

ANNUAL  
REPORT  
2021

TOGETHER  
FOR THE  
PROFESSION



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

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# FOREWORD

Becoming a member of the accounting profession is not just a matter of passing examinations. The process requires the demonstration of technical knowledge, industry knowledge, soft skills and relevant work experience. It requires experience of interacting with the business world, and learning from more experienced members of the profession.

From the start of their careers, accountants are therefore used to receiving support from seniors and peers, and also providing support. The CPA designation is not just a certificate to be obtained – it requires maintenance. CPAs must undertake professional development to ensure that their skill sets remain relevant, and they can effectively advise and support their clients and employers.

The combination of regularly learning from seniors and peers, and the need for lifelong learning, are what makes the accounting profession collegiate and tightknit. It is also why so many members are prepared to devote their time to supporting the development of the profession, and also Hong Kong.

This year's annual report celebrates some of the members who devote their time to supporting the profession and Hong Kong. It features photo essays of Institute members involved in various programmes, including Qualification Programme facilitators, Authorized Employers and Authorized Supervisors, continuing professional development event and course speakers, mentors of the Mentorship Programme, members of the Working Group on Technical Issues under the Small and Medium Practices Committee, Accountant Ambassadors and members involved in other corporate social responsibility programmes.

# MESSAGE FROM THE

# PRESIDENT



exceptionally. We have reformed and revitalized the profession more than we could have expected.

When I was elected President, the Leadership Team of myself and my two Vice-Presidents, Rosalind Lee and Ken Li, set out 10 priority areas for the Institute to achieve over the year, which were: implementation of one member one vote for the election of the President and Vice-Presidents; anti-money laundering compliance issues; the membership admission process for registration as CPAs; implementing the new Qualification Programme (QP) examinations; investigating long working hours; the digitalization of the profession; branding of the profession; global recognition of the Institute and our members; legal and compliance issues for accountants; and career development for members. The areas are all linked by their importance in reforming and revitalizing the profession.

## REFORM

The most important development over the past year for the Institute is the government's plan to further reform the regulatory regime of the profession. Announced in June 2021, the plan will see the Financial Reporting Council (FRC) entrusted with regulatory responsibilities currently undertaken by the Institute, including granting and renewing practising certificates, practice reviews and disciplinary actions. The Institute believes that such reforms should be implemented after thorough consideration and preparations, and is advocating for a measured and considered approach to be taken.

Over the summer, the Institute swiftly responded to the proposals. We held two members' forums with the Financial Services and the

## DEAR MEMBERS

As professional accountants we are used to changes in the profession and market demands that mean that we need to regularly update our skill sets and operating procedures. We need to reform our business offerings in light of client or employer demands, and revitalize our own skills, knowledge and expertise.

The past year has seen challenges for the Institute and our members from COVID-19, digital disruption, legislative developments, and the next phase of the regulatory reform. Work plans, patterns and projects have been disrupted and ways of doing business have, and continue to, change. Yet throughout, our members, Hong Kong's accountants, have continued to perform their roles

Treasury Bureau and the FRC, and conducted a survey of members and QP students to collect the feedback. These activities helped to inform our response to the legislation that we issued in early September. We also met with both organizations to discuss the reform and transitional arrangements. Council also called for an extraordinary general meeting to be held in September on the proposals.

The reform will develop over the next financial year as the legislation progresses, and the Institute will continue to seek the best outcome for Hong Kong.

This year we clarified our membership admission process by amending the membership admission form to better reflect our responsibilities as the anti-money laundering regulator of the accounting profession.

The government gazetted updates to the Companies Ordinance in June 2021 introducing a new inspection regime for the Companies Register regarding the availability of the personal information of company directors. Many members informed us that they routinely accessed this information in the course of their professional business and to lose this facility would adversely affect their ability to effectively carry out their work. In many cases this loss could not be compensated for by alternative procedures or processes. We liaised with the government about the changes before the subsidiary legislation was enacted, and the government added accounting and legal professionals as “specified persons” allowed to access personal information.

The three-month consultation on the proposed framework for the one member one vote election of the President and Vice-Presidents took place from March to May 2021. The consultation featured briefing sessions and an online survey to collect feedback. Council appreciates the time members, QP students and the

public put into providing their views and will revisit them at an appropriate time.

In recent years we have expanded our disclosures about how the Council, committees and the Institute operate. This year we have further enhanced these disclosures, with voting records recorded in the minutes of Council meetings, and in the annual report – where there is more information about how the important governance-related committees operate, the activities they undertook over the year, and disclosures about the Institute’s enterprise risk management. Being open in our operations demonstrates the hard work that both the Council and various committees put into our operations, and developing the profession.

### REVITALIZE

Reforming the profession is about responding to developments and changing how we operate. It is also important that we revitalize the profession – reinvigorate and reenergize it. We must inspire and support our members to look forward, to prepare for the opportunities available, and to develop the skills needed for success.

In the fast changing world it is vital the Institute remains seen as the voice of Hong Kong’s accounting profession. This is why we decided to host the first ever CPA Conference 2021 in October 2021. Themed “Transcending together”, the conference explored the business lessons learnt from the pandemic, the urgent need for digital transformation, the future of the finance function, as well as the evolving skill sets and the path forward for the accounting profession.

The new QP has revitalized the CPA qualification process, and strengthened the attractiveness of the profession, by ensuring its students gain the training in technical, ethical and soft skills needed for career success now and into the future. The first session of the Associate Level

was held in December 2020 and the first session of the Professional Level in June 2021, with the first offering of the Capstone this December completing the introduction. A secured electronic platform was introduced in August 2020 for setting examination papers, and work investigating the feasibility of online examinations is taking place.

The committees we set up this year on legal and compliance issues, digitalization, long working hours, and the FRC assessment of the Institute, are helping the Institute and the profession prepare for the future. The Digitalization Committee and the Long Working Hours Steering Group both issued surveys to investigate their areas, and over the years ahead all these committees and groups will build on their mandates, their research, and their members’ expertise to develop solutions and advocate for the profession across their remits. Their work will contribute towards revitalizing the profession, and ensuring it remains attractive to future generations.

The revitalization of the Institute relies upon members offering their time towards our activities. To end, I thank my two Vice-Presidents and all the other Council members, committee members and the management of the Institute who have all contributed their expertise to our activities, and helped to develop our profession.

No matter how the regulatory regime develops, we will remain Hong Kong’s accounting body, and an internationally respected accounting body. We will continue to provide the views of our members on developments that affect the profession, and society. The future is bright if we reform and revitalize together.

*Raymond Cheng FCPA (practising)*  
President

## MESSAGE FROM THE

# CHIEF EXECUTIVE AND REGISTRAR



strategy for Mainland China has also been refined by enhancing the incentive schemes, increasing the accreditation of universities, and introducing new promotional activities.

As a responsible stakeholder we also prepare the next generation of Hong Kong through providing financial education to students. This year our corporate social responsibility programmes were added to with the *Teen Money Management Survey 2020* of over 1,000 students, an educational video series on financial literacy, and a video in partnership with Caritas on the career roadmap to become a CPA. The second volume of the *10 Lessons in Money Management* comic book series was also published and workshops organized for students in primary and secondary schools.

### STRENGTHENING OUR TRAINING OFFERING

Online learning has become more important as a consequence of the pandemic. This year we organized over 170 online continuing professional development (CPD) events, 19 face-to-face events and made available over 980 e-learning programmes. In all, the programmes received over 156,000 enrolments – a new record – demonstrating our commitment to helping members develop.

The programmes covers a diverse range of topics to meet members' needs and ensure that CPD is offered for all the competencies under the Professional Development Framework for PAIBs.

We also launched two new specialist training programmes to help our members develop their careers in specialist fields. The

### DEAR MEMBERS

The past financial year was a year full of disruption and change. COVID-19 continued to affect our operations, forcing the cancellation of the majority of our signature events and the replacement of face-to-face with digital, and delaying the introduction of the new Qualification Programme (QP). Through the disruption, we continued to implement various key action items and strategic objectives and initiatives in our Strategic Plan 2020-2022 titled *Building Trust in our Profession*. The plan is proceeding to schedule, and a review of the initiatives was undertaken during

the 2021 Council Strategy Day and updated as appropriate.

### SUPPORTING THE NEXT GENERATION

One of the major tasks for the Institute over the past year has been the roll out of the new QP, and promoting the QP to potential students. This year, we developed a new publicity plan for the QP in Hong Kong, which features various campaigns including social media platforms, advertorials, and outreach activities, to promote career aspirations and raise public awareness on the broad range of competencies and skill sets of CPAs. The marketing

Business Valuation Programme and the Professional Enhancement Programme in Forensic Accounting, which received funding from the government's Professional Services Advancement Support Scheme, will support members interested in these two fast-growing fields.

Finally, the new "Training by competencies" webpage and bite-size learning video clips of CPD events were introduced in April 2021. They serve as tasters of courses covering technical, audit quality, and ethics related training, helping members to find the training they need.

### IMPROVING OUR COMMUNICATIONS

Truly connecting with our members is vital for us to comprehensively understand what support they need in their careers. It is also important for us to reach the public and the potential next generation of CPAs.

We held two members' forums in November 2020 to discuss developments in the profession and the Institute with members, and respond to questions.

We enriched our website this year to provide more information. A new "Thought leadership" website section was published in April 2021 to better highlight our thought leadership work. New webpages on the Institute's relations with stakeholders were launched in June 2021. We also began publishing Chinese translations of selected *A Plus* articles on the website. The "Organization" and "Governance" sections of the website were also improved, with a view to disclosing more about how the Institute operates.

Our corporate social responsibility programme Rich Kid, Poor Kid celebrated its 15th anniversary during year. A mini-site was developed for the anniversary, to highlight the achievements of the programme and how Accountant Ambassadors have contributed to the financial education of students over the years.

The Institute continued to support

members through the COVID-19 pandemic. The "COVID-19 – CPA Information Centre" webpage was frequently updated with the latest relevant information including on travel schemes. A quarantine exemption scheme for public interest entity auditors, which had been raised by the Institute to the government, began in mid-May 2020. Over 1,500 applications from more than 1,000 individuals were processed, enabling audits to be conducted in the Mainland.

Due to the pandemic, many of our signature events had to be replaced by virtual celebrations. Webpages and videos were created for the virtual Annual Cocktail 2020, the New Members Cocktail 2020, and the 2021 Online Spring Celebration. Social media is an important channel for us to connect with members, QP students and the public. This year we released short videos and interactive content on our Facebook and Instagram accounts to promote the multi-faceted roles and responsibilities of CPAs.

### FINANCES

The financial year was challenging for the Institute, which recorded a deficit of HK\$58 million (2020: HK\$93 million deficit). This was driven by a few factors.

Council approved a membership fee waiver for calendar year 2020 and one-off concessions for 2021. The impact in this financial year was HK\$42 million (2020: HK\$67 million).

As a result of COVID-19, the Institute developed contingency plans to hold the QP workshops and examinations, which resulted in increased costs to hold the two examination sessions in December 2020 and June 2021.

The Institute's net assets fell to HK\$204 million (2020: HK\$262 million) due to the increase in contract liabilities (mainly subscription fees collected in advance). Total cash balance was HK\$170 million, up from HK\$163 million in 2020, due to the lower fee waiver and concession impact in 2021. The year-end total

cash balance could support the Institute's operating cash flow needs for approximately seven months.

To reduce the deficit, the management has been trying their best to curb costs by containing expenses, reducing budgeted headcount, adopting a salary freeze for the second year and a further reduced bonus pool for staff.

The further regulatory reform of the profession will change the Institute's roles and responsibilities in the future, which will have an impact on its structure and costs. However, a membership fee adjustment may be inevitable in order for the Institute to maintain its functions and activities. The membership fee was last changed in 2013.

### PREPARING FOR THE FUTURE

The roles and responsibilities of the Institute will be changing. We need to continue monitoring the developments and assessing the impacts in the coming year. The Institute will refocus its operations on our statutory roles and the expectations of members detailed in our survey on the reform. These are: encouraging and facilitating CPD, representing the views of the profession, and ensuring the Institute's professional education and assessment matches changing practices and expectations. All this while continuing to act with the public interest in mind.

Over the next year we will continue to build trust in our profession by implementing and refining our strategic plan and preparing for the new regulatory regime. No matter the developments, we continue to work on our plan for a better future for both Hong Kong and the accounting profession.

**Margaret W.S. Chan CPA**  
Chief Executive and Registrar

# CORPORATE GOVERNANCE

How do accountants promote good corporate governance?

From left:

Arthur Chan CPA (practising),  
Maurice Ngai CPA,  
Gary Poon CPA (practising)




"Accountants are gatekeepers of financial reporting and governance, ensuring transparency and accountability in their organizations. Accountants help by assisting in setting up proper systems and controls, implementing appropriate risk management solutions, and ensuring accurate disclosures." – **Arthur Chan**, Partner, PricewaterhouseCoopers and Member of the Community Services Working Group

"Nowadays, the ambit of accountants is no longer solely financial centric, they are ideally qualified for corporate governance positions. In these roles they can be the gatekeeper for compliance and, more importantly, the advocator for better corporate governance." – **Maurice Ngai**, Group Chief Executive Officer, SWCS Corporate Services Group (Hong Kong) Limited and a speaker of a continuing professional development event

"Accountants can play vital roles in promoting good corporate governance by emphasizing the importance of high standards. Sustainability, integrated reporting, and environmental, social and governance reporting are increasingly topics that decision-makers and advisors cannot afford to overlook." – **Gary Poon**, Partner, Poon & Co. and Member of the Community Services Working Group





Effective corporate governance policies and practices ensure that the Institute carries out its statutory responsibilities with the public interest at the forefront of considerations.

## MAJOR GOVERNANCE DEVELOPMENTS

During the financial year there were four major governance developments.

### **Amendments to the Professional Accountants By-Laws**

The Institute proposed amendments to the By-Laws to give members the choice to receive e-notices for annual general meetings (AGM) and to adjust the AGM timetable, in line with other professional bodies in Hong Kong. The amendments were passed at the AGM held in December 2020 and have been sent to the Financial Services and the Treasury Bureau in January 2021 for their handling.

### **One member one vote for the election of the President and Vice-Presidents**

The Consultation Paper on the Proposed Framework for the One Member One Vote Election

of the President and Vice-Presidents was developed by an independent working group, and issued on 1 March 2021 with a three-month public consultation. In tandem with the public consultation, the Leadership Team and management undertook a stakeholder's engagement campaign including members' forums, dedicated webpage, press release and media coverage. The consultation responses and analysis was presented to Council for consideration in the meeting in June 2021.

### **Further regulatory reform of the accounting profession**

The Secretary for Financial Services and the Treasury announced further reform of the regulatory regime of accounting profession on 8 June 2021. To provide more information to members about the reform, a dedicated webpage has been set up on the Institute's website. The changes proposed are extensive and significant. The Institute held two members' forums on the proposals, inviting representatives from the Financial Services and the Treasury Bureau to explain the proposals and the Financial

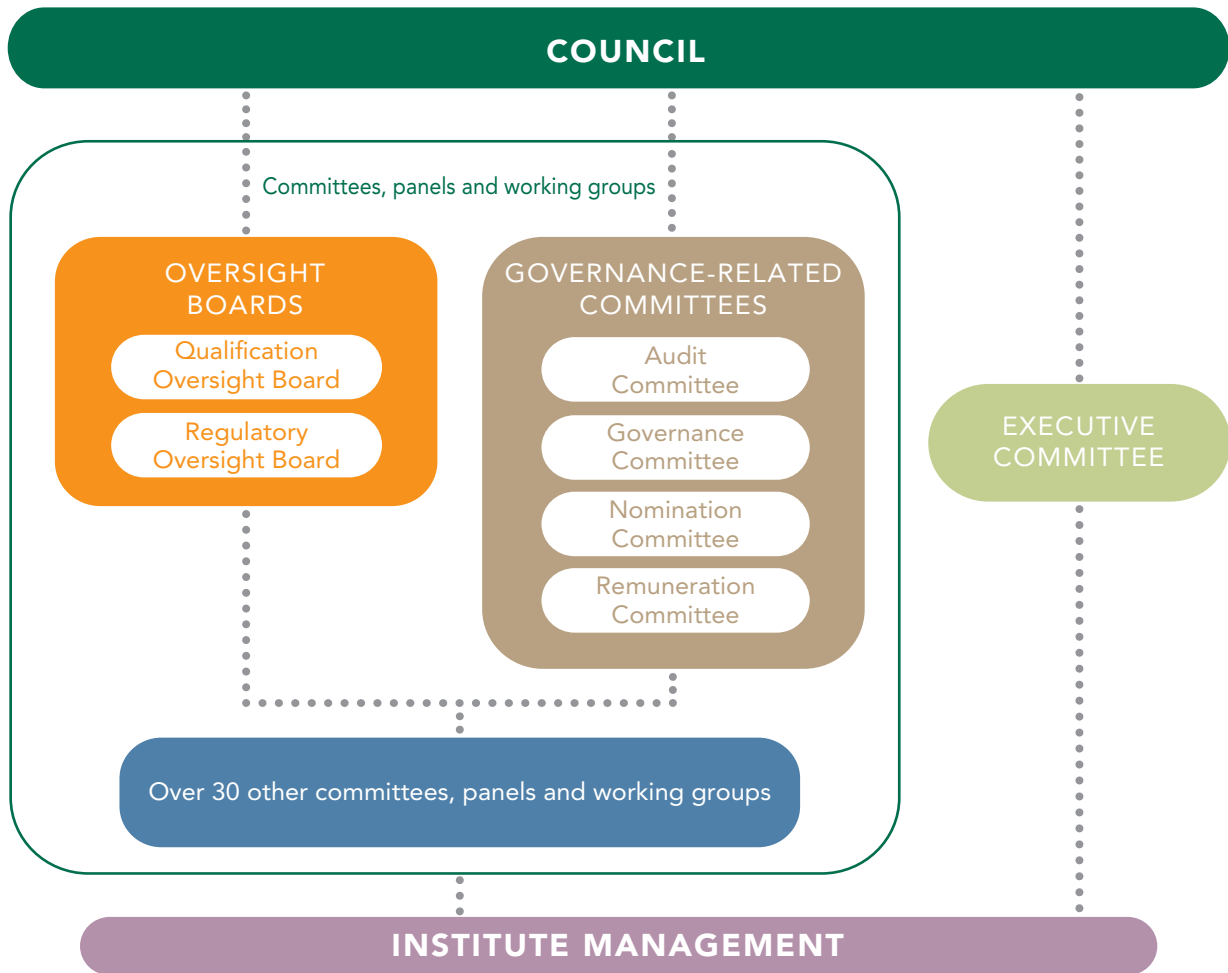
Reporting Council (FRC) to discuss how they plan on regulating the profession, released a survey in July 2021 to collect the views of members, and aims to communicate them to the government throughout the developments of the legislation and the new regulatory regime. The Institute issued emails to members on the proposals and made submissions to the government, which provided positive feedback. The Council also called for an extraordinary general meeting on the proposals in September 2021.

More information about the latest development of the reform can be found on the reform's dedicated webpage.

### **Enhanced disclosures**

Following on from the greater disclosures on the Institute's processes and operations in last year's annual report. This financial year there are more disclosures about the activities of the oversight boards, governance-related committees, and Executive Committee, and the enterprise risks the Institute faces and their mitigation efforts in this chapter.

GOVERNANCE STRUCTURE



**THE COUNCIL**

The Council serves as the governing body of the Institute, makes decisions on the overall strategy, policy and direction, as well as handling matters stipulated in the Professional Accountants Ordinance. It provides guidance on the Institute’s governance and operations with the assistance of oversight boards and relevant committees.

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.

**Composition**

The composition of the Council is governed by the Professional Accountants Ordinance. The Council consists of 21 members, and the Council may co-opt an additional two members at the start of its term. All members are non-executive and non-compensated.

This year, the Council consists of 21 members. 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.

**Term of service**

The term of office of Council members is governed by the Professional Accountants Ordinance. Elected Council members serve for two-year terms beginning after the AGM in December. Government-appointed lay members also serve for two-year terms from the appointment date. The ex-officio members serve while holding their official capacity. Co-opted members serve from after the Council meeting

when they are appointed, usually early in the Council year, until the next AGM.

**Induction**

Early in the new Council term, newly elected and appointed Council members are given a briefing and information package by the Institute’s Chief Executive and Registrar to familiarize them with the Institute, its governance and Council operations and meeting processes, membership statistics and key projects.

**Conflict of interest and confidentiality**

All Council members follow established rules to avoid conflict of interest, such as exclusion from 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 as a member of the Council.

## COUNCIL MEMBERS



## THE COUNCIL (As of 30 June 2021)

## Elected members

- 01 Raymond Cheng FCPA (practising) (*President*)
- 02 Rosalind Suk Yee Lee FCPA (*Vice President*)
- 03 Li Kin Hang CPA (*Vice President*)
- 04 Alan Au CPA
- 05 Alan Chan FCPA (practising)
- 06 Larry Cheng CPA (practising)
- 07 Cheung Wai Lun, William CPA
- 08 Choy Kai Sing FCPA (practising)
- 09 Fong Wan Huen, Loretta CPA (practising)
- 10 Ernest Fung CPA
- 11 Lam Chi Yuen, Nelson JP, FCPA (practising)
- 12 Louis Leung CPA
- 13 Roy Leung FCPA (practising)
- 14 Wong Wing Hei, Ernest CPA

## Immediate Past President

- 15 Johnson Kong FCPA (practising)

## Government-appointed lay members

- 16 Au King Lun MH, PhD
- 17 Agnes Choi Heung Kwan MH
- 18 Theresa Ng Choi Yuk JP
- 19 Wong Kam Pui, Wilfred BBS, JP

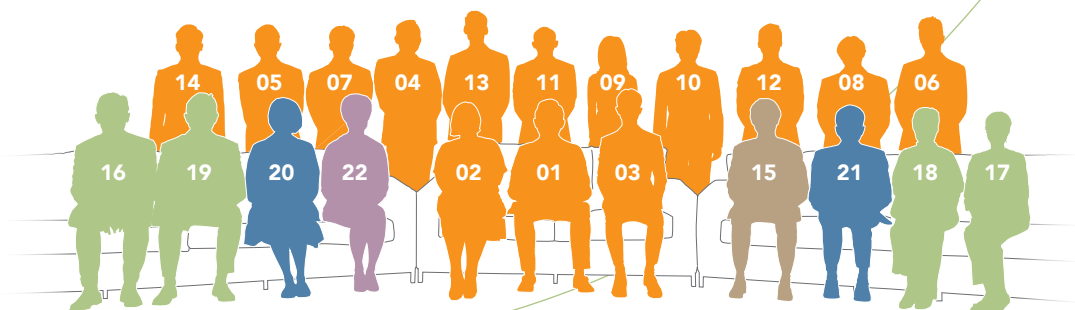
## Ex-officio members

- 20 Kitty Tsui  
(Representative of the Financial Secretary,  
Government of the HKSAR)
- 21 Charlix Wong SBS, JP, FCPA\*  
(Director of Accounting Services, Government  
of the HKSAR)

## Chief Executive &amp; Registrar

- 22 Margaret W.S. Chan CPA (Secretary)

\* Charlix Wong SBS, JP, FCPA ceased to be a member of the Council on 13 October 2021. His replacement is Susanna Cheung JP, FCPA who became a member of the Council on 14 October 2021.



The summaries below are highlights of the biographical details of Council members. For elected Council members, the year referenced is the Council year, which is the period between two AGMs. For ex-officio, lay and co-opted Council members, the date of appointment is included. Full biographies can be found on the Institute's website.

### RAYMOND CHENG FCPA (PRACTISING) (PRESIDENT)

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2011
<b>Committee membership</b>	Ex-officio member, Executive Committee (since 2021) Chairman, Nomination Committee (since 2021) (member since 2021) Chairman, Qualification Oversight Board (since 2020) (member since 2020) Member, Registration and Practising Committee (2015-20) Member, Regulatory Oversight Board (since 2021) Member, Remuneration Committee (2017-20) Chairman, Task Force on the Financial Reporting Council Assessment on HKICPA (since 2021) (member since 2021) Trustee, HKICPA Trust Fund (since 2021)
<b>Position and company</b>	Chairman, HLB Hodgson Impey Cheng Limited
<b>Other public appointments</b>	Council member, Hong Kong Examinations and Assessment Authority (2015-21) Chairman, Finance Committee, Hong Kong Examinations and Assessment Authority (2015-21) Convenor, Mid-Tier Firm Alliance
<b>Skills and experience</b>	Specializing in corporate audits and with extensive experience in auditing companies in different industries, most especially the financial services industry. He is a Council member of HLB International and leads the firm by formulating strategies.

### ROSALIND SUK YEE LEE FCPA (VICE-PRESIDENT)

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2018
<b>Committee membership</b>	Chairman, Branding and Communication Advisory Panel (since 2021) (member since 2021) Ex-officio member, Executive Committee (since 2021) Deputy Chairman, Governance Committee (since 2021) (member since 2018) Member, Nomination Committee (since 2021) Chairman, Professional Accountants in Business Committee (since 2021) (member since 2021) Member, Professional Conduct Committee (since 2018) Deputy Chairman, Registration and Practising Committee (since 2021) (member since 2018) Member, Task Force on the Financial Reporting Council Assessment on HKICPA (since 2021) Trustee, HKICPA Trust Fund (since 2021)
<b>Position and company</b>	Director, CookCook Land Limited
<b>Skills and experience</b>	Extensive experience in food industry, e-commerce, finance, auditing and accounting, in Hong Kong and the United States. She is currently the founder and director of several companies.

**LI KIN HANG CPA (VICE-PRESIDENT)**

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2018
<b>Committee membership</b>	Member, Branding and Communication Advisory Panel (since 2021) Ex-officio member, Executive Committee (since 2021) Member, Nomination Committee (since 2021) Deputy Chairman, Practice Review Committee (since 2021) (member since 2021) Member, Professional Accountants in Business Committee (2018-20) Deputy Chairman, Professional Conduct Committee (since 2021) (member since 2021) Deputy Chairman, Qualification and Examinations Board (since 2021) (member since 2021) Member, Sports and Recreation Committee (since 2018) Member, Task Force on the Financial Reporting Council Assessment on HKICPA (since 2021)
<b>Position and company</b>	Head of Finance at a multinational corporation in the fast-moving consumer goods industry
<b>Other public appointments</b>	Accredited coach, Sports Federation & Olympic Committee of Hong Kong
<b>Skills and experience</b>	Started his career with an international accounting firm, before serving in several multinational corporations and is currently head of finance. He has extensive experience in business partnering and business transformation.

**JOHNSON KONG FCPA (PRACTISING) (IMMEDIATE PAST PRESIDENT)**

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2015 President (2020) Vice-President (2018-19)
<b>Committee membership</b>	Ex-officio member, Executive Committee (2018-20) Member, Governance Committee (since 2021) Chairman, Greater Bay Area Committee (since 2019) (member since 2019) Chairman, Nomination Committee (2020) (member in 2018-20) Trustee, HKICPA Trust Fund (since 2019)
<b>Position and company</b>	Managing Director, BDO Hong Kong
<b>Other public appointments</b>	Accounting Advisor, the Ministry of Finance, PRC Member, Small and Medium Practices Advisory Group, International Federation of Accountants Chair, SMP Business Support Task Force, International Federation of Accountants Member, Election Committee (Accountancy Subsector), HKSAR Member, Securities and Futures Appeals Tribunal Member, Operations Review Committee, Independent Commission Against Corruption Member, Mainland Business Advisory Committee and Service Promotion Programme Committee, Hong Kong Trade Development Council Council Member, the Association of Hong Kong Accounting Advisors Ltd. Alternate Director, Hong Kong Association of Registered Public Interest Entity Auditors Ltd. Deputy Director (Accounting Sector), Association For Promotion of Cooperation Between Guangdong, Hong Kong & Macau, Guangdong Province Member, Audit Committee, The University of Hong Kong
<b>Skills and experience</b>	With close to 40 years of professional accounting experience. He specializes in financial investigation, forensic and litigation support, restructuring, receivership and insolvency related work. He oversees all the non-assurance services of BDO Hong Kong.

## ALAN AU CPA

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2019
<b>Committee membership</b>	Deputy Chairman, Ethics Committee (since 2021) (member since 2021) Member, Governance Committee (since 2019) Deputy Chairman, Professional Conduct Committee (since 2021) (member since 2019) Member, Restructuring and Insolvency Faculty Executive Committee (since 2019) Chairman, Task Force on Legal and Compliance for Accountants (since 2021) (member since 2021) Member, Taxation Faculty Executive Committee (since 2019)
<b>Position and company</b>	Director, Unicorn Corporate Secretarial Limited
<b>Skills and experience</b>	Over 10 years of working experience in auditing, company secretarial and corporate investment related positions from listed companies from Hong Kong and China.

## AU KING LUN MH, PHD

Council meeting attendance from 1 July 2020 to 30 June 2021: 13/14

<b>Council membership</b>	Council lay member since 1 December 2019
<b>Committee membership</b>	Member, Regulatory Oversight Board (since 2020)
<b>Position and company</b>	Executive Director, Financial Services Development Council
<b>Other public appointments</b>	Medal of Honour Senior Fellow, Hong Kong Securities and Investment Institute Adjunct Professor, The University of Hong Kong Member, Index Advisory Committee, China Securities Index Co., Ltd. Member, Index Advisory Committee, Shanghai Stock Exchange Member, Hong Kong Corporate Governance Excellence Awards Judging Panel, The Chamber of Hong Kong Listed Companies
<b>Skills and experience</b>	A Chartered Financial Analyst with decades of asset management industry experience. He has held senior positions at organizations including as President of Value Partners Group, CEO of Eastspring Investments (Hong Kong) Limited and BOCHK Asset Management Limited. He was also a past Chairman of the Hong Kong Securities and Investment Institute and the Hong Kong Investment Funds Association.

## ALAN CHAN FCPA (PRACTISING)

Council meeting attendance from 10 December 2020 to 30 June 2021: 9/9

<b>Council membership</b>	Elected Council member since 2021
<b>Committee membership</b>	Member, Professional Conduct Committee (since 2021) Member, Registration and Practising Committee (since 2021) Deputy Chairman, Small and Medium Practices Committee (since 2021) (member since 2021) Member, Taxation Faculty Executive Committee (since 2021)
<b>Position and company</b>	Partner, Alan Chan & Partners
<b>Skills and experience</b>	Over 30 years' experience in auditing, accounting and taxation with both listed and non-listed companies in different industries including manufacturing and financial institutions.

**LARRY CHENG CPA (PRACTISING)**

Council meeting attendance from 10 December 2020 to 30 June 2021: 9/9

<b>Council membership</b>	Elected Council member since 2021
<b>Committee membership</b>	Chairman, Digitalization Committee (since 2021) (member since 2021) Member, Practice Review Committee (since 2021) Member, Registration and Practising Committee (since 2021) Chairman, Small and Medium Practices Committee (since 2021) (member since 2021) Member, Young Members Committee (since 2021)
<b>Position and company</b>	Founder, Widi Limited
<b>Skills and experience</b>	Ample experience in accounting and auditing, private equity and start-up ventures.

**CHEUNG WAI LUN, WILLIAM CPA**

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2020
<b>Committee membership</b>	Member, Branding and Communication Advisory Panel (since 2020) Chairman, Long Working Hours Steering Group (since 2021) (member since 2021) Member, Qualification and Examinations Board (since 2021) Chairman, Young Members Committee (since 2021) (member since 2020)
<b>Position and company</b>	Finance Manager at an international music group
<b>Skills and experience</b>	Previously a Big Four auditor and financial planning and analysis professional in the retail and garment industry, he is currently working in an international music group, overseeing accounting and finance function.

**AGNES CHOI HEUNG KWAN MH**

Council meeting attendance from 1 December 2020 to 30 June 2021: 9/10

<b>Council membership</b>	Council lay member since 1 December 2020
<b>Committee membership</b>	Member, Governance Committee (since 2021) Member, Regulatory Oversight Board (since 2021)
<b>Position and company</b>	Nil
<b>Other public appointments</b>	Medal of Honour Member, Hong Kong Maritime and Port Board Chairman, Promotion and External Relations Committee, Hong Kong Maritime and Port Board Non-Executive Director, Insurance Authority Member, Corporate Services Committee, Insurance Authority Member, External Relations Committee, Insurance Authority Member, Regulatory Instruments Committee, Insurance Authority Asia Ambassador, International Union of Marine Insurance
<b>Skills and experience</b>	A veteran practitioner with over 35 years of experience in the insurance industry. Over her career, she has filled key management roles in many leading insurance companies. She was the Chairman of the Hong Kong Federation of Insurers from 2012 to 2013 and a member of the Executive Committee of the International Union of Marine Insurance from 2015 to 2018.

### CHOY KAI SING FCPA (PRACTISING)

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2020
<b>Committee membership</b>	Member, Financial Reporting Standards Committee (since 2020) Member, Registration and Practising Committee (since 2021) Member, Sustainability Committee (since 2020)
<b>Position and company</b>	Director, Asia Metro Limited
<b>Skills and experience</b>	Over 20 years' experience in auditing, internal audit, investment banking and corporates in Hong Kong and the Mainland China. He was an auditor in KPMG and chief financial officer and company secretary of a Main Board listed company. He is currently in his own professional consultancy practice.

### FONG WAN HUEN, LORETTA CPA (PRACTISING)

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2017 Vice-President (2020)
<b>Committee membership</b>	Chairman, Auditing and Assurance Standards Committee (since 2021) (Deputy Chairman in 2018-20 and member since 2015) Ex-officio member, Executive Committee (2020) Member, Greater Bay Area Committee (2019-20) Member, Nomination Committee (2020) Chairman, Professional Development Committee (since 2020) (member since 2020) Member, Registration and Practising Committee (since 2017) Member, Task Force on the Financial Reporting Council Assessment on HKICPA (since 2021)
<b>Position and company</b>	Partner, PwC Hong Kong
<b>Other public appointments</b>	Vice-Chairman, Finance & Administration Committee, Hong Kong Young Women's Christian Association Board member, Ocean Park Corporation Trustee, Ocean Park Conservation Foundation, Hong Kong General Committee Member, General Committee, Federation of Hong Kong Industries Council member and Treasurer, The Hong Kong Polytechnic University Member, MPF Schemes Advisory Committee Member, Advisory Board on Accountancy, Lingnan University Member, Advisory Board on Accounting Studies, The Chinese University of Hong Kong Panel member, Resolvability Review Tribunal Panel member, Copyright Tribunal
<b>Skills and experience</b>	Extensive experience in providing accounting, audit and consulting services for public and private companies. She has proven experience in leading initial public offerings in Hong Kong and the United States.



**ERNEST FUNG CPA**

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2018
<b>Committee membership</b>	Member, Audit Committee (since 2021) Member, Professional Conduct Committee (since 2021) Member, Registration and Practising Committee (since 2021) Deputy Chairman, Remuneration Committee (since 2021) (member since 2021) Member, Securities Regulatory Advisory Panel (since 2019)
<b>Position and company</b>	Financial Controller at a listed financial services group
<b>Skills and experience</b>	Extensive experience in auditing and accounting. He worked as an auditor in different multinational accounting firms. He is now a financial controller of a listed company which provides financial services.

**LAM CHI YUEN, NELSON JP, FCPA (PRACTISING)**

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member in 2012-17 and since 2019 Vice-President (2019-20)
<b>Committee membership</b>	Chairman, Branding and Communication Advisory Panel (2020) Ex-officio member, Executive Committee (2019-20) Member, Nomination Committee (2019-20) Member, Professional Conduct Committee (2019-20) Chairman, Small and Medium Practices Committee (2020) Trustee, HKICPA Trust Fund (2020)
<b>Position and company</b>	Founder, Chairman and Practising Director, Nelson CPA Limited Executive Chairman, Accountancy Caring Alliance Limited
<b>Other public appointments</b>	Justice of the Peace Director and Past Chairman, Accounting Development Foundation Limited Member, Election Committee (Accountancy Subsector), HKSAR Member, Consumer Council Member, Mandatory Provident Fund Schemes Appeal Board Adjunct Professor, School of Business, Hong Kong Baptist University Member, Securities and Futures Appeals Tribunal Member, Transport Advisory Committee
<b>Skills and experience</b>	Extensive experience in professional accountancy and in advising and speaking on issues relating to financial reporting and auditing related issues, in particular on International and Hong Kong Financial Reporting Standards. He is also a co-author of several financial reporting and auditing books with some renowned professors in Hong Kong and the United States.

## LOUIS LEUNG CPA

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2018
<b>Committee membership</b>	Deputy Chairman, Branding and Communication Advisory Panel (since 2021) (member since 2018) Member, Digitalization Committee (since 2021) Member, Qualification and Examinations Board (2018-20)
<b>Position and company</b>	Founder, Widi Limited
<b>Skills and experience</b>	Ample experience in accounting and financial services industry. He has also started several ventures in various industries.

## ROY LEUNG FCPA (PRACTISING)

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Elected Council member since 2018
<b>Committee membership</b>	Chairman, Professional Conduct Committee (since 2020) (member since 2016) Deputy Chairman, Professional Development Committee (since 2021) (member since 2018) Member, Registration and Practising Committee (Deputy Chairman in 2020 and member since 2018)
<b>Position and company</b>	Partner, KPMG Hong Kong
<b>Other public appointments</b>	Member, Building Safety Loan Scheme Advisory Committee Member, Investment Task Force of the Construction Industry Council Member, Accounting Advisory Board of The University of Hong Kong Member, Accounting Advisory Board of The Hong Kong University of Science and Technology Member, Advisory Committee of Department of Accountancy of the City University of Hong Kong
<b>Skills and experience</b>	Extensive experience in providing assurance and advisory services to companies seeking initial public offerings. He is also the lead audit engagement partner for listed companies in a variety of sectors including transportation, real estate and consumer markets.

## THERESA NG CHOI YUK JP

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Council lay member since 1 December 2018
<b>Committee membership</b>	Member, Audit Committee (since 2019) Member, Branding and Communication Advisory Panel (2020) Member, Governance Committee (since 2019) Member, Nomination Committee (since 2021)
<b>Position and company</b>	Retired
<b>Other public appointments</b>	Justice of the Peace Non-executive Director, Hong Kong Insurance Authority
<b>Skills and experience</b>	A seasoned professional in the banking industry with over 30 years of experience in retail and private banking in Hong Kong. She was the Deputy General Manager and head of retail banking at ICBC (Asia) and previously worked at HSBC for over 15 years.

**KITTY TSUI**

Council meeting attendance from 4 September 2020 to 30 June 2021: 13/13

<b>Council membership</b>	Ex-officio Council member, Representative of the Financial Secretary, Government of the HKSAR, since 4 September 2020
<b>Committee membership</b>	Member, Regulatory Oversight Board (since 2021)
<b>Position and company</b>	Registrar of Companies, Companies Registry, Government of the HKSAR
<b>Skills and experience</b>	She was the Registry Solicitor and headed the Legal Services Division of the Companies Registry. She was a member of the Companies Bill Team for the rewrite of the Companies Ordinance and participated in the implementation of the Companies Ordinance. Other than the Companies Registry, she has previously served in the Official Receiver's Office and the Lands Department.

**WONG KAM PUI, WILFRED BBS, JP**

Council meeting attendance from 1 July 2020 to 30 June 2021: 13/14

<b>Council membership</b>	Council lay member since 1 December 2017
<b>Committee membership</b>	Member, Ethics Committee (2020) Member, Greater Bay Area Committee (since 2019) Member, Nomination Committee (since 2019) Member, Qualification Oversight Board (since 2018) Member, Remuneration Committee (since 2018)
<b>Position and company</b>	Founder and Managing Director, RESOLUTIONS HR & Business Consultancy Co. Ltd.
<b>Other public appointments</b>	Bronze Bauhinia Star Justice of the Peace Chairman, Cross-industry Training Advisory Committee for Human Resource Management Council Member, Hong Kong Council for Accreditation of Academic and Vocational Qualifications Member, Standing Commission on Disciplined Services Salaries and Conditions of Service Member, Travel Industry Authority Member, Committee on Self-financing Post-secondary Education Member, Pneumoconiosis Compensation Fund Board Member, Executive Committee of Hong Kong Housing Society Member, Career Development Board of The Chinese University of Hong Kong
<b>Skills and experience</b>	More than 30 years of experience in human resources and business management. He is an appointed member of various government advisory bodies and the past president of Hong Kong Institute of Human Resource Management.

## CHARLIX WONG SBS, JP, FCPA

Council meeting attendance from 1 July 2020 to 30 June 2021: 14/14

<b>Council membership</b>	Ex-officio Council member, Director of Accounting Services, Government of the HKSAR, 3 January 2018 to 13 October 2021
<b>Committee membership</b>	Nil
<b>Position and company</b>	Director of Accounting Services, The Treasury, Government of the HKSAR
<b>Other public appointments</b>	Silver Bauhinia Star Justice of the Peace Member, Managing Board of Kowloon-Canton Railway Corporation Chairman, Audit Committee of Kowloon-Canton Railway Corporation
<b>Skills and experience</b>	Before assuming the post of Director of Accounting Services in January 2018, he served in various policy bureaux and departments of the Government of the HKSAR, including the Social Welfare Department, the Housing Authority, The Treasury, and the Financial Services and the Treasury Bureau. He retired on 13 October 2021 and ceased to be a member of the Institute's Council.

## WONG WING HEI, ERNEST CPA

Council meeting attendance from 10 December 2020 to 30 June 2021: 9/9

<b>Council membership</b>	Elected Council member since 2021
<b>Committee membership</b>	Member, Corporate Finance Advisory Panel (since 2021) Member, Long Working Hours Steering Group (since 2021) Member, Professional Accountants in Business Committee (since 2021) Member, Registration and Practising Committee (since 2021) Member, Young Members Committee (since 2021)
<b>Position and company</b>	Senior Financial Analyst at a financial services corporation
<b>Skills and experience</b>	Extensive experience in external and internal auditing, risk and compliance with international accounting firm and global consulting firm. He also worked for commercial firms on accounting, financial planning and analysis.

### Members who retired during the year

Law Fu Yuen, Patrick FCPA (practising) Past President and elected Council member (2014-20 Council years), Council meeting attendance from 1 July 2020 to 10 December 2020: 5/5

Au Chun Hing, Edward FCPA (practising) elected Council member (2019-20 Council years), Council meeting attendance from 1 July 2020 to 10 December 2020: 5/5

Jennifer H.Y. Cheung FCPA elected Council member (2013-17 and 2019-20 Council years), Council meeting attendance from 1 July 2020 to 10 December 2020: 5/5

Susie Ho Shuk Yee, Council lay member (1 December 2018 to 30 November 2020), Council meeting attendance from 1 July 2020 to 30 November 2020: 4/4

Ada Chung JP, FCPA, ex-officio Council member (27 August 2007 to 3 September 2020), retired from the Council on 3 September 2020, Council meeting attendance from 1 July 2020 to 3 September 2020: 1/1

Zeng Tao, Tony CPA, Co-opted Council member (17 January 2020 to 10 December 2020), Council meeting attendance from 1 July 2020 to 10 December 2020: 5/5

## COUNCIL PROCESSES

The Council conducts its business through regular meetings. Arrangement of the meetings include:

- Meetings are chaired by the President
- Meetings are held monthly
- Eleven members of the Council required for a quorum
- Attendance can be in person, by telephone, video conferencing or other electronic means
- Council meeting agenda is considered and confirmed at the Executive Committee meeting held prior to each Council meeting
- Normally two rounds of Council paper distribution, the first seven calendar days before the meeting and the second as necessary
- Council minutes are produced for each meeting, with one set of abridged minutes uploaded to the Members' area of the Institute's website

The Chief Executive and Registrar, as Secretary to the Council, is responsible for ensuring that related policies and procedures are followed.

## COUNCIL DISCUSSIONS DURING 2020/21

The Council held 11 ordinary meetings during the financial year and three special meetings. The first special meeting was held directly after the AGM in December 2020 to elect the President and Vice-

Presidents; the second, held in December 2020, to review the Council composition and review composition and appointments to committees; and the third after the announcement of the government's proposal on further reform of regulatory regime of accounting profession in June 2021. Attendance records of individual members can be found on the Institute's website. Institute members can also read abridged minutes of the meetings, available in the Members' area of the website.

At the ordinary meetings, the Council discussed matters including:

### Strategy and governance

- Council composition and co-option of Council members
- Guidance on nomination of committee members
- Nominations to external bodies and appointments to Institute's boards and committees
- Criminal records check on membership applicants
- The new Qualification Programme
- Reports from boards and committees
- One member one vote for the election of the President and Vice-Presidents

### Operations

- Regulatory matters
- Audit fees
- FRC assessment report

## Advocacy

- Government budget
- Further reform of regulatory regime of accounting profession

## Human resources

- Salary and bonus review for general staff

## COMMITTEES

The Council is supported in its activities by various oversight boards and committees. These ensure that the operations of the Institute's management and other committees are aligned with the strategies and policies set by the Council through submitting periodic reports. Committees conduct meetings physically, with dial in and virtual conference facilities also made available.

Committee nominations are sought in November 2020, with members invited to submit their names and CVs for consideration by the Nomination Committee. Committees are appointed for one year by Council in January 2021 after recommendations from the Nomination Committee.

Ordinary members of committees are generally subject to a six-year term limit on a particular committee, but may serve up to an additional three years as a deputy chairman and three years as the chairman.

The terms of reference of these committees can be found on the Institute's website.

The following tables provide details about the responsibilities, significant matters considered or resolved, and membership of the oversight boards, governance-related committees, and Executive Committee.

**Oversight boards****Qualification Oversight Board****Responsibilities:**

- Oversees the performance and operations of the Education and Training, and Membership and Admission Departments, and the reporting from relevant boards, committees and working groups on matters pertaining to student education and training as well as member registration and licensing.
- Advises management in the development of divisional strategy, policies and priorities.
- Receives and considers periodic reports on key qualification and admission matters through the Executive Director.
- Refers matters to the relevant boards, committees and working groups which deal with qualification and admission matters for consideration and recommendation as and when necessary.
- Provides its views, advice and recommendations to the Council on the Institute's policies, priorities and resource allocation in respect of qualification and admission matters.

**Significant matters considered or resolved:**

- Periodic reports on the activities of the Qualification and Examinations Board, and the Registration and Practising Committee.
- Contingency plan for December 2020 and June 2021 examination sessions of the Qualification Programme (QP) due to COVID-19.
- Implications of the anti-money laundering/counter-terrorist financing regulations on the education and training of CPAs and the licensing of CPAs (practising).
- Provided direction for implementing computer-based examinations.
- Remedial actions to contract performance issues related to the publication of reference materials for the QP.
- Review of the continuing professional development (CPD) compliance audit process.

**Regulatory Oversight Board****Responsibilities:**

- Oversees the operations of the Compliance, Legal and Quality Assurance Departments, and the Practice Review and Professional Conduct Committees.
- Oversees the performance and outcomes of regulatory activities undertaken by the departments and committees.
- To provide its views and advice to 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.

**Significant matters considered or resolved:**

The board completed the annual process review on the Compliance and Legal Departments' activities and received the Practice Review Committee's annual process review of the practice review programme carried out by the Quality Assurance Department. In addition to consideration of periodic reports on regulatory activities undertaken by the departments and committees the board discussed matters including:

- Code of Conduct for Council and committee members and Institute staff.
- Technical alert on reporting on solicitors' accounts developed by the Compliance Department.
- Proposed changes to investigation and disciplinary matters.
- Anti-money laundering compliance programme for accounting professionals developed and implemented by the Quality Assurance Department.
- Proposed amendment for publication policy for disciplinary cases resolved by settlement.

**Four meetings during financial year****Committee members:**

- Raymond Cheng FCPA (practising) (Chairman) (*member since 2020*)
- Cheng Kam Fung CPA (practising) (*member since 2020*)
- Cheung Chor Ping CPA (*member since 2017*)
- Charbon Lo CPA (practising) (*member since 2017*)
- Lung Pui Lan, Stella FCPA (*member since 2017*)
- Tong Piu FCPA (*member since 2021*)
- Wong Kam Pui, Wilfred, Council lay member (*member since 2018*)
- Woo King Wa CPA (practising) (*member since 2021*)

**Four meetings during financial year****Committee members:**

- Leung Kai Cheong, Kenneth FCPA (Chairman) (*member since 2021*)
- Au King Lun, Council lay member (*member since 2020*)
- Chan Kam Wing, Clement FCPA (practising) (*member since 2017*)
- Chan Mei Bo, Mabel CPA (practising) (*member since 2019*)
- Raymond Cheng FCPA (practising) (*member since 2021*)
- Agnes Choi Heung Kwan, Council lay member (*member since 2021*)
- Grace Hui, non-CPA (*member since 2020*)
- Keith Pogson FCPA (practising) (*member since 2017*)
- So Shiu Tsung, Thomas, non-CPA (*member since 2021*)
- Kitty Tsui, Ex-officio Council member (*member since 2021*)

**Governance-related committee****Audit Committee****Responsibilities:**

- Financial reports: Reviews and recommends the draft financial statements for adoption by the Council.
- Internal controls: Independently advise the Institute on its financial and risk management arrangements.
- Internal audit: Oversight of Internal Audit Section that reports functionally to the Audit Committee and administratively to the Chief Executive. Reviews and approves the annual internal audit plan.
- External auditor: Recommends the appointment of external auditor and their proposed audit fee and terms of engagement. Consideration of the audit plan, major findings and management letter presented by the external auditor.
- Whistleblowing arrangement: Provides independent oversight of the whistleblowing arrangement to ensure it works effectively for employees and third parties to raise concerns (in confidence) about possible improprieties.

**Significant matters considered or resolved:**

- Review of the 2020 financial statements.
- Provided advice and made recommendations to Council on the Institute's financial and risk arrangement.
- Consideration of the result of internal audits and management's responses to the findings.
- Held private session with external auditors to discuss issues and reservations arising from the management accounts and financial audits, without the presence of management.

**Governance Committee****Responsibilities:**

- Develops and reviews the Institute's policies and practices on governance.
- Makes recommendations to the Council on governance-related matters.
- Reviews the Institute's constitution and by-laws and any elements of its governance structure from time to time to ensure that their scope, purpose, powers and authority are clearly defined and appropriate.

**Significant matters considered or resolved:**

- Review of the status of sub-committees.
- Enhancement to disclosure in the annual report.
- Enhancement to environmental, social and governance reporting in the annual report.
- Review of the meeting protocol and procedures of the Institute.
- Review of the Council guidelines for co-option of Council members.
- Review of the Institute's governance structure.
- Revised policy and procedure for the management of committees' performance.

**Three meetings during financial year****Committee members:**

- Keith Pogson FCPA (practising) (Chairman) *(member since 2016)*
- Chan Kam Wing, Clement FCPA (practising) *(member since 2019)*
- Theresa Ng Choi Yuk, Council lay member *(member since 2019)*
- Ernest Fung CPA *(member since 2021)*
- Eric Tong FCPA (practising) *(member since 2021)*

**Five meetings during financial year****Committee members**

- Eric Tong FCPA (practising) (Chairman) *(member since 2019)*
- Rosalind Suk Yee Lee FCPA (Deputy Chairman) *(member since 2018)*
- Alan Au CPA *(member since 2019)*
- Chan Mei Bo, Mabel CPA (practising) *(member since 2019)*
- Chan Yee Wah FCPA *(member since 2020)*
- Agnes Choi Heung Kwan, Council lay member *(member since 2021)*
- Johnson Kong FCPA (practising) *(member since 2021)*
- Law Fu Yuen, Patrick FCPA (practising) *(member since 2020)*
- Lo Chi Chung, William FCPA *(member since 2017)*
- Ma Chun Fung, Horace CPA (practising) *(member since 2021)*
- Theresa Ng Choi Yuk, Council lay member *(member since 2019)*
- Wong Sze Wai, Basilia FCPA (practising) *(member since 2021)*

## Governance-related committee

### Nomination Committee

#### Responsibilities:

- Oversees the nominations of Institute members or staff to positions requested by external local bodies which are of relevance to the accountancy profession.
- Provides recommendations to the Council on the appointment of the Institute's committees, the co-option of Council members and the nominations of Institute members or staff to positions requested by external overseas bodies which are of relevance to the accountancy profession.

#### Significant matters considered or resolved:

- Reviewed Council composition and considered the need for co-option of Council members.
- Considered the proposed committee composition for 2021.
- Considered the nomination of Institute representatives to appointments of other local and overseas organizations.

### Remuneration Committee

#### Responsibilities:

- Reviews and advises the Council on the Institute's human resources policies.
- Makes recommendations to the Council on the Institute's staff grading and remuneration structure, pay level, yearly pay adjustment and staff performance bonus and other employment terms and conditions.

#### Significant matters considered or resolved:

- Discussed the interim salary review that the Institute conducted in October 2020 and ascertained the overall competitiveness of the staff members' salaries in light of the general and talent market conditions.
- Recommended the proposal for 1 July 2021 annual salary review and the bonus payment for the year ended 30 June 2021 for consideration by the Council.
- Considered the name of the committee by making reference to the benchmarking study of comparable organizations, and reviewed its terms of reference.

#### One meeting during financial year

(review and approval mainly done through emails on an as-needed basis)

#### Committee members:

- Raymond Cheng FCPA (practising) (Chairman) *(member since 2020)*
- Margaret W.S. Chan CPA (ex-officio member)
- Rosalind Suk Yee Lee FCPA *(member since 2020)*
- Li Kin Hang CPA *(member since 2020)*
- Theresa Ng Choi Yuk, Council lay member *(member since 2020)*
- Wong Kam Pui, Wilfred, Council lay member *(member since 2018)*

#### Two meetings during financial year

#### Committee members:

- Ng Chung Wai, David FCPA (Chairman) *(member since 2010)*
- Ernest Fung CPA (Deputy Chairman) *(member since 2018)*
- Chan Kam Wing, Clement FCPA (practising) *(member since 2016)*
- Liu Kwok Tai, Teddy CPA (practising) *(member since 2020)*
- Eric Tong FCPA (practising) *(member since 2020)*
- Wong Kam Pui, Wilfred, Council lay member *(member since 2018)*



## Executive Committee

### Executive Committee

#### Responsibilities:

- Serves as a main channel for discussions on important topics for the Chief Executive.
- Supports and assists the Chief Executive in achieving the Institute's strategic and operational aims and overseeing management of the Institute's affairs and business in accordance with the policies and direction of Council.
- Supports the operations of Council by finalizing papers for Council agenda items.
- The inclusion of the President and Vice-Presidents ensures connection and coordination with Council.

#### Significant matters considered or resolved:

In addition to monthly consideration of Council agenda papers and periodic reports on the operations of Advocacy and Practice Development, Member Support and Standard Setting Departments, key issues discussed included:

- Annual report and financial statements.
- Financial budgets for 2021/22.
- By-law amendments to allow electronic transmission of AGM notice.
- COVID-19 impact on QP examinations, CPD provisions and general operations.
- 2021 Council Strategy Day agenda.
- Appointment of a service provider for upgrading the Human Resources Information System.
- Enterprise risks and mitigation register.
- Reports from Institute representatives on international bodies.

### Eleven meetings during financial year

#### Committee members:

- Chief Executive (Chair)
- Executive Director (Qualification and Education)
- Executive Director (Standards and Regulation)
- Director, Corporate Communications
- Director, Finance and Operations
- Director, Member Support
- President and Vice-Presidents as ex-officio members

## OTHER COMMITTEES, PANELS AND WORKING GROUPS

Council also appoints other committees, panels and working groups covering a range of specialist topics and functions to assist it as it discharges its role and functions. Over 400 members of the Institute participate in committees. Details about these committees, including their composition and responsibilities, can be found on the Institute's website.

Committees, panels and working groups	Chairmen and convenors
Disciplinary Panel	Shum Sze Man, Erik Ignatius
Investigation Panel	Fong Sui Yi, Andrea
Practice Review Committee	Paul Donald Hebditch FCPA
Qualification and Examinations Board	She Shing Pang, Paul CPA (practising)
Registration and Practising Committee	Ronald Tham FCPA
Auditing and Assurance Standards Committee	Fong Wan Huen, Loretta CPA (practising)
Digitalization Committee	Larry Cheng CPA (practising)
Ethics Committee	Ma Chun Fung, Horace CPA (practising)
Financial Reporting Standards Committee	Lee Chun Ho, Ernest FCPA (practising)
Greater Bay Area Committee	Johnson Kong FCPA (practising)
HKIAAT Board	Ng Kam Wah, Webster FCPA (practising)
Professional Accountants in Business Committee	Rosalind Suk Yee Lee FCPA
Professional Conduct Committee	Roy Leung FCPA (practising)
Professional Development Committee	Fong Wan Huen, Loretta CPA (practising)
Restructuring and Insolvency Faculty Executive Committee	Yeo Boon Ann, Kenneth CPA
Small and Medium Practices Committee	Larry Cheng CPA (practising)
Sports and Recreation Committee	Agnes Ho CPA
Sustainability Committee	Robert Gibson CPA
Taxation Faculty Executive Committee	Chan Kam Wing, William CPA
Young Members Committee	Cheung Wai Lun, William CPA
Banking Regulatory Advisory Panel	Arend Oldenzil CPA (practising)
Branding and Communication Advisory Panel	Rosalind Suk Yee Lee FCPA
Corporate Finance Advisory Panel	Au Chun Hing, Edward FCPA (practising)
Insurance Regulatory Advisory Panel	James Anderson CPA (practising)
Investment Funds Regulatory Advisory Panel	Li Lien CPA (practising)
Long Working Hours Steering Group	Cheung Wai Lun, William CPA
Professional Standards Monitoring Expert Panel	-
Securities Regulatory Advisory Panel	Ko Sze Man, Simmy CPA (practising)
Task Force on Legal and Compliance for Accountants	Alan Au CPA
Task Force on the Financial Reporting Council Assessment on HKICPA	Raymond Cheng FCPA (practising)

## MANAGEMENT OF THE INSTITUTE

### Role of the President, and Chief Executive and Registrar

The President, and Chief Executive and Registrar undertake different roles for the Institute. The President is elected by Council members after the AGM for a one-year term and acts as Chairman of the Council and the public face of the organization

for media purposes. The Chief Executive and Registrar is appointed by the Council, serves as its secretary, and is responsible for the Institute's operations and staff, while also serving a regulatory function as the registrar of CPAs in Hong Kong.

### Institute's management

The Chief Executive together with a management team of

two Executive Directors (one of whom was promoted to Deputy Chief Executive on 1 July 2021), a General Counsel (who resigned on 30 April 2021) and nine department directors, lead a group of over 200 staff. More information about the management of the Institute can be found in Chapter 8 Finances and operations.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

An important aspect of governance and management best practices is to strengthen internal controls and to ensure that organizational risks are identified, assessed and managed in a timely manner. The Institute’s risk management structure is as shown in the following diagram.

To maintain sound and effective internal control and risk management systems for the Institute, the management has established policies and procedures to ensure that procurement, payments and contracts are properly reviewed and authorized, assets and data are safeguarded as well as all company records are accurate and complete. Management meets regularly to review the operation and to update the policies and procedures, controls and

reporting to ensure that they remain in line with relevant standards, laws and regulations for sound corporate governance.

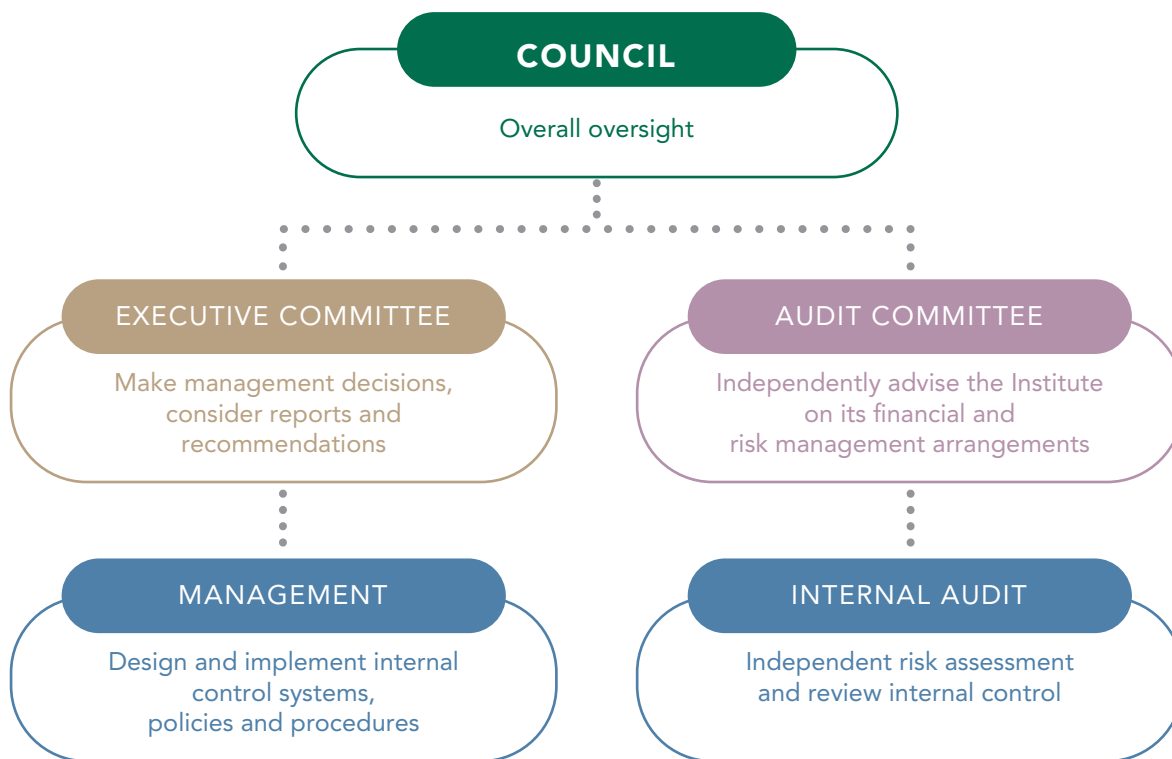
The Audit Committee is appointed by the Council to assist the Council in fulfilling its governance and oversight responsibilities in relation to financial reporting and internal controls. The Audit Committee independently advises the Institute on its internal control system and relevant financial and risk management arrangements. The committee also considers the internal assessment of risks carried out by Internal Audit for determining the key areas of focus of the annual audit plan. This ensures the ongoing review of these controls is provided through the work of Internal Audit.

Internal Audit provides the Audit Committee and management

with independent and objective assurance on the effectiveness and adequacy of the internal controls under review. The annual internal risk assessments undertaken by Internal Audit are formulated for the purpose of determining the key areas of focus in drawing up the internal audit plan. A yearly internal audit plan is prepared for review and approval by the Audit Committee. The scope of work includes financial and operational review, recurring and unscheduled audit, investigation and compliance review.

The Institute has a whistleblowing policy, which provides an independent reporting channel for employees and other parties to raise concerns (in confidence) about possible improprieties.

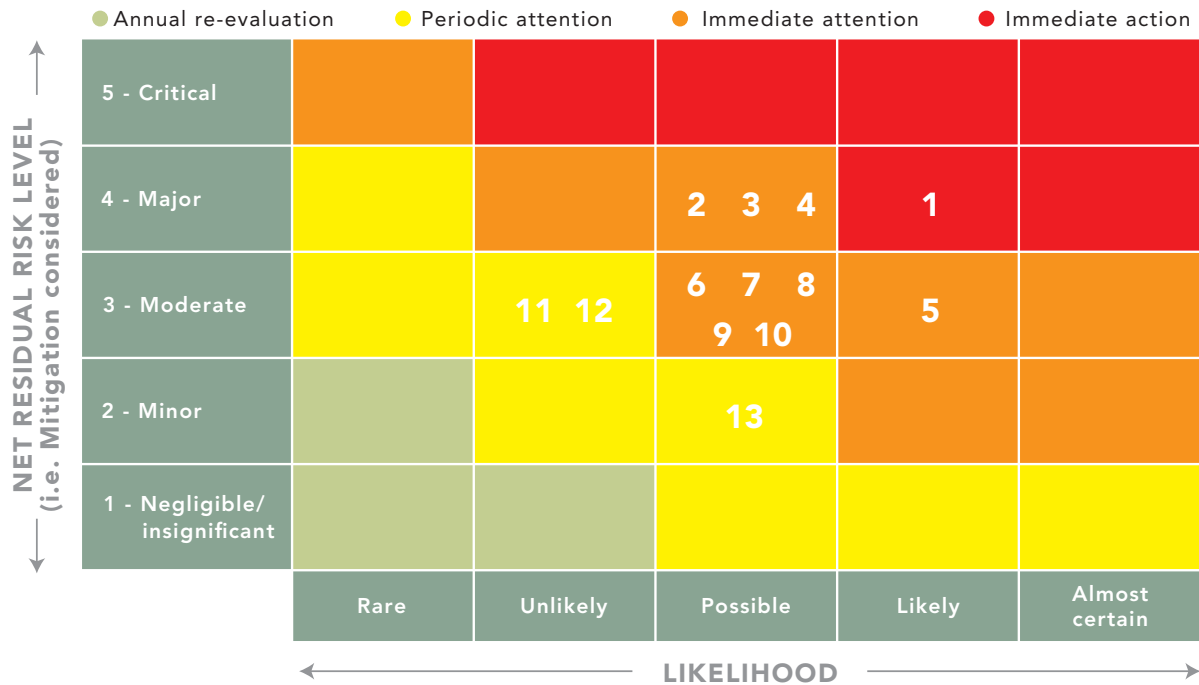
### RISK MANAGEMENT STRUCTURE



**ENTERPRISE RISKS**

The Institute attempts to proactively mitigate its exposure to risk through sound planning, effective management and the appropriate response strategies. The identified risks that may affect the achievement of our strategic goals are assessed and prioritized according to their consequence and likelihood. The key risks identified are summarized in the risk heat map below and the detailed in the table on page 27 to 30. The risk impacts are subject to the development of the regulatory reform which is being monitored by the Institute. Please visit the Institute’s website for the latest information on the reform.

**RISK HEAT MAP**



**KEY RISKS**

- 1 Failure to adapt and evolve our business model to thrive and compete effectively as a result of having a structural deficit.
- 2 Inability to fulfil the Institute’s statutory roles as a regulator.
- 3 Fail to attract or retain appropriate personnel for committees and management.
- 4 Inability to attract the right talent for future accountants.
- 5 Inability to maintain the relevancy of QP and post-qualification education.
- 6 Inability to successfully implement the new QP.
- 7 Inability to maintain a positive image of the Institute (and the profession) or appropriately handle adverse reports/news.
- 8 Not being relevant to meeting the diversified needs of members.
- 9 Inability to maintain appropriate corporate governance frameworks.
- 10 Fail to promptly handle disruptions (with detrimental impact) due to external factors that are out of control e.g. COVID-19.
- 11 Inability to fulfil the Institute’s statutory roles as a standard setter.
- 12 Non-compliance risk – Failure to comply with relevant laws and regulations.
- 13 Unable to maintain a safe physical and secured cyber environment for operation and data security.

**Risk level**

- 5 - Critical
- 4 - Major
- 3 - Moderate
- 2 - Minor
- 1 - Negligible/insignificant

**Description**

The stated outcome objectives will not be achieved.  
 The stated outcome objectives will fall well below acceptable levels.  
 The stated outcome objectives will fall below goals but above minimum acceptable levels.  
 The stated outcome objectives will fall below goals but well above minimum acceptable levels.  
 Insignificant impact on achieving outcome objectives.

## KEY ENTERPRISE RISKS

Key risks	Category	Risk impact	Mitigating measures	Residual risk level
1. Failure to adapt and evolve our business model to thrive and compete effectively as a result of having a structural deficit.	Key operational risk	- The risk of depleted cash reserves and general fund may continue to increase. It may affect the longer term ability of the Institute to serve and support the membership at the existing level of service or above.	<ul style="list-style-type: none"> <li>- Cost-containment measures in place.</li> <li>- Ensure examination and training activities are sustainable.</li> <li>- Review subscription fee level and explore possible revenue streams.</li> </ul>	Major
2. Inability to fulfil the Institute's statutory roles as a regulator.	Statutory roles risk	- With the disciplinary functions of the Institute to be taken over by the FRC, the remaining statutory roles such as standard setting, training CPAs and granting CPA designations must be fulfilled while meeting public interest and stakeholder expectations in order not to jeopardize the status of the Institute going forward.	<ul style="list-style-type: none"> <li>- Communicate and work with the relevant key stakeholders during the transitional period to cater for a smooth transfer of powers to minimize the impact on the profession and the Institute's daily operations.</li> <li>- The regulatory reform as announced will have significant impact on risk management, strategy and operations. Council and the management will review the strategies and agree the action plans to continue to meet those remaining roles with quality output and value to members and stakeholders.</li> </ul>	Major
3. Fail to attract or retain appropriate personnel for committees and management.	Key operational risk	<ul style="list-style-type: none"> <li>- Declining ability to share technical knowledge among the membership.</li> <li>- Loss of key management would adversely impact the Institute's ability to deliver its strategies.</li> </ul>	<ul style="list-style-type: none"> <li>- Maintain transparent committee appointment mechanism.</li> <li>- Encourage relevant members to take up committees roles.</li> <li>- Maintain employee development and training.</li> <li>- Develop succession plan for key positions.</li> </ul>	Major

Key risks	Category	Risk impact	Mitigating measures	Residual risk level
4. Inability to attract the right talent for future accountants.	Statutory roles risk	<ul style="list-style-type: none"> <li>- The CPA designation being diminished by other qualifications.</li> <li>- The accountancy profession is losing its ground in attracting top talent.</li> </ul>	<ul style="list-style-type: none"> <li>- Conduct regular reviews and updates, seek international and local recognition to uphold the quality of QP and the CPA designation.</li> <li>- Update our syllabus to meet the evolving role of accountants.</li> </ul>	Major
5. Inability to maintain the relevancy of QP and post-qualification education.	Statutory roles risk	<ul style="list-style-type: none"> <li>- The loss of attractiveness of the profession is causing a problem in recruiting and retaining the best talents for the profession.</li> <li>- Over-competition in employment would create a downward pressure on members' salaries and career stagnation.</li> </ul>	<ul style="list-style-type: none"> <li>- To develop versatile skill sets via enhanced practical experience training under the new QP.</li> <li>- Conduct regular market research on recruitment and salaries.</li> <li>- Conduct promotion campaign to raise public awareness.</li> <li>- Tap into the Mainland market to identify job opportunities for CPAs in Hong Kong.</li> </ul>	Moderate
6. Inability to successfully implement the new QP.	Key operational risk	<ul style="list-style-type: none"> <li>- Delay in the implementation of the new QP would impose a detrimental impact on the Institute's reputation and business operation.</li> </ul>	<ul style="list-style-type: none"> <li>- The full suite of transformation projects is tracked to completion and ongoing implementation is closely monitored.</li> <li>- Careful deployment of staff resources and close monitoring of the contractual performance of vendors.</li> <li>- Promptly handle evolving issues during the rollout stage.</li> </ul>	Moderate

Key risks	Category	Risk impact	Mitigating measures	Residual risk level
7. Inability to maintain a positive image of the Institute (and the profession) or appropriately handle adverse reports/news.	Reputational risk	<ul style="list-style-type: none"> <li>- Adverse press coverage and negative social sentiment.</li> <li>- Dissenting views that worsen the image of the profession.</li> <li>- Not being sufficiently prepared to address unexpected issues.</li> </ul>	<ul style="list-style-type: none"> <li>- Close monitoring and regular reporting of mainstream/social media.</li> <li>- Social media crisis management protocol in place.</li> <li>- Dedicated team and process in place to monitor the daily alerts/potential issues, evaluate threat and determine appropriate response.</li> </ul>	Moderate
8. Not being relevant to meeting the diversified needs of members.	Member value risk	<ul style="list-style-type: none"> <li>- Sustainability of the Institute would decline.</li> <li>- The expectation gap of members continues to widen due to the rapid advancement of technology.</li> </ul>	<ul style="list-style-type: none"> <li>- Develop training strategies to meet members' needs and increase the value of professional development.</li> <li>- Develop digitalization plan to help members to stay relevant.</li> <li>- Develop sustainability reporting role for PAIBs.</li> <li>- Develop strategies to attract and retain members and address competition.</li> </ul>	Moderate
9. Inability to maintain appropriate corporate governance frameworks.	Key operational risk and reputational risk	<ul style="list-style-type: none"> <li>- Institute cannot discharge its statutory duties effectively, potentially leading to a loss of authority.</li> <li>- Negative impact on image and reputation of the Institute and the profession.</li> </ul>	<ul style="list-style-type: none"> <li>- Review our governance practices and disclosures.</li> <li>- Improve internal and external communications.</li> <li>- Improve "internal" stakeholder/member engagement on key issues.</li> </ul>	Moderate

Key risks	Category	Risk impact	Mitigating measures	Residual risk level
10. Fail to promptly handle disruptions (with detrimental impact) due to external factors that are out of control e.g. COVID-19.	Key operational risk	<ul style="list-style-type: none"> <li>- Failure to deliver key services resulting in adverse financial impact.</li> <li>- Disruption of the QP examination sittings due to COVID-19 with detrimental impact on the professional development of QP students and the supply of CPAs.</li> </ul>	<ul style="list-style-type: none"> <li>- Perform impact analysis on disruptive external factors.</li> <li>- Review cost base and implement saving items.</li> <li>- Regular review on business continuity plan and enterprise risks and mitigation strategies.</li> <li>- Conduct a long term development plan for QP digitalization.</li> </ul>	Moderate
11. Inability to fulfil the Institute's statutory roles as a standard setter.	Statutory roles risk	<ul style="list-style-type: none"> <li>- The Institute's position as a valued international voice being increasingly diluted.</li> </ul>	<ul style="list-style-type: none"> <li>- Sustain the Institute's international presence.</li> <li>- Enhance Hong Kong's unique role in serving and globally connecting between China and the international community.</li> </ul>	Moderate
12. Non-compliance risk – Failure to comply with relevant laws and regulations.	Key operational risk	<ul style="list-style-type: none"> <li>- Failure to comply with relevant laws and regulations may carry a financial and reputational risks.</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure compliance by reviewing relevant external laws and regulation.</li> <li>- Provide programmes for reporting concerns on violation.</li> <li>- Maintain staff training and education.</li> </ul>	Moderate
13. Unable to maintain a safe physical and secured cyber environment for operation and data security.	Key operational risk	<ul style="list-style-type: none"> <li>- A breach of cyber security could result in significant system malfunction and a major loss of sensitive personal data. This would result in severe reputational damage and breach of confidence.</li> <li>- Adverse widespread press coverage.</li> <li>- Risk of financial loss.</li> </ul>	<ul style="list-style-type: none"> <li>- To develop a holistic data governance policy.</li> <li>- Testing of cyber security programmes as well as for providing recommendations to the management on critical threats.</li> <li>- Purchase of cyber liability insurance.</li> <li>- Continue to step up IT security management, and also technical infrastructure.</li> <li>- Ensuring the disaster recovery plan is rigorously and regularly tested.</li> </ul>	Minor



# MEMBERSHIP AND QUALIFICATION

How does the new QP help the next generation of accountants?

"As CPAs we are the business partner generating actionable strategic insights to enhance decision-making. The new Qualification Programme (QP) trains its students in both technical and soft skill sets necessary via interactive workshops/examinations to broaden their ability to tackle the challenging business environment." – **Joanna Hui**, Head of Finance, HR & Admin – Asia, Benetton Asia Pacific Ltd. and an Authorized Supervisor

"The new QP is well designed and structured to train the next generation of professional accountants to possess not only the technical knowledge, but also have strong communication, presentation and problem-solving skills necessary for the business world." – **Alvin Wan**, Managing Director, Moores Rowland (HK) CPA Limited and an Authorized Employer

"Technical knowledge aside, the new QP emphasizes on core enabling competencies. Candidates utilize information from various sources to critically analyse accounting-related issues and to logically present the solutions to complex business problems. This builds students' solid foundations in providing professional advice." – **Eric Leung**, Senior Lecturer, The Chinese University of Hong Kong and a facilitator of the Qualification Programme

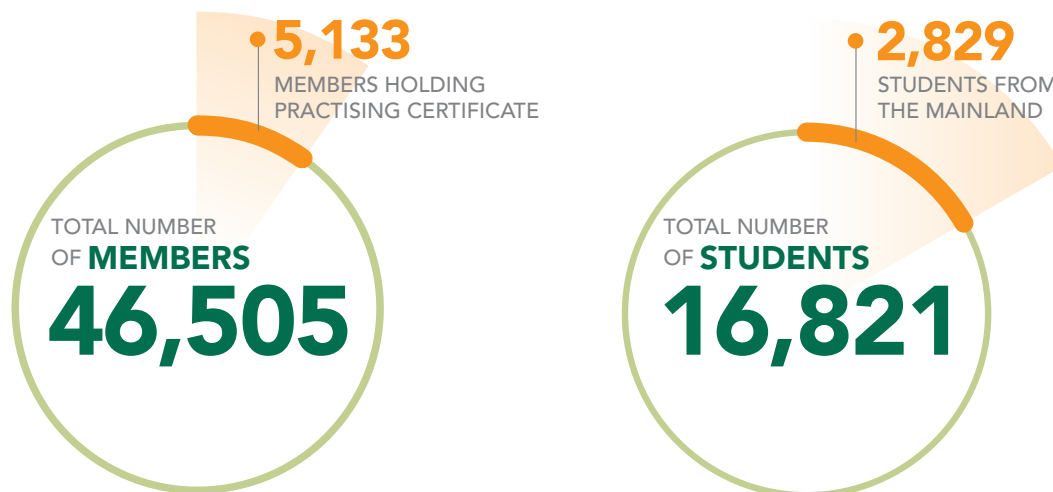


From left:

Joanna Hui CPA, Alvin Wan FCPA (practising), Eric Leung CPA

## THE INSTITUTE IN NUMBERS

(As of June 2021)



The roll out of the new Qualification Programme (QP), which gathered pace this financial year with the first offerings of the Associate and Professional level examinations, will help ensure that the programme is fit for market needs.

As of 30 June 2021, membership stood at 46,505, up from 45,999 last year, including 5,948 fellow members. There were 5,133 practising members at that date, up from 5,041 last year. The number of member practices has also grown to 1,951 from 1,907 in 2020, including 663 corporate practices.

### PIE AUDITORS

As of 30 June 2021, there are 75 registered public interest entity (PIE) auditors and 35 recognized PIE auditors, who are overseas PIE auditors recognized by the Financial Reporting Council.

### QP STUDENTS

As of 30 June 2021, there were a total of 16,821 students registered with the Institute. Of the QP students, 2,829 are from the Mainland, of which 628 members are of the Chinese Institute of CPAs and 2,201 Mainland degree holders. In terms of demographics, women account for 58 percent, or 9,773 of the overall studentship, and men account for 42 percent, or 7,048. This year, the Institute recorded over

27,000 enrolments for QP modules and Final Examination.

To assist QP students with their preparations for the examinations, the Institute held a series of seminars to help them improve their examination techniques and address common problems encountered during examination preparation.

In view of the continuing situation of the COVID-19 pandemic, the Institute developed a contingency plan for conducting the workshops and examinations of the QP for both the December 2020 and June 2021 sessions.

This year 1,406 students graduated from the programme. The cumulative number of graduates is now 24,116, since the launch of the QP in 1999. The number of accredited programmes offered by local, Mainland and overseas tertiary institutions increased by three to 120.

### MAINTAINING STANDARDS IN QUALIFICATION

The QP offers comprehensive training to equip students with solid technical knowledge and essential skills for a successful career. The development of enabling skills at the workshops and on-the-job training at the workplace are key elements of the qualification process. It is through the whole ecosystem

that the QP creates the future-ready accountants the market needs.

In order to ensure the effectiveness of these aspects of the programme, the Institute provides support to facilitators and employers.

In the December 2020 and June 2021 Examination Sessions, 233 members participated as workshop facilitators and 218 members contributed as examination markers. To enable the workshop facilitators and examination markers to carry out their responsibilities, the Institute arranges regular refresher courses and provides training updates to them. During the financial year, the Institute held 23 sessions for workshop facilitators and three sessions for examination markers.

The practical experience component of the QP is an important aspect that ensures students have the real world experience needed to be effective CPAs. As of 30 June 2021, 1,434 employers and 1,396 supervisors have registered as Authorized Employers (AEs) or Authorized Supervisors (ASs) with the Institute to train prospective CPAs.

The AE/AS Enhancement Programme provides direct support to AEs and ASs. This year, the Institute visited 34 AEs and ASs, taking the total to 461 since the launch of the programme in 2008.

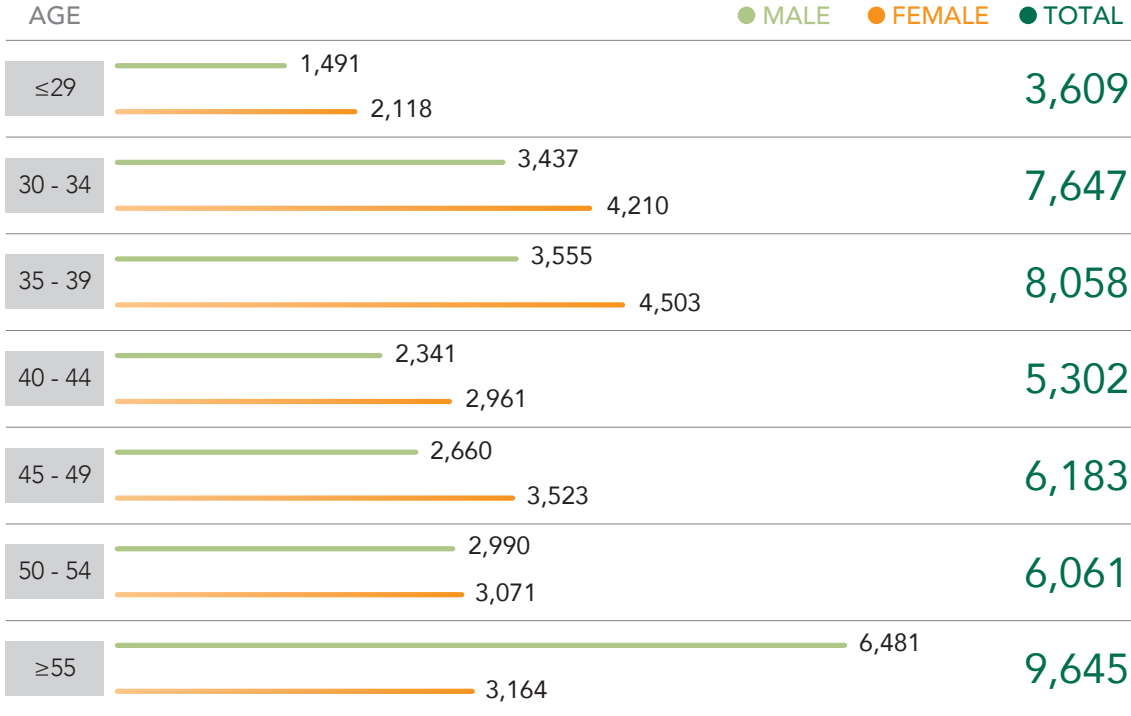
# MEMBERSHIP AGE AND GENDER DISTRIBUTION

(As of June 2021)

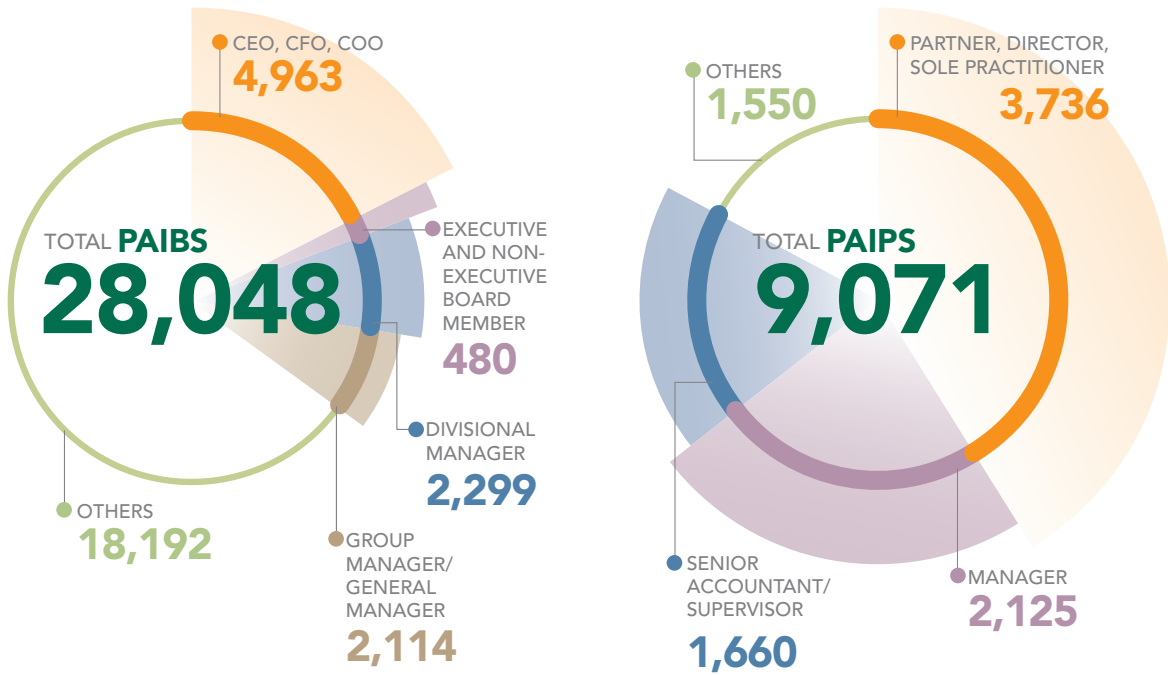
**24**  
YOUNGEST MEMBER

**44**  
AVERAGE AGE

**102**  
OLDEST MEMBER



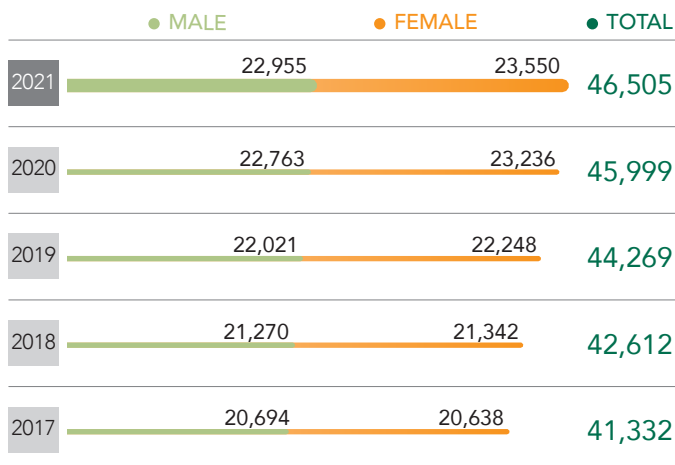
# MEMBERS TAKING UP LEADERSHIP POSITIONS



Source: Among respondents to member census as of June 2021, 28,048 reported being professional accountants in business (PAIBs) and 9,071 reported being professional accountants in practice (PAIPs)

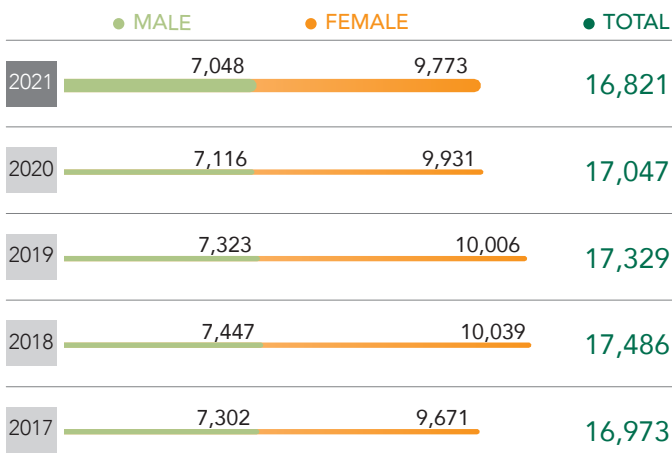
## MEMBERSHIP

(As of 30 June each year)



## STUDENTSHIP

(As of 30 June each year)



### REFORM OF THE CPA QUALIFYING PROCESS

The Institute is implementing the new QP, to nurture future-ready accountants with better agility, portability and employability in order to meet the evolving market needs.

The new QP consists of three progressive levels. The Associate Level builds solid foundation on the technical accounting knowledge. The Professional Level deepens the technical capabilities and applying enabling competencies needed in the workplace. The Capstone integrates the knowledge, skills and experiences in students to help resolve business problems and becoming top-notch business advisors in the market.

The first offering of the Associate and Professional Levels of the new QP were successfully launched in the December 2020 and the June 2021 Examination Sessions respectively. The first launch of Capstone will be in the December 2021 Examination Session.

During the year, the Institute organized the New QP Workshop Facilitators Training Programme, in which more than 240 workshop facilitators participated. The Institute aims to continue to recruit and train new workshop facilitators ready for the new QP workshops.

The revised practical experience framework with the bespoke online system is scheduled to be launched in 2022 with an objective on enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the AE and AS system, and promoting communication through an online system.

To ensure a smooth transition to the revised framework, the Institute reviewed exercises of existing AEs and ASs to ascertain their compliance with the revised requirements and to ensure up-to-date record to be transferred to the online system.

The registration of AE-Counselors/ ASs was extended to members of recognized non-Global Accounting Alliance overseas accountancy bodies starting from 1 March 2021. This will broaden the base of the Institute's AE and AS for the training of QP students, especially in Mainland China.

### MUTUAL RECOGNITION AGREEMENTS

The Institute has a number of reciprocal membership agreement or mutual recognition agreement with other accounting bodies from around the world. QP-qualified Institute members are eligible for membership of the other bodies without further examination. Members of other bodies are eligible for full or partial exemption from the QP for admission to the Institute. These agreements are based upon mutual reviews of the examinations and qualification processes between the Institute and the overseas bodies.

# REGULATION AND PROFESSIONAL CONDUCT



How does effective training help accountants handle regulatory responsibilities?

"Accountants have to equip themselves with technical knowledge as well as other skills including soft skills to cope with the ever complicated business and regulatory environment. Training is not restricted to classroom training but, extends to on-the-job training, peer group discussions and reading."  
– **Jimmy Yip**, Practising Director, Mazars CPA Limited and Member of the Working Group on Technical Issues under the Small and Medium Practices Committee

"Every challenge is an opportunity under the fast-changing regulatory environment that we are in today. The Institute's effective training programmes provide its members with the necessary knowledge and skill sets to navigate this continuously evolving environment and advance their careers."  
– **Charles Wong**, Compliance Officer, Citadel and a facilitator of the Qualification Programme

"Accountants need to be competent, uphold ethical values and exercise professional scepticism. Training plays an important role in keeping us abreast of existing and upcoming regulatory changes. It also provides a platform to share real life examples so as to meet the expectations from the public."  
– **Ada Chan**, Director, Financial Planning, Asia Pacific, PVH Asia Limited, and a facilitator of the Qualification Programme

From left:  
Jimmy Yip CPA (practising), Charles Wong CPA, Ada Chan CPA

Protecting the public interest through regulating the profession and ensuring appropriate professional conduct has long been a priority of the Institute. While the government's proposed further reform of the regulatory regime for accounting profession (see Chapter 1 Corporate governance) will see significant changes to the Institute's roles and responsibilities, the Compliance, Legal and Quality Assurance Departments will continue to follow their existing practices and carry out their regulatory functions until changes are implemented.

### ENHANCING HONG KONG'S ANTI-MONEY LAUNDERING REGIME

The Institute continued to work closely with the Narcotics Division (ND) of the Security Bureau and Financial Services and the Treasury Bureau (FSTB) to prepare for the coming fifth year follow-up assessment to be conducted by the Financial Action Task Force (FATF) in 2024, on the technical compliance and effectiveness of the anti-money laundering/counter-terrorist financing (AML/CTF) framework in Hong Kong. This is a follow-up to the mutual evaluation by the FATF in 2019 and will focus on the recommendations made to enhance the framework. The Institute is also working with the government on the update of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report*, which is an FATF-required self-assessment of the risks and vulnerabilities in different sectors of individual FATF members' markets. The report serves as a key source document for FATF AML/CTF mutual evaluations, providing further information on AML/CTF risks and vulnerabilities in the accounting sector in Hong Kong.

The Institute has already included monitoring of AML/CTF compliance by members in the scope of its practice review programme and produced a number of frequently asked questions on AML/CTF compliance.

During the reporting period, the Institute made proposals to enhance the risk-based supervision programme of AML/CTF compliance to follow up on the FATF's recommendations. The work included issuing an exposure draft and a questionnaire and undertaking various engagement and educational activities.

To assist members and member practices with their AML/CTF compliance, the Institute has been providing a range of services including:

- Organizing live webinars and other training, with speakers from the ND, the Joint Financial Intelligence Unit, professional firms, and AML/CTF specialists and service providers, to strengthen members' knowledge and awareness of AML/CTF issues and to promote good practices.
- Maintaining close contacts with two market leaders in AML/CTF screening solutions, namely, Refinitiv and Dow Jones. The Institute has entered memoranda of understanding with these service providers to offer preferential subscription rates for Institute members on their screening solutions.
- The Institute remains open to exploring possible collaborations/arrangements with other AML/CTF specialist organizations and screening services providers.

- Consolidating AML/CTF information on the Institute's website, including updating the list of United Nations sanctions and lists of terrorists and terrorist associates on a timely basis, in response to alerts from the government.
- Responding quickly to members' enquiries on AML/CTF issues and providing relevant information.
- Monitoring the latest developments of the AML/CTF regime in Hong Kong and internationally with view to considering the need for updates to the Institute's guidelines.

### 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.

Due to the COVID-19 pandemic, some site visits were replaced with in-house reviews and files were taken from practices for review in order to prevent disruption to the process. During the financial year, 281 practice review site visits and 147 desktop practice reviews on practices with audit and assurance clients were carried out by Institute staff, while the Practice Review Committee considered 415 practice review reports. The Institute's goal remains to shorten the practice review cycle for all practices with audit and assurance clients to six years.

The practice review programme also includes an AML/CTF compliance monitoring review (ACMR). This financial year, 23 separate ACMRs on practices without audit and assurance clients were also carried

out. The Practice Review Committee considered 19 reports on separate ACMRs during the year.

Where deficiencies were identified, the Practice Review Committee directed firms to implement remedial actions, required additional site visits be scheduled, or raised complaints against the relevant CPAs. A total of nine cases were referred for disciplinary action, while one other case concerning the audit of a listed company was referred to the Financial Reporting Council (FRC) for further investigation.

The Quality Assurance Department and Practice Review Committee regularly monitor practice review outcomes and, to enhance effectiveness, introduces new elements and procedures to the practice review programme.

Following on from the enactment of the Financial Reporting Council (Amendment) Ordinance 2019, the practice review programme changed its focus to the regulation of non-listed audits and AML/CTF compliance monitoring. The Institute continues to liaise with the FRC about the review arrangements, in particular on the review of quality control system for which both bodies have respective responsibilities, to minimize the disturbance to practices.

The second review system is the professional standards monitoring programme, which involves reviewing published financial statements of Hong Kong's listed companies. A total of 65 sets of financial statements were reviewed during the reporting period, and 26 letters were sent to auditors

with recommended revisions and improvements. One case was referred to the FRC for further investigation during the year.

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

Compliance with the Institute's professional standards is a requirement of membership. Complaint and disciplinary processes are key mechanisms by which the Institute regulates the conduct of members with sanctions being imposed for serious breaches of professional standards. To promote proficiency, the Compliance Department also organizes technical forums and contributes content in *A Plus* to alert members to contemporary regulatory issues and to promote good practices.

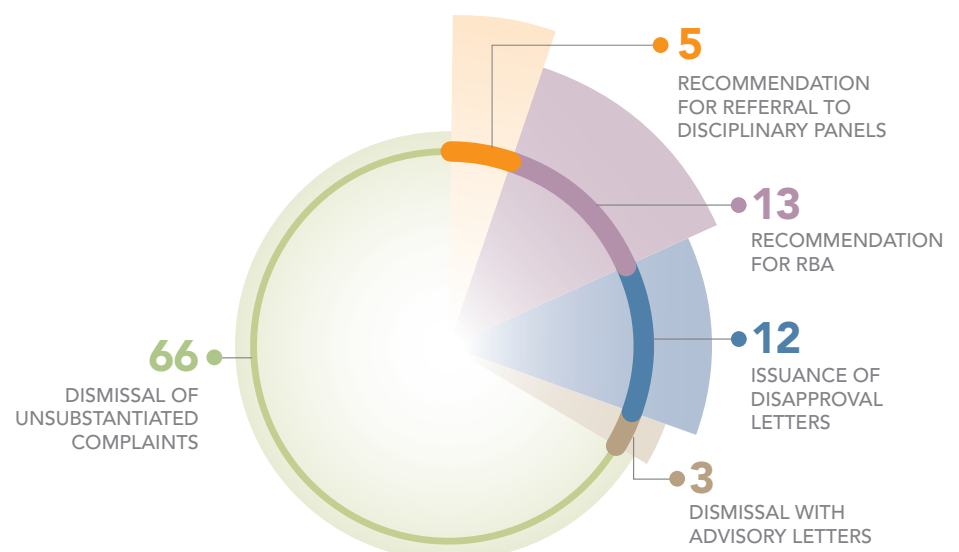
Every complaint received by the Compliance Department is investigated in accordance with an established complaint handling

process. Cases are reported to the Professional Conduct Committee (PCC) for further evaluation. The PCC has the power delegated by Council to dismiss unsubstantiated complaints and adjudicate minor ones by issuing private reprimands known as disapproval letters.

More serious complaints are referred by the PCC to the Council for determination of appropriate actions. For moderately serious complaints, the PCC may recommend resolving them by Resolution by Agreement (RBA) in lieu of formal disciplinary proceedings. For serious complaints, the PCC's recommendation may be referral 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, the Institute received 109 new complaints against members, bringing the number of cases recorded during the year to 157. Of the 99 cases considered by the PCC, the following outcomes were approved:

## PROFESSIONAL CONDUCT COMMITTEE DECISIONS



During the financial year, Council considered recommendations from the PCC and approved 14 RBA cases (13 from this financial year and one from the previous year). All were accepted by respondents and concluded during this reporting period.

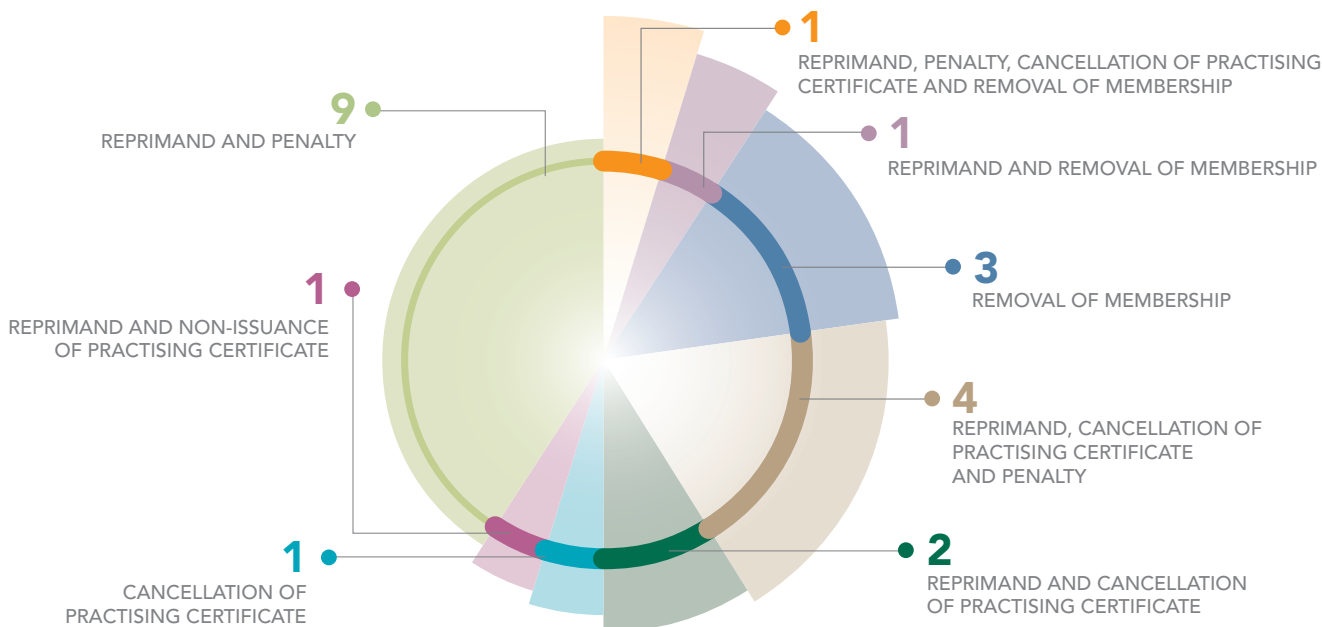
Disciplinary cases in progress at the beginning of the reporting period totalled 28. Council referred another 13 cases to the Disciplinary Panels during the

period. A total of 22 disciplinary orders were issued by the DCs and their outcomes are summarized below. During the period, three settlements were made. Settlements are approved by Council and entered into in response to requests from respondents of regulatory proceedings, when it is considered that a settlement will represent a just and proper resolution of the case.

The Institute also handled eight appeals to the courts, with seven against DC orders and one against the Court of First Instance's order to dismiss a judicial review. Two appeals were dismissed and two appeals had been heard during the financial year with one decision pending.

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

## SANCTIONS IMPOSED BY DISCIPLINARY COMMITTEES



### Fraudulent claims to be CPAs/ Bogus CPAs

To protect the public, the Institute is responsible for action against companies or individuals who fraudulently hold themselves out as firms of CPAs or offer to provide services that only practising CPAs are qualified to provide. Six cases were reported to the police during the period.

### Oversight of compliance functions

The Regulatory Oversight Board ensures that complaint handling and disciplinary processes are dealt with according to the public interest and all strategies and policies determined by Council. In carrying out that function, the board conducted a process review of the compliance operations in the summer of 2020. The results of

the review were positive and they were published in the department's *2019-2020 Operations Report*.

### WORKING WITH THE FRC

Since 1 October 2019 the FRC has had oversight of the Institute's performance in its handling of applications for registration of public interest entity (PIE) auditors and the register of PIE auditors, setting



continuing professional development requirements, and auditing and ethical standards for PIE auditors.

In December 2020 the FRC issued its first report on its assessment of the Institute's performance of these specified functions. A number of the areas highlighted by the FRC had already been identified by the Institute's internal review processes and were under consideration by relevant committees.

In February 2021, a new Task Force on the Financial Reporting Council Assessment on HKICPA was set up to review and address

the findings made by the FRC from their oversight review, oversee the implementations of new policies and procedures addressing the FRC's comments, and liaising with the FRC.

In March 2021 the Institute provided the FRC with a formal status report on its progress made since the assessment. Some of the changes in operations and process are not quick fixes and will take more than one year to fully implement.

The Institute has also enhanced its operations in the areas assessed by the FRC including committee composition and performance,

the registration of PIE auditors, continuing professional development requirements for PIE auditors and standard setting. The Institute remains committed to all its statutory regulatory responsibilities, and will continue to exercise the responsibilities in a rigorous and professional manner.



# MEMBER SERVICES, DEVELOPMENT AND EVENTS

How does  
CPD help  
accountants  
prepare for career  
opportunities?

"Boundaries between industries are blurring due to Internet of Things and fast-evolving technologies etc. Continuous learning is not a nice-to-have for improvement but a must for survival to stay relevant and competitive. Continuing professional development (CPD) helps all professionals to be future-ready and better prepared for the unknown." – **Helen Li**, Group Chief Auditor, The Bank of East Asia Ltd. and a speaker of a CPD event

"CPD serves as an effective platform for our members to share information about cutting-edge developments and up-to-date knowledge, which ensures our technical robustness. It also provides a forum for members to catch-up and get to know each other. Both of these are essential catalysts for career development." – **Dr Angus Ho**, Tax Partner, SHINEWING (HK) CPA Ltd., and a speaker of a CPD event

"CPD helps professional accountants to learn about the latest standards and market practices. Learning from our peers helps open our minds to thinking differently about situations. Professional development also opens up the next stages of our careers." – **Gloria So**, Partner, SHINEWING Risk Services Limited and a speaker of a CPD event



From left:  
Helen Li FCPA, Dr Angus Ho CPA, Gloria So CPA

By arranging continuing professional development (CPD) and social and recreational events, the Institute seeks to support members in their professional lives, and achieving work-life balance.

## PREPARING FOR THE FUTURE

In 2021, the Institute set up certain task-specific committees and groups to help members and the profession prepare for the future business and professional environment.

### Digitalization Committee

The committee aims to provide support to members in identifying and evaluating the latest digital technologies in audit and practice management. The committee contributed questions to a survey on technology usage by accountants carried out in August and September 2021. The results will help to inform its future activities and the ways it can support the profession.

### Long Working Hours Steering Group

The steering group was founded to assess, evaluate and consider the issue of overtime in the accounting profession. A survey was conducted in August 2021 to gather members' views and the findings will be published by year end.

### Task Force on Legal and Compliance for Accountants

The task force considers challenges faced by members relating to certain imminent legal and compliance matters and propose ways the Institute can provide assistance for members in a range of areas including anti-money laundering/counter-terrorist financing, and public database searches.

## CONTINUING PROFESSIONAL DEVELOPMENT

Professional development is vital for accountants to hone skills and learn new ones, enabling them

to stay relevant and skilled for all the opportunities they encounter. To help its members, the Institute organizes a wide range of CPD events – including seminars, workshops and conferences.

The COVID-19 pandemic continued to disrupt our operations this financial year. In order to safely deliver the training members need, the Institute changed most of the face-to-face events to virtual formats wherever possible and made the recordings available so they can be accessed anytime and anywhere.

During the financial year, the Institute organized a total of 171 webinars (including 19 collaborative programmes offered in partnership with other organizations), 987 e-learning programmes (including 242 collaborative programmes) and 19 face-to-face events.

The Institute received record-high enrolments of 156,330 in this financial year, 40 percent higher than 2020 (111,564). This was primarily due to an increase in the numbers enrolling in free virtual programmes, with 62 free webinars and online courses attracting more than 92,000 enrolments.

To assist members in need, the Institute offers free places at selected CPD events. During the year, 788 free places were taken.

Throughout the year, popular topics included corporate finance, data analytics, and listing rules compliance. The Institute also introduced six new series covering data analytics, change management, investor relations, initial public offerings, listing rules compliance, and entities listing on the Hong Kong Stock Exchange, which attracted more than 4,100 enrolments. The annual update conferences on accounting, auditing, Hong Kong and international

taxation, and China tax were held virtually, which attracted an average of over 730 enrolments.

### Technical training

To support members' application of professional standards, the Institute organized a number of CPD events. Four COVID-related financial reporting webinars were held in the fourth quarter of 2020 to assist companies in preparing for their 2020 financial statements. The Annual Auditing Update and Annual Accounting Update were held in October and November 2020 respectively, as virtual events that attracted 500 and 1,000 participants respectively. We also invited an International Accounting Standards Board board member to present a free live webinar in August 2020 on the comprehensive review of the *IFRS for SMEs* standard.

In April 2021, the Institute developed an Accounting, Technical and Ethics training curriculum. The curriculum focuses on training courses, publications and videos for major accounting and auditing standards as well as ethics competencies.

### Structured training

Through our own specialist training programmes, programmes offered in conjunction with other bodies, and specialist qualifications in insolvency and taxation, Institute members are able to strengthen their skills in specialist fields. This helps them on their individual journeys to becoming true Accountants Plus.

This financial year, the Institute introduced the new Business Valuation Programme, in collaboration with Savills Valuation and Professional Services (S) Pte Ltd., to equip participants with thorough understanding in business valuation and boost their professional growth. The programme, which consists of 11 compulsory and four elective modules, received over 100 enrolments.

The 2021 cohort of the Financial Controllership Programme was commenced in May 2021 with 31 enrolments, comprising eight full programme enrolments and 23 module enrolments.

The Insolvency Preparatory I and II were completed in October 2020 and May 2021 respectively, and attracted 105 and 80 enrolments respectively. The Professional Diploma in Insolvency (Module B) ran from October 2020 to March 2021 with 26 module enrolments. The diploma has 394 graduates to date.

The International Tax Course ran from August to December 2020 with 26 enrolments and the Advanced Hong Kong Tax Course ran from March to July 2021 with 11 enrolments. As of June 2021, there are 123 graduates of Professional Diploma in China Tax and 95 graduates of Professional Diploma in Hong Kong Tax.

The Forensics Interest Group Management Committee completed work on developing a first structured training course in forensic accounting for new forensics staff, more experienced staff switching disciplines or expanding their skill set and Institute members generally. The course, the Professional Enhancement Programme in Forensic Accounting, obtained government funding through the Professional Services Advancement Support Scheme for the first three years. The initial run of the course was held between March and April 2021, in an online format due to the pandemic, and received very positive feedback from participants. The second run was held in September 2021.

The Institute continued its partnership with the Chartered Institute of Management Accountants to offer the Chartered Global Management Accountant (CGMA)

programme to Institute members who have qualified through the Institute's Qualification Programme to obtain the CGMA designation. Since the first offering in January 2019, eight rounds of the programme have been organized and the feedback received has been encouraging.

The Institute continued to collaborate with The Institute of Internal Auditors (IIA) to offer the Certified Internal Auditor (CIA) Challenge Exam to members as a fast track route to gain the CIA designation. This collaboration has been in place since 2019.

### **SPECIALIST FACULTIES, COMMITTEES, AND PROFESSIONAL INTEREST GROUPS**

By focusing on specific areas, the Institute is able to offer members the training and support they need for career success.

#### **Specialist faculties**

There are two specialist faculties offering technical training and support, including specialist newsletters, in addition to their advocacy work. Members of the faculties also support the Institute's specialist training programmes.

The Restructuring and Insolvency Faculty (RIF) held events almost monthly and the Taxation Faculty (TF) held over 25 events during the year.

The TF held the major annual China taxation and Hong Kong taxation conferences in May and July 2021 in an e-conference format for the second year running, with enrolments of 465 and 921 respectively, for the live events. Each conference comprised individual presentations, as well as a panel discussion, covering topical tax issues, specifically, (i) tax and transfer pricing considerations under COVID-19 and (ii) the trends

and challenges in the changing international tax landscape. The e-learning versions of these events are made available for subscription for 12 months following the live webinars.

At the end of the financial year, membership of the RIF stood at around 500, and the TF had 940 members. RIF and TF members continue to support the Institute's specialist training programmes, including insolvency preparatory courses, Professional Diploma in Insolvency and Professional Diplomas in Hong Kong tax and China tax.

#### **Committees**

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

##### *For young members*

In its seventh year, the 2021-22 mentorship programme paired over 210 mentors-mentees pairs. The start-of-term training session was held on 27 March 2021 as a live webinar. Two more live webinars tailored for the needs of mentees and mentors were organized in May and June 2021 respectively, to support them building a fruitful mentoring partnership.

The Young Members Virtual Conference titled "Out of the box – options for young accountants" was held on 21 November 2020 where a mix of young and seasoned speakers shared their experience on working outside Hong Kong or in specialisms besides auditing and accounting. More than 310 enrolled in the event.

The Institute also held four webinars for the young members, which attracted an average of over 300 enrolments. Topics included what you need to know about infectious disease, resilience

building and stress management in challenging times, the impact of the COVID-19 pandemic on China's economic development and experience sharing: start-up journey of a young entrepreneur.

#### *For small and medium practices*

Due to COVID-19, the annual SMP Symposium was delivered as a two-session live webinar in late November 2020. The two sessions, targeted at small and medium practices (SMPs), covered regulatory, technical and practice management updates and attracted more than 720 enrolments in total.

The Practice Management Series for SMPs was run for the third year. The series held four webinars, from October to December 2020, covering Technology Voucher Programme, staff retention, anti-money laundering policy and succession planning attracted close to a total of 500 enrolments.

The Institute launched a new initiative "Members-Help-Members" in May 2020 under the auspices of SMP Committee to provide non-authoritative guidance and comment on technical issues faced by SMPs. Two online sharing sessions were held in July 2020 and June 2021 respectively with participation of more than 170 members, which covered technical enquiries submitted by members and COVID-19 implications in audit.

To support SMPs in adoption of technology, several merchandise discounts in relation to auditing, accounting and practice management software and related technology services were successfully solicited for members, which help facilitate the digital transformation of the sector.

The Institute is in discussion with

two potential service providers regarding digitalizing the *Audit Practice Manual*.

#### *For professional accountants in business*

The PAIB Virtual Conference was held in September 2020 with the theme "Thriving in turbulent times: Business continuity and growth strategies". The keynote speaker, Joseph H.L. Chan JP, Under Secretary for Financial Services and the Treasury, together with other renowned speakers, updated professional accountants in business (PAIBs) on the latest changes of business model during pandemic, how they were responding to the increasing stress and how they improved risk management technology post-pandemic. There were more than 900 enrolments received.

Promotion of the *Professional Development Framework for PAIBs*, which aims to provide a useful and accessible guide to the competencies necessary for PAIBs to perform both current and desired roles, continued. A webinar, jointly organized with the Chartered Institute of Management Accountants, themed "Re-inventing finance for a digital world – The future of finance" was held in November 2020, receiving 300 enrolments.

#### **Environmental, social and governance reporting**

This financial year, the Institute organized several free events on environmental, social and governance (ESG) reporting in view of the increasing importance of this area to the profession and to industry and commerce generally. Senior staff from rating agencies were invited to share their insights on ESG developments and ratings in webinars that attracted nearly 2,000 participants in total.

#### **Professional interest groups**

The Institute's professional interest groups serve members in various sectors, providing specialized training and networking events. Due to COVID-19, the interest group events were held in online format during the financial year.

#### *Corporate finance*

The Corporate Finance Interest Group organized several webinars on current topics, including the latest limited partnership fund regime and special purpose acquisition companies.

#### *Financial services*

The Financial Services Interest Group organized two webinars in the year, which attracted an average of 180 enrolments. Topics include handling regulatory investigations (financial sector) and bankruptcy and restructuring protection amid COVID-19 outbreak. The interest group also held a joint webinar with Mainland Business Interest Group on the topic "Digital RMB", which attracted more than 140 enrolments.

#### *Forensic accounting*

In addition to the structured training course in forensic accounting, referred to above, the Forensics Interest Group organized six lunch webinars during the year including one on the latest developments in cryptocurrency and their association with financial crime.

#### *Information, communications and technology*

The Information, Communications and Technology Interest Group organized a webinar on the topic "Automation tips for the accounts payable process", which attracted over 180 enrolments.

### *Mainland business*

The Mainland Business Interest Group organized two webinars in the year, which attracted an average of over 200 enrolments. The webinars were “Viewing Chinese culture from the Spring Ox Picture” and “Elderly care services industry in Mainland China”. The interest group also held a joint webinar with the Property, Infrastructure and Construction Interest Group on the topic “Thematic sharing: Property investment in the Greater Bay Area by Hong Kong citizens”, which attracted about 350 enrolments, and the joint webinar with the Financial Services Interest Group mentioned above.

### *Property, infrastructure and construction*

The Property, Infrastructure and Construction Interest Group organized two webinars in the year, which attracted an average of over 370 enrolments. Topics included stories of declared monuments on Hong Kong Island and what you need to know about buying overseas properties. The interest group also held the joint webinar with the Mainland Business Interest Group mentioned above.

### **LEISURE ACTIVITIES**

Throughout the year, the 15 sports and recreational interest groups continued to coordinate activities virtually and physically, which included health talks, classes, leagues, training and gatherings.

### **Corporate events**

Owing to the pandemic, physical corporate events were mostly cancelled during the year. Cancelled events included the

National Day Celebration Dinner, Annual Dinner, Guangzhou and Hong Kong Spring Cocktails, as well as the New Members Cocktail.

In November 2020, the Institute organized two members’ forums online, offering a platform for members to meet with the leadership of the Institute including the President, and Chief Executive and Registrar. During the meetings, members raised their concerns and suggested areas for improvements.

To celebrate the 71st anniversary of the founding of the People’s Republic of China, special supplements were published in *Hong Kong Economic Times* and *Wen Wei Po* on 1 October 2020.

To conclude the year of the Institute in 2020, a celebration video was produced and posted on the Institute’s website. In this video, the Chief Executive of the HKSAR, the Honourable Carrie Lam Cheng Yuet-ngor, delivered a 5-minute speech to share her insights and give words of encouragement to our members during the difficult time.

A Chinese New Year online celebration mini-site was launched in January 2021 with greetings from the President, Council members, committee chairs and deputy chairs. Some *e-fai chun* and mobile app stickers were available for download.

An information video was released to give new members an overview of the Institute and the latest developments in the profession.

### **Sports and competitions**

The first CPA Virtual Run was organized in March 2021 to promote work-life balance and a healthy lifestyle among members and their

family despite pandemic. Over 300 members, their families and friends around the world joined this event to vie for championship. A surplus of HK\$31,500 was donated to The HKICPA Charitable Fund to show our care to the needy.

While many activities had to be cancelled because of the COVID-19 pandemic, our members maintained a prominent presence in some competitions, including friendly matches, Around the Island Race 2020 and the Jockey Club Social Inclusion Cup 2021 during the year.

### **OTHER SERVICES**

Since May 2020, the Institute has been working closely with the Financial Services and the Treasury Bureau to support public interest entity auditors, who are required to travel to the Mainland to conduct audit work for listed companies, in applying for exemption from compulsory quarantine under Compulsory Quarantine of Certain Persons Arriving at Hong Kong Regulation (Cap. 599C).

As well as offering professional development, the Institute offers members other services. These include a range of merchandise discounts under the various categories of professional supports, automobile, beauty, education & publication, health care, lifestyle, telecom & appliances, wine & dine; guidance on entering the Mainland market; and an online portal of accounting and finance job listings called “HKICPA Source”, which provides a platform to match CPAs with their prospective employers. More details about other activities can be found in other chapters of this report.

# MAINLAND DEVELOPMENT

How can members support each other in the Mainland?

"The Taxation Faculty Executive Committee meets with the State Taxation Administration and the Taxation section of the Ministry of Finance every year, sharing our views and any taxation issues faced by businesses in Hong Kong. The committee relies on feedback and input from members for these meetings." – **Anthony Tam**, Executive Director, Mazars Tax Services Limited and a specialist programme course director

"Members in the Mainland work in a range of roles, industries, and provinces. Members can share information, such as specific local quarantine requirements, and also information about their customers' needs and strength, which may eventually result in new business for their fellow members." – **Kaiser Wan**, Executive Director, Lego Corporate Finance Limited and a speaker of a continuing professional development event



From left:

**Anthony Tam FCPA, Kaiser Wan FCPA**

Hong Kong plays an important role in the Greater Bay Area (GBA), and Mainland China offers our members the opportunity to develop their business and careers. This financial year efforts were focused on the execution of the Institute's GBA strategy and plan while continuing to support cross-border members' activities and liaise with Mainland partners.

### HELPING MEMBERS TO EXPLORE THE GBA

Despite the COVID-19 pandemic, the GBA work plan was created and endorsed by the GBA Committee. A number of activities were carried out throughout the year under the plan.

The Institute was granted funding from the government's Professional Services Advancement Support Scheme to support upcoming activities catered to members' needs in the GBA. With the funding a "Working and Living in the GBA" seminar series began and two webinars were jointly organized with Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and Nansha District, which attracted over 1,000 enrolments.

The Institute launched a cross-border internship programme with 25 internship places offered by 14 Hong Kong small and medium practices. We also conducted the Hong Kong CPAs and the GBA survey to collect members' views on the opportunities the GBA brings to their careers and businesses and advocated for a preferential policy trial in the GBA for practising members

and a talent treatment policy for professional accountants in business.

### COLLABORATING WITH MAINLAND PARTNERS

In February 2020, the Institute exchanged views with the Supervision and Evaluation Bureau of the Ministry of Finance of China on measures addressing COVID-19 challenges to the accounting industry in Hong Kong and discussed joint efforts to help members on both sides of the border.

In September 2020, the Institute's Beijing representative along with various accounting firms' tax experts attended the annual meeting with the government officials from the State Taxation Administration, discussing China tax-related issues. The Institute's China Tax Sub-committee members also held a teleconference with the government officials from the Department of Tax Policy of Ministry of Finance, to discuss and clarify China tax-related policies. The Institute's representative also spoke at the joint event hosted by the Hong Kong Trade Development Council and Guangdong Federation of Industry and Commerce, and presented views on how accounting professions can help the GBA companies going global and manage risks of overseas expansions.

In January 2021, the Institute's representative attended a roundtable jointly hosted by the State-owned Assets Supervision and Administration Commission of

the State Council and the Hong Kong government, addressing how the Hong Kong accounting profession can work with state-owned companies and support them growing their business in belt and road countries.

In May 2021, the Institute hosted a webinar with its counterparts of the Chinese Institute of Certified Public Accountants to discuss digitalization initiatives to support the accounting industry.

During the financial year, we delivered 12 webinars to members based in the GBA with 2,500 participants, and organized two joint seminars with the Guangzhou Institute of Certified Public Accountants and one with Shenzhen Institute of Certified Public Accountants on anti-money laundering, initial public offering requirements in Hong Kong and the GBA preferential tax policy.

### SUPPORTING MEMBERS IN THE MAINLAND

To help our members in the Mainland, and those with business interest and focus there, to stay ahead of the game we have switched from face-to-face CPD events to online formats in response to COVID-19. A total of 14 webinars were held attracting over 5,000 attendees, covering topics ranging from business continuity under COVID-19, company labour law, anti-money laundering, technology, media and telecom industry outlook, to forensic accounting, and cybersecurity for remote working.



## PROMOTING THE NEW QP AND ENGAGING STUDENTS

Work to promote the new Qualification Programme (QP) in China continued. In addition to the 29 QP promotional talks organized for over 20 universities and CPA firms in the Mainland both on campus and online, we invited QP graduates to host online career sharing sessions to inspire students. Social media and utilizing key opinion leaders to share QP-related articles, generated interest and expanded engagement with students who may be interested in studying the QP.

The QP scholarship and incentive programme was offered to increase the awareness of the qualification and to boost registrations. To further the engagement of Mainland students and promote the new QP, a Mainland China version of the Business Case Competition is planned for November 2021.

## PREPARING FOR THE REOPENING

The Guangdong-Hong Kong-Macau CPA Practices Alliance comprises 128 CPA practices, including 69 from Guangdong Province, 51 from Hong Kong and eight from Macau. The alliance held no physical meetings during the year due to border closures, instead its online platform allows alliance firms to explore business opportunities.

## COMMUNICATING WITH OUR KEY STAKEHOLDERS

The Institute keeps its key stakeholders in the Mainland informed about events, industry updates and insights, thought leadership opinions through various digital channels including WeChat, the dedicated GBA webpage, a Mainland-focused media network and *Xinlicai*, a Ministry of Finance of China supervised magazine. The number of WeChat followers has been steadily increasing to over 13,700 since its establishment in 2019.

## OTHER SUPPORT

The Institute's website contains a range of content on the Mainland and links to relevant bodies, such as government departments, accounting institutes, CPA practices with operations in the Mainland, and Mainland accounting and auditing standards.

The China Desk, previously stationed at the office of the Shenzhen Institute of CPAs is being moved in-house to the Institute's Mainland office. The service provides free advisory services and information to Institute members and international affiliates on Mainland-related issues.

Finally, the Institute facilitate members' subscriptions to Mainland accounting and tax journals, yearbooks and study materials for the PRC CPA Uniform Examination.

# STANDARD SETTING AND PROFESSIONAL REPRESENTATION



How does  
the Institute's  
professional  
representation  
help members?

"The Institute's professional representation helps members by supporting both their ongoing educational needs, providing a forum for building their professional networks, and providing a community from which they can seek advice and support." – **Mat Ng**, *Managing Director, Grant Thornton Recovery & Reorganization Limited and a specialist programme course director*

"Being a group of professionals who share interests and values, the Institute's professional representation has a greater impact than representation on an individual basis. It also enhances the recognition and acceptance of the views of the profession in society." – **Anntice Lai**, *Managing Director, D & Partners CPA and Member of the Working Group on Technical Issues under the Small and Medium Practices Committee*

*From left:*  
**Mat Ng FCPA, Anntice Lai CPA (practising)**

Through involvement in international standard setting, international accounting organizations and forums, responding to consultations, and holding local consultations and outreach activities, the Institute is at the forefront of the development of new standards and legislation and represents the views and concerns of the Hong Kong profession, ensuring its views are taken into account.

## STANDARD SETTING

The Institute is committed to open communications with members and other stakeholders. This year, we introduced a one-stop shop “What’s new” webpage to house all the Standard Setting Department’s publications and training resources, categorized by year of publication, with quick links to other useful resources.

### Developing standards for Hong Kong through comprehensive research and consultation

The International Accounting Standards Board (IASB) issued their discussion paper on business combination under common control (BCUCC) in November 2020. When the IASB initiated the project almost a decade ago, we began our preparation work to influence the project’s direction of travel given how the IASB’s proposals will significantly change the current accounting practice for these transactions in Hong Kong. We regularly presented our findings at various international meetings, most recently at the Asian-Oceanian Standard-Setters Group’s (AOSSG) November 2020 annual meeting and at the Accounting Standards Advisory Forum (ASAF) June 2021 meeting.

In order to create awareness of the discussion paper, we issued an *A Plus* article in April 2021 titled *Speak now or forever hold your peace* and a webcast in Cantonese in March 2021.

After almost eight years of research, consultation, analysis

and hard work, we submitted our comment letter to the IASB in August 2021.

### Educating stakeholders

The Institute plays a vital role in educating both preparers and users of financial statements. We continued to meet with and inform investors as well as regulatory and governmental bodies about the impact of new standards.

In December 2020, the Institute published Auditing and Assurance Technical Bulletin (AATB) 5 *Environmental, Social and Governance (ESG) Assurance Reporting*. This is a local non-authoritative guidance for practitioners undertaking assurance engagements where ESG reports are prepared in accordance with the ESG Reporting Guide issued by Hong Kong Exchanges and Clearing (HKEX). The publication was supplemented with an article in *A Plus* in December 2020 and a webinar in January 2021.

In May 2021, after extensive consultation with the Hong Kong Insurance Implementation Support Group and staff of the IASB, the Institute published educational guidance for Hong Kong Financial Reporting Standard (HKFRS) 17 *Insurance Contracts* on contractual service margin (CSM) that illustrates different acceptable profit recognition patterns for typical insurance products in Hong Kong. This is much sought-after guidance as the pattern of release of CSM has a direct impact on insurers’ revenue and bottom line. This publication was also supplemented with an *A Plus* article in May 2021.

We issued an alert in April 2021 *Commitment to Ensuring Audit Quality* that includes reminders to practitioners of important topical matters such as the purpose and value of an audit, the current audit environment, and certain key areas that might need extra focus.

## SUPPORT DURING THE PANDEMIC

In August 2020, the Institute published educational guidance on COVID-19-related financial reporting issues for the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard and *Auditing and COVID-19, A quick guide*. In January 2021, a technical alert, *Financial Reporting Considerations to Close Out 2020*, was issued to raise members’ awareness on key accounting issues in the current economic environment.

### Supporting small and medium practices and enterprises

The Institute has been a member of the International Auditing and Assurance Standards Board’s (IAASB) reference group for audits of less complex entities (LCEs) since the group’s creation. With the publication of the LCE exposure draft in July 2021, we have continued to focus on soliciting comments from local stakeholders, especially small and medium practices.

We continued to provide implementation guidance on major new standards, e.g. the new suite of quality management standards, revisions to the *Code of Ethics for Professional Accountants* in relation to the role and mindset expected of accountants as well as the more stringent revised provisions regarding fees and non-assurance services provided by auditors. We have continued to update our webpages by inserting links to relevant new implementation guidance as well as alerting members to such new publications and webinars through our fortnightly *Technical News* newsletters.

We published the *Audit Practice Manual (APM) Update Kit* in December 2020 to include new and revised auditing and financial reporting standards and changes in

the Companies Ordinance issued between 2016 and 2019 that have an impact on the APM 2016 edition.

Subsequent to the publication of the amendments to our home-grown Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard last year, we published educational article in *A Plus* in July 2020 and developed an e-learning course to help SMEs with its implementation.

Audit workshops for new auditors and for audit managers/seniors-in-charge were held in March and June 2021 respectively. Each of the workshops spans three full days and provides hands-on practical guidance.

### **Engaging internationally and enhancing communication**

The Institute plays an important role in bridging in-person dialogue between its stakeholders and the international accounting standard-setting bodies, ensuring their views are effectively expressed. The Institute actively presented and participated in AOSSG, International Forum of Accounting Standard Setters, World Standard Setters, ASAF, and three countries (China, Japan, South Korea) meetings among others. In May 2021, the Institute participated in the IAASB and International Ethics Standards Board for Accountants' (IESBA) National Standard Setters virtual conference, where topics included a separate standard for the audits of financial statements of LCEs; how to reduce complexity and improve the understandability of auditing standards, tax planning, interaction of technology and ethical considerations.

During the financial year, the Institute conducted a significant amount of outreach activities with local preparers, practitioners, regulators, government bodies, regional and international standard setters to solicit and share views

aimed at influencing standard setting at an early stage and throughout the project life cycle. Our outreach activities also included discussions of application issues with the aim of publishing guidance to stakeholders to ensure consistency in financial reporting and assurance.

We organized several roundtables with the participation of IASB, IAASB and IESBA board members, notably the ones on BCUCC, post-implementation review of International Financial Reporting Standard (IFRS) 10, 11 and 12, revised public interest entity definition in the *Code of Ethics for Professional Accountants*, and fraud and going concern in an audit of financial statements so that Hong Kong stakeholders can directly reflect their views to the international standard setters. We submitted numerous responses to consultations across accounting, audit and ethics in this financial year. The major responses are listed below.

### **Responses to consultations**

During the financial year, we submitted comments to various consultation papers and exposure drafts, including:

#### *International Accounting Standards Board*

- Request for Information on Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*
- Exposure Draft on *Lease Liability in a Sale and Leaseback – Proposed amendment to IFRS 16*
- Exposure Draft on *COVID-19-Related Rent Concessions beyond 30 June 2021 – Proposed amendment to IFRS 16*
- Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment*

- Exposure Draft on *General Presentation and Disclosures*
- Request for Information *Comprehensive Review of the IFRS for SMEs Standard*

#### *International Auditing and Assurance Standards Board*

- Exposure Draft on Proposed ISA 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*
- *Public Consultation on Proposed Non-Authoritative Guidance: Extended External Reporting (EER) Assurance*
- Discussion Paper *Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit*

#### *International Ethics Standards Board for Accountants*

- Exposure Draft on *Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code*

## **SUSTAINABILITY AND THE SUSTAINABLE DEVELOPMENT OF THE PROFESSION**

This year has seen an acceleration in interest in and demand for sustainability and other non-financial corporate reporting and significant changes are taking place in the international arena. A wide range of stakeholders including accountancy bodies, standard setters, regulators, investors, companies and governments are involved in discussions and initiatives that confirm commitment to and the importance of relevant and reliable non-financial information in corporate reporting.

In October 2020, the IFRS Foundation issued a consultation paper on sustainability reporting proposing the establishment of an International Sustainability Standards Board (ISSB) to address the demand for consistency in this area of corporate reporting. In its response to the foundation proposals, the Institute's Financial Reporting Standards Committee and the Sustainability Committee were brought together to comment, and the Institute expressed strong support for a set of consistent and comparable global sustainability reporting standards. Following a predominantly positive response to the consultation the IFRS Foundation is pressing ahead with establishing the ISSB within its governance framework and there are suggestions that the first sustainability standard may be issued by mid-2022.

### Local developments

In Hong Kong we saw the establishment of the Green and Sustainable Finance Cross-Agency Steering Group (CASG) to accelerate the growth of green and sustainable finance in Hong Kong and support the government's climate strategies. Co-chaired by the Securities and Futures Commission and the Hong Kong Monetary Authority (HKMA), the group comprises the Environment Bureau, the Financial Services and the Treasury Bureau (FSTB), HKEX, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. In December 2020 the CASG issued its Strategic Plan, featuring six key focus areas for strengthening Hong Kong's financial ecosystem to support a greener and more sustainable future in the longer term.

We have engaged directly with the CASG in respect of the local approach to international developments in ESG and sustainability reporting. Continued engagement with the CASG will be important as the Institute and its members play key roles in

embedding sustainability reporting into the Hong Kong corporate reporting framework.

The Sustainability Committee has continued to be active in maintaining the Institute's presence in the field, including providing responses to consultations from the IFRS Foundation and the International Integrated Reporting Council. Committee members have also contributed articles to *A Plus* and are participating in a webinar series that aligns with the key strategic aims of the CASG.

Another key initiative led by the Sustainability Committee was the development of AATB 5, as detailed above.

Committee members are also assisting the Institute's Education and Training Department to develop and embed sustainability elements in the relevant stages of the Qualification Programme and to ensure appropriate coverage in the continuing professional development programmes.

### Supporting members

Sustainability is now at the centre of business and government strategies around the world and professional accountants should step up to meet the challenge of leading the development and implementation. To support members in their understanding of the importance of sustainability and to equip them with the skills and knowledge to enable them to provide additional value to their clients and employers, a new webpage has been created that brings together information and materials from the vast range of available international sources. One regular source of practical guides and reports is Accounting for Sustainability (A4S), a long term partner of the Institute through our representation on the A4S's Accounting Bodies Network.

## TAXATION

### In Hong Kong

Every year, the Institute prepares tax policy and budget proposals ahead of the government budget. The 2021-22 submission *Preparing for the recovery* was submitted to the Financial Secretary and other relevant officials. The Institute's President, the Chairman of the Taxation Faculty Executive Committee (TFEC) and the Convenor of the Budget Proposals Subcommittee hosted a press briefing in January 2021 to highlight and explain the main recommendations.

On the day of the budget, the President and these representatives participated in media interviews, explaining the Institute's reaction to the measures in the budget speech. A press release was also issued. Two articles, one on the budget proposals, another one on the 2021-22 budget speech, were also issued in the January and February 2021 issues of *A Plus* respectively.

The 2021 annual meeting between representatives of the TFEC and the commissioner and senior staff of the Inland Revenue Department (IRD) was held in May 2021. The record of the discussions will be published later in the year. Detailed minutes of the 2020 annual meeting were posted on the Institute's website during the year.

A Base Erosion and Profit Shifting 2.0 Focus Group stakeholder engagement session was held by the FSTB (Treasury Branch) in November 2020. Twelve participants, representing the Institute (including the Chairman and Deputy Chairman of the TFEC and other practitioners), the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong, and the Law Society of Hong Kong took part.

As in previous years, the Board of Review under the Inland Revenue Ordinance (Cap. 112), which is the first-level appeal tribunal for tax

appeals against assessments by the commissioner of inland revenue, invited nominations from members to join the board. Fifty Institute members who met the board's requirements for eligibility applied.

Audits were affected by COVID-19 and inevitably filings of profits tax returns suffered delays. Therefore, the TFEC negotiated with the IRD for extensions of time for filing D-code and M-code tax returns in 2020.

### **Internationally**

The Institute representatives participated in the Asia Oceania Tax Consultants' Association's (AOTCA) virtual general meeting in June 2021. During the period, these two Institute representatives remained as technical advisors to AOTCA's Technical Committee.

## **RESTRUCTURING AND INSOLVENCY**

### **In Hong Kong**

The Institute's Restructuring and Insolvency Faculty Executive Committee (RIFEC) held an online meeting with the Official Receiver (OR) and other senior staff of the Official Receiver's Office (ORO) in December 2020 to discuss various practical issues faced by insolvency practitioners (IPs). Detailed notes of the meeting were made available to all RIF members through the April 2021 issue of the RIF e-newsletter, *The IP's Voice*.

A draft Companies (Corporate Rescue) Bill was issued for consultation by the FSTB in June 2020. Representatives of the FSTB, the ORO, and the RIFEC held a meeting in July 2020, in which the Institute's President also joined, to enable the RIFEC to reflect the views and concerns of the insolvency profession on the draft. In September 2020, the RIFEC issued a detailed submission on the bill to the FSTB, proposing a number of changes to make the "provisional supervision" procedure

more practicable. In November 2020, the FSTB issued a paper on the legislative proposals to the Panel on Financial Affairs of the Legislative Council (LegCo). One of the concerns raised by RIFEC, regarding the requirement to obtain positive consent from major secured creditors before a provisional supervision could proceed, was taken on board. However the introduction of the bill in LegCo has been deferred again, as it appears that there are still some divergent views in the labour and business sectors. No clear timetable has been given as to when it will be introduced.

Some RIFEC members have been assisting the Department of Justice (DoJ) in discussions with the Mainland authorities about mutual recognition and assistance in relation to cross-border insolvency proceedings. As something of a breakthrough, on 14 May 2021, in Shenzhen, the Hong Kong Secretary for Justice and the Vice-President of the China's Supreme People's Court signed a record of meeting concerning mutual recognition of, and assistance to, insolvency proceedings between the courts of the Mainland and the Hong Kong Special Administrative Region. The details of this arrangement have been circulated to RIF and Institute members. The pilot scheme will initially apply to courts in Shenzhen, Shanghai and Xiamen. RIFEC continues to maintain close communication with the DoJ. Some RIFEC and RIF members are involved in a test case which should indicate how, in practice, the courts in Shenzhen will apply the arrangement. The Institute will pay close attention to developments.

Given the difficulty IPs often face in trying to open bank accounts in the name of companies in liquidation and bankrupt individuals, the RIFEC requested the ORO to upload a new frequently asked question about bankruptcy on its website. This can be

shown to bank frontline staff to help explain that a trustee in bankruptcy has a legal obligation to open a bank account in the name of the bankrupt, which is operated by the trustee.

In July 2020, the Institute published revised and updated Liquidation and Insolvency Guidance Notes (LIGNs). They aim to promote and encourage high standards in the insolvency profession by providing guidance on the best practice to be adopted by IPs. A free webinar was organized to introduce the revised LIGNs to members of RIF and Institute members generally.

Given the impact of the pandemic on the economy, businesses and employees, the RIFEC has been carrying out more community-focused work. For example, RIFEC members participated as guest speakers in debt counselling webinars organized by Caritas, a debt counselling services provider, in August and November 2020, with the aim of helping the public and raising the RIF's profile. More information about the Institute's corporate social responsibility can be found in Chapter 9 Corporate social responsibility and sustainability.

To promote the work of the RIF and the insolvency and restructuring profession, several features and articles relating to the profession, involving RIFEC members and other practitioners, including an interview with the OR, were published in *A Plus* during the year.

The RIFEC also referred a specific case to the HKMA, reflecting the practical difficulties often faced by IPs in opening bank accounts. This followed an earlier meeting held between representatives of the HKMA, the ORO and the RIFEC. After investigating the circumstances of the case, to further enhance communication between banks and IPs, the HKMA provided a list of designated contact points of retail banks for IPs to enquire

about account opening matters with specific banks. In addition, a dedicated email account and a hotline were provided to facilitate bank customers to provide feedback regarding opening and maintenance of bank accounts. This information has been made available to RIF and Institute members via newsletters. The HKMA also indicated that they had reminded banks to review their policies, procedures and practices to identify possible gaps and improve the execution process, including stepping up front-line staff training on relevant knowledge and effective customer communications.

### Internationally

The Institute holds a directorship on the Board of INSOL International, by virtue of being one of the 10 largest member associations. The 2020 RIFEC Chairman, Terry Kan, was nominated for a three-year term, commencing November 2019.

### OTHER CONSULTATIONS ON LEGISLATION AND REGULATIONS

Every year, the Institute conveys the views of the profession in numerous representations and submissions issued to different government departments and bureaus, and other local and international bodies. This is done primarily through consultation meetings and responses to various public and soft consultations, in addition to legislative proposals. This year, representations made to the government, LegCo, financial services regulators and others included:

#### Financial Services and the Treasury Bureau (Financial Services)

- Companies (Corporate Rescue) Bill
- Proposed profits tax concession for carried interest
- Public Consultation on Legislative Proposals to Enhance Anti-Money Laundering and

Counter-Terrorist Financing Regulation in Hong Kong

#### Financial Services and the Treasury Bureau (Treasury)

- Possible actions that the government could take in response to the base erosion and profit shifting 2.0 project

#### Hong Kong Exchanges and Clearing

- Consultation Paper on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display
- Consultation Paper on Review of Listing Rules relating to Disciplinary Powers and Sanctions
- Concept Paper on Modernizing Hong Kong's IPO Settlement Process
- Consultation Paper on the Main Board Profit Requirement
- Consultation Paper on Listing Regime for Overseas Issuers
- Consultation Paper on Review of Corporate Governance Code and Related Listing Rules

#### Securities and Futures Commission

- Consultation Paper on Proposed Amendments to the Code on Real Estate Investment Trusts
- Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers
- Consultation Paper on (i) the Proposed Code of Conduct on Bookbuilding and Placing Activities in Equity Capital Market and Debt Capital Market Transactions and (ii) the "Sponsor Coupling" Proposal

#### Insurance Authority

- Consultation Paper on Draft Insurance (Group Capital) Rules

#### Secretary for Labour and Welfare

- Letter to the Secretary for Labour and Welfare to follow up on proposal to review the Protection of Wages on Insolvency Fund limits

#### Narcotics Division, Security Bureau

- Input from the accountancy sector into the second Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report

#### Hang Seng Indexes Company Limited

- Consultation Paper: Proposal to enhance the "Hang Seng Index" as regards continuing to serve as the most representative and important benchmark of the Hong Kong stock market

#### Inland Revenue Department

- Departmental Interpretation and Practice Notes No.1 (Revised) in relation to the tax implications arising from the adoption of the new or revised accounting standards
- Consultation on the Proposed IRD Taxonomy Package

#### Legislative Council Bills Committees

- Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021 on the tax treatment of qualifying amalgamations, electronic filing of tax returns and deduction of foreign tax
- A second submission on the above bill, reiterating and elaborating on the Institute's concerns and position on the proposed penalty provisions on service providers

## PERSONS NOMINATED BY THE INSTITUTE TO SERVE ON INTERNATIONAL ORGANIZATIONS AS AT 30 JUNE 2021

### International Federation of Accountants

- **Nancy Tse**, Member of the Professional Accountants in Business Advisory Group
- **Johnson Kong**, Member of the Small and Medium Practices Advisory Group
- **Norman Chan**, Technical Advisor to Nancy Tse and Johnson Kong
- **Chris Joy and Selene Ho**, National Standard Setters – International Auditing and Assurance Standards Board (annual meeting also attended by **Loretta Fong** as Chair of the Institute’s Auditing and Assurance Standards Committee), and National Standard Setters – International Ethics Standards Board for Accountants (annual meeting also attended by **Horace Ma** as Chair of the Institute’s Ethics Committee)

### International Forum of Accounting Standard Setters

- **Ernest Lee**, Institute representative
- **Cecilia Kwei**, Institute representative

### IFRS World Standard Setters (financial reporting)

- **Ernest Lee**, Institute representative
- **Cecilia Kwei**, Institute representative

### Asian-Oceanian Standard-Setters Group (financial reporting)

- **Ernest Lee**, Institute representative
- **Cecilia Kwei**, Institute representative

### Global Accounting Alliance (GAA)

- **Margaret W.S. Chan**, Board member
- **Chris Joy**, Alternate Board member to Chief Executive and member of the GAA Sustainability Working Group
- **Jonathan Ng**, Member of the GAA Education Working Group
- **Peter Tisman**, Member of the GAA Tax Working Group

### INSOL International

- **Terry Kan**, Board director

### Asia Oceania Tax Consultants’ Association

- **William Chan**, Institute representative
- **Edward Lean**, Institute representative

### Accounting for Sustainability (A4S)

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

### Chartered Accountants Group of Executives

- **Jonathan Ng**, Member of the Education Directors’ Reciprocity Project



# THOUGHT LEADERSHIP, COMMUNICATION AND ENGAGEMENT

How do  
the Institute's  
engagement  
programmes help  
Hong Kong to  
develop?

"The Institute and its Accountant Ambassadors equip students with essential knowledge of wealth management from savings to investments, alongside information about becoming accounting and finance professionals in the future. Our engagement adds value to society in nurturing future generations of outstanding talents." – **Stevan Tam**, Associate Director, Fulbright Securities Limited and an Accountant Ambassador

"CPAs play a crucial role in safeguarding public interest and helping maintain Hong Kong as an international business and financial centre. Through specialized training, the Institute not only equips members with competencies necessary for both tasks and also maintaining members' professional standards." – **Edmund Wong**, Practising Director, Patrick Wong CPA Ltd. and an Accountant Ambassador

"Financial literacy is an essential life skill. The Institute's school engagement programmes, including Rich Kid, Poor Kid, promote financial education and cultivate positive attitudes and values towards money in future generations. These qualities enable people to make financially responsible decisions." – **Jimmy Mok**, Unit Manager, Manulife (International) Limited and an Accountant Ambassador



From left:

Stevan Tam CPA, Edmund Wong FCPA (practising),  
Jimmy Mok CPA

Producing insightful and relevant content and sharing it with members and the public helps to promote the Institute, our members and their expertise.

### MAKING A DIFFERENCE TO SOCIETY THROUGH THOUGHT LEADERSHIP

#### New thought leadership website section

To bring together the Institute's advocacy, research, and other thought leadership initiatives, a new thought leadership website section was established this year. The section includes articles, guidance, responses to consultations by government, regulators and international standard setters. The single location for all the thought leadership produced by the Institute helps to demonstrate how the Institute makes a difference to society.

#### Celebrating the best corporate governance practices

The Institute's Best Corporate Governance Awards (BCGA) celebrated their 20th anniversary in 2020.

Due to the pandemic, the physical presentation luncheon was cancelled. Instead, the awards concluded with the publication of a detailed judges' report in early December 2020 and videos on the Institute's website, which included a congratulatory message from the Secretary for Financial Services and the Treasury, Christopher Hui Ching-yu JP, who would have been guest of honour at the physical event. Representatives from the winners also recorded their own videos on what winning their award means to their organization and on what drives their strong corporate governance and sustainability performances.

In total 30 awards, special mentions and commendations were given out, including an Outstanding Achievement Award in celebration of

the 20th anniversary, given to CLP Holdings Limited for having won a corporate governance award every year since the BCGA was established in 2000 and a Sustainability and Social Responsibility Reporting Awards every year since it was introduced in 2011.

As part of the awards, the Institute conducted a brief study into March-year-end listed companies' COVID-19-related disclosures, which focused on disclosures in annual reports, and circulars such as inside information disclosures, etc., issued up until mid-August 2020. The results reflected that there was room for general improvement in terms of providing more specific information and detailed analyses of the impact of the pandemic on their operations, liquidity and overall financial position; as well as on their strategies for dealing with the pandemic in the short- and longer-term.

In 2021, the awards have been renamed and revamped as the Best Corporate Governance and ESG Awards, which reflects the importance that environmental, social and governance (ESG) reporting and practices now play in Hong Kong. Investors and other stakeholders are increasingly interested in how listed companies and public sector organizations are addressing issues such as climate change and other environmental and social concerns that may affect their businesses or services. The rebranding also acknowledges that the regulatory requirements in relation to ESG reporting have become more specific and extensive, and that further developments are likely (see Chapter 6 Standard setting and professional representation).

The top accolades in the Best Corporate Governance and ESG Awards 2021 will be for the Most Sustainable Companies/Organizations Awards, for companies and organizations that reflect the

overall best practices and that are moving towards fuller integration of corporate governance and ESG.

#### Bylined articles

Through the Institute's bylined articles on *Oriental Daily News*, the Institute informs the public about different topics regarding the accounting profession, such as taxation, insolvency and auditing, etc. Chinese editions of *A Plus* articles are also published in the *Master Insight*, a Hong Kong media portal.

#### Surveys

Surveys of the profession help to inform the Institute's work and are also published as thought leadership reports.

The Institute published the results of the COVID-19 PAIB survey in November 2020. The survey of professional accountants in business (PAIBs) covered the impact of the COVID-19 pandemic on their organizations and operations. The survey investigated how the pandemic posed impacts to organizations, how the business operations have changed, and the impact on the business policies, and was discussed at the PAIB Virtual Conference held in September 2020.

In May 2021, the Institute's Greater Bay Area (GBA) Committee also conducted a survey about the GBA, and the opportunities members and Qualification Programme (QP) students think are available in the Mainland cities of the GBA for Hong Kong CPAs. The results of the survey will be used by the committee to inform and evolve the Institute's GBA strategy and initiatives.

Further surveys were conducted after the end of the financial year on long working hours and technology usage.

## A Plus

*A Plus*, the Institute's monthly magazine, is its premier channel for publicizing its thought leadership to members and stakeholders.

During the year, the specialism series which began in the previous financial year, with articles on restructuring and insolvency, ESG reporting, valuations and initial public offerings. There were also series on the BCGA and the new Quality Management Standards. Institute departments and staff, members and representatives from committees also submitted or contributed to articles on a wide range of topics, demonstrating our thought leadership and professional development.

## COMMUNICATING OUR MESSAGES

Engaging with our members and offering them the information and support they need is a key priority of the Institute. During the year, a number of important projects were undertaken, which required their own communication plans.

### COVID-19

Over the year, the government introduced a range of schemes to support Hong Kong's recovery from the COVID-19 pandemic. The Institute helped to communicate these schemes, including the Financial Industry Recruitment Scheme for Tomorrow, the extension of tax filing deadlines, and the COVID-19 Vaccination Programme, through emails, social media posts, and the "COVID-19 – CPA Information Centre" dedicated webpage.

### Consultation on the proposed framework for the one member one vote election of the President and Vice-Presidents

The Institute issued the *Consultation Paper on Proposed Framework for the One Member One Vote Election of the President and Vice-Presidents* on 1 March 2021 with a dedicated

webpage and feedback survey. Over the three-month consultation, regular messages were sent via emails, comments in newsletters, letters to stakeholders, and social media posts.

### Further reform of regulatory regime of accounting profession

The government announced the further reform of the accounting profession regulatory regime in June 2021. The Institute issued emails, set up a dedicated webpage and a survey in July 2021 to collect the views of members and QP students and will continue to advocate for the best interests of the profession during the legislative process.

More information on the reform can be found in Chapter 1 Corporate governance.

### Institute's newsletters

Members are kept informed about important developments in the Institute, the profession and Hong Kong through the five newsletters. These are: *CPA Pulse*, a monthly summary of developments at the Institute and in the profession; *Technical News*, fortnightly technical and profession news; *CPA Beats*, a fortnightly well-being and work-life balance focused newsletter; *Training and Development*, a fortnightly continuing professional development (CPD) events summary; and *CPD Highlights*, a weekly summary of upcoming CPD events.

As well as these newsletters, there are targeted newsletters. *Inside Business* is sent to PAIBs, *The IP's Voice* to Restructuring and Insolvency Faculty members, *Tax Link* to Taxation Faculty members, *Forensic Update* to Forensics Interest Group members, and *Prospective CPA* to QP students.

### SOCIAL MEDIA

Social media is one of the Institute's key channels for connecting with members, students,

prospective students, and the public. Our accounts on Facebook, LinkedIn, Instagram and WeChat, promote content to different audiences.

A campaign promoting the new QP was run during the year, including adverts on Facebook, Google banner adverts and post promotion on LinkedIn, Instagram and WeChat to maximize the exposure.

Various types of social media posts including interactive games, wise quotes, promotion of the *10 Lessons in Money Management* comic book series (see Chapter 9 Corporate social responsibility and sustainability), and festive messages were created to engage the younger generation.

Five short videos on accounting- and Institute-related topics were produced and published to enhance the public's understanding of the profession and the Institute's corporate social responsibility programme in a softer and more engaging way.

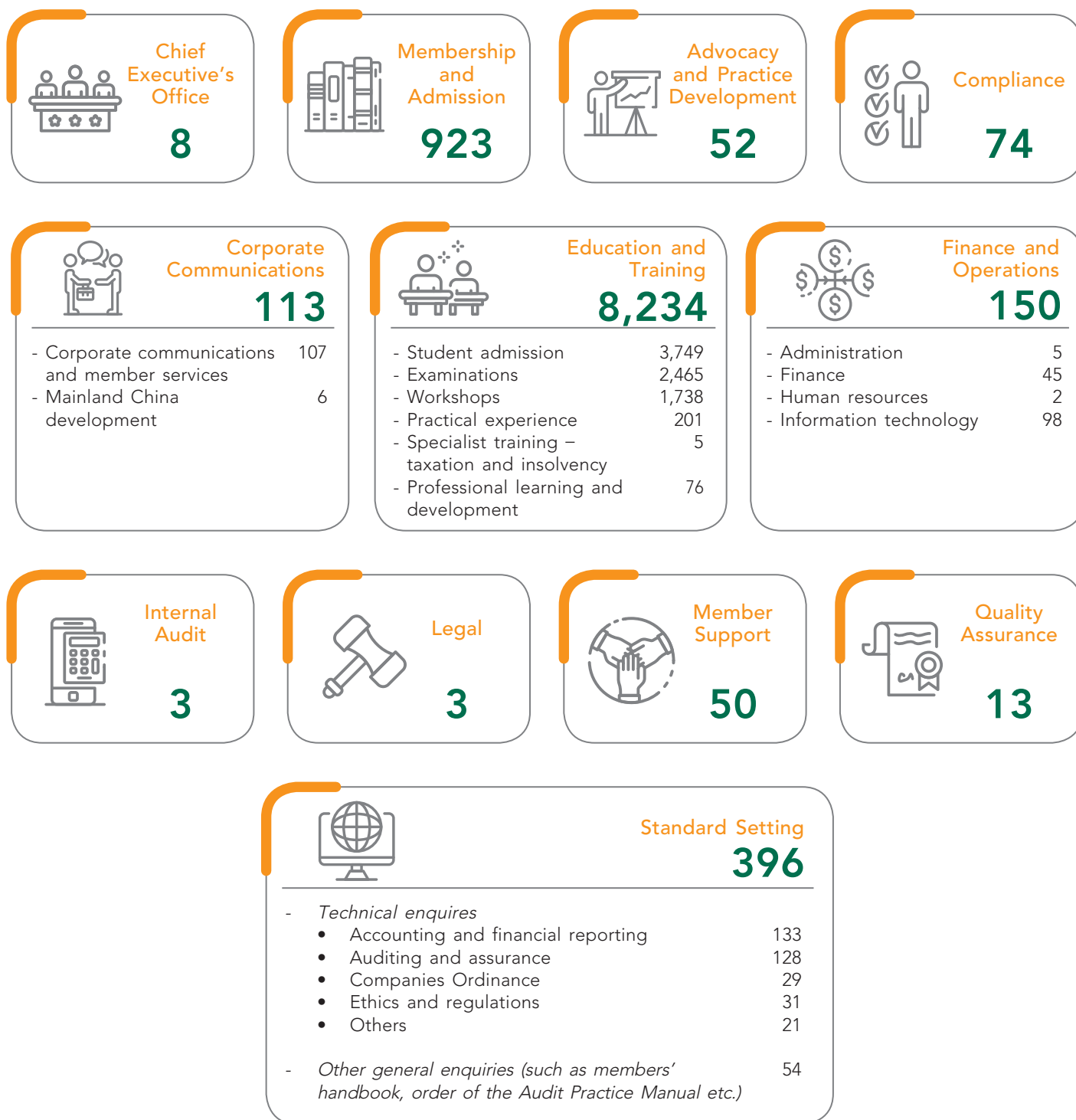
By the end of June 2021, the Institute's official Facebook and LinkedIn pages have accumulated over 12,000 and 9,700 followers respectively.

Two batches of WhatsApp and Signal sticker packs were released in September 2020 and February 2021, enabling users to liven up their conversations with the characters from *10 Lessons in Money Management*.

### RESPONDING TO ENQUIRIES

At the end of the 2020 financial year, the Institute introduced a new customer relationship management enquiry service to better track and handle enquiries. Over this financial year the Institute's departments responded to over 10,000 cases through the new system.

## Number of cases handled by the Institute's departments



**Total: 10,019**

## MEDIA ENGAGEMENTS

Regular engagement with the media is vital to getting the Institute's message to the wider public.

Through interviews, press releases, features, and articles, the Institute publicizes its views.

### Further reform of the regulatory regime of accounting profession

The Institute issued a press release in June 2021, calling on the government to undertake the reform after consultations and assessment of all its impacts. The Council was concerned about the short notice of the intention to reform the regulatory regime; the legislative timeline; and the lack of clarity about the transition period and arrangements. In order to ensure that the reform is carried out appropriately and effectively, the Council directed the Institute to carry out two actions, and urged the government to carry out a third.

### President's interviews

The President undertook a number of meet the media sessions over the year. In February 2021, media reported the President's focus areas including the issuance of the consultation paper on one member one vote for the election of the President and Vice-Presidents, setting up the Digitalization Committee and the Long Working Hours Steering Group.

In June 2021, President said in a group interview that the Institute's practice review programme had similar findings with the Financial Reporting Council's (FRC) annual inspection report. The FRC and the Institute share the same desire to see improvements in standards.

### Teen Money Management Survey 2020

Media reported the Institute's press release on the *Teen Money Management Survey 2020* of primary and secondary students which was

conducted between September and November 2020, as part of its efforts put in financial education.

### Press events

The Institute published press releases and organized a number of press events over the year to publicize its messages. Some of the major media engagements included the following:

- Press releases on compliance matters to demonstrate the Institute's commitment to enforcing the highest professional and ethical standards, the press releases on disciplinary orders and cases regarding Resolution by Agreement published throughout the year
- Press conferences for call-for-entries and results announcement of the BCGA, July and December 2020 respectively
- Post-annual general meeting press conference, December 2020
- Press briefing on the Institute's budget proposals and response to the budget speech, January and February 2021 respectively
- Press release on the proposed framework for the one member one vote election of the President and Vice-Presidents, March 2021
- Press release on the FRC and the Institute signed a Memorandum of Understanding to enhance efficient and effective cooperation and coordination between the two organizations, May 2021
- Press release about the Institute encouraging the accounting profession to support employees' uptake of COVID vaccinations, June 2021

## ENGAGEMENTS WITH FUTURE ACCOUNTANTS PLUS

One of the Institute's major engagement activities is to promote the QP to the next generation of accountants. To assist with this goal, the Institute has a number of promotional events and projects aimed at secondary school and university students. Some of the main activities are detailed below.

For secondary school students, the Institute and the Hong Kong Association for Business Education Limited jointly organize the Business, Accounting and Financial Studies (BAFS) mock examination for the Hong Kong Diploma of Secondary Education. The mock examination aims to help student fully prepare for the examination, as well as to develop and assess students' understanding and application of basic accounting and business knowledge, skills and values, to meet different business needs. In light of the COVID-19 pandemic, the mock examination for the 2020-21 session was conducted via a "take-home examination" approach, with 3,756 enrolments from the secondary schools in Hong Kong, which accounts for 41 percent of the total number of BAFS candidates.

As one of the flagship events among the secondary schools, the HKICPA Accounting and Business Management Case Competition 2020-21 saw 1,860 students from 114 schools joining the competition, with the final oral presentations of six teams held in May 2021 via a hybrid mode. 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. This year, Tsit Wing International Holdings Limited, a food and beverage company, was the case study.

The HKICPA Business Case Competition is an inter-tertiary event organized by the Institute and has been in the running since 2003. The competition helps students to develop valuable business skills such as case analysis, problem solving, team building and presentation, and cultivate their professional judgement as well. In response to the launch of new QP, the competition opened up to sub-degree students in Hong Kong from 2020 onwards. More than 700 teams from various universities in Hong Kong, the Mainland and Macau participated in the competition in 2020, analysing the case of the luxury catering industry. Twelve finalist teams competed online for the final round of the competition in November 2020. The physical prize presentation ceremony was also cancelled and replaced by a celebratory video.

The HKICPA V-fair is a signature event established in 2020. The V-fair 2021 features three sessions: "Seminar", "CV doctor" and "Meet CPA firms". This year, the seminars covered members in business and practice, small and medium practices, and technology interruption to accounting profession, as well as "Ask me anything" sessions hosted by two young "slashies" who discussed how they combine multiple careers by leveraging on their CPA qualification to pursue their dreams. The "CV doctor" offers participants one-on-one CV-enhancing advice from professional consultants. The "Meet CPA firms" are online interviews conducted by human resources experts, helping students to obtain internship placements at CPA firms. This year, over 259 students from various tertiary institutions have enrolled for the event, among which 90 participants received advice of

"CV doctor" and 48 students took part in "Meet CPA firms".

The Institute organized the QP Top Student Award and Sponsorship Presentation Ceremony on 19 September 2020. Around 40 awardees and guests attended the ceremony. A new award, named the Edward Chow Memorial Prize, was established in memory of the late Past President. The Memorial Prize is presented to the graduate obtaining the third highest marks in the Final Examination. The Institute presented eight QP exam awards to the top candidates of the December 2019 session and 23 QP scholarships to recipients from universities.

The Institute conducted 17 talks to over 1,330 participants, including sub-degree students, undergraduates, and young graduates. Ten career and BAFS talks were also arranged to 1,067 secondary school students.

# FINANCES AND OPERATIONS

How do members support the development of their fellow members?

"Giving back is an important aspect of our profession. I enjoy sharing my experiences and values with fellow members through the Mentorship Programme, and contribute to their development in an informal and friendly setting."

– **Maria Xuereb**, Partner Emeritus, Deloitte China and a mentor of the Mentorship Programme

"Sharing is at the core of peer-to-peer support and development. A second opinion from someone with a different background is often helpful when changing jobs, location, starting a business, etc. Another person's views can help make the right decision." – **Andy Lam**, Managing Consultant, Lontreprise Consulting Ltd., and a mentor of the Mentorship Programme

"Sharing knowledge and experience is important. For new members, helping them to understand that our qualification provide a solid foundation for their careers, and that they should think "outside the box" is an important task for more experienced members." – **Kenneth Young**, Managing Director, TGS AITIA Hong Kong and a mentor of the Mentorship Programme



From left:

Maria Xuereb CPA, Andy Lam CPA, Kenneth Young FCPA (practising)

The efficient and financially prudent operation of the Institute ensures that it is able to deliver the services members expect, while performing its statutory roles as an organization acting in the public interest.

## FINANCES

The Institute recorded a deficit of HK\$58 million (2020: HK\$93 million deficit) caused by a few major factors.

Council approved a membership fee waiver for calendar year 2020 and one-off concessions for 2021. The impact in this financial year was HK\$42 million (2020: HK\$67 million).

As a result of COVID-19, the Institute developed contingency plans to hold the Qualification Programme workshops and examinations, which resulted in increased costs to hold the two examination sessions in

December 2020 and June 2021.

The Institute's net assets fell to HK\$204 million (2020: HK\$262 million) due to the increase in contract liabilities (mainly subscription fees collected in advance). Total cash balance was HK\$170 million, up from HK\$163 million in 2020, due to the lower fee waiver and concession impact in 2021. The year-end total

cash balance could support the Institute’s operating cash flow needs for approximately seven months.

To reduce the deficit, the management has been trying their best to curb costs by containing expenses, reducing budgeted headcount, adopting a salary freeze for the second year and a further reduced bonus pool for staff.

The further regulatory reform of the profession will change the Institute’s roles and responsibilities in the future, which will have an impact on its structure and costs. However, a membership fee adjustment may be inevitable in order for the Institute to maintain its functions and activities. The membership fee was last changed in 2013.

## STAFFING

### Institute’s management

The Institute’s staff play vital roles in ensuring its efficient operations. The Chief Executive together with a management team of two Executive Directors (one of whom was promoted to Deputy Chief Executive on 1 July 2021), a General Counsel (who resigned on 30 April 2021) and nine department directors, lead a group of over 200 staff.

## MANAGEMENT TEAM



### Chief Executive & Registrar

01 Margaret W.S. Chan

### Deputy Chief Executive

02 Jonathan Ng\*

### Executive Director

03 Chris Joy *Standards and Regulation*

### Directors

04 Peter Tisman *Advocacy and Practice Development*

05 Linda Biek *Compliance*

06 Dr Wendy Lam *Corporate Communications*

07 Kit Wong *Education and Training*

08 Perry Pang# *Finance and Operations*

09 Elaine Chung *Membership and Admission*

10 Herbert Yung *Member Support*

11 Elsa Ho *Quality Assurance*

12 Cecilia Kwei *Standard Setting*

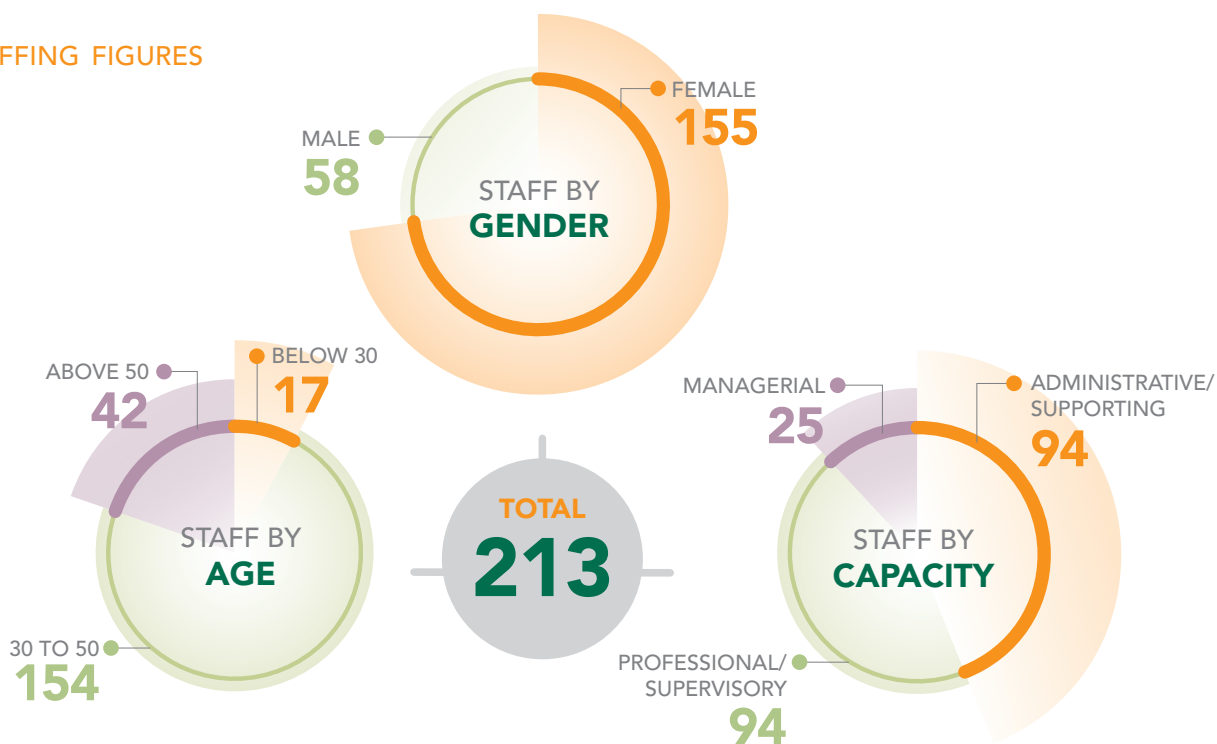


\* Jonathan Ng became Deputy Chief Executive on 1 July 2021.

# Perry Pang resigned on 4 October 2021.



## KEY STAFFING FIGURES



**11%** STAFF TURNOVER RATE

**29** NUMBER OF NEW HIRES

### Responding to COVID-19

A healthy and safe workplace is fundamental for the well-being of members and staff. Since the beginning of the pandemic, the Institute has implemented precautionary measures to safeguard the well-being of members and staff while balancing the needs to ensure services are provided.

The Institute arranged for staff members to work from home on split teams and flexi-hour/flex-lunch breaks to mitigate the risks of contracting COVID-19 while staff were in the office. The Institute also increased the frequency of the cleaning and sanitation of office and common areas, and provided personal protective equipment to members and staff to enable them to work in a safe environment.

After the government launched the COVID-19 Vaccination Programme to protect public health and to allow the gradual resumption of normal activities in the community, the Institute offered staff vaccination

leave to encourage them to receive the vaccine.

### Community engagement

In the financial year, the Institute participated in two events organized by the Community Chest of Hong Kong, namely the Community Chest Dress Casual Day and Skip Lunch Day. Over 70 staff members donated to the organization in support of local good causes.

### Staff well-being, engagement and communications

The Institute regards the well-being of staff members as a priority. It not only provides group medical insurance coverage for staff members, but also enrolls them in long-term disability programmes and group life insurance programmes.

During the year, the Institute invited staff members to attend five webinars conducted by registered medical practitioners and physiotherapists on various health and wellness topics, including the COVID-19 vaccine, common physical pains at work,

and heart disease. The Institute also invited the Hong Kong Fire Services Department to conduct an in-house first-aid course on cardiopulmonary resuscitation and using automated external defibrillators.

The Institute offers long service awards to show appreciation to staff members for their service. In the financial year, 11 staff members received an award for their five years of service, five staff members for 10 years, five staff members for 15 years, and two staff members for 20 years.

### Training and development

The Institute recognizes that the training of its staff members is key to the sustainability development of their careers. Staff members are offered opportunities to enrol in both external training courses as well as continuing professional development (CPD) programmes according to their professional requirements and individual training needs. In the financial year, over 780 enrolments in 240 external and CPD courses were recorded.

# CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

How do Hong Kong's accountants support the next generation?

"Hong Kong's accountants serve a diverse community. Keeping an open mind to new ideas can help us to help the next generation unleash their distinct talents. Our support can give them a sense of pride and help them to evolve, adapt and build a better world." – **Thomas Lee**, Partner, Lee, Au & Co. and an Accountant Ambassador

"Hong Kong's accountants can contribute by teaching the next generation 'how to fish'. By teaching them to learn rather than only feeding them with knowledge, we can enable them to achieve their purpose of life and to pursue happiness." – **Kelvin Wong**, Chief Operating Officer at a single family office and an Accountant Ambassador

"Talent development goes further than training initiatives. By offering youth with opportunities to learn more about and expand their areas of interest and abilities we can help make them happier and more successful and work towards the goal of cultivating a better Hong Kong." – **Carmen Lo**, Manager at a regulator and an Accountant Ambassador



From left:

Thomas Lee CPA (practising), Kelvin Wong CPA, Carmen Lo CPA

Our efforts in corporate social responsibility (CSR) and sustainability demonstrate our dedication to Hong Kong's present and its future.

### COMMUNITY INVOLVEMENT

New and existing CSR programmes reflect the Institute's commitment to good corporate citizenship. Throughout the year, over 7,000 members of the public benefited from the various projects and activities our members volunteer to.

Since its establishment in 2017, the Institute's 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

The Institute's flagship community project, Rich Kid, Poor Kid (RKPK), marked its 15th anniversary in 2020 with a mini-site launched in December 2020. The webpage recognizes Accountant Ambassadors' contributions to financial education over the years, and features a celebration video, milestones and CSR initiatives of the programme, Accountant Ambassadors' stories, recognition gallery, and at a glance information.

As part of celebration, the Institute conducted the *Teen Money Management Survey 2020* of over 1,000 primary and secondary students between September and November 2020. Based on the survey results, the Institute has developed teen money management indicators to monitor spending habits of the younger generation. The survey report was published in January 2021.

The online flipbook version and print version of Volume 6 to 10 of *10 Lessons in Money Management* were launched in December 2020 and February 2021 respectively. Produced in collaboration again with

the Hong Kong Monetary Authority, the comic books feature smart tips on credit card usage, responsible borrowing and avoiding money traps, all bringing the financial education of the programme up-to-date. Following the previous practice, hard copies were delivered to Accountant Ambassadors, local primary schools, non-governmental organizations in late February 2021 for engagement purpose. To promote the comic books to a wider audience, media collaborations and key opinion leader engagement were undertaken.

Due to the COVID-19 pandemic, online workshops as well as physical school visits were carried out for RKPK. Over the year the programme reached 7,670 students.

Three financial education videos were produced in the "無痛理財大法 by CPAs" series, featuring tips on spending, saving and investment. All episodes were published on the Institute's corporate website, Facebook page and Instagram. Meanwhile, the Institute supported the "Keep your finances in good shape under COVID-19" campaign organized by Investor and Financial Education Council (IFEC) with the first video promoted on IFEC's Facebook page and campaign webpage.

RKPK has been recognized as a Financial Education Champion by the IFEC for three years in a row.

#### CPA for NGO: promoting best corporate governance in NGOs

Three members of the CSWG represented the Institute on an expert group formed by the Hong Kong Council of Social Service to produce two concise guides for non-governmental organizations (NGOs) on reserves and investment. The first revision of the guides were published in March 2021.

#### Collaboration with other organizations

The Institute signed up as one of the supporting organizations of Hong Kong Money Month. Organized by the IFEC the event aims to promote financial literacy. Money Month information was shared on Institute's social media platform during the period.

The Institute participated in the Global Money Week 2021, organized by the Organization for Economic Cooperation and Development's International Network on Financial Education. The Hong Kong edition was hosted by the IFEC.

### OTHER SOCIAL SERVICES

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

The family service department of Caritas Social Work Services Division has been our partner for over 20 years. In recent years, through career talks, mentorship, firm visits and project competitions, we benefit about 270 secondary students studying business, accounting and financial studies annually. In view of COVID-19, the Institute changed the format of the Smart Way Forward programme from physical event to education video series in academic year 2020-21. The first two episodes, "一個會計師的誕生" and "會計師多面睇", feature an introduction to accountancy profession given by the Institute's President, and the Young Members Committee's Chairman, Deputy Chairman, and a young member representing the public sector to share their experience as a CPA respectively.

Nine Accountant Ambassadors signed up as mentors for the inter-school case competition of the 21st Millennium Entrepreneurship Programme organized by Wofoo Social Enterprises under the theme "New Economy".

### **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.

### **A SUSTAINABLE INSTITUTE**

As a body representing the profession leading the way in sustainability, we know the importance of minimizing our impact on the planet. During the year, we continued to make substantial progress in our ongoing initiatives to green our operations and raise sustainability awareness.

### **Green office awards**

This year, the Institute joined the Green Office Awards Labelling Scheme and Eco-Healthy Workplace by the World Green Organization (WGO). After going through the assessments, the Institute was awarded the WGO's Green Office Awards Label and Eco-Healthy Workplace Label.

### **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 halogen lights with LED tube lights. During the year, 340 T8 fluorescent lights were replaced with LED tube lights, which saved up to 35,899 kWh of electricity.

Reducing excessive lighting has always been the Institute's recommended practice. A zone lighting control system was installed in open office areas to control the use of lighting and the accompanying

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 rooms are not in use and after work through energy saving reminder stickers next to lighting switches.

To support the government's Energy Saving Charter on Indoor Temperature, the Institute maintains an average indoor temperature at 24°C or higher and has placed reminder stickers besides air-conditioning controls.

The Institute has chosen to use electrical appliances with Grade 1 energy labels. All copy machines and computers of the Institute default to energy saving mode when not in use.

#### *Paper reduction*

To promote environmentally-friendly practices, the Institute continues to encourage members to receive Institute communications electronically. One major change is to send out the annual renewal notices by email rather than by post. In the financial year, over 45,000 members received annual renewal notices by email, compared to 1,072 who received a hard copy. No students were sent hard copy notices.

Internally, the Institute continues to implement measures to reduce the use of paper in the office. Apart from the electronic and automated internal administrative processes adopted for staff, including leave application, performance evaluation, approval of overtime work and monthly payment processing, we used electronic means to communicate with our members and old envelopes as internal envelopes for document distribution. E-handouts of continuing professional development events were given out to participants instead of hardcopies. E-filing

instead of using box files is also encouraged, and staff are asked to use recycled paper.

The Institute recommended practice is for double-sided printing, with reminder stickers on each copy machine and reminder posters with catchy slogans near each copy machine and printer. A follow-you-print function eliminates misprinting to add efficiency. The Institute also only procures Programme for the Endorsement of Forest Certification paper.

Through these efforts, a 13.7 percent reduction in paper consumption was recorded this financial year.

#### *Waste management*

Items are collected for recycling including, cardboard boxes, used paper toner and ink cartridges from printers, and general plastic waste accumulated within the premises. Recycling boxes are also placed in pantries for the collection of empty glasses, plastic bottles, aluminium cans as well as used batteries. Recycling bags collect waste confidential paper, with 7,978 kg of paper collected during the year for recycling, which is equivalent to saving 38,295 kg of carbon dioxide.

Wastewater from the pantries also goes through under-sink grease traps before being discharged into the building's sewerage system and public sewers, and a maintenance contractor safely removes the built-up sludge in the traps once every two months.

Go green posters in pantries educate and encourage staff to go green by donating old clothes and waste electrical equipment to charitable organizations and to recycle empty glass and plastic bottles and aluminum cans at home.



# AUDITOR'S REPORT & FINANCIAL STATEMENTS

HONG KONG INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

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THE HKICPA TRUST FUND

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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 70 to 105, 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 2021, 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 material 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 2021, 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 2021 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 the annual financial statements pursuant to the Professional Accountants Ordinance that give a true and fair view in accordance with HKFRSs issued by the Institute, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

## STATEMENTS OF FINANCIAL POSITION

At 30 June 2021

	Note	Group		Institute	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>					
Fixed assets	4	144,605	158,312	143,969	157,074
Interests in subsidiaries	5	-	-	-	-
Prepayments for purchase of fixed assets		1,863	736	1,863	736
		<b>146,468</b>	159,048	<b>145,832</b>	157,810
<b>Current assets</b>					
Inventories		429	400	429	400
Receivables	7	1,568	4,326	1,549	4,235
Deposits and prepayments		11,098	18,939	11,048	18,839
Tax recoverable		165	177	165	165
Time deposits with original maturities over three months	21(a)	29,743	14,857	10,973	-
Cash and cash equivalents	8	169,697	176,522	159,394	162,677
		<b>212,700</b>	215,221	<b>183,558</b>	186,316
<b>Current liabilities</b>					
Contract liabilities	9	(81,816)	(46,207)	(81,816)	(46,207)
Payables and accruals	10	(44,071)	(32,504)	(41,986)	(32,059)
Lease liabilities	4	(1,531)	(1,695)	(965)	(1,072)
		<b>(127,418)</b>	(80,406)	<b>(124,767)</b>	(79,338)
<b>Net current assets</b>		<b>85,282</b>	134,815	<b>58,791</b>	106,978
<b>Non-current liabilities</b>					
Lease liabilities	4	(365)	(895)	(290)	(311)
Deferred tax liabilities	6	-	(2,281)	-	(2,281)
		<b>(365)</b>	(3,176)	<b>(290)</b>	(2,592)
		<b>231,385</b>	290,687	<b>204,333</b>	262,196
<b>Funds and reserve</b>					
General fund	11	34,082	93,715	12,894	71,083
Capital fund	11	197,449	197,123	191,439	191,113
Exchange reserve		(146)	(151)	-	-
		<b>231,385</b>	290,687	<b>204,333</b>	262,196

Approved by the Council on 23 September 2021

Raymond Cheng  
President

Margaret W.S. Chan  
Chief Executive & Registrar



## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	Group		Institute	
		2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Subscriptions and fees	12	117,722	90,399	117,722	90,399
Other revenue	13	72,049	58,828	72,049	58,828
Total revenue from contracts with customers		189,771	149,227	189,771	149,227
Other income	14	25,851	22,219	25,665	21,656
Expenses	15	(277,536)	(263,796)	(275,906)	(263,504)
<b>Deficit before tax</b>	16	<b>(61,914)</b>	(92,350)	<b>(60,470)</b>	(92,621)
Income tax credit/(charge)	17	2,281	(194)	2,281	(196)
<b>Deficit</b>		<b>(59,633)</b>	(92,544)	<b>(58,189)</b>	(92,817)
<b>Other comprehensive income</b>					
Item that may be reclassified subsequently to surplus or deficit:					
Exchange gain/(loss) on translating the financial statements of HKICPA Beijing		5	(18)	-	-
<b>Comprehensive income</b>		<b>(59,628)</b>	(92,562)	<b>(58,189)</b>	(92,817)

Approved by the Council on 23 September 2021

Raymond Cheng  
President

Margaret W.S. Chan  
Chief Executive & Registrar

## STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2021

	2021						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	93,715	197,123	(151)	290,687	71,083	191,113	262,196
Deficit	(59,633)	-	-	(59,633)	(58,189)	-	(58,189)
Other comprehensive income	-	-	5	5	-	-	-
Comprehensive income	(59,633)	-	5	(59,628)	(58,189)	-	(58,189)
Capital levy from members and students	-	326	-	326	-	326	326
<b>At the end of the reporting period</b>	<b>34,082</b>	<b>197,449</b>	<b>(146)</b>	<b>231,385</b>	<b>12,894</b>	<b>191,439</b>	<b>204,333</b>
	2020						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	186,259	195,448	(133)	381,574	163,900	189,438	353,338
Deficit	(92,544)	-	-	(92,544)	(92,817)	-	(92,817)
Other comprehensive income	-	-	(18)	(18)	-	-	-
Comprehensive income	(92,544)	-	(18)	(92,562)	(92,817)	-	(92,817)
Capital levy from members and students	-	1,675	-	1,675	-	1,675	1,675
At the end of the reporting period	93,715	197,123	(151)	290,687	71,083	191,113	262,196

# STATEMENTS OF CASH FLOWS

For the year ended 30 June 2021

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Cash flows from operating activities</b>				
Deficit before tax	(61,914)	(92,350)	(60,470)	(92,621)
Adjustments for:				
Allowance for obsolete inventories	43	62	43	62
Depreciation of fixed assets	20,959	20,295	20,243	19,632
Gain on disposal of fixed assets	-	(10)	-	(10)
Interest on lease liabilities	101	123	48	94
Loss allowance of receivables	163	35	163	35
Obsolete inventories written off	3	89	3	24
Uncollectible amounts written off	23	30	23	30
<b>Operating cash flows before working capital changes</b>	<b>(40,622)</b>	<b>(71,726)</b>	<b>(39,947)</b>	<b>(72,754)</b>
Increase in inventories	(75)	(80)	(75)	(81)
Decrease in receivables	2,572	66	2,500	74
Decrease/(increase) in deposits and prepayments	7,851	(11,215)	7,791	(11,164)
(Increase)/decrease in time deposits with original maturities over three months	(14,886)	186,387	(10,973)	183,054
Increase/(decrease) in contract liabilities	35,609	(22,340)	35,609	(22,340)
Increase/(decrease) in payables and accruals	10,392	(15,015)	8,702	(14,077)
<b>Cash generated from operations</b>	<b>841</b>	<b>66,077</b>	<b>3,607</b>	<b>62,712</b>
Net tax refunded	13	24	-	-
<b>Net cash generated from operating activities</b>	<b>854</b>	<b>66,101</b>	<b>3,607</b>	<b>62,712</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(3,827)	(10,241)	(3,827)	(10,195)
Prepayments for purchase of fixed assets	(1,863)	(736)	(1,863)	(736)
Sales proceeds from disposal of fixed assets	-	10	-	10
<b>Net cash utilized in investing activities</b>	<b>(5,690)</b>	<b>(10,967)</b>	<b>(5,690)</b>	<b>(10,921)</b>
<b>Cash flows from financing activities</b>				
Lease payments (note 4)	(2,254)	(2,890)	(1,526)	(2,207)
Capital levy received	326	1,675	326	1,675
<b>Net cash utilized in financing activities</b>	<b>(1,928)</b>	<b>(1,215)</b>	<b>(1,200)</b>	<b>(532)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,764)</b>	<b>53,919</b>	<b>(3,283)</b>	<b>51,259</b>
Cash and cash equivalents at the beginning of the reporting period	176,522	122,593	162,677	111,418
Exchange difference in respect of cash and cash equivalents	(61)	10	-	-
<b>Cash and cash equivalents at the end of the reporting period (note 8)</b>	<b>169,697</b>	<b>176,522</b>	<b>159,394</b>	<b>162,677</b>

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$1,350,000 (2020: HK\$3,011,000) and HK\$1,350,000 (2020: HK\$1,646,000) respectively by means of leases. At 30 June 2021, HK\$1,225,000 (2020: HK\$2,204,000) for additions of owned assets was included in "Payables and accruals" for the Group and the Institute (note 10).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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 wholly foreign-owned enterprise (WFOE) in Mainland China. Its principal activities are the promotion of the Institute's qualification programme and provision of services to members in Mainland China. In order to comply with the Foreign Non-Governmental Organization (NGO) Law which took effect on 5 November 2017, the Council passed the resolution on 21 July 2020 to establish two representative offices in Mainland China to replace the WFOE.

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. The examinations held by HKIAAT were restructured under the Institute as the Associate Level of the new Qualification Programme. HKIAAT ceased to hold examinations after 31 December 2019 and maintains the register for Accredited Accounting Technician members until December 2029. 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.

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. It is no longer actively operating subsequent to the re-organization of the Group's educational policy and the cessation of all HKIAAT examinations after 31 December 2019. The tax exemption status under section 88 of the Inland Revenue Ordinance was withdrawn as a result. Its trustees are the president, the immediate past president and a vice president of HKIAAT. The power to appoint and remove trustees is vested with HKIAAT.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

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

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

#### *Depreciation*

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

#### *Impairment of financial assets*

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2(b).

### (b) New/revised HKFRSs that were issued during the current year and after 30 June 2021

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 are applicable to the Group. These applicable standards have no significant impact on the results or the financial positions of the Group or the Institute.

The Institute has not issued any new/revised HKFRSs after 30 June 2021 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 loss allowances (see note 2(e)) 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 2(i).

**(e) Impairment of financial assets**

The Group recognizes loss allowances for expected credit loss on the financial assets measured at amortized cost. 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.

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. 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 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

Leasehold land	Over the lease term
Leased premises	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**

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.

**(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. All exchange differences are recognized in surplus or deficit.

For the purposes of presenting the 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 and income 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) Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant and subsidy relate to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**(q) 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, at the time of the transaction, affects neither accounting nor taxable profit or loss, and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences, deferred tax liabilities are 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.

**(r) 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 three approved defined contribution retirement benefits schemes for employees: a registered scheme under Mandatory Provident Fund ("MPF") Exempted Occupational Retirement Schemes Ordinance, a MPF scheme under the Mandatory Provident Fund Schemes Ordinance and the People's Republic of China central pension scheme.

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.

**(s) 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Financial assets</b> - measured at amortized cost				
Receivables, net of loss allowances	1,568	4,326	1,549	4,235
Deposits	1,484	1,831	1,434	1,785
Time deposits with original maturities over three months	29,743	14,857	10,973	-
Cash and cash equivalents	169,697	176,522	159,394	162,677
	<b>202,492</b>	197,536	<b>173,350</b>	168,697
<b>Financial liabilities</b> - measured at amortized cost				
Payables	2,222	2,403	2,162	2,331
Amounts due to subsidiaries	-	-	82	50
Accruals	12,248	8,061	12,248	8,061
Lease liabilities				
- Current	1,531	1,695	965	1,072
- Non-current	365	895	290	311
	<b>16,366</b>	13,054	<b>15,747</b>	11,825

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			
	Leasehold land <i>HK\$'000</i> (a)	Leased premises <i>HK\$'000</i> (b)	Furniture, fixtures and equipment <i>HK\$'000</i> (c)	Total <i>HK\$'000</i>
<b>2021 - Group</b>				
Net book value at 1 July 2020	118,700	2,293	257	121,250
Additions	-	573	777	1,350
Depreciation	(4,399)	(1,744)	(411)	(6,554)
Exchange realignment	-	109	-	109
<b>Net book value at 30 June 2021</b>	<b>114,301</b>	<b>1,231</b>	<b>623</b>	<b>116,155</b>
At cost	184,669	3,932	777	189,378
Accumulated depreciation and impairment	(70,368)	(2,701)	(154)	(73,223)
	<b>114,301</b>	<b>1,231</b>	<b>623</b>	<b>116,155</b>
<b>2021 - Institute</b>				
Net book value at 1 July 2020	118,700	1,096	257	120,053
Additions	-	573	777	1,350
Depreciation	(4,399)	(1,058)	(411)	(5,868)
<b>Net book value at 30 June 2021</b>	<b>114,301</b>	<b>611</b>	<b>623</b>	<b>115,535</b>
At cost	184,669	2,432	777	187,878
Accumulated depreciation and impairment	(70,368)	(1,821)	(154)	(72,343)
	<b>114,301</b>	<b>611</b>	<b>623</b>	<b>115,535</b>

Owned assets

Buildings HK\$'000 (a)	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Total HK\$'000
10,820	3,049	23,193	37,062	158,312
-	452	5,336	5,788	7,138
(2,162)	(571)	(11,672)	(14,405)	(20,959)
-	-	5	5	114
<b>8,658</b>	<b>2,930</b>	<b>16,862</b>	<b>28,450</b>	<b>144,605</b>
43,255 (34,597)	27,819 (24,889)	74,841 (57,979)	145,915 (117,465)	335,293 (190,688)
<b>8,658</b>	<b>2,930</b>	<b>16,862</b>	<b>28,450</b>	<b>144,605</b>
10,820	3,048	23,153	37,021	157,074
-	452	5,336	5,788	7,138
(2,162)	(571)	(11,642)	(14,375)	(20,243)
<b>8,658</b>	<b>2,929</b>	<b>16,847</b>	<b>28,434</b>	<b>143,969</b>
43,255 (34,597)	27,746 (24,817)	74,067 (57,220)	145,068 (116,634)	332,946 (188,977)
<b>8,658</b>	<b>2,929</b>	<b>16,847</b>	<b>28,434</b>	<b>143,969</b>

**Right-of-use assets**

	Leasehold land <i>HK\$'000</i> (a)	Leased premises <i>HK\$'000</i> (b)	Furniture, fixtures and equipment <i>HK\$'000</i> (c)	Total <i>HK\$'000</i>
<u>2020 - Group</u>				
Net book value at 1 July 2019	123,099	1,711	595	125,405
Additions	-	2,283	728	3,011
Depreciation	(4,399)	(1,691)	(1,066)	(7,156)
Exchange realignment	-	(10)	-	(10)
Net book value at 30 June 2020	<u>118,700</u>	<u>2,293</u>	<u>257</u>	<u>121,250</u>
At cost	184,669	3,777	2,410	190,856
Accumulated depreciation and impairment	<u>(65,969)</u>	<u>(1,484)</u>	<u>(2,153)</u>	<u>(69,606)</u>
	<u>118,700</u>	<u>2,293</u>	<u>257</u>	<u>121,250</u>
<u>2020 - Institute</u>				
Net book value at 1 July 2019	123,099	1,223	595	124,917
Additions	-	918	728	1,646
Depreciation	(4,399)	(1,045)	(1,066)	(6,510)
Net book value at 30 June 2020	<u>118,700</u>	<u>1,096</u>	<u>257</u>	<u>120,053</u>
At cost	184,669	2,413	2,410	189,492
Accumulated depreciation and impairment	<u>(65,969)</u>	<u>(1,317)</u>	<u>(2,153)</u>	<u>(69,439)</u>
	<u>118,700</u>	<u>1,096</u>	<u>257</u>	<u>120,053</u>

**Owned assets**

Buildings HK\$'000 (a)	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Total HK\$'000
12,982	3,194	20,985	37,161	162,566
-	382	12,660	13,042	16,053
(2,162)	(527)	(10,450)	(13,139)	(20,295)
-	-	(2)	(2)	(12)
<u>10,820</u>	<u>3,049</u>	<u>23,193</u>	<u>37,062</u>	<u>158,312</u>
43,255	27,360	69,518	140,133	330,989
(32,435)	(24,311)	(46,325)	(103,071)	(172,677)
<u>10,820</u>	<u>3,049</u>	<u>23,193</u>	<u>37,062</u>	<u>158,312</u>
12,982	3,193	20,972	37,147	162,064
-	382	12,614	12,996	14,642
(2,162)	(527)	(10,433)	(13,122)	(19,632)
<u>10,820</u>	<u>3,048</u>	<u>23,153</u>	<u>37,021</u>	<u>157,074</u>
43,255	27,294	68,770	139,319	328,811
(32,435)	(24,246)	(45,617)	(102,298)	(171,737)
<u>10,820</u>	<u>3,048</u>	<u>23,153</u>	<u>37,021</u>	<u>157,074</u>

**Year ended 30 June**

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	101	123	48	94
Expense relating to short-term leases				
- Lease term of more than one month	302	82	302	82
- Lease term of one month or less (d)	17,111	10,683	17,111	10,683
Expense relating to variable lease payments not included in the measurement of lease liabilities (c)	276	249	276	249
Income from sub-leasing right-of-use assets	-	3	-	3
<b>Total cash outflow for leases</b>				
- Lease liabilities	2,254	2,890	1,526	2,207
- Short-term lease and variable lease payments	14,146	14,274	14,146	14,274
	<b>16,400</b>	<b>17,164</b>	<b>15,672</b>	<b>16,481</b>

**At 30 June**

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Maturity profile of lease liabilities:				
- Within 1 year	1,569	1,776	985	1,104
- Between 1 to 2 years	370	916	293	316
Lease liabilities (undiscounted)	1,939	2,692	1,278	1,420
Discount amount	(43)	(102)	(23)	(37)
Lease liabilities (discounted)	<b>1,896</b>	<b>2,590</b>	<b>1,255</b>	<b>1,383</b>
Current	1,531	1,695	965	1,072
Non-current	365	895	290	311
Lease liabilities (discounted)	<b>1,896</b>	<b>2,590</b>	<b>1,255</b>	<b>1,383</b>

Movements of the carrying amount of lease liabilities:

**Year ended 30 June**

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	2,590	2,356	1,383	1,850
Non-cash changes:				
- Interest expense	101	123	48	94
- New leases	1,350	3,011	1,350	1,646
- Exchange differences	109	(10)	-	-
Cash payments	(2,254)	(2,890)	(1,526)	(2,207)
At the end of the reporting period	<b>1,896</b>	<b>2,590</b>	<b>1,255</b>	<b>1,383</b>



- (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 one 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 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	
	2021 HK\$'000	2020 HK\$'000
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. Two representative offices in Mainland China will be set up to replace it as stated in note 1.

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

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

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

Nature and purpose of funds

The general fund of HKIAAT of HK\$17,058,000 (2020: HK\$16,913,000) 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\$5,358,000 (2020: HK\$5,261,000), 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\$29,073,000 (2020: HK\$28,702,000) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

**6. DEFERRED TAX LIABILITIES**

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

	Group and Institute			
	Accelerated tax depreciation <i>HK\$'000</i>	Other temporary differences <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2019	(4,270)	2,185	-	(2,085)
(Charged)/credited to deficit (note 17)	(645)	449	-	(196)
At 30 June 2020 and 1 July 2020	(4,915)	2,634	-	(2,281)
Credited to deficit (note 17)	759	132	1,390	2,281
<b>At 30 June 2021</b>	<b>(4,156)</b>	<b>2,766</b>	<b>1,390</b>	<b>-</b>

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

	Group		Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Decelerated tax depreciation	15	17	-	-
Other deductible temporary differences	3,032	1,370	-	-
Tax losses	239,555	187,411	220,144	168,007
	<b>242,602</b>	188,798	<b>220,144</b>	168,007

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 that future taxable profit will be available against which the Group can utilize the benefits therefrom. The tax losses do not have expiration dates under current tax legislation.

## 7. RECEIVABLES

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Disciplinary fines and costs recovery receivables	705	1,438	705	1,438
Loss allowances (a)	(217)	(301)	(217)	(301)
	<b>488</b>	1,137	<b>488</b>	1,137
Government grant receivables (note 14(b))	-	2,064	-	2,064
Other receivables	1,080	1,125	1,061	1,034
	<b>1,568</b>	4,326	<b>1,549</b>	4,235

Disciplinary fines and costs recovery receivables relate to a small number of respondents. These receivables and the related income are recognized at a point in time upon the expiry of 30 days after serving the disciplinary order on the respondents if no appeal is made during the 30-day period, or after the final determination of any appeal made by the respondent in accordance with section 38 of the Professional Accountants Ordinance. Demand letter will be issued to effect the debt.

The Group and the Institute have a robust debt recovery process. If there is no settlement from the respondent within 30 days after issuance of the demand letter, follow up actions will be taken which may escalate to legal action after several attempts of recovery actions. Management evaluates the probability of default on a case-by-case basis based on past experience taking into account the nature of the disciplinary actions and the financial ability of the respondent. For debtors where management believes there has been no significant increase in credit risk since initial recognition, the Group and the Institute adopt the 12-month expected credit losses ("ECL") assessment. While for the remaining amounts, lifetime ECL assessment is adopted.

At the end of the reporting period, receivables of HK\$217,000 (2020: HK\$301,000) of the disciplinary fines and costs recovery is credit-impaired and fully provided for.

The Group and the Institute write off receivables when there is information indicating that the respondent is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the respondent has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over three years past due and all reasonable efforts have been exhausted, whichever occurs earlier.

Other receivables mainly relate to commission from professional indemnity insurance master policy, settlement for credit card payments from banks and bank interest receivables.

For other receivables and government grant receivables, management considers that the counterparties are reputable and creditworthy organizations and there has been no record of default in the past. Accordingly, these receivables are assessed to have low credit risk and management have provided for the loss allowance based on 12-month ECL, which is assessed to be minimal at the end of the reporting period.

The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

(a) Movements on the loss allowances of receivables are as follows:

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
At the beginning of the reporting period	301	266	301	266
Receivables written off during the year as uncollectible	(247)	-	(247)	-
Loss allowances recognized during the year	163	35	163	35
At the end of the reporting period	<b>217</b>	301	<b>217</b>	301

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.

## 8. CASH AND CASH EQUIVALENTS

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Bank balances				
- Time deposits with original maturities within three months	140,526	155,197	133,964	144,973
- Savings accounts	16,906	4,811	15,599	3,503
- Current accounts	12,233	16,431	9,807	14,124
Cash on hand	32	83	24	77
	<b>169,697</b>	176,522	<b>159,394</b>	162,677

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 and Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Subscription fees received in advance	70,190	40,443
Other fees received in advance	11,626	5,764
	<b>81,816</b>	46,207

The Institute charges 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 and Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	(43,693)	(59,562)
Increase due to cash received during the year	221,747	126,887
Decrease due to the recognition of revenue for cash received during the year	<b>(142,445)</b>	(89,665)

## 10. PAYABLES AND ACCRUALS

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Payables	2,222	2,403	2,162	2,331
Amounts due to subsidiaries	-	-	82	50
Accruals	12,248	8,061	12,248	8,061
Financial liabilities	14,470	10,464	14,492	10,442
Employee benefits obligations	29,601	22,040	27,494	21,617
	<b>44,071</b>	<b>32,504</b>	<b>41,986</b>	<b>32,059</b>

Payables and accruals are mainly costs related to examinations, workshops, seminars and courses, publication cost of Annual Report and purchase cost of fixed assets (see page 73).

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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within 30 days	13,018	6,497	13,041	6,475
Between 31 and 90 days	35	767	35	767
Between 91 and 180 days	31	2	31	2
Between 181 and 270 days	502	2,045	502	2,045
Over 270 days	884	1,153	883	1,153
	<b>14,470</b>	<b>10,464</b>	<b>14,492</b>	<b>10,442</b>

## 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. One-off waiver of capital levy was granted to all existing members and students for the subscription year 2021.
- The capital fund of HKIAAT represents a capital levy from its members and students to meet future office expansion. Effective from the year ended 30 June 2009, no capital levy has been collected.

## 12. SUBSCRIPTIONS AND FEES

	Group and Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Annual subscription fees</b>		
Members (a)	<b>61,537</b>	26,028
Practising certificates	<b>26,187</b>	25,712
Students (b)	<b>7,106</b>	8,328
Firms (b)	<b>6,398</b>	10,610
Corporate practices (b)	<b>5,662</b>	7,623
Others	<b>1,806</b>	1,689
<b>First registration fees</b>		
Members	<b>4,328</b>	5,842
Practising certificates	<b>763</b>	819
Students	<b>1,863</b>	1,504
Firms	<b>151</b>	130
Corporate practices	<b>252</b>	242
Others	<b>360</b>	281
<b>Other fees</b>		
Advancement to fellowship	<b>276</b>	259
Assessment for overseas students	<b>1,033</b>	1,332
	<b>117,722</b>	90,399

- (a) 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. Full fee waiver was granted to these members for both 2019 and 2020.
- (b) In June 2020, the Chief Executive and Registrar announced an one-off annual fee concessions to students, firms and corporate practices when they renew their membership for 2021. According to HKFRS 15, the reduction is recognized at the later of (i) when the reduction is announced to the members; and (ii) when the revenue for the transfer of the related goods or services to the members is recognized.

## 13. OTHER REVENUE

	Group		Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Income from examinations (a)	<b>58,065</b>	40,795	<b>58,065</b>	40,795
Income from seminars and courses (b)	<b>13,938</b>	17,203	<b>13,938</b>	17,203
Income from member and student activities	<b>46</b>	800	<b>46</b>	800
Accreditation income	-	30	-	30
	<b>72,049</b>	58,828	<b>72,049</b>	58,828

- (a) During the current year, two examination sessions were held. During the year ended 30 June 2020, the June 2020 examination session was cancelled due to the COVID-19 pandemic, the amount represented income from the December 2019 examination session and the deferred income impact from the June 2019 examination session.
- (b) During the current year, more free/subsidized courses were offered to support members. Most of the face-to-face courses and activities were cancelled for both years due to the COVID-19 pandemic.



## 14. OTHER INCOME

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Events sponsorship	457	2,103	457	2,103
Disciplinary fines and costs recovery	7,212	7,388	7,212	7,388
Interest income	999	4,807	819	4,290
Sales of goods	1,655	729	1,655	719
Income from advertisements placed in the journals	177	90	177	90
Litigation costs recovery (a)	3,289	2,257	3,289	2,257
Income from hardcopy surcharge	584	625	584	625
Commission from professional indemnity insurance master policy	1,793	1,678	1,793	1,678
Commission from affinity credit card programme	94	91	94	91
Donations	29	36	23	16
Income from sub-leasing right-of-use assets	-	3	-	3
Reversal of allowance for obsolete inventories	9	19	9	19
Gain on disposal of fixed assets	-	10	-	10
Government grants (b)	9,126	2,064	9,126	2,064
Miscellaneous	427	319	427	303
	<b>25,851</b>	<b>22,219</b>	<b>25,665</b>	<b>21,656</b>

### (a) Litigation costs recovery

	Group and Institute	
	2021 HK\$'000	2020 HK\$'000
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	2,440	1,056
Appeal against disciplinary order (ii)	849	1,201
	<b>3,289</b>	<b>2,257</b>

(i) During the current year, the Institute recognized HK\$2,440,000 (2020: HK\$1,056,000) as recovery from the insurers for settlement of legal costs and claims incurred in dealing with appeals against disciplinary orders.

(ii) During the current year, the Institute recovered HK\$849,000 (2020: HK\$1,201,000) as interim settlement from an applicant who applied for appeal on a disciplinary order against him.

### (b) Government grants

During the current year, the Institute recognized HK\$9,126,000 (2020: HK\$2,064,000) as the approved amount of wage subsidies under the Employment Support Scheme launched by the HKSAR Government on 12 May 2020.

## 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:

### 2021

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Deficit before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Deficit before tax HK\$'000
<b>Members and practices</b>						
Membership and licensing	99,784	-	99,784	99,784	-	99,784
Admission and registration	9,428	(6,780)	2,648	9,428	(6,780)	2,648
Standards and regulation	11,713	(63,661)	(51,948)	11,713	(63,661)	(51,948)
Professional development and specialization	13,948	(20,206)	(6,258)	13,948	(20,206)	(6,258)
Interest groups and networking activities	983	(7,424)	(6,441)	983	(6,663)	(5,680)
	<u>135,856</u>	<u>(98,071)</u>	<u>37,785</u>	<u>135,856</u>	<u>(97,310)</u>	<u>38,546</u>
<b>Qualification</b>	<u>69,021</u>	<u>(74,748)</u>	<u>(5,727)</u>	<u>69,021</u>	<u>(73,902)</u>	<u>(4,881)</u>
<b>Corporate functions</b>						
Constitution, governance and corporate activities	105	(7,100)	(6,995)	105	(7,100)	(6,995)
Branding and communication	-	(7,318)	(7,318)	-	(7,318)	(7,318)
Publications	177	(6,622)	(6,445)	177	(6,622)	(6,445)
Advocacy	-	(1,529)	(1,529)	-	(1,529)	(1,529)
Legal	-	(6,117)	(6,117)	-	(6,117)	(6,117)
China and international relations	-	(3,050)	(3,050)	-	(3,050)	(3,050)
General administration, finance and operations	10,279	(45,830)	(35,551)	10,277	(45,830)	(35,553)
Depreciation and building related expenses	-	(27,128)	(27,128)	-	(27,128)	(27,128)
	<u>10,561</u>	<u>(104,694)</u>	<u>(94,133)</u>	<u>10,559</u>	<u>(104,694)</u>	<u>(94,135)</u>
<b>HKIAAT Group</b>	<u>151</u>	<u>(7)</u>	<u>144</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Charitable Fund</b>	<u>4</u>	<u>(1)</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>HKICPA Trust Fund</b>	<u>29</u>	<u>(15)</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>215,622</u>	<u>(277,536)</u>	<u>(61,914)</u>	<u>215,436</u>	<u>(275,906)</u>	<u>(60,470)</u>

2020

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Deficit before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Deficit before tax HK\$'000
<b>Members and practices</b>						
Membership and licensing	69,973	-	69,973	69,973	-	69,973
Admission and registration	10,176	(6,698)	3,478	10,176	(6,698)	3,478
Standards and regulation	9,750	(58,347)	(48,597)	9,750	(58,347)	(48,597)
Professional development and specialization	17,721	(26,713)	(8,992)	17,721	(26,713)	(8,992)
Interest groups and networking activities	1,340	(10,830)	(9,490)	1,340	(10,817)	(9,477)
	108,960	(102,588)	6,372	108,960	(102,575)	6,385
<b>Qualification</b>	53,059	(51,401)	1,658	53,059	(51,340)	1,719
<b>Corporate functions</b>						
Constitution, governance and corporate activities	1,870	(10,730)	(8,860)	1,870	(10,730)	(8,860)
Branding and communication	-	(6,916)	(6,916)	-	(6,916)	(6,916)
Publications	90	(6,473)	(6,383)	90	(6,473)	(6,383)
Advocacy	-	(1,382)	(1,382)	-	(1,382)	(1,382)
Legal	-	(6,417)	(6,417)	-	(6,417)	(6,417)
China and international relations	-	(5,195)	(5,195)	-	(5,195)	(5,195)
General administration, finance and operations	6,906	(45,633)	(38,727)	6,904	(45,633)	(38,729)
Depreciation and building related expense	-	(26,843)	(26,843)	-	(26,843)	(26,843)
	8,866	(109,589)	(100,723)	8,864	(109,589)	(100,725)
<b>HKIAAT Group</b>	468	(139)	329	-	-	-
<b>HKICPA Charitable Fund</b>	2	(77)	(75)	-	-	-
<b>HKICPA Trust Fund</b>	91	(2)	89	-	-	-
<b>Total</b>	171,446	(263,796)	(92,350)	170,883	(263,504)	(92,621)

## 16. DEFICIT BEFORE TAX

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Deficit before tax has been arrived at after charging/(crediting):				
Allowance for obsolete inventories	43	62	43	62
Auditor's remuneration	495	491	477	475
Cost of goods sold	407	165	407	163
Depreciation of fixed assets	20,959	20,295	20,243	19,632
Donations (a)	1	4	83	54
Employee benefits (note 18)	156,441	166,476	152,514	164,296
Exchange loss/(gain)	104	(3)	147	-
Gain on disposal of fixed assets	-	(10)	-	(10)
Loss allowance of receivables (note 7(a))	163	35	163	35
Interest on lease liabilities	101	123	48	94
Obsolete inventories written off	3	89	3	24
Recovery of obsolete inventories written off	(9)	(19)	(9)	(19)
Uncollectible amounts written off	23	30	23	30

(a) During the current year, the Institute donated HK\$82,000 (2020: HK\$50,000) to The HKICPA Charitable Fund.

## 17. INCOME TAX (CREDIT)/CHARGE

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>Current tax</b>				
Mainland China income tax:				
Overprovision in prior year	-	(2)	-	-
	-	(2)	-	-
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(2,281)	196	(2,281)	196
<b>Total tax (credit)/charge</b>	<b>(2,281)</b>	<b>194</b>	<b>(2,281)</b>	<b>196</b>

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

Mainland China income tax has been provided at the statutory rate of 25% (2020: 25%) in accordance with the relevant tax laws in Mainland China.

The reconciliation between income tax charge and deficit 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Deficit before tax	<b>(61,914)</b>	(92,350)	<b>(60,470)</b>	(92,621)
Tax at the applicable rate of 16.5% (2020: 16.5%)	<b>(10,216)</b>	(15,238)	<b>(9,977)</b>	(15,282)
Tax effect of different tax rate for a subsidiary in Mainland China	<b>(144)</b>	(10)	-	-
Tax effect of non-deductible expenses	<b>739</b>	753	<b>736</b>	738
Tax effect of non-assessable income	<b>(1,682)</b>	(1,248)	<b>(1,645)</b>	(1,050)
Tax effect of unrecognized tax losses	<b>8,604</b>	15,907	<b>8,603</b>	15,788
Tax effect of deductible temporary differences not recognized	<b>416</b>	30	-	-
Overprovision in prior year	-	(2)	-	-
Others	<b>2</b>	2	<b>2</b>	2
<b>Total tax (credit)/charge</b>	<b>(2,281)</b>	194	<b>(2,281)</b>	196

## 18. EMPLOYEE BENEFITS

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	<b>146,744</b>	155,611	<b>142,981</b>	153,579
Retirement benefits scheme contributions	<b>9,697</b>	10,865	<b>9,533</b>	10,717
	<b>156,441</b>	166,476	<b>152,514</b>	164,296
<u>Number of staff</u>				
At the beginning of the reporting period	<b>229</b>	226	<b>225</b>	220
At the end of the reporting period	<b>213</b>	229	<b>209</b>	225

## 19. KEY MANAGEMENT PERSONNEL REMUNERATION AND EXECUTIVES REMUNERATION

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

	Group and Institute	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Chief Executive and Registrar		
Salaries and allowances (i)	3,476	3,395
Performance bonus	140	442
Retirement benefits scheme contributions	18	18
	<b>3,634</b>	3,855
	<b>3,634</b>	3,855

- (i) The amount includes accruals for gratuity, annual leave entitlements and other employee benefits.
- (b) The remuneration of the Chief Executive and Registrar and two Executive Directors are within the following bands:

	Group and Institute Number of executives	
	2021	2020
HK\$3,500,000 to HK\$4,000,000	2	1
HK\$3,000,000 to HK\$3,500,000	-	2
HK\$2,500,000 to HK\$3,000,000	1	-
	<b>3</b>	3
	<b>3</b>	3

The remuneration includes salaries, accruals for gratuity, annual leave entitlements, performance bonus, retirement and other employee benefits.

The change of the classification of remuneration band for the current year is affected by lower performance bonus paid and the movement of the accrual for annual leave entitlement.

## 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 HK\$100,000 (2020: Nil) for conducting a technical training class provided by KPMG. In addition, HK\$608,000 and HK\$280,000 (2020: HK\$751,000 and Nil) were incurred for development of Train-the-Trainer Programme of the new Qualification Programme and staff recruitment service provided by KPMG Advisory (Hong Kong) Limited and KPMG Executive Recruitment Limited, respectively. Both are KPMG's group companies of which a Council member of the Institute is a partner of KPMG. At 30 June 2021, no outstanding amount due to KPMG (2020: HK\$76,000) and total outstanding commitment is HK\$934,000 (2020: HK\$1,341,000).

- (ii) During the current year, the Institute incurred expenses of Nil and HK\$234,000 (2020: HK\$175,000 and HK\$228,000) in respect of training services provided by Deloitte Touche Tohmatsu (“DTT”) and its group company, Deloitte Advisory (Hong Kong) Limited (“Deloitte”), respectively, of which a Council member of the Institute is a partner of DTT and director of Deloitte. This Council member was retired during the current year. At 30 June 2021, the total outstanding commitment is HK\$150,000 (2020: Nil).
- (iii) During the current year, the Institute incurred expenses of Nil (2020: HK\$250,000) for the update of international tax course materials provided by Ernst & Young Tax Services Limited, a group company of Ernst & Young (“EY”). A Council member of the Institute is a partner of EY. This Council member was retired during the current year. At 30 June 2021, no outstanding amount due to EY (2020: HK\$140,000) and total outstanding commitment is HK\$660,000 (2020: HK\$240,000).
- (iv) During the current year, the Institute incurred expenses of HK\$110,000 for the update of specialist tax training programme materials (2020: HK\$228,000 for the training services) provided by PricewaterhouseCoopers Limited (“PwC”), of which a Council member of the Institute is a director of PwC. At 30 June 2021, the total outstanding commitment is HK\$110,000 (2020: HK\$220,000).
- (v) During the current year, the Institute incurred expenses of HK\$5,840,000 and Nil (2020: HK\$4,088,000 and HK\$109,000) for administration fee for examinations including venue rental fee and data integration services provided by Hong Kong Examinations and Assessment Authority (“HKEAA”) respectively, of which a Council member of the Institute is a council member. At 30 June 2021, included in “Prepayment” is Nil (2020: HK\$884,000) paid to HKEAA for these contracts. In addition, included in “Payables and accruals” is an amount of HK\$2,697,000 (2020: Nil) due to HKEAA and outstanding commitment is Nil (2020: HK\$1,666,000). The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.

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\$3,355,000 (2020: HK\$3,192,000) 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\$82,000 (2020: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2021, included in “Payables and accruals” of the Institute is an amount of HK\$82,000 (2020: HK\$50,000) due to The HKICPA Charitable Fund.

**(c) Board members of HKIAAT**

During the year ended 30 June 2020, the Institute incurred expenses of HK\$341,000 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 Board member of HKIAAT is a member of the senior management of UIC. This Board member was retired during the year ended 30 June 2020.

## 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	
	2021 % p.a.	2020 % p.a.	2021 % p.a.	2020 % p.a.
Time deposits	0.51%	1.99%	0.46%	2.09%
Savings accounts	0.002%	0.03%	0.002%	0.02%

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 before tax and funds and reserve.

	Group		Institute	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Time deposits				
- with original maturities within three months	140,526	155,197	133,964	144,973
- with original maturities over three months	29,743	14,857	10,973	-
	<b>170,269</b>	170,054	<b>144,937</b>	144,973

### Impact of interest rate deviation

Change in interest rate by 0.25% (2020: 0.25%)

- Change in deficit before tax	<b>426</b>	425	<b>362</b>	362
- Change in funds and reserve	<b>426</b>	425	<b>362</b>	362

Time deposits with original maturities over three months carry interest at market rates from 0.17% to 2.29% (2020: 1.2% to 2.29%) per annum and with original maturities of six 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.

At the end of the reporting period, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognized financial assets as stated in the statement of financial position.

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; and
- significant changes in the expected performance and behavior of the debtors, including changes in the payment pattern of debtors.

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. Financial assets are written off when there is no reasonable expectation of recovery.

- 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 case by case according to past experience.
- 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.

Therefore, expected credit loss rate is assessed to be minimal and management considers the Group's exposure to credit risk is limited.

Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7.

**(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 periodical cash flow forecasts to monitor future cash flows.

In previous years, the subscription fees and registration fees provide a stable source of funds to the Group and the Institute. As a result of the membership fee waiver for calendar years 2019 and 2020, together with the concessions and subsidies granted during the current year, the Group and the Institute are facing a risk of diminishing reserves.

Management has been trying their best to curb costs by furthering cost containment and headcount reduction. The further regulatory reform of the profession will change the Institute's roles and responsibilities in the future, which will have an impact on its income, staffing levels and costs. For long-term financial stability, management will consider a range of actions including general fee increase upon completion of the holistic review on the operating costs and organizational structure.

**(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\$787,000 and HK\$52,000 (2020: HK\$709,000 and HK\$60,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$735,000 (2020: HK\$649,000) 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 regularly reviews 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 has the discretion to alter the capital levy policy on an annual basis, if required.

In light of the diminishing reserves and the further regulatory reform, a membership fee adjustment may be inevitable.

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

## 23. CAPITAL COMMITMENTS

	Group and Institute	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements	<b>3,699</b>	5,704

## 24. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Secretary for Financial Services and the Treasury announced further reform of the regulatory regime of accounting profession (the Reform) on 8 June 2021. Under the proposed regime, regulatory powers currently vested with the Institute will be transferred to the Financial Reporting Council (FRC), including issue of practising certificates; registration of practice units and local Public Interest Entities (PIE) auditors; inspection, investigation and discipline over practice units; and investigation and discipline over certified public accountants (CPAs).

The FRC will also have greater oversight over the Institute, covering the registration of CPAs, the setting of professional and ethical standards, providing training for qualifying for registration as, and continuing professional development (CPD) of, CPAs, as well as arranging with accountancy bodies in places outside Hong Kong for mutual or reciprocal recognition of accountants.

The Government published in the Gazette the FRC (Amendment) Bill 2021 on 16 July 2021 with first reading at the Legislative Council meeting on 21 July 2021. An amendment bill for the Reform will be introduced within the legislative year, subsidiary legislation will follow in 2022 to provide for detailed operational arrangements. Effective date of the new regime is expected to be around the third quarter of 2022.

There will be a transitional period when the Institute will finish practice reviews, investigations and disciplinary cases that are in progress at the effective date of the transfer of powers.

The proposed change is estimated to reduce both income and expenses of the Institute once it is effective in late 2022.

## 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 108 to 113, which comprise the statement of financial position at 30 June 2021, 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 material 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 2021, 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 the 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  
23 September 2021

## STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	2021 HK\$	2020 HK\$
<b>Current assets</b>			
Other receivables	4	3,436	10,149
Time deposits with original maturities over three months		3,882,765	3,848,615
Cash and cash equivalents	5	204,077	217,227
		<u>4,090,278</u>	<u>4,075,991</u>
<b>Net assets</b>			
		<u>4,090,278</u>	<u>4,075,991</u>
<b>Accumulated funds</b>			
		<u>4,090,278</u>	<u>4,075,991</u>

Approved by the Trustees on 23 September 2021

Raymond Cheng  
Trustee

Johnson Kong  
Trustee

Lee Suk Yee  
Trustee

Wong Hong Yuen  
Trustee

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 HK\$	2020 HK\$
<b>Income</b>			
Donations	6	2,000	17,513
Interest income		27,437	73,416
		<u>29,437</u>	<u>90,929</u>
<b>Expenses</b>			
Grants to members	7	(12,900)	-
Bank charges		(2,250)	(2,250)
		<u>(15,150)</u>	<u>(2,250)</u>
<b>Surplus</b>		<b>14,287</b>	88,679
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Comprehensive income</b>		<u>14,287</u>	<u>88,679</u>

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2021

	2021 HK\$	2020 HK\$
<b>Accumulated funds</b>		
At the beginning of the reporting period	4,075,991	3,987,312
Surplus	14,287	88,679
Other comprehensive income	-	-
Comprehensive income	14,287	88,679
<b>At the end of the reporting period</b>	<b>4,090,278</b>	<b>4,075,991</b>

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>			
Surplus		14,287	88,679
Decrease/(increase) in other receivables		6,713	(831)
Increase in time deposits with original maturities over three months		(34,150)	(2,933,427)
<b>Net cash utilized in operating activities and net decrease in cash and cash equivalents</b>		<b>(13,150)</b>	<b>(2,845,579)</b>
Cash and cash equivalents at the beginning of the reporting period		217,227	3,062,806
<b>Cash and cash equivalents at the end of the reporting period</b>	5	<b>204,077</b>	<b>217,227</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 1. PRINCIPAL ACTIVITIES

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

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

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

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

#### *Impairment of financial assets*

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2(b).

### (b) New/revised HKFRSs that were issued during the current year and after 30 June 2021

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 are applicable to the Trust Fund. These applicable standards have no significant impact on the results or the financial positions.

The Institute has not issued any new/revised HKFRSs after 30 June 2021 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 as appropriate, 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 2(d)) 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 measured at amortized cost. 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.

**(f) Cash and cash equivalents**

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

**(g) Income recognition**

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.

**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:

	<b>2021</b>	2020
	<i>HK\$</i>	<i>HK\$</i>
Other receivables	<b>3,436</b>	10,149
Time deposits with original maturities over three months	<b>3,882,765</b>	3,848,615
Cash and cash equivalents	<b>204,077</b>	217,227
	<b>4,090,278</b>	4,075,991

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

#### 4. OTHER RECEIVABLES

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Interest receivable	<u>3,436</u>	<u>10,149</u>

Interest receivables are recognized when the Trust Fund has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before the payment of consideration is due. Interest receivables are measured at amortized cost using the effective interest rate method less allowance for expected credit losses ("ECLs"). In measuring ECLs, the Trust Fund takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions. The ECL of interest receivables at 30 June 2021 is assessed to be close to zero.

#### 5. CASH AND CASH EQUIVALENTS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Bank balances		
- Savings account	49,759	48,859
- Current account	<u>154,318</u>	<u>168,368</u>
	<u>204,077</u>	<u>217,227</u>

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

#### 6. DONATIONS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Donation from other parties	<u>2,000</u>	<u>17,513</u>

#### 7. GRANTS TO MEMBERS

During the current year, grants totalling HK\$12,900 (2020: Nil) 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:

	<b>2021</b> <b>% p.a.</b>	2020 % p.a.
Time deposits	<b>0.525%</b>	1.944%
Savings accounts	<b>0.001%</b>	0.032%

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.

	<b>2021</b> <b>HK\$</b>	2020 HK\$
Time deposits		
- with original maturities over three months	<b>3,882,765</b>	3,848,615

#### **Impact of interest rate deviation**

Change in interest rate by 0.25% (2020: 0.25%)  
- **Change in surplus and accumulated funds**

<b>9,707</b>	9,622
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Time deposits with original maturities over three months carry interest at market rates from 0.30% to 2.25% (2020: 1.20% to 2.25%) per annum and with original maturities of six 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 116 to 121, which comprise the statement of financial position at 30 June 2021, 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 material 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 2021, 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 ("HKSAAs") 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 the 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 HKSAAs 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  
23 September 2021

## STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Note</i>	<b>2021</b> <b>HK\$</b>	2020 HK\$
<b>Current assets</b>			
Amount due from the Institute	4	<b>81,500</b>	50,000
Cash and cash equivalents	5	<b>682,385</b>	629,910
		<b>763,885</b>	679,910
<b>Net assets</b>			
		<b>763,885</b>	679,910
<b>Accumulated funds</b>			
		<b>763,885</b>	679,910

*Approved by the Trustees on 23 September 2021*

**Raymond Cheng**  
*Trustee*

**Johnson Kong**  
*Trustee*

**Margaret W.S. Chan**  
*Trustee*

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	<i>Note</i>	<b>2021</b> <b>HK\$</b>	2020 HK\$
<b>Income</b>			
Donations	6	<b>85,500</b>	52,000
Interest income		<b>5</b>	217
		<b>85,505</b>	52,217
<b>Expenses</b>			
Sponsorship		-	(75,000)
Bank charges		<b>(1,530)</b>	(1,770)
		<b>(1,530)</b>	(76,770)
<b>Surplus/(Deficit)</b>		<b>83,975</b>	(24,553)
<b>Other comprehensive income</b>		-	-
<b>Comprehensive income</b>		<b>83,975</b>	(24,553)

## STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2021

	2021 HK\$	2020 HK\$
<b>Accumulated funds</b>		
At the beginning of the reporting period	<u>679,910</u>	<u>704,463</u>
Surplus/(Deficit)	<b>83,975</b>	(24,553)
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u>83,975</u>	<u>(24,553)</u>
<b>At the end of the reporting period</b>	<b><u>763,885</u></b>	<b><u>679,910</u></b>

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	<i>Note</i>	2021 HK\$	2020 HK\$
<b>Cash flows from operating activities</b>			
Surplus/(Deficit)		<b>83,975</b>	(24,553)
<b>Operating cash flows before working capital changes</b>			
Increase in amount due from the Institute		<u>(31,500)</u>	<u>-</u>
<b>Net cash generated from/(utilized in) operating activities and net increase/(decrease) in cash and cash equivalents</b>		<b>52,475</b>	(24,553)
Cash and cash equivalents at the beginning of the reporting period		<u>629,910</u>	<u>654,463</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	5	<b><u>682,385</u></b>	<b><u>629,910</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

## 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 2020 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2(b).

### (b) New/revised HKFRSs that were issued during the current year and after 30 June 2021

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 are applicable to the Charitable Fund. These applicable standards have no significant impact on the results or the financial positions.

The Institute has not issued any new/revised HKFRSs after 30 June 2021 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 as appropriate, 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 2(d)) 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 measured at amortized cost. 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.

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank.

**(g) Income recognition**

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:

	2021 HK\$	2020 HK\$
Amount due from the Institute	81,500	50,000
Cash and cash equivalents	<u>682,385</u>	<u>629,910</u>
	<u><b>763,885</b></u>	<u><b>679,910</b></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

	2021 HK\$	2020 HK\$
Bank balances		
- Savings accounts	505,329	503,564
- Current accounts	<u>177,056</u>	<u>126,346</u>
	<u><b>682,385</b></u>	<u><b>629,910</b></u>

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

### 6. DONATIONS

	2021 HK\$	2020 HK\$
Donation from the Institute	81,500	50,000
Donation from other parties	<u>4,000</u>	<u>2,000</u>
	<u><b>85,500</b></u>	<u><b>52,000</b></u>

### 7. RELATED PARTY TRANSACTIONS

During the current year, the Charitable Fund received a donation of HK\$81,500 (2020: HK\$50,000) from the Institute. At 30 June 2021, the amount due from the Institute is HK\$81,500 (2020: 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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