advance	14,177	13,024	14,177	12,993
	68,547	82,758	68,547	82,119

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

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

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

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	(56,525)	(80,268)	(55,886)	(79,530)
Increases due to cash received during the year	167,723	255,067	167,461	253,118
Decrease due to the recognition of revenue for cash received during the year	(125,409)	(172,626)	(125,147)	(171,315)

10. Payables and accruals

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Payables	11,411	4,601	11,323	4,455
Amounts due to subsidiaries	-	-	50	50
Accruals	15,896	18,583	15,811	18,189
Financial liabilities	27,307	23,184	27,184	22,694
Employee benefits obligations	17,985	17,155	16,748	16,052
	45,292	40,339	43,932	38,746

Payables and accruals are mainly purchase cost of fixed assets, litigation costs and costs related to examinations, seminars and courses. At 30 June 2019, HK\$1,358,000 (2018: HK\$5,231,000) is accrued as potential liability arising from an appeal against a disciplinary order.

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

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

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	23,114	10,542	22,991	10,070
Between 31 and 90 days	1,858	5,810	1,858	5,810
Between 91 and 180 days	172	5,249	172	5,231
Between 181 and 270 days	53	979	53	979
Over 270 days	2,110	604	2,110	604
	27,307	23,184	27,184	22,694

11. General fund and capital fund

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

The Group has two capital funds:

- The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy are decided annually by the Council. In 2016, the Council decided to reduce the capital levy of members by HK\$150 from 2017 onwards.
- The capital fund of HKIAAT represents a capital levy from its members and students to meet future office expansion. The rates of levy are decided annually by the Board of Directors of HKIAAT. Effective from the year ended 30 June 2009, no capital levy has further been collected.

12. Subscriptions and fees

	Group		Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Annual subscription fees				
Members (a)	22,993	87,145	22,993	87,145
Practising certificates	25,144	24,202	25,144	24,202
Students	7,740	8,229	7,429	7,534
Firms	10,746	10,794	10,746	10,794
Corporate practices	7,426	6,807	7,426	6,807
Others	1,066	1,237	764	615
First registration fees				
Members	5,586	5,118	5,586	5,118
Practising certificates	952	892	952	892
Students	1,661	1,882	1,651	1,846
Firms	154	130	154	130
Corporate practices	242	220	242	220
Others	182	317	182	315
Other fees				
Advancement to fellowship	319	276	319	276
Assessment for overseas students	1,298	1,388	1,298	1,388
	85,509	148,637	84,886	147,282

a. Members' annual subscription fees

	Group and Institute	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Annual subscription fees	22,993	88,894
Less: One-off subscription reduction	-	(1,749)
	22,993	87,145

In June 2018, the Council announced a membership fee waiver for calendar years 2019 and 2020 for members whose names were on the register at 31 December 2017. The fee waiver for 2019 was for the full fee. A review was conducted during the current year, the fee waiver for 2020 will be for the full fee.

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

13. Other revenue

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from examinations	74,437	81,209	74,159	80,525
Income from seminars and courses	20,605	21,133	20,605	21,123
Income from member and student activities	1,347	1,914	1,347	1,914
Accreditation income	36	-	36	-
	96,425	104,256	96,147	103,562

14. Other income

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FRC special levy (a)	8,496	8,092	8,496	8,092
Events sponsorship	2,043	2,132	2,043	2,132
Disciplinary fines and costs recovery	7,789	8,238	7,789	8,238
Interest income	5,755	4,309	5,325	4,007
Sales of goods	1,294	2,098	1,248	2,028
Income from advertisements placed in the journals	196	326	196	326
Litigation costs recovery (b)	6,267	1,548	6,267	1,548
Income from hardcopy surcharge	686	790	686	790
Commission from professional indemnity insurance master policy	1,329	1,263	1,329	1,263
Commission from affinity credit card programme	133	129	133	129
Royalty income	23	18	-	4
Donations	25	46	17	31
Income from sub-leasing right-of-use assets	32	121	32	121
Recovery of impaired receivables (note 7a)	-	20	-	20
Reversal of allowance for obsolete inventories	6	11	6	11
Service fees from HKIAAT	-	-	720	1,440
Gain on disposal of fixed assets	11	-	11	-
Miscellaneous	33	40	14	18
	34,118	29,181	34,312	30,198

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (the “FRC”), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute contributes one quarter of the annual funding of the FRC. The Institute’s share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the current year, the Institute received HK\$8,496,000 (2018: HK\$8,092,000) from such member practices and contributed HK\$8,496,000 (2018: HK\$8,092,000) to the FRC (note 16).

b. Litigation costs recovery

	Group and Institute	
	2019	2018
	HK\$’000	HK\$’000
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	4,767	1,548
Appeal against disciplinary order (ii)	1,500	-
	6,267	1,548

- (i) During the current year, the Institute recognized HK\$4,767,000 (2018: HK\$1,548,000) as recovery from the insurers for partial settlement of legal costs and claims incurred in dealing with an appeal against a disciplinary order. The amount recognized for the year ended 30 June 2018 was made in accordance with the accounting policy on provisions that it is virtually certain. The amount was fully recovered during the current year.

During the current year, the Institute made partial settlement of HK\$4,000,000 for the case and an additional cost of HK\$127,000 (2018: HK\$5,231,000) was charged to the statements of comprehensive income. At 30 June 2019, included in “Payables and accruals” is an amount of HK\$1,358,000 (2018: HK\$5,231,000) for outstanding potential liability of the case, which is under on-going settlement discussions. The actual recovery and liability will depend upon a number of factors including taxation, agreement reached with the appellant and the insurers agreement to such amounts.

- (ii) During the current year, the Institute recovered HK\$1,500,000 as interim settlement from an applicant who applied for appeal on a disciplinary order against him.

15. Income and expenses by activity

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

2019

	Group			Institute		
	Income	Expenses	Deficit before tax	Income	Expenses	Deficit before tax
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Members and practices						
Membership and licensing	65,808	-	65,808	65,808	-	65,808
Admission and registration	9,075	(6,510)	2,565	9,075	(6,510)	2,565
Standards and regulation	22,657	(61,837)	(39,180)	22,657	(61,837)	(39,180)
Professional development and specialization	21,157	(26,721)	(5,564)	21,157	(26,721)	(5,564)
Interest groups and networking activities	2,139	(10,969)	(8,830)	2,139	(10,943)	(8,804)
	<u>120,836</u>	<u>(106,037)</u>	<u>14,799</u>	<u>120,836</u>	<u>(106,011)</u>	<u>14,825</u>
Qualification	<u>86,021</u>	<u>(64,242)</u>	<u>21,779</u>	<u>86,021</u>	<u>(64,166)</u>	<u>21,855</u>
Corporate functions						
Constitution, governance and corporate activities	1,810	(7,816)	(6,006)	1,810	(7,816)	(6,006)
Branding and communication	-	(9,295)	(9,295)	-	(9,295)	(9,295)
Publications	196	(6,420)	(6,224)	196	(6,420)	(6,224)
Advocacy	-	(1,177)	(1,177)	-	(1,177)	(1,177)
Legal	-	(6,419)	(6,419)	-	(6,419)	(6,419)
China and international relations	-	(6,311)	(6,311)	-	(6,311)	(6,311)
General administration, finance and operations	5,764	(43,935)	(38,171)	6,482	(44,655)	(38,173)
Depreciation and building related expenses	-	(21,415)	(21,415)	-	(21,415)	(21,415)
	<u>7,770</u>	<u>(102,788)</u>	<u>(95,018)</u>	<u>8,488</u>	<u>(103,508)</u>	<u>(95,020)</u>
HKIAAT Group	<u>1,353</u>	<u>(2,094)</u>	<u>(741)</u>	-	-	-
HKICPA Charitable Fund	<u>7</u>	<u>(182)</u>	<u>(175)</u>	-	-	-
HKICPA Trust Fund	<u>65</u>	<u>(2)</u>	<u>63</u>	-	-	-
Total	<u><u>216,052</u></u>	<u><u>(275,345)</u></u>	<u><u>(59,293)</u></u>	<u><u>215,345</u></u>	<u><u>(273,685)</u></u>	<u><u>(58,340)</u></u>

2018

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

16. (Deficit)/surplus before tax

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
(Deficit)/surplus before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	156,857	148,377	153,400	144,306
Depreciation of fixed assets	15,102	13,790	14,409	13,049
Contribution to FRC (note 14a)	8,496	8,092	8,496	8,092
Award for an appeal case (note 14b(i))	127	5,231	127	5,231
Auditor's remuneration	476	399	383	309
Allowance for obsolete inventories	37	41	37	41
Cost of goods sold	151	228	142	227
Donations (a)	2	14	52	64
Exchange loss	14	105	-	118
Gain on disposal of fixed assets	(11)	-	(11)	-
Impairment of receivables (note 7a)	-	17	-	17
Interest on lease liabilities	117	125	70	98
Obsolete inventories written off	11	5	11	5
Recovery of impaired receivables (note 7a)	-	(20)	-	(20)
Recovery of obsolete inventories written off	(6)	(11)	(6)	(11)
Uncollectible amounts written off	7	18	7	18

a. During the current year, the Institute donated HK\$50,000 (2018: HK\$50,000) to The HKICPA Charitable Fund.

17. Income tax charge

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Current tax				
Hong Kong Profits Tax:				
Current year	-	1,074	-	1,074
Overprovision in prior year	-	(30)	-	(30)
	-	1,044	-	1,044
Mainland China income tax:				
Current year	2	19	-	-
Underprovision in prior year	5	2	-	-
Total current tax charge	7	1,065	-	1,044
Deferred tax				
Effect on opening deferred tax of decrease in tax rate	-	25	-	25
Origination and reversal of temporary differences	2,155	97	2,155	97
	2,155	122	2,155	122
Total tax charge	2,162	1,187	2,155	1,166

No Hong Kong profits tax has been provided for the current year as the Group and the Institute do not have assessable profits arising in Hong Kong.

Hong Kong profits tax was calculated in accordance with the two-tiered profits tax rates regime for the preceding year. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Mainland China income tax has been provided at the statutory rate of 25% (2018: 25%) in accordance with the relevant tax laws in Mainland China.

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

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
(Deficit)/surplus before tax	(59,293)	6,212	(58,340)	7,735
Tax at the applicable rate of 16.5% (2018: 16.5%)	(9,783)	1,025	(9,626)	1,276
Tax effect of the two-tiered profits tax rates regime	-	(165)	-	(165)
Tax effect of different tax rate for a subsidiary in Mainland China	(13)	13	-	-
Tax effect of non-deductible expenses	769	784	738	736
Tax effect of non-assessable income	(958)	(696)	(881)	(661)
Tax effect of unrecognized tax losses	12,151	308	11,933	-
Tax effect of temporary differences not recognized	(30)	(40)	-	-
Under/(over)provision in prior year	5	(28)	-	(30)
Others	21	(14)	(9)	10
Total tax charge	2,162	1,187	2,155	1,166

18. Employee benefits

	Group		Institute	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	147,805	140,213	144,516	136,415
Provident fund contributions	9,052	8,164	8,884	7,891
	156,857	148,377	153,400	144,306

Number of staff

At the beginning of the reporting period	211	208	203	198
At the end of the reporting period	226	211	220	203

19. Key management personnel remuneration

	Group and Institute	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chief Executive and Registrar (a)		
Salaries and allowances (b)	-	4,090
Retirement benefits	-	18
	-	4,108

- a. During the current year, the position of Chief Executive and Registrar was vacant. The remuneration charges for the year ended 30 June 2018 were recognized for the services rendered by the immediate past Chief Executive and Registrar who left the Institute upon completion of his contract on 30 June 2018.
- b. The amount includes gratuity, movement of accruals for annual leave entitlements and other employee benefits.

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

20. Related party transactions

a. Members of the Institute's Council

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

- (i) During the current year, the Institute incurred expenses of HK\$352,000 (2018: HK\$329,000) in respect of services provided by United International College ("UIC") for the promotion of the Institute's Qualification Programme and rental of training rooms in Mainland China. A Council member of the Institute is a member of the senior management of UIC. This Council member was retired during the current year. At 30 June 2019, included in "Payables and accruals" is an amount of HK\$330,000 due to UIC. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (ii) During the current year, the Institute incurred expenses of HK\$578,000 (2018: Nil) for conducting a technical training class and development of Train-the-Trainer ("TTT") Programme of the new Qualification Programme provided by KPMG and its group company, KPMG Advisory (Hong Kong) Limited, of which a Council member of the Institute is a partner of KPMG. At 30 June 2019, the total outstanding commitment for the TTT Programme is HK\$1,951,000.
- (iii) During the current year, the Institute incurred expenses of HK\$79,000 in respect of training services (2018: HK\$1,980,000 for consulting services for developing a Digital Strategic Plan) provided by Deloitte Advisory (Hong Kong) Limited ("Deloitte"), a group company of Deloitte Touche Tohmatsu, of which two Council members of the Institute are partners. At 30 June 2019, included in "Payables and accruals" is an amount of HK\$79,000 due to Deloitte. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (iv) During the current year, the Institute incurred expenses of HK\$130,000 for the update of international tax course materials (2018: HK\$366,000 mainly for the update of international tax course materials and the professional fee for cyber advisory services) provided by Ernst & Young ("EY") and Ernst & Young Advisory Services Limited, a group company of EY. A Council member of the Institute is a partner of EY.
- (v) During the current year, the Institute incurred expenses of HK\$130,000 (2018: Nil) for the update of specialist tax training programme materials provided by PricewaterhouseCoopers Limited ("PwC"), of which a Council member of the Institute is a director of PwC. At 30 June 2019, the total outstanding commitment is HK\$220,000.

- (vi) During the current year, the Institute incurred expenses of HK\$8,157,000 (2018: HK\$8,195,000) for rental of venue and administration fee for examinations provided by Hong Kong Examinations and Assessment Authority (“HKEAA”), of which a Council member of the Institute is a council member. At 30 June 2019, included in “Payables and accruals” is an amount of HK\$3,009,000 (2018: HK\$4,049,000) due to HKEAA. The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period. In addition, the Institute entered into several service contracts with HKEAA on 22 March 2019 for examinations. At 30 June 2019, included in “Prepayment” is an amount of HK\$724,000 (2018: HK\$213,000) paid to HKEAA for these contracts and total outstanding commitment is HK\$3,058,000.
- (vii) During the current year, the Institute incurred expenses of HK\$1,385,000 (2018: HK\$823,000) for rental of training rooms and courses provided by Hong Kong Baptist University (“HKBU”), of which a Council member of the Institute was a council member of HKBU. This Council member was retired during the current year.

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

b. Subsidiaries of the Institute

- (i) HKICPA Beijing
During the current year, the Institute paid service fees of HK\$3,319,000 (2018: HK\$3,454,000) to HKICPA Beijing for the promotion of the Institute’s qualification programme and the provision of services to members in Mainland China.
- (ii) The HKICPA Charitable Fund
During the current year, the Institute donated HK\$50,000 (2018: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2019, included in “Payables and accruals” of the Institute is an amount of HK\$50,000 (2018: HK\$50,000) due to The HKICPA Charitable Fund.
- (iii) HKIAAT
During the current year, the Institute charged service fees of HK\$720,000 (2018: HK\$1,440,000) to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$1,190,000 (2018: HK\$1,855,000) were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2019, included in “Receivables” of the Institute is an amount of HK\$131,000 (2018: HK\$478,000) due from HKIAAT arising from the services provided.

21. Financial risk management

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

a. Interest rate risk

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

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

	Group		Institute	
	2019	2018	2019	2018
	% p.a.	% p.a.	% p.a.	% p.a.
Time deposits	1.86%	1.14%	1.88%	1.21%
Savings accounts	0.04%	0.01%	0.03%	0.01%

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

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

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits				
- with original maturities within three months	80,402	12,942	73,449	10,255
- with original maturities over three months	201,244	368,327	183,054	343,151
	281,646	381,269	256,503	353,406
Impact of interest rate deviation				
Change in interest rate by 0.25% (2018: 0.25%)				
- Change in deficit before tax	704	-	641	-
- Change in surplus before tax	-	953	-	884
- Change in funds and reserve	704	953	641	884

Time deposits with original maturities over three months carry interest at market rates from 1.7% to 2.55% (2018: 0.3% to 2.17%) per annum and with maturities which range from six to twelve months.

b. Credit risk

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

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

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

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

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

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and the Institute's "Receivables", other than the amounts due from subsidiaries, are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sales of goods are made in cash or via credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. The recovery of the costs and the settlement of penalties in relation to

disciplinary and legal cases are closely monitored by management and there was no default in most of the cases according to past experience. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7.

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

c. Liquidity risk

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

d. Foreign currency risk

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have bank balances denominated in Renminbi ("RMB") in total of HK\$1,131,000 and HK\$62,000 (2018: HK\$1,117,000 and HK\$17,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$1,069,000 (2018: HK\$1,100,000) is held by HKICPA Beijing for the operations in Mainland China. The exposure to foreign currency risk is primarily caused by the fluctuation in the exchange rate of RMB. The exposure is not expected to be significant.

22. Capital management

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

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

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

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

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

23. Capital commitments

	Group		Institute	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements	7,173	12,882	7,173	12,882
Capital expenditure in respect of system implementation authorized but not contracted for in the financial statements	-	3,783	-	3,783
	<u>7,173</u>	<u>16,665</u>	<u>7,173</u>	<u>16,665</u>

INDEPENDENT AUDITOR'S REPORT



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

To the Trustees of the HKICPA Trust Fund

Opinion

We have audited the financial statements of The HKICPA Trust Fund (the “Trust Fund”) set out on pages 87 to 93, which comprise the statement of financial position at 30 June 2019, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Basis for Opinion

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

Responsibilities of Trustees for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Current assets			
Other receivables	4	9,318	30,098
Time deposits with original maturities over three months		915,188	3,692,202
Cash and cash equivalents	5	<u>3,062,806</u>	<u>202,168</u>
Net assets		<u>3,987,312</u>	<u>3,924,468</u>
Accumulated funds		<u>3,987,312</u>	<u>3,924,468</u>

Approved by the Trustees on 17 September 2019

Eric Tong
Trustee

Law Fu Yuen, Patrick
Trustee

Johnson Kong
Trustee

Wong Hong Yuen
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Revenue			
Donations	6	2,000	4,000
Interest income		<u>63,094</u>	<u>41,473</u>
		<u>65,094</u>	<u>45,473</u>
Expenses			
Grants to members	7	-	(14,726)
Bank charges		<u>(2,250)</u>	<u>(1,790)</u>
		<u>(2,250)</u>	<u>(16,516)</u>
Surplus		62,844	28,957
Other comprehensive income		<u>-</u>	<u>-</u>
Comprehensive income		<u>62,844</u>	<u>28,957</u>

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2019

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
<u>Accumulated funds</u>		
At the beginning of the reporting period	<u>3,924,468</u>	<u>3,895,511</u>
Surplus	62,844	28,957
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>62,844</u>	<u>28,957</u>
At the end of the reporting period	<u>3,987,312</u>	<u>3,924,468</u>

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
	<i>Note</i>	
Cash flows from operating activities		
Surplus	62,844	28,957
Decrease/(increase) in other receivables	20,780	(807)
Decrease in time deposits with original maturities over three months	<u>2,777,014</u>	<u>58,280</u>
Net cash generated from operating activities and net increase in cash and cash equivalents	2,860,638	86,430
Cash and cash equivalents at the beginning of the reporting period	<u>202,168</u>	<u>115,738</u>
Cash and cash equivalents at the end of the reporting period	5 <u>3,062,806</u>	<u>202,168</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities

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

2. Principal accounting policies

a. Basis of preparation

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

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

Impairment of financial assets

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

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

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Trust Fund becomes a party to the contractual provisions of the instrument. Financial assets within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

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

d. Impairment of financial assets

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

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

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

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

e. Derecognition of financial assets

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

f. Cash and cash equivalents

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

g. Revenue recognition

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

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

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

h. Related parties

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

(i) A person or a close member of that person's family is related to the Trust Fund if that person:

- (a) has control or joint control over the Trust Fund;
- (b) has significant influence over the Trust Fund; or
- (c) is a member of the key management personnel of the Trust Fund or of a parent of the Trust Fund.

(ii) An entity is related to the Trust Fund if any of the following conditions applies:

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

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

3. Financial instruments by category

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

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Other receivables	9,318	30,098
Time deposits with original maturities over three months	915,188	3,692,202
Cash and cash equivalents	<u>3,062,806</u>	<u>202,168</u>
	<u>3,987,312</u>	<u>3,924,468</u>

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

4. Other receivables

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Interest receivable	<u>9,318</u>	<u>30,098</u>

5. Cash and cash equivalents

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Bank balances		
- Time deposits with original maturities within three months	2,860,858	-
- Savings account	32,431	31,501
- Current account	<u>169,517</u>	<u>170,667</u>
	<u>3,062,806</u>	<u>202,168</u>

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

6. Donations

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Donation from other parties	<u>2,000</u>	<u>4,000</u>

7. Grants to members

During the year ended 30 June 2018, grants totaling HK\$14,726 were paid to help alleviate members of the Institute facing financial hardship.

8. Financial risk management

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

a. Interest rate risk

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

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

	2019	2018
	<i>%p.a.</i>	<i>%p.a.</i>
Time deposits	1.944%	1.115%
Savings accounts	0.093%	0.001%

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

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

	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Time deposits		
- with original maturities within three months	2,860,858	-
- with original maturities over three months	915,188	3,692,202
	<u>3,776,046</u>	<u>3,692,202</u>
<u>Impact of interest rate deviation</u>		
Change in interest rate by 0.25% (2018: 0.25%)		
- Change in surplus and accumulated funds	<u>9,440</u>	<u>9,231</u>

Time deposits with original maturities over three months carry interest at market rates 1.94% (2018: 0.75% to 1.29%) per annum and with maturities which range from six to twelve months.

b. Credit risk

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

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

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

9. Capital management

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

INDEPENDENT AUDITOR'S REPORT



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

To the Trustees of The HKICPA Charitable Fund

Opinion

We have audited the financial statements of The HKICPA Charitable Fund (the “Charitable Fund”) set out on pages 96 to 101, which comprise the statement of financial position at 30 June 2019, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Charitable Fund at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Basis for Opinion

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

Responsibilities of Trustees for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2019

STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	<i>Note</i>	2019 HK\$	2018 HK\$
Current assets			
Amount due from the Institute	4	50,000	50,000
Cash and cash equivalents	5	654,463	779,822
Net assets		704,463	829,822
Accumulated funds		704,463	829,822

Approved by the Trustees on 17 September 2019

Law Fu Yuen, Patrick
Trustee

Eric Tong
Trustee

Margaret W.S. Chan
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	<i>Note</i>	2019 HK\$	2018 HK\$
Revenue			
Donations	6	56,600	61,000
Interest income		551	33
		57,151	61,033
Expenses			
Sponsorship		(180,660)	(263,200)
Bank charges		(1,850)	(1,150)
		(182,510)	(264,350)
Deficit		(125,359)	(203,317)
Other comprehensive income		-	-
Comprehensive income		(125,359)	(203,317)

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2019

	2019 <i>HK\$</i>	2018 <i>HK\$</i>
<u>Accumulated funds</u>		
At the beginning of the reporting period	<u>829,822</u>	<u>1,033,139</u>
Deficit	(125,359)	(203,317)
Other comprehensive income	-	-
Comprehensive income	<u>(125,359)</u>	<u>(203,317)</u>
At the end of the reporting period	<u>704,463</u>	<u>829,822</u>

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	<i>Note</i>	2019 <i>HK\$</i>	2018 <i>HK\$</i>
Cash flows from operating activities			
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents		(125,359)	(203,317)
Cash and cash equivalents at the beginning of the reporting period		<u>779,822</u>	<u>983,139</u>
Cash and cash equivalents at the end of the reporting period	5	<u>654,463</u>	<u>779,822</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. Principal activities

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

2. Principal accounting policies

a. Basis of preparation

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2019

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

The Institute has not issued any new/revised HKFRSs after 30 June 2019 and up to the date of approval of these financial statements.

c. Financial instruments

Financial assets are recognized in the statement of financial position when the Charitable Fund becomes a party to the contractual provisions of the instrument. Financial assets within the scope of HKFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition.

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

d. Impairment of financial assets

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

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

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

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

e. Derecognition of financial assets

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

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

g. Revenue recognition

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

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

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

h. Related parties

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

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

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

3. Financial instruments by category

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

	2019 HK\$	2018 HK\$
Amount due from the Institute	50,000	50,000
Cash and cash equivalents	<u>654,463</u>	<u>779,822</u>
	<u>704,463</u>	<u>829,822</u>

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

4. Amount due from the Institute

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

5. Cash and cash equivalents

	2019 HK\$	2018 HK\$
Bank balances		
- Savings accounts	501,787	692,026
- Current accounts	<u>152,676</u>	<u>87,796</u>
	<u>654,463</u>	<u>779,822</u>

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

6. Donations

	2019 HK\$	2018 HK\$
Donation from the Institute	50,000	50,000
Donation from other parties	<u>6,600</u>	<u>11,000</u>
	<u>56,600</u>	<u>61,000</u>

7. Related party transactions

During the current year, the Charitable Fund received a donation of HK\$50,000 (2018: HK\$50,000) from the Institute. At 30 June 2019, the amount due from the Institute is HK\$50,000 (2018: HK\$50,000) and has been settled after the end of the reporting period.

8. Financial risk management

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

a. Interest rate risk

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

b. Credit risk

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

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

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

9. Capital management

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



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