

BUILDING UPON CHANGE



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

ANNUAL REPORT 2022

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FOREWORD

The past financial year has been a year filled with **change**. Under the further reform of the regulatory regime of the accounting profession, certain statutory regulatory powers and responsibilities of the Institute, including granting and renewing practising certificates, practice reviews and disciplinary actions, are transferred to the Accounting and Financial Reporting Council.

The profession is also changing. Beyond the remnant effects of the pandemic, digital transformation continues to be high on the agenda for accountants looking to maintain a competitive advantage; environmental, social and governance reporting is fast becoming an essential addition to an accountant's repertoire; new standards and regulations continue to emerge and require thorough adoption by accountants and firms.

Despite all this change, the Institute continues to be committed to serving the development of the industry and upholding Hong Kong's status as a leading global financial centre. Instead, change has only propelled the Institute to redefine its role towards better serving its members and contributing to the public good.

This year's annual report reflects on the collective experience the profession has faced with the ongoing pandemic, regulatory reform and industry developments, and highlights the journey of the Institute and its members in navigating these significant changes. This includes photo essays of members who are rising to meet major changes under the Institute's redefined role and issues such as sustainability, digital transformation, new standard setting initiatives, and opportunities in the Greater Bay Area, as well as members who have contributed to our various initiatives to build upon and thrive amid change.

MESSAGE FROM THE PRESIDENT



While these far-reaching changes that have emerged or grown in prevalence over the past year spell major challenges for the Institute and its members, they also present opportunities for the profession to take an important leap forward and cement our collective roles as leaders in the business world and society.

REFORM AND ENHANCEMENTS

Over the past year, the Institute has worked closely with the Financial Services and the Treasury Bureau (FSTB) and Financial Reporting Council (FRC) to discuss and carry out transitional arrangements ahead of the implementation of the new regime. During which, the Institute continued to complete practice reviews, investigations and disciplinary cases that are in progress at the effective date of the transfer of powers, and maintained constant communication with its members on latest developments such as the FRC's consultation exercises and subsidiary legislation announced by the government.

With the primary and subsidiary legislation passed by the Legislative Council and the new regime commencing on 1 October 2022, transition work on the further regulatory reform of the profession has been all but concluded. The Institute will continue to help members as necessary as the profession navigates the new regulatory regime.

While the Institute's regulatory powers, including the issuance of practising certificates, will be transferred to the FRC, renamed the Accounting and Financial Reporting Council (AFRC), the Institute will continue to shoulder the responsibility of registering CPAs, and the training and development of the accounting profession in Hong Kong through the Qualification Programme (QP) and continuing professional education, as well as the crucial role of standard setting

DEAR MEMBERS,

Change has been a constant theme in the recent past, not only for the Institute, but for the profession as well. Indeed, after being elected as President of the Hong Kong Institute of CPAs, I stated that 2022 would be a critical year for the Institute, where it would be a year where we would have to rethink what we do, reposition ourselves as a body, rebuild our image in society, and reinforce our members' trust in us.

In the past financial year, the further regulatory reform of the profession has brought significant changes to the accounting sector in Hong Kong, while the COVID-19 pandemic and the recognition of the critical importance of climate change and broader sustainability matters has changed the face of the accounting profession as a whole. Continuous demands for digital transformation alongside geopolitical developments have also necessitated adjustments to our strategies as we navigate uncharted waters.

for the profession. The change spells a critical opportunity for the Institute to focus its efforts on supporting members and advocating for the betterment of the industry and our members.

Subsequent to the further reform of the regulatory regime, the FSTB also launched an amendment to the Professional Accountants Ordinance to enhance the election arrangements of the Institute's Council. The legislation was passed in July 2022, and as a result the nomination threshold for potential candidates has been raised and the election cycle for the 14 elected Council members has also been aligned from an annual cycle to a biennial cycle.

While the amended ordinance will take effect on 1 November 2022, according to the transitional arrangement, the Institute will not be holding an election during the annual general meeting in end-2022, allowing it to focus its resources for the implementation of the new regulatory regime and prepare for the election in 2023. This also means the term of office of the incumbent 14 elected members of the Council, including myself, will be extended to end-2023.

This unique opportunity will allow the current Council to work with the management, committees and members to bring to fruition our strategies to overcome challenges and seize opportunities amid change.

NAVIGATING CHANGE

Addressing the issues and challenges brought by these pivotal changes is essential to ensuring the Institute and the accounting profession in Hong Kong remain sustainable and relevant for the future. This is why the Council and the Institute reviewed its strategies at the beginning of 2022 and formulated the updated *Strategic Plan 2022*.

For the Institute to redefine its positioning, the Institute's strategy has been refocused around three key topics: "Delivering member value"; "Proud

to be a CPA"; and "Advocacy for the profession". By renewing the Institute's strategic plan to cater to these times of change, we are committed to ensuring the Institute, the profession and our members remain as recognized and valued contributors to the prosperity and well-being of Hong Kong. The Council must work closely with the various committees, working groups and advisory panels to ensure that our strategic initiatives are implemented efficiently.

The Institute has and will continue to represent the profession as a globally recognized accounting body. With the new International Sustainability Standards Board working towards delivering a comprehensive global baseline of sustainability-related disclosure standards, the Institute has reflected our members' views on the international stage, and will work closely with the Green and Sustainable Finance Cross-Agency Steering Group to introduce the international sustainability reporting standards to the Hong Kong landscape.

The Institute recognizes the impact of climate change to businesses and the role that accountants can play in enhancing awareness, transparency and performance on sustainability. We have identified environmental, social and governance (ESG) to be one of the key areas to up-skill our members and a new training curriculum for ESG was created in October 2021, providing comprehensive packages including training courses, publications and videos, on training subjects that are continuously updated with reference to the latest market trends. The Institute is also in the progress of reviewing our QP and we plan to introduce climate and sustainability elements that are relevant to the profession.

In addition to ESG topics, with the proliferation of technology affecting different facets of the profession, the Institute has also offered practical training and development support to help members understand and carry out digital transformation, introducing

trending fintech topics such as blockchain, non-fungible tokens, and the metaverse in its repertoire of training offerings.

Navigating the changes we face will take the concerted efforts of the Institute and its members, as well as the invaluable support of our various stakeholders. I would like to express my heartfelt thanks to my two Vice-Presidents, Roy Leung FCPA (practising) and Edward Au FCPA (practising), all Council members, committee members, and the management and staff of the Institute for their great support and teamwork. Last but not least, I would like to thank our members for their enthusiasm in supporting the Institute and sharing their views with us to help guide and develop the profession together.

As the President in the 49th year of our Institute, my goal has been to lay a good foundation so that we can celebrate our 50th anniversary – our gold anniversary – from a position of strength. With the support of our members and our stakeholders, I feel confident we have made significant strides and will continue to move the Institute forward to thrive amid change.

Loretta Fong CPA (practising)

President

MESSAGE FROM THE CHIEF EXECUTIVE AND REGISTRAR



received positive responses during the legislation process. The Institute's regulatory roles in issuance of practising certificates, registration and inspection of practice units and regulating the professional conduct of all CPAs and practice units, will be transferred to the AFRC on 1 October 2022. Meanwhile, our colleagues in the Membership and Admission, Quality Assurance, Compliance and Legal Departments continued to fulfil the Institute's regulatory functions diligently throughout the year. The Institute demonstrated professionalism in maintaining the effectiveness of these operations while facilitating the effective takeover and seamless transfer of regulatory powers to the AFRC. On top of the members' forum and survey conducted in July 2021 to gauge members' early views on the reform, the Council of the Institute resolved to call an extraordinary general meeting (EGM) on 30 September 2021, where two resolutions were carried. The minutes and background information to the EGM have been made available on the website for members. We also held three members' forums in April 2022 where the FRC explained the regulatory principles and processes they would undertake under the new regime.

As well as the further regulatory reform, legislation was introduced by the government to amend the election arrangements of the Institute's Council. To ensure members' views were expressed directly to the government and that they understood the rationale behind the changes, a members' forum on the government's proposals was arranged in April 2022. A survey was also carried out to collect members' views on the enhancements to the election arrangements of the Institute's Council, the results of which were shared with the Financial Services and the Treasury Bureau for their consideration.

To keep members abreast of the latest developments, the Institute launched dedicated webpages on the reform and review of Council election arrangements respectively.

DEAR MEMBERS,

With change being the one constant of the past financial year, the Council and leadership team were hard at work repositioning the Institute to overcome the ensuing challenges and seize emerging opportunities for the betterment of the accounting profession and our city. The updated *Strategic Plan 2022* has been developed to address these challenges and opportunities to lead the Institute into a new era.

ENSURING A SMOOTH TRANSITION

During the past financial year, the Institute has worked closely with the government and the Financial Reporting Council (FRC), renamed the Accounting and Financial Reporting Council (AFRC), to address the legislative, operational and transitional implications of the further regulatory reform (the reform). We are glad that most of the Institute's submissions on the amendment bill

CULTIVATING TALENT

During the financial year, the Institute completed the roll out of the new Qualification Programme (QP) to begin the development of future-ready accountants equipped with relevant skills to meet evolving market demands. We are conducting the next part of the regular programme of benchmarking the QP against the qualifications of other top-tier international accounting bodies to ensure our programme continues to be on a par with the best international practices. We will also engage with key stakeholders to ensure that we fully understand the evolving market needs, and can continue to adjust our qualification and learning programmes.

By arranging continuing professional development (CPD) as well as other learning and development events, the Institute seeks to support members in their professional lives. During the financial year, the Institute organized a total of 157 webinars (including 10 collaborative programmes), 843 e-learning programmes (including 211 collaborative programmes) and 30 face-to-face events, receiving a total of 129,564 enrolments.

During the past year, many of the Institute's events were held online due to the fluctuating situation under the pandemic. The CPA Conference 2021 in October 2021, the annual SMP Symposium in late November 2021, and multiple webinars and virtual workshops continued to attract encouraging levels of enrolment. These events discussed latest trends in the profession as well as offering practical training according to members' needs.

To identify members' development needs and to deliver relevant programmes, a Professional Development Strategy has been formulated. Under this strategy, the Institute conducted a training needs analysis exercise, consisting of a members' survey and focus group meetings, between March and May 2022.

PROMOTING THE PROFESSION

It is essential for the Institute to engage with members in order to provide the

information and support to meet their needs. Effective communication initiatives are also essential to maintain the Institute's thought leadership in the public arena and within the profession, as well as to advance the image of the profession. To achieve this, communicating the message "Proud to be a CPA" has been established as one of our main strategies under the *Strategic Plan 2022*.

Under this strategy, we have streamlined the Institute's communication channels and have put in place controls to ensure they are focused and targeted to the relevant audience. We also reorganized the Institute's social media content to highlight on thought leadership, brand stories, and members' and corporate events, which has led to healthy organic growth in the number of followers. Further plans to highlight the contributions of the profession to the development and growth of Hong Kong and engage the broader public through mass media are underway.

The Institute also maintained regular engagement with the media to get the Institute's message across to the wider public, engaging in interviews, press releases, features, and articles on various issues.

The Institute's flagship Best Corporate Governance and ESG Awards (awards) were renamed and revamped for 2021 to better reflect the importance of both good corporate governance and environmental, social and governance (ESG) reporting and practices. We were pleased to see more interest than ever in the revamped awards, which were presented in December 2021 and widely publicized through mainstream and social media.

FINANCES

The Institute has been in a structural deficit situation for a few years. This financial year's financial results reflect a surplus of HK\$13 million (2021: HK\$58 million deficit). While the reinstatement of the membership fee collection in 2021 contributed HK\$33 million in additional income, the results also include substantial

non-recurrent items, such as higher costs recovery and disciplinary fines for regulatory cases completed and an overall lower employee benefits cost caused by unprecedented staff turnover during this financial year.

With the regulatory functions of the Institute to be taken over by the AFRC, the Institute's headcount and staff costs will be reduced. However, income would also be reduced due to loss of fees from practice units and practising certificate holders. Non-recurrent income from disciplinary fines will cease altogether as the remaining disciplinary cases in progress are completed over the coming months. To maintain its functions and activities, a membership fee adjustment, which was last changed in 2013, is inevitable for the Institute.

Looking ahead, in addition to the adjustment of fees, we have identified three key areas to conduct operational reviews, namely re-engineering the QP process for cost rationalization, a holistic review on CPD strategy, and a further organizational review. By doing so, we intend to improve the Institute's financial sustainability and secure a solid platform to better serve members and the profession.

A NEW SPRINGBOARD FOR SUCCESS

Rapid changes in the past financial year have redefined the role of the Institute and is transforming the profession. Building on our new strategic plan, we will continue to deliver value for members, promote the image of the profession, and advocate on key policy and public interest issues for the profession in Hong Kong and on the international stage.

Amid all the change we face, the Institute will remain constant in its efforts to work towards a better future for both Hong Kong and the accounting profession.

Margaret W.S. Chan CPA

Chief Executive and Registrar

CORPORATE GOVERNANCE

In July 2021, the Best Corporate Governance (CG) and ESG Awards were renamed and refocused to reflect the increasing importance of environmental, social and governance (ESG) reporting, and to encourage companies and organizations to integrate the oversight and implementation of their CG and ESG, as well as uplift the standards of disclosure and practices in both areas.

“Companies and organizations that can integrate their CG and ESG practices and reporting from the perspectives of, organizational structure, risk management and internal control, and the shareholder/stakeholder communication and engagement, among others, are more likely to pursue a long-term sustainable future,” said Loren Tang FCPA (practising) (right), Chair of the Organizing Committee of the Best CG & ESG Awards 2022.

“Many major investors are making it loud and clear that pursuing long-term investment in sustainable and socially responsible companies is now a core part of their investment strategy. We aim to identify role models in the private and public sectors that set good examples for other companies and organizations to follow,” said Patrick Rozario (left), Chair of the Review Panel of the Best CG and ESG Awards 2022.



Maintaining excellent corporate governance policies and practices ensure the Institute is able to carry out its statutory responsibilities and commitment to facilitating a smooth transition as members and the public gear up for major changes within the profession and beyond.

MAJOR GOVERNANCE DEVELOPMENTS

During the financial year there were three major governance developments.

Further regulatory reform of the accounting profession

After the further reform of the regulatory regime of accounting profession was announced by the Secretary for Financial Services and the Treasury in June 2021, the subsequent Financial Reporting Council (Amendment) Bill was passed by the Legislative Council (LegCo) on 22 October 2021. The Institute's regulatory roles in issuance of practising certificates, registration and inspection of practice units and regulating the professional conduct of all CPAs and practice units, will be transferred to the Accounting and Financial Reporting Council (AFRC). Three pieces of subsidiary legislation were passed within LegCo in June 2022, appointing 1 October 2022 as the commencement date of the reform, as well as stipulating transitional arrangements and fee levels.

The dedicated webpage set up on the Institute's website provides members with updates to ongoing developments of the issue. As reported in the 2021 Annual Report, the Institute held two members' forums on the proposals and released a survey in July 2021 to collect the views of members and communicate them to the government throughout the developments of the legislation. Most of the Institute's submissions on the amendment bill received positive responses during the legislation process. To provide members with a better understanding of the *Engagement and Consultation Paper* launched by the Financial Reporting Council (FRC), the

Institute held three members' forums in April 2022 with the FRC, Hong Kong Association of Registered Public Interest Entity Auditors Limited and Society of Chinese Accountants and Auditors respectively for different groups of audiences.

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

Reviewing the Institute's Council election arrangements

The Secretary for Financial Services and the Treasury, Christopher Hui, published a blog post on 8 March 2022 with regards to enhancing the Institute's Council election arrangements. A dedicated webpage was set up on the Institute's website to keep members abreast of all developments.

The Institute organized a members' forum in April 2022 to discuss the preliminary proposals which attracted 600 members to attend. An online survey was also launched to collect the views of members regarding the proposals, receiving 434 responses to a total of five questions. The responses were summarized and made available for members' viewing on the dedicated webpage.

The Professional Accountants (Amendment) Bill 2022 was passed in LegCo on 13 July 2022. The bill makes amendments to the Professional Accountants Ordinance (Cap. 50) (ordinance) to raise the nomination requirements for election to the Institute's Council by increasing the number of nominations required from CPAs from the current two (one as a proposer and the other as a seconder) to 10 (one as a proposer and the other nine as seconders), and imposing a new requirement for obtaining nominations from two members of the Advisory Committee of the AFRC as seconders. The amended ordinance also aligns the election cycle of all 14 elected Council members to a biennial cycle and enhances the administrative procedures for conducting Council elections and general meetings of the Institute. The

amendments will take effect on 1 November 2022.

According to the transitional arrangement, the term of office of the 14 incumbent elected members of the Institute's Council will draw to a close in end-2023. The enhanced election arrangement will commence operation at the Council election to be held then. The Institute will therefore not be holding an election during the annual general meeting (AGM) in end-2022.

Strategic Plan 2022

Since the Institute set out its vision, strategic objectives, and initiatives in the *Strategic Plan 2020-2022*, the further reform of the regulatory regime for the accounting profession has redefined the key roles and responsibilities of the Institute, while the COVID-19 pandemic and the recognition of the critical importance of climate change and broader sustainability matters continue to impact the accounting profession in Hong Kong.

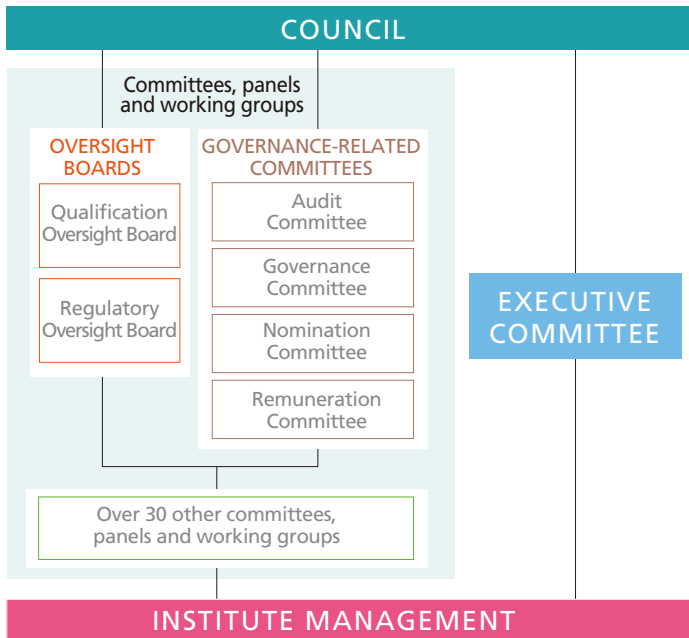
Recognizing the need to adapt and ensure its strategy is relevant, the Institute set out necessary revisions and additions needed for its strategic plan and objectives. In April 2022, the *Strategic Plan 2022* was confirmed by the Council to identify the Institute's priorities and direct the allocation of its resources for the rest of the year and beyond.

The updated strategy is refocused around three key topics:

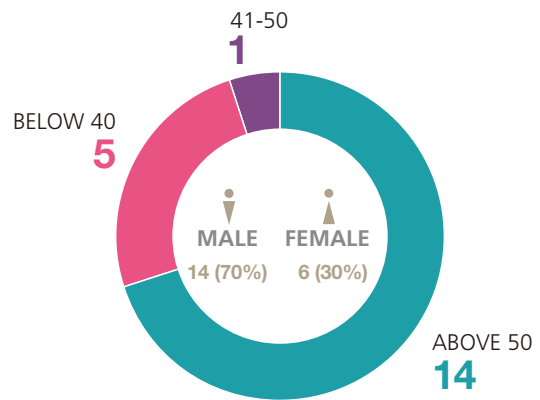
- Delivering member value (professional development, member engagement and support, standard setting, and the qualification programme);
- Proud to be a CPA (branding and communication);
- Advocacy for the profession.

The updated *Strategic Plan 2022* has been made available on our website for stakeholders to find out more about our plans.

GOVERNANCE STRUCTURE



DIVERSITY OF THE INSTITUTE’S COUNCIL – AGE AND GENDER DISTRIBUTION



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 14 individual CPAs directly elected by the membership and six government-appointed members to provide independent views, including two ex-officio government members, and four lay members of high standing in society. The Immediate Past President who completed his elected term also remains on the Council for an additional year to provide continuity. 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 20 members, and the Immediate Past President is also included in the 14 individual CPAs who were elected by the membership.

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.

Diversity

To ensure members of different backgrounds are represented, the 14 elected Council members are made up of six CPAs who are in full time practice as certified public accountants (practising) (denoted by the letter “P”); six CPAs who are not in full time practice as certified public accountants (practising), who may or may not hold a practising certificate (denoted by the letter “N”); as well as two CPAs of whom either one or both can be of category P or category N as mentioned above.

In addition, the co-option mechanism should enable Council to review its composition and co-opt suitable Council members if required. As such, Council could leverage on the co-option mechanism to implement any desirable diversity criteria at the start of its term.



THE COUNCIL (As of 30 June 2022)

Elected members

- 01 Fong Wan Huen, Loretta CPA (practising) (*President*)
- 02 Roy Leung FCPA (practising) (*Vice-President*)
- 03 Au Chun Hing, Edward FCPA (practising) (*Vice-President*)
- 04 Raymond Cheng FCPA (practising) (*Immediate Past President*)
- 05 Alan Au CPA
- 06 Alan Chan FCPA (practising)
- 07 Larry Cheng CPA (practising)
- 08 Lam Chi Yuen, Nelson JP, FCPA (practising)*
- 09 Stephen Law JP, CPA (practising)
- 10 Lee Shun Yi, Jasmine CPA (practising)
- 11 Liu Kwok Tai, Teddy CPA (practising)
- 12 Prof Tse Hoi Fat, Calvin FCPA (practising)
- 13 Wong Wing Hei, Ernest CPA
- 14 Andrew Yung FCPA

Government-appointed lay members

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

Ex-officio members

- 19 Kitty Tsui #
(Representative of the Financial Secretary,
Government of the HKSAR)
- 20 Susanna Cheung JP, FCPA
(Director of Accounting Services,
Government of the HKSAR)

Chief Executive & Registrar

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

* Lam Chi Yuen, Nelson JP, FCPA (practising) tendered his resignation as Council member with effect from 24 June 2022. The arising vacancy was subsequently filled by the Council through the appointment of Lam Siu Fung, Frank FCPA (practising) with effect from 20 July 2022.

Kitty Tsui ceased to be a member of the Council on 24 July 2022. Her replacement is Helen Tang JP, who became a member of the Council on 25 July 2022.



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 and lay Council members, the date of appointment is included. Full biographies can be found on the Institute's website.

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

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2017 Vice-President (2020)
Committee membership	Chairman, Auditing and Assurance Standards Committee (2021) (Deputy Chairman in 2018-20, and member since 2015) Ex-officio member, Executive Committee (2020, and since 2022) Chairman, Nomination Committee (since 2022) (member in 2020) Chairman, Professional Development Committee (2020-21) Member, Registration and Practising Committee (2017-21) Member, Remuneration Committee (since 2022) Member, Task Force on the Financial Reporting Council Assessment on HKICPA (2021) Trustee, HKICPA Trust Fund (since 2022) Trustee, HKICPA Charitable Fund (since 2022)
Position and company	ESG Services Leader, Hong Kong and Greater Bay Area, PwC
Other public appointments	Vice-Chairman, Finance and Administration Committee, Hong Kong Young Women's Christian Association 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 Board member, Ocean Park Corporation (2016-22)
Skills and experience	A strong international background and extensive experience in providing accounting, assurance and consulting services for public and private companies. She has proven experience in environmental, social and governance (ESG) advisory services and in leading initial public offerings in Hong Kong and the United States.

ROY LEUNG FCPA (PRACTISING) (VICE-PRESIDENT)

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2018
Committee membership	Ex-officio member, Executive Committee (since 2022) Member, Nomination Committee (since 2022) Chairman, Professional Conduct Committee (since 2020) (member since 2016) Chairman, Professional Development Committee (since 2022) (Deputy Chairman in 2021, and member since 2018) Member, Registration and Practising Committee (Deputy Chairman in 2020, and member since 2018) Trustee, HKICPA Trust Fund (since 2022)
Position and company	Partner, KPMG Hong Kong
Other public appointments	Member, Task Force on Investment, Construction Industry Council Member, Accounting Advisory Board, The University of Hong Kong Member, Accounting Advisory Board, the Hong Kong University of Science and Technology Member, Advisory Committee of Department of Accountancy, City University of Hong Kong Member, Personalized Vehicle Registration Marks Vetting Committee, Transport Department, Government of the HKSAR
Skills and experience	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.

AU CHUN HING, EDWARD FCPA (PRACTISING) (VICE-PRESIDENT)

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member in 2019-20 and since 2022
Committee membership	Chairman, Corporate Finance Committee (formerly known as Corporate Finance Advisory Panel) (since 2020) (Deputy Chairman in 2018-19 and member since 2014) Ex-officio member, Executive Committee (since 2022) Member, Nomination Committee (since 2022) Deputy Chairman, Registration and Practising Committee (since 2022) (member since 2020)
Position and company	Southern Region Managing Partner, Deloitte China
Other public appointments	Member, Audit and Risk Committee, Hong Kong Red Cross Member, Policy Research Committee, Financial Services Development Council Council member, Hong Kong Association of Registered Public Interest Entity Auditors Limited Member, Professional Development Committee, Accounting Development Foundation Limited Member, Advisory Committee, Division of Business and Management, Beijing Normal University-Hong Kong Baptist University United International College
Skills and experience	Extensive experience in auditing enterprises in Hong Kong and the Mainland, and assisting their debt and equity offerings. He is also a spokesperson of Deloitte China in initial public offerings and capital market, and drives service and practice transformation, fosters talent development, and expands the practice in Southern China.

RAYMOND CHENG FCPA (PRACTISING) (IMMEDIATE PAST PRESIDENT)

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2011 President (2021)
Committee membership	Ex-officio member, Executive Committee (2021) Chairman, Nomination Committee (2021) Chairman, Qualification Oversight Board (since 2020) (member since 2020) Member, Regulatory Oversight Board (2021) Chairman, Task Force on the Financial Reporting Council Assessment on HKICPA (2021) Trustee, HKICPA Trust Fund (since 2021) Trustee, HKICPA Charitable Fund (since 2021)
Position and company	Chairman, HLB Hodgson Impey Cheng Limited
Other public appointments	Council member, Hong Kong Examinations and Assessment Authority (2015-21) Chairman, Finance Committee, Hong Kong Examinations and Assessment Authority (2015-21) Committee Member, Departmental Advisory Committee for the Department of Accountancy, City University of Hong Kong Voting member, Hong Kong Professionals And Senior Executives Association Convenor, Mid-Tier Firm Alliance
Skills and experience	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.

ALAN AU CPA

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2019
Committee membership	Deputy Chairman, Ethics Committee (2021) Member, Governance Committee (2019-21) Deputy Chairman, Professional Conduct Committee (2021) (member in 2019-21) Member, Restructuring and Insolvency Faculty Executive Committee (since 2019) Chairman, Task Force on Legal and Compliance for Accountants (2021) Member, Taxation Faculty Executive Committee (since 2019)
Position and company	Director, Unicorn Corporate Secretarial Limited
Skills and experience	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 2021 to 30 June 2022: 12/13

Council membership	Council lay member since 1 December 2019
Committee membership	Member, Governance Committee (since 2022) Member, Qualification Oversight Board (since 2022) Member, Regulatory Oversight Board (2020-21)
Position and company	Executive Director, Financial Services Development Council
Other public appointments	Medal of Honour Adjunct Professor, The University of Hong Kong Member, Index Advisory Committee, China Securities Index Co., Ltd. Member, Index Advisory Committee, Shanghai Stock Exchange Director, Adventist Charitable Foundation Limited Member, Investment Committee, Adventist Health Hong Kong
Skills and experience	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 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2021
Committee membership	Member, Professional Conduct Committee (since 2021) Member, Registration and Practising Committee (since 2021) Member, Small and Medium Practices Committee (Deputy Chairman in 2021 and member since 2021) Member, Taxation Faculty Executive Committee (since 2021)
Position and company	Partner, Alan Chan & Partners
Skills and experience	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 1 July 2021 to 30 June 2022: 13/13

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

SUSANNA CHEUNG JP, FCPA

Council meeting attendance from 14 October 2021 to 30 June 2022: 10/10

Council membership	Ex-officio Council member, Director of Accounting Services, Government of the HKSAR, since 14 October 2021
Committee membership	Nil
Position and company	Director of Accounting Services, The Treasury, Government of the HKSAR
Other public appointments	Justice of the Peace Member, Managing Board of Kowloon-Canton Railway Corporation Chairman, Audit Committee of Kowloon-Canton Railway Corporation
Skills and experience	Before assuming the post of Director of Accounting Services in October 2021, she served in various policy bureaux and departments of the HKSAR Government, including the Financial Services and the Treasury Bureau (FSTB), Food and Environmental Hygiene Department, Social Welfare Department and the Treasury.

AGNES CHOI HEUNG KWAN MH

Council meeting attendance from 1 July 2021 to 30 June 2022: 10/13

Council membership	Council lay member since 1 December 2020
Committee membership	Member, Governance Committee (since 2021) Member, Regulatory Oversight Board (since 2021)
Position and company	Nil
Other public appointments	Medal of Honour Non-Executive Director, Insurance Authority Convenor, Corporate Services Committee, Insurance Authority Member, External Relations Committee, Insurance Authority Member, Regulatory Instruments Committee, Insurance Authority Member, Travel Industry Authority Asia Ambassador, International Union of Marine Insurance
Skills and experience	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.

LAM CHI YUEN, NELSON JP, FCPA (PRACTISING)

Council meeting attendance from 1 July 2021 to 24 June 2022: 13/13

Council membership	Elected Council member in 2012-17 and since 2019 until 24 June 2022 Vice-President (2019-20)
Committee membership	Nil
Position and company	Member, Legislative Council, Government of the HKSAR (From 1 January 2022 and resigned on 19 June 2022) Director of Audit, Audit Commission, Government of the HKSAR (From July 2022 onwards) Founder, Chairman and Practising Director, Nelson CPA Limited (up to 24 June 2022) Executive Chairman, Accountancy Caring Alliance Limited (up to 30 June 2022)
Other public appointments	Justice of the Peace Hong Kong Accounting Consulting Expert, The Ministry of Finance of the People's Republic of China Adjunct Professor, School of Business, Hong Kong Baptist University
Skills and experience	Extensive experience in professional accountancy, in particular in advising and speaking on issues relating to international and Hong Kong standards on financial reporting and auditing. He is also a co-author of several financial reporting and auditing books with some renowned professors in Hong Kong and the United States. He resigned as Council member with effect from 24 June 2022.

STEPHEN LAW JP, CPA (PRACTISING)

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member 2012-17, and since 2022; Co-opted Council member 2010 and 2011
Committee membership	Member, Audit Committee (since 2022) Chairman, Branding and Communication Committee (formerly known as Branding and Communication Advisory Panel) (since 2022) (member since 2017) Member, Corporate Finance Committee (2007-13, and since 2022) (Deputy Chairman in 2010 and Chairman in 2011-13) Member, Investment Funds Regulatory Advisory Panel (2021) Member, Professional Accountants in Business Committee (2008-17, and since 2022) (Deputy Chairman in 2013-14 and Chairman in 2015-17) Member, Professional Conduct Committee (2019-21)
Position and company	Managing Director, ANS Capital Limited
Other public appointments	Justice of the Peace Expert advisor, The Ministry of Finance of the People's Republic of China Member, Agricultural Park Advisory Committee, Agriculture, Fisheries and Conservation Department, Government of the HKSAR Vice President, Hong Kong Business Accountants Association Deputy President, Hong Kong Independent Non-Executive Director Association Board member, Hong Kong Dance Company Board member, SOW Asia Chairman, Chan Sui Ki (La Salle) College Old Boys' Foundation Limited
Skills and experience	A multi-skilled business and finance professional with expertise in executive management at board and C-level of large enterprises. He also has extensive experience in private equity and asset management as managing directors of investment firms.

LEE SHUN YI, JASMINE CPA (PRACTISING)

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member since 2022
Committee membership	Member, Greater Bay Area Committee (since 2019) Member, Professional Development Committee (since 2022) Member, Registration and Practising Committee (since 2022)
Position and company	Managing Partner, Hong Kong and Macau of Ernst & Young
Other public appointments	Member, Professional Development Committee, Accounting Development Foundation Limited Member, Mainland Affairs Committee, Association of Women Accountants Ambassador, House of Joy & Mercy
Skills and experience	She is the Managing Partner of the Ernst & Young member firms in Hong Kong and Macau, overseeing all aspects of business operations in these locations. She has acquired deep expertise working with Hong Kong and Mainland Chinese financial institutions on an array of assurance, strategy and consulting services, leading business growth and optimization initiatives for major financial services companies across Mainland China and Hong Kong.

LIU KWOK TAI, TEDDY CPA (PRACTISING)

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member since 2022
Committee membership	Member, Professional Development Committee (since 2022) Member, Registration and Practising Committee (since 2022) Member, Remuneration Committee (since 2020)
Position and company	Head – Group Audit & Management Services, New World Development Company Limited
Other public appointments	Member, Greater Bay Area Advisory Board, ACCA Hong Kong Member, Student Affair Sub-committee, ACCA Hong Kong Member, Professional Development Sub-committee, ACCA Hong Kong
Skills and experience	Ample experiences in different corporate functions including company secretarial works, taxation planning, information technology management, merger and acquisition, company reorganization, corporate strategy setting, talent development and training, internal audit, risk management, corporate innovation, etc.

THERESA NG CHOI YUK JP

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Council lay member since 1 December 2018
Committee membership	Member, Audit Committee (since 2019) Member, Governance Committee (2019-21) Member, Nomination Committee (since 2021) Member, Regulatory Oversight Board (since 2022)
Position and company	Retired
Other public appointments	Justice of the Peace Non-executive Director, Insurance Authority
Skills and experience	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.

PROF TSE HOI FAT, CALVIN FCPA (PRACTISING)

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member since 2022
Committee membership	Deputy Chairman, Branding and Communication Committee (since 2022) (member since 2022) Member, Greater Bay Area Committee (since 2021) Member, Qualification and Examinations Board (since 2022) Member, Young Members Committee (since 2022)
Position and company	Founder and Chief Executive Officer, Kam Kee Holdings Limited
Other public appointments	Member, Training Board, Chinese Culinary Institute, Vocational Training Council Member, Catering Industry Training Advisory Committee, Qualifications Framework Member, Catering Industry Consultative Networks, Employees Retraining Board Committee Member, Area Committee, Ho Man Tin Council Member, Occupational Safety and Health Council Chairman, Hong Kong General Chamber of Young Entrepreneurs Committee Member, Young Entrepreneur Committee, Hong Kong Baptist University Foundation Charter President, Rotary Club of the Guangdong-Hong Kong-Macau Greater Bay Area Director, The Lok Sin Tong Benevolent Society Committee Member, Commission on Accounting, Council for the Promotion of Guangdong-Hong Kong-Macao Cooperation Honorary Director, The China Certified Tax Agents Association
Skills and experience	He started his entrepreneurial career in 2010 and won the HSBC Youth Entrepreneurship Award in 2011. In addition to his work, he is also actively involved in community services by taking up the post of Chairman of the Hong Kong General Chamber of Young Entrepreneurs and Adjunct Professor in university to help young people starting their businesses in Hong Kong and Mainland China.

KITTY TSUI

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Ex-officio Council member, Representative of the Financial Secretary, Government of the HKSAR, since 4 September 2020
Committee membership	Member, Regulatory Oversight Board (since 2021)
Position and company	Registrar of Companies, Companies Registry, Government of the HKSAR
Skills and experience	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. In July 2022, she ceased to be a member of the Institute's Council after Helen Tang became the Registrar of Companies.

WONG KAM PUI, WILFRED BBS, JP

Council meeting attendance from 1 July 2021 to 30 June 2022: 12/13

Council membership	Council lay member since 1 December 2017
Committee membership	Member, Greater Bay Area Committee (since 2019) Member, Nomination Committee (since 2019) Member, Qualification Oversight Board (2018-21) Deputy Chairman, Remuneration Committee (since 2022) (member since 2018)
Position and company	Founder and Managing Director, RESOLUTIONS HR & Business Consultancy Co. Ltd.
Other public appointments	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, The Chinese University of Hong Kong
Skills and experience	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 the Hong Kong Institute of Human Resource Management.

WONG WING HEI, ERNEST CPA

Council meeting attendance from 1 July 2021 to 30 June 2022: 13/13

Council membership	Elected Council member since 2021
Committee membership	Member, Corporate Finance Advisory Panel (2021) Member, Long Working Hours Steering Group (2021) Member, Professional Accountants in Business Committee (2021) Member, Registration and Practising Committee (since 2021) Member, Young Members Committee (since 2021)
Position and company	Senior Financial Analyst at a financial services corporation
Skills and experience	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.

ANDREW YUNG FCPA

Council meeting attendance from 9 December 2021 to 30 June 2022: 7/7

Council membership	Elected Council member since 2022
Committee membership	Member, Greater Bay Area Committee (since 2022) Member, Qualification Oversight Board (since 2022) Member, Young Members Committee (since 2022)
Position and company	Team leader, Digital Transformation Services team, McCabe International Limited
Other public appointments	Accountant Ambassador, Hong Kong Institute of Certified Public Accountants Qualified fundraising consultant, Pan-Asia Venture Development Platform Member, Metaverse Chapter Committee, Association of Blockchain Development
Skills and experience	Began his accounting career as an auditor and joined HSBC shortly after. He delivered several process optimization projects in the area of Equity Trading Operation and Fund Administration. To promote the accounting profession, he led the Hong Kong Business Development team for CPA Australia before joining Xero, an Australia listed cloud accounting software company. Prior to McCabe, he was the lead consultant at Xero helping accounting firms deliver cloud implementation projects using the latest cloud software and applications.

Members who retired during the year

Rosalind Suk Yee Lee FCPA, elected Council member (2018-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 5/6

Li Kin Hang CPA, elected Council member (2018-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Johnson Kong FCPA (practising), Past President and elected Council member (2015-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Cheung Wai Lun, William CPA, elected Council member (2020-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Choy Kai Sing FCPA (practising), elected Council member (2020-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Ernest Fung CPA, elected Council member (2018-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Louis Leung CPA, elected Council member (2018-21 Council years), Council meeting attendance from 1 July 2021 to 9 December 2021: 6/6

Charlix Wong SBS, JP, FCPA, ex-officio Council member (3 January 2018 to 13 October 2021), retired from the Council on 13 October 2021, Council meeting attendance from 1 July 2021 to 13 October 2021: 2/3

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 2021/22

The Council held 12 ordinary meetings during the financial year and one special meeting after the AGM in December 2021 to elect the President and Vice-Presidents. 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 the Institute's boards and committees
- Criminal records check on membership applicants
- Reports from boards and committees
- Policy and procedures for management of committee performance
- Fee structure of the new Qualification Programme (QP)
- Management structure
- Matters concerning the Financial Reporting Council (Amendment) Bill 2021
- *Strategic Plan 2022* and the repositioning of the Institute

Operations

- Quarterly meeting with the accounting profession's LegCo representative
- Regulatory matters
- Audit fees
- FRC assessment report
- COVID-19 measures for holding the extraordinary general meeting
- Update of International Sustainability Standards Board

Advocacy

- Government budget
- Progress on the regulatory reform
- Enterprise Risks and Mitigation Register

- Sustainability – Net Zero Commitment
- Presentation to the Green and Sustainable Finance Cross-Agency Steering Group

Human resources

- Salary and bonus review for general staff
- Exit package for staff members affected by the regulatory reform
- Re-appointment of the Chief Representative for the Beijing Representative Office

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 2021, 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 2022 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 Deputy Chief Executive.
- 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 2021 and June 2022 examination sessions of the QP due to COVID-19.
- Implementation of Capstone of the new QP.
- Recognition criteria for practical experience obtained prior to QP registration.
- Assessment of the audit competency for re-issuance of the Practising Certificate.
- Review of the continuing professional development (CPD) requirements and compliance audit process.
- Dissolution plan of the Hong Kong Institute of Accredited Accounting Technicians.

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:

In addition to consideration of periodic reports on regulatory activities undertaken by the departments and committees the board discussed matters including:

- Proposed amendments to the "Guidelines for the settlement of complaints and disciplinary matters".
- The transition arrangements for the regulatory reform of the profession.

The board also completed an interim process review on the Compliance and Legal Departments' activities.

Four meetings during financial year

Committee members:

- Raymond Cheng FCPA (practising) (Chairman) (*member since 2020*)
- Au King Lun, Council lay member (*member since 2022*)
- Cheng Kam Fung CPA (practising) (*member since 2020*)
- Cheung Chor Ping CPA (*member since 2017*)
- Charbon Lo CPA (practising) (*member since 2017*)
- Tong Piu FCPA (*member since 2021*)
- Prof Wei Xiangdong, non-CPA (*member since 2022*)
- Dr Wong Man Kong, Raymond, non-CPA (*member since 2022*)
- Andrew Yung FCPA (practising) (*member since 2022*)

Four meetings during financial year

Committee members:

- Keith Pogson FCPA (practising) (Chairman) (*member since 2017*)
- Chan Kam Wing, Clement FCPA (practising) (*member since 2017*)
- Agnes Choi Heung Kwan, Council lay member (*member since 2021*)
- Grace Hui, non-CPA (*member since 2020*)
- Theresa Ng Choi Yuk, Council lay member (*member since 2022*)
- So Shiu Tsung, Thomas, non-CPA (*member since 2021*)
- Kitty Tsui, Ex-officio Council member (*member since 2021*)
- Yih Lai Tak, Dieter, non-FCPA (*member since 2022*)

Governance-related committee

Audit Committee

Responsibilities:

- Financial reports: Reviews and recommends the draft financial statements for adoption by the Council.
- Internal controls: Independently advises 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 2021 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:

- Enhancement to disclosure in the annual report.
- Enhancement to ESG reporting in the annual report.
- Enhancement to the disclosure of information concerning nomination and management of committees and co-option of Council members.
- Review of the guideline for the eligibility of individuals with past disciplinary and/or criminal conviction records to serve as committee member or as the Institute's representative.
- Review of the status of groups operating under committees and the management.

Three meetings during financial year

Committee members:

- Chan Kam Wing, Clement FCPA (practising) (Chairman) (*member since 2019*)
- Stephen Law CPA (practising) (*member since 2022*)
- Law Fu Yuen, Patrick FCPA (practising) (*member since 2022*)
- Theresa Ng Choi Yuk, Council lay member (*member since 2019*)
- Eric Tong FCPA (practising) (*member since 2021*)

Four meetings during financial year

Committee members:

- Eric Tong FCPA (practising) (Chairman) (*member since 2019*)
- Johnson Kong FCPA (practising) (Deputy Chairman) (*member since 2021*)
- Au King Lun, Council lay member (*member since 2022*)
- Chan Yee Wah FCPA (*member since 2020*)
- Agnes Choi Heung Kwan, Council lay member (*member since 2021*)
- Rosalind Suk Yee Lee FCPA (*member since 2018*)
- Lo Chi Chung, William FCPA (*member since 2017*)
- Keith Pogson FCPA (practising) (*member since 2022*)

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 accounting 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 accounting 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 2022.
- Considered the nomination of Institute representatives to appointments of other local and overseas organizations.

One meeting during financial year

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

Committee members:

- Fong Wan Huen, Loretta CPA (practising) (Chairman) (*member since 2021*)
- Au Chun Hing, Edward FCPA (practising) (*member since 2021*)
- Margaret W.S. Chan CPA (ex-officio member)
- Roy Leung FCPA (practising) (*member since 2021*)
- Theresa Ng Choi Yuk, Council lay member (*member since 2020*)
- Wong Kam Pui, Wilfred, Council lay member (*member since 2018*)

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:

- Recommended the proposal for 1 July 2022 annual salary review and the bonus payment for the year ended 30 June 2022 for consideration by the Council.
- Recommended to the Council the proposal for the exit package for staff members affected by the regulatory reform.

One meeting during financial year

Committee members:

- Chan Kam Wing, Clement FCPA (practising) (Chairman) (*member since 2016*)
- Wong Kam Pui, Wilfred (Deputy Chairman), Council lay member (*member since 2018*)
- Fong Wan Huen, Loretta CPA (practising) (*member since 2022*)
- Liu Kwok Tai, Teddy CPA (practising) (*member since 2020*)
- Eric Tong FCPA (practising) (*member since 2020*)

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 Engagement, Standard Setting Departments, and post-qualification development, key matters discussed included:

- Financial budget and performance.
- Strategic plan and progress.
- Human resources and operations.
- Arrangements of regulatory reform.
- Major events and initiatives.
- COVID-19 impact on QP examinations, CPD provisions and general activities.
- Enterprise risks assessment and mitigation.

Twelve meetings during financial year

Committee members:

- Chief Executive (Chair)
- Deputy Chief Executive
- Executive Director (Standards and Regulation)
- Director, Corporate Communications
- Director, Member Engagement
- Head, Legal
- Head, Finance and Administration
- 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 and close to 200 non-members 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	Ng Wong Yee Man, Gloria BBS, JP
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	Paul Donald Hebditch FCPA
Branding and Communication Committee	Stephen Law CPA (practising)
Corporate Finance Committee	Au Chun Hing, Edward FCPA (practising)
Ethics Committee	Tang Hoi Lin, Helen CPA (practising)
Financial Reporting Standards Committee	Gary Stevenson CPA
Greater Bay Area Committee	Lui Chi Wang CPA (practising)
HKIAAT Board	Ng Kam Wah, Webster FCPA (practising)
Professional Accountants in Business Committee	Chan Ting Bond, Michael FCPA
Professional Conduct Committee	Roy Leung FCPA (practising)
Professional Development Committee	Roy Leung FCPA (practising)
Restructuring and Insolvency Faculty Executive Committee	Yeo Boon Ann, Kenneth CPA
Small and Medium Practices Committee	Wong Chun Sek, Edmund FCPA (practising)
Sports and Recreation Committee	Agnes Ho CPA
Sustainability Committee	Prof Robert Gibson CPA
Taxation Faculty Executive Committee	Chan Ka Wah, Sarah FCPA
Young Members Committee	Wan Wing Yui FCPA

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

term of the President will be extended to two-year with effect on 1 November 2022 following the adoption of Professional Accountants (Amendment) Bill 2022 to enhance the election mechanism.

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 a Deputy Chief Executive, an Executive Director and eight department directors, lead a group of nearly 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

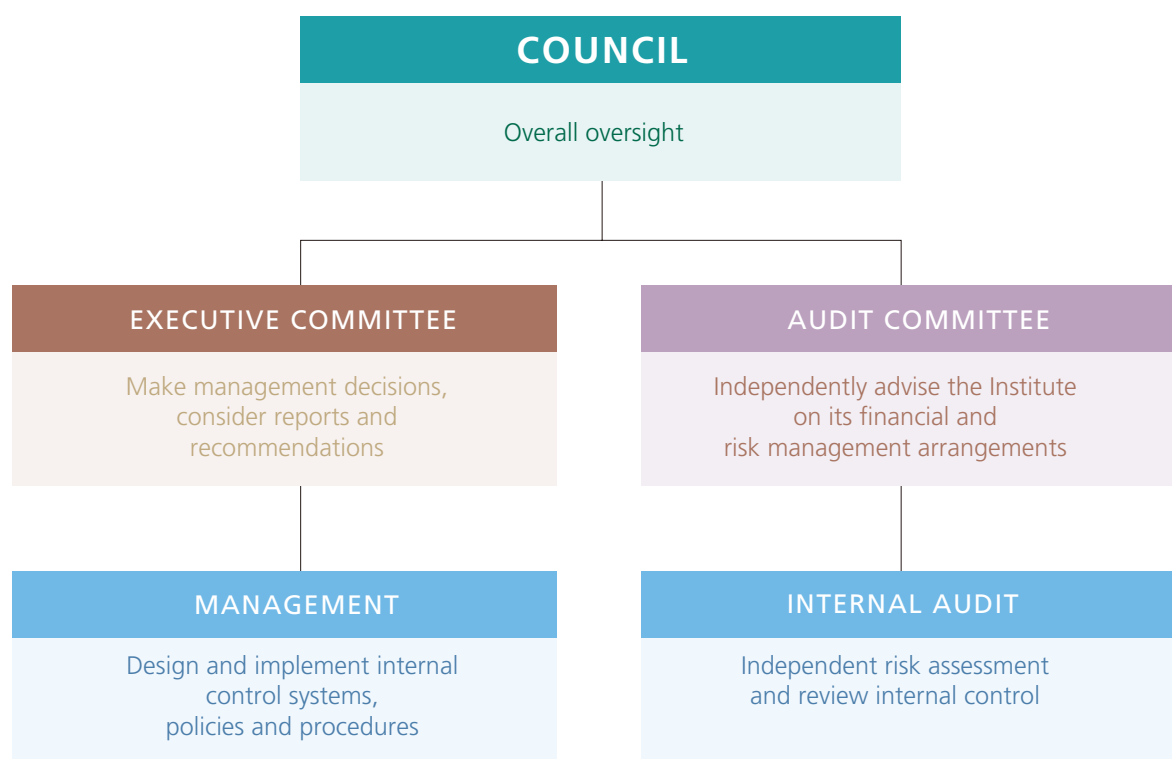
the operation and to update the policies and procedures, controls and reporting to ensure that they remain in line with relevant standards, laws and regulations for sound corporate governance.

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.

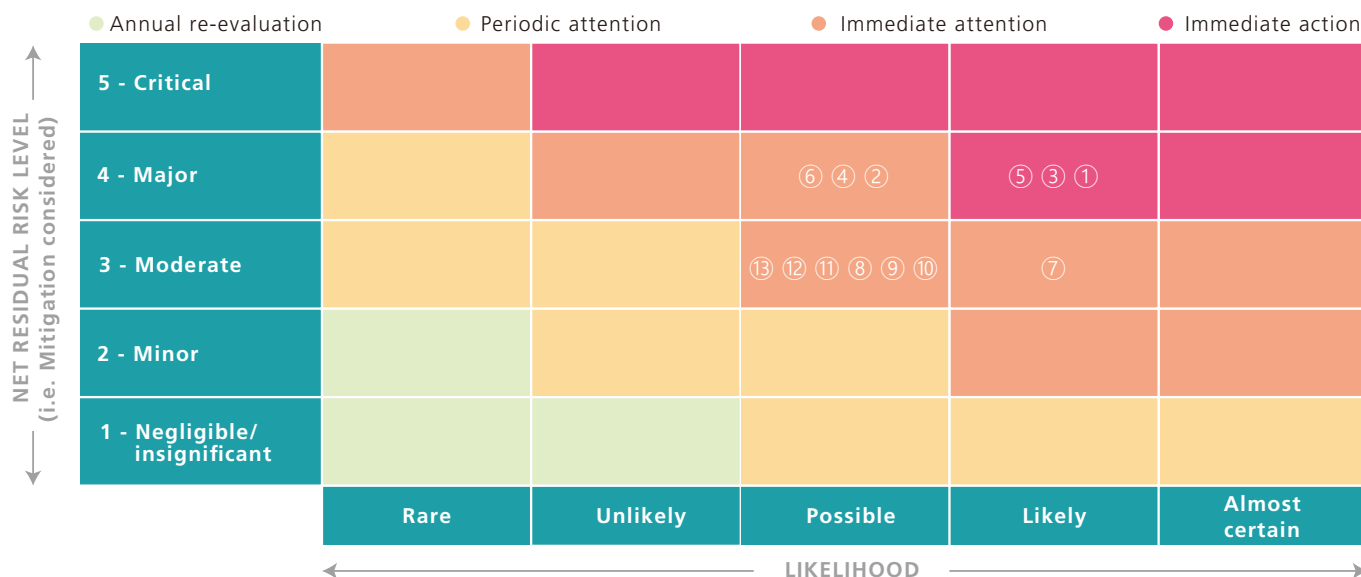
RISK MANAGEMENT STRUCTURE



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 detailed in the table on pages 29 to 32. 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

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

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 (Likelihood)
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	<ul style="list-style-type: none"> 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"> Council defined the repositioning strategy in light of impact from further regulatory reform. Cost-containment measures in place. Improve the financial viability of QP and training segments. Review subscription fee level and explore possible revenue streams. 	Major (Likely)
2. Inability to successfully manage the transitional risks of the further regulatory reform and to fulfill the Institute's remaining statutory roles.	Statutory roles risk	<ul style="list-style-type: none"> With the regulatory functions of the Institute to be taken over by the FRC, the remaining statutory roles such as standard setting, professional examinations, registering CPAs and post-qualification education 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"> 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. Comments and observations provided to FSTB on subsidiary legislation to ensure transition plans fit within statutory framework. Council and the management have reviewed strategy and agreed the action plans to continue to fulfil the Institute's remaining roles and maintain quality output and value to members and stakeholders. Pursue the Institute as the local sustainability standard setter to strengthen the role and meeting market needs. Ensure change integration is being effectively managed to re-align the repositioning of the Institute's roles and responsibilities. 	Major (Possible)
3. Fail to attract or retain appropriate personnel for committees and employees.	Key operational risk	<ul style="list-style-type: none"> Declining ability to share technical knowledge and experience among the membership. Loss of key management and high staff turnover would adversely impact the Institute's ability to deliver its strategies. 	<ul style="list-style-type: none"> Maintain transparent committee appointment mechanism. Encourage relevant members to take up committees roles. Promote successful work and advocacy of the Institute. Offer competitive compensation and benefits by benchmarking the market standard. Redeployment and re-shuffling of internal resources. Maintain employee development and training. Develop succession plan for key positions. 	Major (Likely)

Key risks	Category	Risk impact	Mitigating measures	Residual risk level (Likelihood)
4. Inability to attract the right talent for future accountants.	Strategic risk	<ul style="list-style-type: none"> – The CPA designation being diminished by other qualifications. – The accounting profession is losing its ground in attracting top talent. 	<ul style="list-style-type: none"> – Promote the value proposition of CPA. – Promote the accounting profession to members and the public. – Reach out to universities and secondary schools for better understanding on the accounting profession. 	Major (Possible)
5. Inability to attract students to our QP.	Strategic risk	<ul style="list-style-type: none"> – Continuous decline in student intake leading to a shrinking student pool and drop in exam enrolment would adversely affect the financial viability of the QP segment. 	<ul style="list-style-type: none"> – To attract talented non-accounting and sub-degree undergraduates to our CPA qualifying process. – Conduct periodic review of the CPA competency framework and qualifying process. – Maintain the international recognition and the government recognition. – Offer more interim qualifications at different exit points of the QP. – Revisit the promotion strategy of the QP in Mainland China. 	Major (Likely)
6. Unable to maintain a safe physical and secure cyber environment for operation and data security.	Key operational risk	<ul style="list-style-type: none"> – 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. – Adverse widespread press coverage. – Risk of financial loss. 	<ul style="list-style-type: none"> – To develop a holistic data governance policy. – General Policy on Data Protection is in place. Regular training on personal data protection and reminder should be provided to all staff. – Enhance the security vulnerability detection and response by engaging services provider for Security Operation Centre functions. – Continue to reinforce and step up IT security management, and also technical infrastructure. – Undertake regular reviews of our network security and vulnerability scanning on our networks and applications using third party specialists as well as for providing recommendations to management on critical threats. – Purchase of cyber liability insurance. – Ensuring the disaster recovery plan is rigorously and regularly tested. – Ensure maximum data security when sharing/transferring members' information with/to the FRC. 	Major (Possible)

Key risks	Category	Risk impact	Mitigating measures	Residual risk level (Likelihood)
7. Inability to maintain the relevancy of post-qualification education.	Strategic risk	<ul style="list-style-type: none"> – The Institute may lose its standing and face a decline in membership if members do not see the value to them on professional development. – Over-competition in employment would create a downward pressure on members' salaries and career stagnation. 	<ul style="list-style-type: none"> – Enhance the Professional Development Strategy to better support career advancement for CPAs and meet market needs. – Enrich the training contents and provide CPD courses for contemporary topics of importance. – Provide practical training and development support to help members in digital transformation. – Engage members across different segments regularly to obtain feedback and provide relevant information and training to support members' well-being and up-skilling. 	Moderate (Likely)
8. Inability to maintain a positive image of the Institute (and the profession) and/or affected by adverse reports/news.	Reputational risk	<ul style="list-style-type: none"> – Reputation and brand crisis. – Adverse press/online coverage and negative social sentiment. – Dissenting views that worsen the image of the profession. 	<ul style="list-style-type: none"> – A designated committee in place to oversee the Institute's branding and communication strategies and to strengthen the positive image of the Institute and the profession. – Daily news/social media monitoring and the social media crisis management protocol in place. 	Moderate (Possible)
9. Not being relevant to meeting the diversified needs of members.	Strategic risk	<ul style="list-style-type: none"> – Sustainability of the Institute would decline. – The expectation gap of members continues to widen due to the rapid advancement of technology. 	<ul style="list-style-type: none"> – Develop digitalization plan to help members to stay relevant. – Position the Institute to participate in changes in Hong Kong corporate reporting requirements to meet sustainability commitments and initiatives. – Develop specific strategies to continue to attract and retain members and address competition. – Provide networking opportunities for members, and enhance their overall professional and personal development through various social and learning activities. 	Moderate (Possible)

Key risks	Category	Risk impact	Mitigating measures	Residual risk level (Likelihood)
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"> – Failure to deliver key services resulting in adverse financial impact. – 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. 	<ul style="list-style-type: none"> – Closely monitor and perform impact analysis on disruptive external factors. – Regular review on business continuity plan and enterprise risks and mitigation strategies. – Conduct a long term development plan for QP digitalization. 	Moderate (Possible)
11. Inability to maintain appropriate corporate governance frameworks.	Key operational and reputational risks	<ul style="list-style-type: none"> – Institute cannot discharge its statutory duties and responsibilities effectively, potentially leading to a loss of authority. – Negative impact on image and reputation of the Institute and the profession. 	<ul style="list-style-type: none"> – Review our governance practices and disclosures. – Improve internal and external communications. – Improve “internal” stakeholder/member engagement on key issues. – Conduct periodic review on the effectiveness of various areas, such as the structure and operations of the Institute’s committees, committee appointment and management policies, reporting of corporate governance and ESG matters, etc. 	Moderate (Possible)
12. Inability to fulfil the Institute’s statutory roles as a standard setter.	Statutory roles risk	<ul style="list-style-type: none"> – The Institute’s position as a valued international voice being increasingly diluted, given FRC’s increased remit after the regulatory reform. 	<ul style="list-style-type: none"> – Ensure sufficient appropriately skilled personnel to undertake technical standard setting work. – Develop and pursue a plan to become sustainability reporting and assurance standard setter for Hong Kong. – Sustain the Institute’s international presence. – Enhance Hong Kong’s unique role in serving and globally connecting between China and the international community. 	Moderate (Possible)
13. Non-compliance risk – Failure to comply with relevant laws and regulations.	Key operational risk	<ul style="list-style-type: none"> – Failure to comply with relevant laws and regulations may carry financial and reputational risks. 	<ul style="list-style-type: none"> – Ensure compliance by reviewing relevant external laws and regulation. – Provide programmes for reporting concerns on violation. – Maintain staff training and education. 	Moderate (Possible)

MEMBERSHIP AND QUALIFICATION



The Institute held the Capstone examination for the first time in December 2021, completing the roll out of the new Qualification Programme (QP). The Capstone is the final level of the QP. It builds on QP students' achievements from the previous Associate and Professional Levels, combined with the real-world experience gained by the time students come to sit the Capstone and further develops the enabling competences needed by professional accountants.

"The Capstone focuses on the ability to deal competently with situations professional accountants regularly face, and equip students with the necessary knowledge and skills to consider both financial and non-financial factors in making pragmatic decisions. This is necessary in an ever-changing business environment," said May Mak FCPA (practising) (right), QP Capstone workshop facilitator.

"Being based in Hong Kong, I wanted to take the QP because it's the most relevant to the standards and business environment of Hong Kong, while also being recognized by various overseas accounting bodies through mutual reciprocal agreements," said Kathy Lau (left), who was awarded the Li Fook Shu Memorial Prize, the gold award for the top performer, in the Institute's first ever QP Capstone examination.

As of 30 June 2022, membership stood at 46,947, up from 46,505 last year, including 5,976 fellow members. There were 5,169 practising members at that date, up from 5,133 last year. The number of member practices was 1,940, including 687 corporate practices.

PIE AUDITORS

As of 30 June 2022, there are 73 registered public interest entity (PIE) auditors and 36 recognized PIE auditors, who are overseas PIE auditors recognized by the Financial Reporting Council.

QP STUDENTS

As of 30 June 2022, there were a total of 13,807 students registered with the Institute. Of the Qualification Programme (QP) students, 2,659 are from the Mainland, of which 575 members are of the Chinese Institute of CPAs and 2,084 Mainland degree holders. In terms of demographics, women account for 59 percent, or 8,099 of the overall studentship, and men account for 41 percent, or 5,708. This year, the Institute recorded over 19,000 enrolments for QP modules and final examination.

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

problems encountered during the examination preparation.

The Capstone, which includes three full-day workshops and a written final examination, was launched in the December 2021 session with positive feedback from employers and QP students about the development focuses that can enhance the employability of QP students. Additional learning tools for the preparation on the first Capstone session, which focused on the integration of technical knowledge, enabling skills and work experiences, were provided to the candidates.

In view of the continually evolving situation of the COVID-19 pandemic, the Institute had put in place a contingency plan for conducting the workshops and examinations of the QP for both the December 2021 and June 2022 sessions. All workshops of the June 2022 session were conducted in online format. Examinations for both sessions were conducted in multiple venues with precautionary measures in place to protect the health and safety of candidates and staff.

This year, 1,730 students graduated from the programme, bringing the cumulative number of graduates to 25,846, since the launch of the QP in 1999. The accredited programmes offered by local, Mainland and overseas tertiary institutions extended

to cover business-related programmes as well as sub-degree programmes. As of 30 June 2022, there are 71 active accredited programmes, including 64 accountancy programmes and seven business-related programmes.

MAINTAINING STANDARDS IN QUALIFICATION

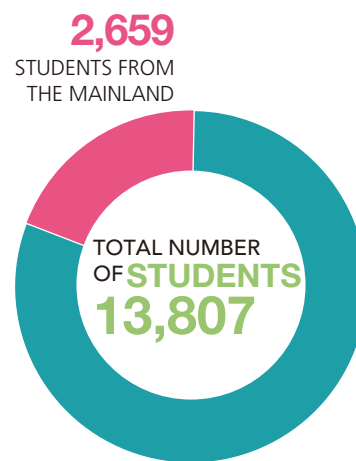
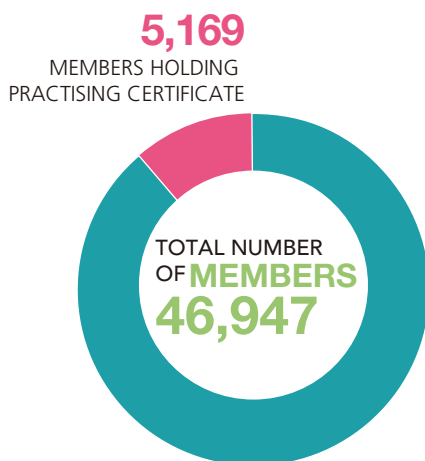
The QP offers comprehensive training to equip students with solid technical knowledge and essential skills for a successful career. The development of enabling skills at the workshops and on the job training at the workplace are key elements of the qualification process. It is through the whole ecosystem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

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 2022, 1,437 employers and 1,303 supervisors have registered as Authorized Employers (AEs) or Authorized Supervisors (ASs) with the Institute to train prospective CPAs.

The Institute operates the AE/AS Enhancement Programme to provide direct support to AEs and ASs. This year, the Institute visited 29 AEs and ASs, taking the total to 490 since the launch of the programme in 2008.

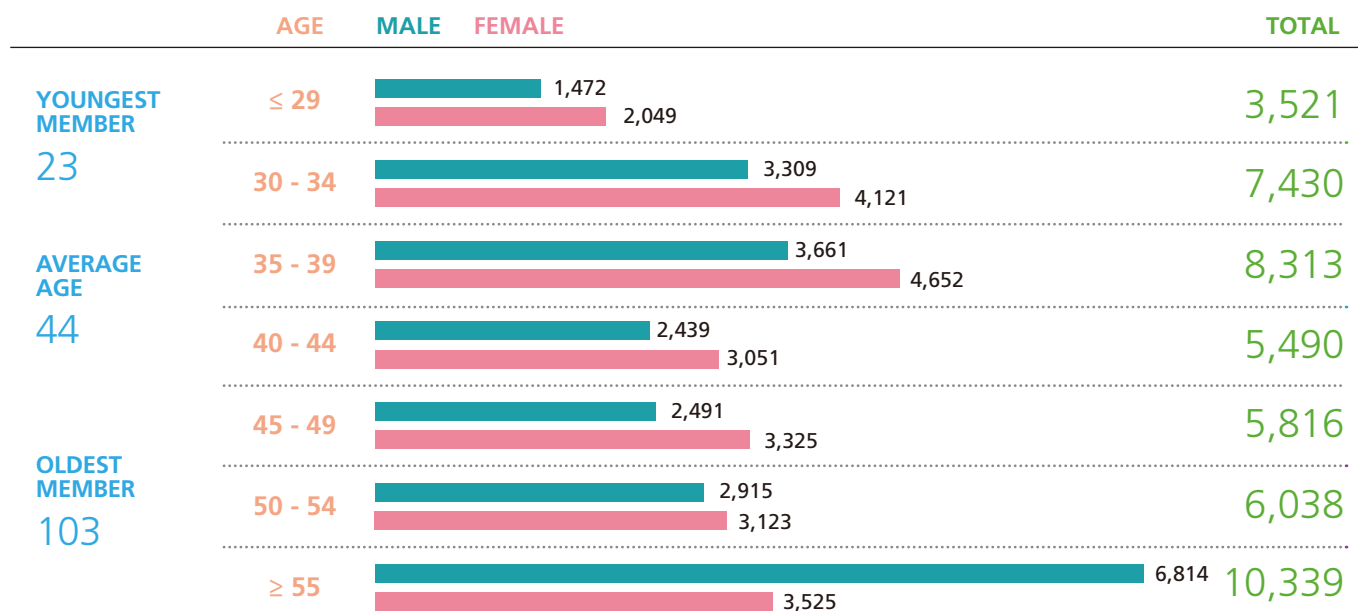
THE INSTITUTE IN NUMBERS

(As of June 2022)



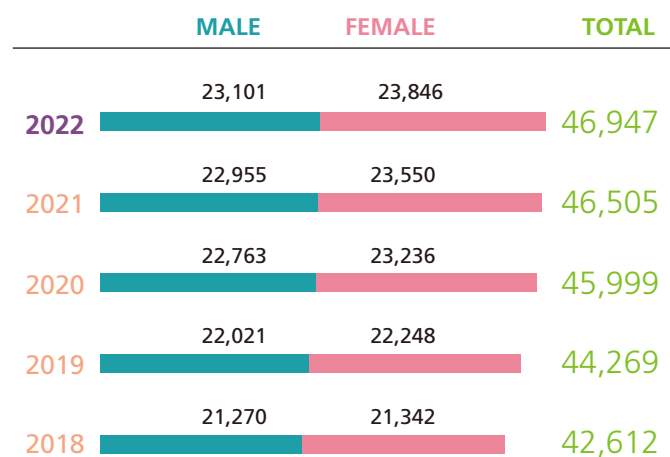
MEMBERSHIP AGE AND GENDER DISTRIBUTION

(As of June 2022)



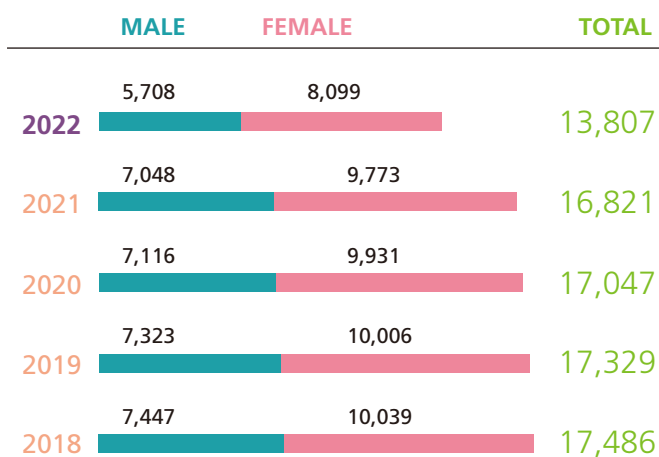
MEMBERSHIP

(As of 30 June each year)

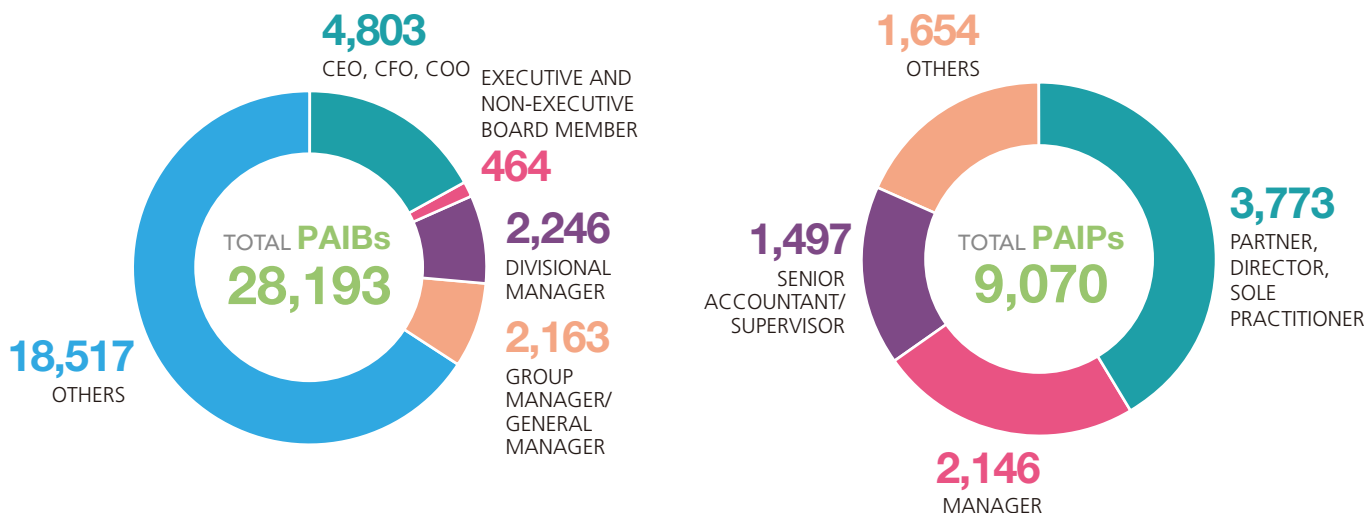


STUDENTSHIP

(As of 30 June each year)



MEMBERS TAKING UP LEADERSHIP POSITIONS



Source: Among respondents to member census as of June 2022, 28,193 reported being professional accountants in business (PAIBs) and 9,070 reported being professional accountants in practice (PAIPs)

REFORM OF THE CPA QUALIFYING PROCESS

For the past two years the Institute has been rolling out a 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 which includes the Associate Level to build solid foundation on technical accounting knowledge; the Professional Level to deepen the technical capabilities and application of enabling competencies in the workplace; the Associate and Professional Levels were fully launched in the December 2020 and June 2021 sessions, respectively.

The Capstone aims to develop top-notch business advisors with capability to integrate technical knowledge, enabling skills and work experiences in resolving multifaceted business problems. The

Capstone was successfully launched in the December 2021 session.

During the year, the Institute organized a series of New QP Workshop Facilitators Training Programme with more than 160 workshop facilitators participated. The Institute will continue to recruit and train new workshop facilitators for the new QP.

A revised Practical Experience Framework with a bespoke online system is scheduled to be launched in the fourth quarter of 2022 with the objectives of enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the AE and AS system, and promoting communication through the online system.

To ensure a successful and smooth launch of the revised framework, the Institute will provide a variety of supporting material to AEs and ASs, including support manual, learning videos and online system user guides.

MUTUAL RECOGNITION AGREEMENTS

The Institute has a number of reciprocal or mutual recognition agreements (MRAs) with member bodies of the Global Accounting Alliance and other accounting bodies. 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.

In May 2022, it was announced to members that the MRA between the Institute and the United States International Qualifications Appraisal Board (IQAB) will expire on 31 December 2022. The Institute and IQAB could not come to an agreement despite protracted negotiations, and therefore could not proceed on the renewal of the MRA.

REGULATION AND PROFESSIONAL CONDUCT



The Institute responded to the International Sustainability Standards Board's (ISSB) exposure drafts on its IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Given the importance of this topic in Hong Kong, the Institute established a dedicated task force to comment on the ISSB's maiden exposure drafts and scaled up its outreach activities for these two consultations.

"Overall, we are supportive of the ISSB's lead in establishing a comprehensive global baseline of sustainability-related disclosure standards designed to meet the information needs of investors when assessing enterprise value. A standardized set of data will provide comparable and useful information to not only investors, but also regulators and other ESG stakeholders," said Gary Stevenson CPA (right), Chairman of the Financial Reporting Standards Committee.

"The Institute has consistently voiced on behalf of its stakeholders' issues or concerns to international and national standard-setters. We will continue to provide necessary support and development opportunities for the Institute's members to be recognized as active participants in the international discourse as global sustainability standards continue to develop," said Paul Hebditch FCPA (left), Chairman of the Auditing and Assurance Standards Committee.

Protecting the public interest through regulating the profession and ensuring appropriate professional conduct has long been a priority of the Institute. The passage of the Financial Reporting Council (Amendment) Bill 2021 in October 2021 will greatly impact the Institute's regulatory work, resulting in the Institute transferring its regulatory functions, including practice reviews, to the Financial Reporting Council (FRC) which is renamed the Accounting and Financial Reporting Council (AFRC) as of 1 October 2022. The Institute worked closely with the government and the FRC to address the transitional and operational issues. During the transition, the Quality Assurance, Compliance and Legal Departments continued to follow their existing practices to fulfil the Institute's regulatory functions until the authority for the function transfers to the AFRC.

ENHANCING HONG KONG'S ANTI-MONEY LAUNDERING REGIME

The Institute continued to work closely with the Narcotics Division (ND) of the Security Bureau and the Financial Services and the Treasury Bureau to prepare for the coming fifth-year follow-up assessment by the Financial Action Task Force (FATF) in 2024. This will cover technical compliance and the effectiveness of the anti-money laundering/counter-terrorist financing (AML/CTF) framework in Hong Kong, following up on issues outstanding in Hong Kong's mutual evaluation report by the FATF in 2019. As part of the follow-up work, the Institute needs to submit various updates and reports on progress to ND, which form part of the government's consolidated reporting to the FATF.

The Institute also provided input to the government on updating the accounting sector section of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report*, which is a mandatory self-assessment of the risks and

vulnerabilities in different sectors of Hong Kong, serving as a key source document for FATF AML/CTF mutual evaluations. The report was issued in July 2022.

The Institute has included monitoring of AML/CTF compliance by members in the scope of its practice review programme and produced a number of FAQs on AML/CTF compliance that have been posted on the website. While the AFRC will take on responsibility for enforcement of compliance with AML/CTF requirements from 1 October 2022, the Institute will retain its role in issuing AML/CTF guidelines under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), as well as its advocacy and education functions. The Institute will hold further discussions with the AFRC as to how this relationship will operate in future.

To assist members and member practices with their AML/CTF compliance, we continued to provide a range of services including:

- Organizing live webinars and workshops, with speakers from ND, the Joint Financial Intelligence Unit, professional firms, AML/CTF specialists and service providers, to strengthen members' knowledge and awareness of AML/CTF issues and promote good practices.
- Maintaining close collaboration with two market leaders in AML/CTF screening services, namely, Refinitiv and Dow Jones-Ingenuique, which offer preferential subscription rates for Institute members on their screening solutions. The Institute also works with these service providers to provide some free AML/CTF events for members.
- The Institute remains open minded about exploring possible collaborations/arrangements with other AML/CTF specialist organizations and service providers.

- Strengthening 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, and notifying members of other FATF updates.
- Responding quickly to members' enquiries on AML/CTF issues and providing relevant information and advice where applicable.
- Monitoring the latest developments of the AML/CTF regime in Hong Kong and internationally, and considering the need for updates to the Institute's AML/CTF guidelines and other relevant materials.

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.

Since the start of 2022, the Quality Assurance Department (QAD) had adjusted its work plan to take into account the forthcoming transfer of practice review work to the AFRC. Due to the fifth wave of 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, 120 practice review site visits and 76 desktop practice reviews on practices with audit and assurance clients were carried out by Institute staff, while the Practice Review Committee considered 326 practice review reports. The QAD completed the reviews of the two trial cases for which the Ministry of Finance (MoF) of the People's Republic of China assisted the relevant practices to go through the vetting procedures necessary for the files to be provided for practice review.

The practice review programme also includes an AML/CTF compliance monitoring review (ACMR). This financial year, 35 separate ACMRs on practices without audit and assurance clients were also carried out. The Practice Review Committee considered 41 reports on separate ACMRs during the year. On the work on AML/CTF compliance, the QAD was also working to develop a more robust plan for risk-based supervision of accounting professionals to follow up on the FATF’s comments in its 2019 report on the mutual evaluation of Hong Kong. However, since the announcement of the regulatory reform, the Institute had put the work on hold. Nonetheless, the Institute will remain engaged with the government and other parties regarding plans to meet FATF’s expectations.

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 eight cases were referred for disciplinary action, while one other case concerning the audit of a listed company was referred to the FRC for further investigation.

The QAD and Practice Review Committee regularly monitor practice review outcomes and, to enhance effectiveness, introduce new elements and procedures to the practice review programme.

Findings from the practice review programme were published in the annual *Quality Assurance Report* and communicated to members and stakeholders via articles and technical education events.

The professional standards monitoring programme (PSMP), involves reviewing published financial statements of Hong Kong’s listed companies. Since the QAD had given priority to clearing off outstanding practice review work during the period in view of the forthcoming regulatory reform, this had impacted

on the work plan of the PSMP. A total of 29 sets of financial statements were reviewed during the reporting period, and seven letters were sent to auditors with recommended revisions and improvements.

COMPLIANCE

Compliance with the Institute’s professional standards is a requirement of membership. Complaint handling 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 organizes technical forums and contributes content in *A Plus* to alert members about contemporary regulatory issues and promote good practices.

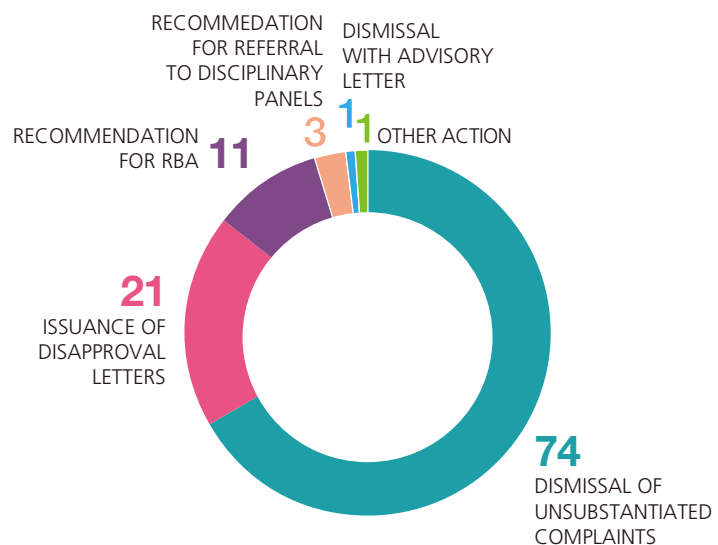
Every complaint received by the Compliance Department is investigated in accordance with an established complaint handling process. Cases are reported to the Professional Conduct Committee

(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.

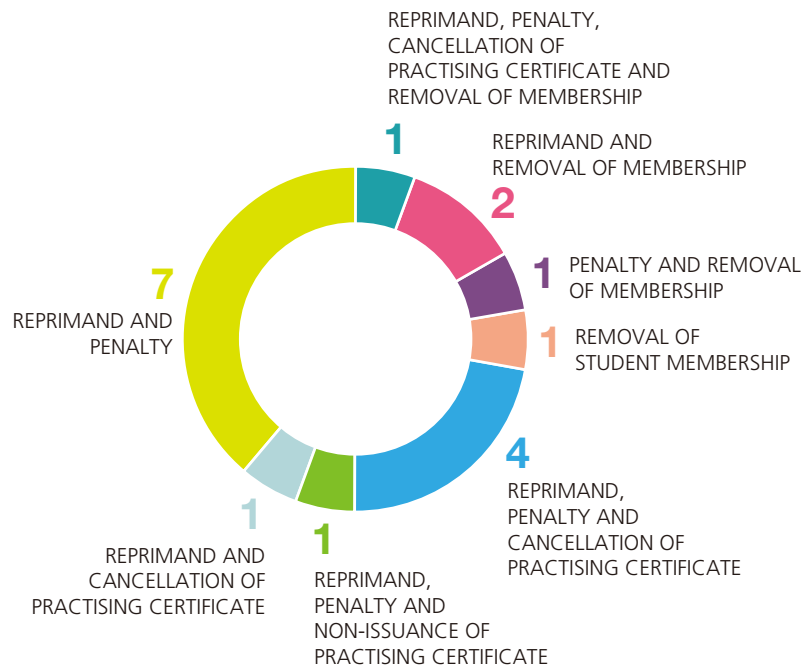
More serious complaints are referred by the PCC to the Council with recommendations of appropriate actions. For moderately serious complaints, the PCC may recommend resolving them by Resolution by Agreement (RBA) in lieu of formal disciplinary proceedings. For serious complaints, the PCC’s recommendation may be referred to the Disciplinary Panels for determination by independent Disciplinary Committees (DCs). All RBAs and disciplinary orders were published in *A Plus* and on the Institute’s website to ensure transparency of the enforcement process.

During the financial year, the Institute received 66 new complaints against members, bringing the number of cases recorded during the year to 124. Of the 111 cases considered by the PCC, the following outcomes were approved:

PROFESSIONAL CONDUCT COMMITTEE DECISIONS



SANCTIONS IMPOSED BY DISCIPLINARY COMMITTEES



During the financial year, Council considered recommendations from the PCC and approved 13 RBA cases. All of them were accepted by respondents and concluded during this reporting period.

Settlements are entered into in response to requests from respondents of regulatory proceedings when Council, with reference to the Settlement Guidelines, considers that settlement will represent a just and proper resolution of the proceedings. Eight cases were concluded by settlement during the period. Extracts of the Settlement Guidelines are published in the department's *Annual Reports*.

Disciplinary cases in progress at the beginning of the reporting period totalled 16. Council referred another 15 cases to the Disciplinary Panels during the period.

A total of 18 disciplinary orders were issued for 19 cases by the DCs and their outcomes are summarized above.

The Institute also handled seven appeals to the courts, with six against disciplinary orders and one against the Court of First Instance's order to dismiss a judicial review. Two appeals were dismissed and one appeal had been heard in the prior financial year but decision was still pending.

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. Four cases were reported to the police during the period.

OVERSIGHT OF QUALITY ASSURANCE AND COMPLIANCE FUNCTIONS

The Regulatory Oversight Board oversees all the regulatory functions of the Institute, and ensures that complaint handling and disciplinary processes as well as practice review activities are dealt with according to the public interest and all strategies and policies determined by Council.

In carrying out the compliance function, the board conducted an interim process review of the compliance operations in the spring of 2022. The results of the review were positive and they were published in the Compliance Department's *2022 Annual Report*.

MEMBER SERVICES, DEVELOPMENT AND EVENTS



Despite the numerous challenges under the pandemic, the Institute remained committed to supporting members by arranging professional events, continuing professional development and other learning and development events, as well as leisure and networking events.

The CPA Conference was held on 2 October 2021 for both CPAs in business and practice, and provided a platform for speakers to share and inspire Institute members on the latest trends and developments relating to the accounting profession and the business world. Themed “Transcending together”, the conference explored the business lessons learned 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.

By arranging continuing professional development (CPD) and other social and recreational events, the Institute seeks to support members in their professional lives, and provide avenues to achieve work-life balance. During the past year, many of the Institute's events were held online as webinars in view of the continuing social distancing restrictions under the fluctuating COVID-19 pandemic.

CONTINUING PROFESSIONAL DEVELOPMENT

The professional skills and technical knowledge needed for accountants to excel are constantly expanding and refreshed. To help members stay relevant and equipped for success, the Institute provides a wide variety of CPD events and programmes.

During the financial year, the Institute organized a total of 157 webinars (including 10 collaborative programmes), 843 e-learning programmes (including 211 collaborative programmes) and 30 face-to-face events, receiving a total of 129,564 enrolments.

To identify members' development needs and to deliver quality programmes accordingly, a Professional Development Strategy was formulated. Under this strategy, the Institute conducted a training needs analysis exercise, consisting of a members' survey and focus group meetings, held between March and May 2022. The aim of the exercise was to identify common members' development needs and learning preferences in order to fill up any gaps in the Institute's current training offerings. Over 580 responses to the survey were received and 18 members contributed in the focus group discussions.

The Accounting, Technical and Ethics training curriculum was kept up-to-date with highlights on hot topics according to industry trends. A new training curriculum for environmental, social and governance (ESG) was created in October 2021, providing comprehensive packages including training courses, publications,

and videos, on training subjects that are continuously updated with reference to the latest market trends.

Four new series, namely the Digital Transformation Series, ESG Series – Latest Trends and Updates, Entities Listing on HKEX Series and Soft Skills Series – Workplace Solutions were launched during the year, attracting more than 2,290 enrolments.

The Institute continues to offer free places for selected CPD events to members in need. During the year, 546 free places were taken. In addition, 53 free webinars and online courses were offered to members to attract more than 63,971 enrolments.

Throughout the year, popular topics which attracted higher attendance include risk management, Enterprise Resource Planning implementation, digital transformation, investment and ESG.

Technical training

To support members' application of professional standards, the Institute organized a number of relevant CPD events. The Annual Auditing Update and Annual Accounting Update were held in October and November 2021 respectively, which attracted 740 and 1,000 participants respectively.

We also hosted a panel discussion webinar on audit quality in August 2021 with different stakeholder groups in the financial reporting ecosystem, including auditors, standard setters and regulators as panellists to share their perspectives and experience on how building an audit firm's culture of challenge and professional scepticism contribute to audit quality.

The series of Hong Kong Financial Reporting Standard (HKFRS) 17 *Insurance Contracts* workshops on life and general insurance continue to be well received as we approach the effective date of HKFRS 17 on 1 January 2023. We intend to continue to run these workshops with adjustments to the topics to cater for new developments as they emerge.

Structured training

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

Two cohorts of the Business Valuation Programme, which was introduced in the last financial year, were held in October 2021 and April 2022 with 71 enrolments. The 2021 cohort of the Financial Controllership Programme was completed in November 2021 with 12 graduates.

The Insolvency Preparatory I and II programmes were completed in December 2021 and June 2022 and attracted 78 and 57 enrolments respectively. The Professional Diploma in Insolvency (Module A) ran from July to December 2021 with 44 module enrolments. There have been 405 graduates to date.

The China Tax Course ran from October 2021 to March 2022 with 22 enrolments. As of June 2022, there are 130 graduates with the Professional Diploma in China Tax and 100 graduates with the Professional Diploma in Hong Kong Tax.

The Forensics Interest Group (ForensIG) Management Committee launched a structured basic training course in forensics, aimed at members recently engaged by firms to join the forensic field, more experienced staff switching disciplines or aiming to expand their skill sets and Institute members in general. The course, Professional Enhancement Programme in Forensic Accounting, obtained government funding through the Professional Services Advancement Support Scheme for three years. The first three series of the course were run in March and September 2021, and March 2022 respectively in an online format. The programme has been very well received, with over 300 participants in total having completed it. Summary content of the first two sessions have been published on the Institute's website. The fourth series will be held in September 2022.

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, 13 rounds of the programme have been organized and the feedback received has been positive.

The Institute also 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 SPECIALIST 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, the Restructuring and Insolvency Faculty (RIF) and Taxation Faculty (TF), 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, including insolvency preparatory courses, Professional Diploma in Insolvency, and Professional Diplomas in Hong Kong Tax and China Tax. At the end of the financial year, membership of the RIF stood at around 500, and the TF had 965 members.

During the year, the RIF held events almost monthly and the TF held over 20 events, including the major annual China taxation and Hong Kong taxation conferences in May and July 2022, which were held in an e-conference format for the second year running. The two live events received enrolments of around 450

and 920 respectively. Each conference comprised individual presentations, as well as a panel discussion, covering topical tax issues, specifically, (i) the challenges and opportunities during the evolving process of tax administration and (ii) taxation in the digital era. The archived e-learning versions of these events were made available for subscription for 12 months following the live webinars.

Committees

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

For young members

In its eighth run, the 2022-23 Mentorship Programme paired over 180 mentors-mentees pairs. The start-of-term training session was held on 9 April 2022 as a live webinar. Two more live webinars tailored for the needs of mentees and mentors were organized in May and June 2022 respectively, to support them in building a fruitful mentoring relationship.

The Young Members Virtual Conference titled "Building an arsenal for young accountants – new trends and skill sets for future-ready CPAs" was held on 6 November 2021 where a mix of young and seasoned speakers shared their insights on skill sets required for young CPAs under new market trends. More than 320 enrolments were received.

The Institute held two webinars on Mainland-related issues, which attracted an average of over 250 enrolments. Topics include "Working and living in the Mainland China – experience sharing by young members" and "Career development opportunities for young CPAs in the Greater Bay Area".

We also held two joint webinars with the Financial Services Interest Group (FSIG) on the topic "Special Purpose Acquisition Company (SPAC) listing and its valuation" and "Latest development of cryptocurrency market and trading strategies", which attracted an average of about 110 enrolments.

A cross-professional joint webinar "ESG for young accountants and young engineers" was organized with the Hong Kong Institution of Engineers, which attracted 400 enrolments.

The Institute strengthened collaboration with other organizations on young members' engagement. A joint webinar was organized with the Association of Chartered Certified Accountants on the topic "Myths about the cross generational workplace debunked" with over 1,000 enrolments.

For small and medium practices (SMPs)

The annual SMP Symposium was also delivered in the form of a live webinar in two modules for the second time in late November 2021. The 2021 SMP Symposium, themed "Change for good", aimed to provide a one-stop update on the topical issues affecting SMPs to help practitioners manage the key challenges they face and explore opportunities amid change. The two modules covered regulatory, technical and practice management updates, and attracted more than 700 enrolments in total. The archived webcasts received close to 300 enrolments.

In its fourth year of running, the Practice Management Series for SMPs held three live webinars from November to December 2021, covering topics from staff recruitment and engagement, the new Hong Kong quality management standards, and automation and analytics. These live webinars and their archived webcasts attracted more than 500 enrolments.

The Institute enhanced the Members-Help-Members initiative and conducted sharing sessions regularly to actively share experience with and response to questions from SMPs. An experience sharing session on COVID-19 for SMPs was held in March 2022 which drew more than 180 enrolments. Another sharing session was held in collaboration between the Institute and the Guangzhou

Institute of Certified Public Accountants in May 2022, which drew close to 700 enrolments. At the live webinar, the two speakers from local SMPs shared their insights and perspectives on topics such as internal management and business risk management.

The Institute also supported SMPs on technology adoption and continued to solicit merchandise discounts in relation to auditing, accounting and practice management software and related technology services for members, to help facilitate the digital transformation of the sector.

Aiming to promote digitalization in the accounting profession, the Institute granted a non-exclusive licence of its *Audit Practice Manual (APM)* to a service provider, namely Wolters Kluwer Hong Kong, to integrate the APM into their audit solution. The APM-integrated Audit Workpaper Management Solution was subsequently launched in March 2022, followed by an online information session held in April 2022 to provide members with further information on the project background and the solution. The session was well-received with close to 350 enrolments.

The Institute's inaugural Experiential Business Learning Programme was launched in May 2022, aiming to facilitate SMPs in developing a talent pipeline to meet their man-power needs, and to promote and groom future talents for the accounting profession. The programme also offered undergraduate students majoring in accountancy and business related subjects the opportunity to develop business acumen and receive practical experience through a structured programme that consists of a training workshop organized by the Institute and job placement at the participating CPA practices. More than 40 students participated in the programme this year, which was kicked off with a two-day training workshop held in June 2022. The workshop comprised of a panel of

professional accountants in business (PAIBs), professional accountants in practice (PAIPs) and SMP representatives who shared their working experience in the accounting profession as well as fundamental auditing knowledge and business skills with the students.

For professional accountants in business

The CPA Conference 2021 was held on 2 October 2021 with the theme "Transcending together". The conference brought together PAIBs and PAIPs, to discuss how to tackle the challenges brought by the COVID-19 pandemic for the betterment of the profession, and was organized with the joint efforts of four stakeholder committees, namely the Professional Accountants in Business Committee, Small and Medium Practices Committee, Young Members Committee, and Sports and Recreation Committee.

The keynote speakers Kenny Sham, the then Director, Head of Marketing (Hong Kong, Taiwan & Macau) of The LEGO Group and Tsang Chun Wah, John, Founder of Esperanza and former Financial Secretary, together with other renowned speakers, shared their insights.

The physical event, together with the archived webinars attracted over 520 enrolments.

ESG reporting

This year, the Institute organized webinars under the umbrella of the Best Corporate Governance (CG) and ESG Awards (Awards), on the latest CG requirements under the Hong Kong Stock Exchange listing rules, as well as on the marking criteria for the ESG section of the Awards, which helped explain to members how the ESG performance of candidates is assessed.

Specialist interest groups

The Institute's specialist interest groups serve members in various sectors, providing specialized training and networking events.

Financial services

The FSIG organized three webinars during the financial year, which attracted over 190 enrolments. Topics include evolution of retail and peer-to-peer e-payments, the latest development of regulatory technology, and Securities and Futures Commission/Stock Exchange investigations and proceedings against listed companies and directors.

In addition to the two joint webinars with the Young Members Committee mentioned above, a joint webinar was also held with the Information, Communications and Technology Interest Group (ICTIG) on the topic "FinTech: from Blockchain to NFTs, Metaverse", which attracted over 190 enrolments.

Forensic accounting and Corporate Finance

The ForensIG and Corporate Finance Interest Group, organized events around once every two to three months, including a mix of live webinars and recorded events that were made available for members to view at any time during the following 12 months. These events, together with those organized by the RIF and TF, were generally well received, with total enrolments standing at over 6,000.

Information, communications and technology

On 23 October 2021, the ICTIG organized the IT Virtual Conference 2021 titled "Coming out from Virtual Reality to the New Reality", where a panel of speakers discussed what technologies and transformation initiatives organizations should consider when moving forward under the "new reality". The event attracted over 640 enrolments.

The interest group also held a joint webinar with the Mainland Business Interest Group (MBIG) on the topic "Cross border crimes involving blockchains and cryptocurrencies", which attracted over 110 enrolments, and a joint webinar with the FSIG mentioned above.

Mainland business

The MBIG organized a webinar on the topic “Financial disputes and settlements arising from Hong Kong and China cross border matrimonial issues and cases sharing”, which attracted about 70 enrolments. The interest group also held a joint webinar with the ICTIG mentioned above, and a joint webinar with the Property, Infrastructure and Construction Interest Group (PICIG) on the topic “Debt restructuring of Chinese/Asian companies with offshore debt”, which attracted more than 80 enrolments.

Property, infrastructure and construction

The PICIG organized a webinar on the topic “U.K. property market and tax overview”, which attracted about 230 enrolments. The interest group also held a joint webinar with the MBIG mentioned above.

CORPORATE AND LEISURE ACTIVITIES

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

The Sports and Recreation Committee invited several doctors specialized in different aspects to speak at the e-seminars. Five e-seminars were held from January to May 2022 and more will be organized in due course.

Corporate events

On 28 September 2021, the 72nd National Day Celebration event was jointly held by the Institute, the Institute of Chartered Accountants in England and Wales, and the Chartered Institute of Management Accountants. Around 150 guests, including guests from the co-hosts, co-organizer, sponsors, Institute Council members and management joined the event. Congratulatory messages were received from the Hong Kong Chief Executive, Chief Secretary and Secretary for Justice in a newspaper

supplement that was published in *Wen Wei Po* and *Hong Kong Economic Times* on the day of the event.

With the pandemic situation temporarily stabilized at the time, the Institute’s flagship Annual Dinner event was resumed in November 2021. Under the theme of “Together for the profession”, the occasion celebrated the way our members support the development of the profession, and Hong Kong. We also highlighted the dedicated altruism of members who devoted their time to the Institute’s Qualification Programme, professional development courses and events, mentorship programmes, and corporate social responsibility programmes. Around 180 members and guests attended the dinner, with Dr. Kelvin Wong, Chairman of the Financial Reporting Council (FRC) attending as guest of honour.

To allow fellow members to learn about the candidates running to represent the accountancy functional constituency in the Legislative Council, an election forum was held on 6 December 2021 where all four candidates introduced their election platforms and expressed their views on various topics. The election results were announced on 20 December 2021. Edmund Wong was elected to serve as a member of the Legislative Council for the accountancy functional constituency.

The FRC launched its Engagement and Consultation Paper on further reform of the accounting profession on 9 March 2022. To provide members with a better understanding of the paper and an avenue to share their views with us, three members’ forums, jointly organized with the FRC, Hong Kong Association of Registered Public Interest Entity Auditors Limited and Society of Chinese Accountants and Auditors, were organized on 4, 7 and 11 April 2022 for public interest entity (PIE) auditors, non-PIE practice units and CPAs respectively.

As the government’s proposed changes regarding enhancing the Institute’s Council election arrangements would affect all members of the Institute,

a members’ forum took place on 8 April 2022 where Joseph Chan, Under Secretary for Financial Services and the Treasury, and Sam Hui, Deputy Secretary for Financial Services and the Treasury Bureau’s intentions regarding the proposed changes to the Council election. Edmund Wong, Legislative Councillor of the Accountancy Functional Constituency, also joined the forum to share his views with us.

Due to the community outbreak of COVID-19 in the first quarter of 2022, the Spring Cocktail and New Members Cocktail were cancelled. A Chinese New Year greeting video and email to members from the President were prepared instead. Some *e-fai chun* was available for members to download from the website. An informative video was also made to give new members an overview of the Institute and the latest development.

Sports and competitions

While many activities had to be cancelled because of the pandemic situation, our members maintained a prominent presence in some competitions, including friendly matches of badminton and table tennis, Around the Island Race 2021, Golf Tournament with Hong Kong Medical Golfers Association 2021, Hong Kong Street Soccer Inclusive Cup 2021, Oxfam Trailwalker 2021, Standard Chartered Hong Kong Marathon 2021, Stanley Dragon Boat Championships 2022, and Sun Hung Kai Properties Hong Kong 10K Championships 2021.

OTHER SERVICES

A range of merchandise discounts under the various categories of professional supports, automobile, beauty, education and publication, health care, lifestyle, telecom and appliances, wine and dine for the benefit of members continued to be made available and were posted on the Institute’s website.

MAINLAND DEVELOPMENT

Hong Kong has an important role to play in the Greater Bay Area (GBA), and the Institute works hard with its partners across the area to promote Hong Kong's accountants as the partners of choice for businesses in the GBA.

"To facilitate information exchange and support members in exploring opportunities in the GBA, the Institute's GBA Committee is committed to facilitating the sharing of practical first-hand knowledge and business insights as well as lifestyle tips in the GBA from experts who have been working and living in the GBA with our members," said Robert Lui CPA (practising) (left), Chairman of the GBA Committee.

"The GBA is potentially the most significant development to impact Hong Kong's business environment for decades to come. It is vital that our members keep abreast of the contemporary developments in the area, positioning themselves accordingly, and focus on the value they can bring to the region by having a deeper understanding of the GBA as a market," said King Woo FCPA (right), Convenor of the Mainland Business Interest Group Organizing Committee.



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. To facilitate this and to comply with the “Law of the People’s Republic of China on Administration of Activities of Overseas Non-governmental Organizations in the Mainland of China”, the Institute successfully established its two Representative Offices in Beijing and Guangzhou respectively, with great support offered by the Ministry of Finance (MoF) of the People’s Republic of China.

CREATING BUSINESS OPPORTUNITIES IN THE GREATER BAY AREA

Despite the COVID-19 pandemic, the GBA work plan 2021 was endorsed by the Institute’s GBA Committee and was successfully implemented through a number of activities carried out during the financial year.

The Institute continued to conduct the Working and Living in the GBA Series funded by the government’s Professional Services Advancement Support Scheme. Three webinars were jointly hosted with the governments of Mainland cities in the GBA, including Dongguan, Zhuhai and Zhongshan, which attracted around 1,500 members who attended online.

The Institute also launched the Members’ GBA Experience Sharing Series to facilitate information exchange and support members in exploring opportunities in the GBA. Four webinars were delivered covering topics ranging from tax subsidies, pre-initial public offering services, and business culture, to protocols in the GBA, attracting over 1,500 attendees.

The north-bound internship survey was conducted to collect Hong Kong university student members’ views on taking potential internship and short-term employment opportunities in the Mainland GBA cities.

The Institute advocated for relaxing practicing barriers and preferential policy pilots in the GBA for Hong Kong CPAs. Relevant activities include providing suggestions to Nansha on talent policy development, and attending the Authority of Qianhai organized online seminar for the professional services industry with recommendations for the Hong Kong accounting profession, as well as relaying a wishlist for Hong Kong CPAs and suggestions endorsed by the Institute’s GBA Committee through both official and non-official channels for the Mainland authorities’ consideration.

FOSTERING CLOSER COLLABORATION WITH MAINLAND PARTNERS

In September 2021, the Institute’s Beijing representative along with tax experts from the Institute’s China Tax Sub-Committee and various accounting firms attended the annual meeting with government officials from the State Taxation Administration in China to discuss China tax related issues.

In September 2021, the China Tax Sub-Committee members also held a tele-conference with government officials from the MoF’s Department of Tax Policy to discuss and clarify China tax related policies.

In January 2022, the Institute’s representatives had an online meeting with the Guangdong Institute of CPAs and discussed areas for collaboration to support further integration and development of the accounting profession across the border. In July 2022, a draft “CPA Talent Training Programme” was developed aiming to nurture a group of all-rounded accounting talents from Guangdong, Hong Kong and Macau to contribute to the development of the GBA.

In February 2022, the Institute and the Chinese Institute of Certified Public Accountants (CICPA) jointly established a regular communication mechanism which includes sharing an activity report or holding an online meeting on a quarterly basis to exchange views on latest industry topics and to keep each other updated on key initiatives.

In April 2022, the Institute hosted a webinar with the CICPA to touch base on the existing mutual examination paper exemption (MEPE) arrangement under the new Qualification Programme (QP) structure. As of June 2022, the number of successful applicants under the MEPE arrangement has reached 1,887 (from QP to PRC CPA Uniform Examination) and 2,484 (from PRC CPA Uniform Examination to QP) respectively.

In June 2022, the two Institutes held another online meeting to discuss the current status and practice of the professional indemnity insurance in the two different markets.

HELPING MEMBERS WEATHER CHALLENGING TIMES

To help our members in the Mainland, and those with business interests and focus there, to stay ahead of the curve, a total of 15 continuing professional development webinars were conducted attracting more than 5,000 attendees, covering Mainland specific topics ranging from tax planning and optimization, robotic process automation in accounting, and understanding the Regional Comprehensive Economic Partnership measures, to IT auditing.

PROMOTING THE QP AND NURTURING FUTURE TALENTS

This financial year, the Institute organized over 30 QP promotional talks

for universities and CPA firms both on campus and online. We also invited QP graduates and members to host online career sharing sessions to inspire students. We created a QP column on the Institute's WeChat, inviting QP graduates to write about their experience in preparing for examinations and workshops, and their career advancements after completing the QP.

The QP scholarship and incentive programmes were also leveraged to increase awareness and boost QP student intake. As one of the Institute's annual flagship events, the HKICPA Business Case Competition in Mainland received proposals from over 400 teams, where eight finalist teams competed for the championship in the finale held in Guangzhou in November 2021.

COMMUNICATING WITH OUR MAINLAND KEY STAKEHOLDERS

We keep our Mainland key stakeholders informed on events, industry policy and insights, and thought leadership through various digital channels including the Institute's WeChat, the dedicated GBA Resource Centre webpage, a Mainland focused media network and *Xinlicai*, an MoF supervised magazine. The number of our WeChat followers has been steadily increasing to over 16,145 as at June 2022. The Institute's official account on Zhihu has been recently launched to provide an alternative content channel to our members, students and prospective CPAs.

OTHER SUPPORT

Our activities supporting members' business opportunities in the Mainland

also include the provision of other services.

The Institute's website contains a range of content about 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.

During the financial year, the Institute's China Desk handled tens of members' inquiries related to provisional license application as well as other accounting policies and procedures in the Mainland.

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

STANDARD SETTING AND PROFESSIONAL REPRESENTATION



The Institute drives change and influences the future of the global accounting profession by advocating on public issues through our responses to local government and regulatory consultations, as well as our participation and contributions on the international stage. For example, prior to the financial secretary's budget speech each year, the Institute, through its Taxation Faculty Executive Committee (TFEC), regularly submits proposals to the financial secretary and holds a press briefing.

"This year, we were pleased to note that the government had taken into account numerous recommendations made by the Institute. It is important for CPAs to leverage our expertise to drive change, not just for the profession, but also for the betterment of society around us," said Sarah Chan FCPA (left), Chairman of the TFEC.

"The Institute represents all of our members' views towards laws, government budgets and legislation, and ensures their views be heard. This was perhaps best exemplified by the Institute's successful lobbying of the government to increase the payment limits of the Protection of Wages on Insolvency Fund in June 2022," said Kenneth Yeo CPA (right), Chairman of the Restructuring and Insolvency Faculty Executive Committee.

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

During the financial year, the Institute continued to refine and maintain the “What’s new” webpage which is a one-stop shop for stakeholders to access all of the Standard Setting Department (SSD)’s comment letters, publications and trainings, with quick links to other useful resources.

Preparation for the suite of quality management standards

The suite of quality management standards establishing the quality principles at the audit firm level as well as at the engagement level will become effective from 15 December 2022. Since the publication of these standards, the Institute has published a large number of guidance, trainings and practice aids to help practitioners implement the standards. The most recent of these trainings include a series of three workshops held in March and April 2022 (also accessible as a recorded e-learning session) to highlight the key requirements of the standards and to provide practical guidance specific to small and medium practices (SMPs) for the effective implementation of the standards. Furthermore, the Institute is in the process of engaging a service provider to develop a quality management manual and seeks to release the manual in the third quarter of 2022.

Developing standards for Hong Kong through comprehensive research and consultation

As the Hong Kong Stock Exchange was consulting on the introduction of a listing

regime for Special Purpose Acquisition Companies (SPACs) in Hong Kong in late 2021, the Institute started to develop guidance on how to account for SPAC transactions under Hong Kong Financial Reporting Standards. This resulted in the publication of our accounting guidance for use by stakeholders in January 2022 soon after the new SPAC listing regime became effective.

Educating stakeholders

We issued *Financial Reporting Considerations to Close Out 2021* as well as an alert titled *Update on Impact of Coronavirus Outbreak on Audits and Auditors* in March 2022 to raise members’ awareness on key accounting and audit issues in the current economic environment.

Supporting small and medium practices and enterprises organizations

The Institute has been a member of the Reference Group for audits of less complex entities of the International Auditing and Assurance Standards Board (IAASB) and continues to provide input to relevant discussions as the IAASB progresses with this project.

We will be publishing a revised *Audit Practice Manual* later in 2022 to include new and revised auditing and financial reporting standards issued since 2020 to assist SMPs with conducting their audits.

We continued to provide implementation guidance on major new standards, e.g. the new suite of quality management standards. We have also continued to keep our stakeholders abreast of the latest implementation guidance issued by other international bodies through our website and newsletters.

Audit workshops for audit juniors and audit seniors are held regularly. Each of the workshops spans three full days and provides hands-on practical guidance to auditors.

Engaging internationally and enhancing communication

The Institute plays an important role in bridging in-person dialogue between its stakeholders and the international standard-setting bodies, ensuring their views are effectively expressed.

The Institute actively presented and/or participated in the Asian-Oceania Standard-Setters Group, International Forum of Accounting Standard Setters, World Standard Setters, Accounting Standards Advisory Forum as well as the three countries (China, Japan, Korea) meetings. Despite the restriction on international travels, we have been able to participate virtually on all relevant topics.

In October 2021 and May 2022, the Institute participated in the IAASB and International Ethics Standards Board for Accountants’ (IESBA) National Standard Setters virtual conference.

During the financial year, the Institute conducted a significant number 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. The outreach activities also included discussions of application issues with the aim of publishing guidance to stakeholders to ensure consistency in corporate reporting.

The Institute also issued over 22 publications in this financial year across accounting, audit and ethics. There are over 30 on-demand e-learning organized or presented by the SSD available for enrolment.

We held several roundtables with the participation of the International Accounting Standards Board, International Sustainability Standards Board (ISSB), IAASB and IESBA board members, notably the ones on the

post-implementation review of International Financial Reporting Standard (IFRS) 9, the exposure draft on *Subsidiaries without Public Accountability: Disclosures*, the two ISSB maiden exposure drafts on general sustainability and climate disclosures, as well as the exposure draft on *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*, so that Hong Kong stakeholders can directly reflect their views to the international standard setters.

The SSD continues to actively host our technical enquiry service, regularly monitoring for timeliness and relevance of responses. During the financial year, we handled over 150 queries across accounting, auditing and ethics.

We submitted numerous responses to consultations across accounting, auditing, ethics and sustainability, in this financial year. The major responses are listed below.

Accounting

- IFRS Interpretations Committee Tentative Agenda Decision – Lessor Forgiveness of Lease Payments
- IFRS Interpretations Committee Tentative Agenda Decision – Demand Deposits with Restrictions on Use (*IAS 7 Statement of Cash Flows*)
- IASB Exposure Draft ED/2021/10 *Supplier Finance Arrangements* (Proposed amendments to IAS 7 and IFRS 7)
- IASB Exposure Draft ED/2021/9 *Non-current Liabilities with Covenants* (Proposed amendments to IAS 1)
- IASB Request for Information: *Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement*
- IASB Exposure Draft ED/2021/07 *Subsidiaries without Public Accountability: Disclosures*
- IASB Exposure Draft ED/2021/08 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
- IASB Request for Information Third Agenda Consultation
- IASB Discussion Paper DP/2020/2 *Business Combinations under Common Control*
- IASB Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*
- IFRS Foundation Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*

Auditing and assurance

- IAASB Exposure Draft *Proposed ISA for LCE*

Ethics

- IESBA Exposure Draft *Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits*
- IESBA Exposure Draft *Proposed Technology-related Revisions to the Code*
- IESBA Exposure Draft *Proposed Quality Management-related Conforming Amendments to the Code*

SUSTAINABILITY

At COP 26 in November 2021, the IFRS Foundation Trustees announced the formation of the ISSB to develop a comprehensive global baseline of sustainability-related disclosure standards for the financial markets, which would

bring clarity to sustainability reporting. At the end of March 2022, the ISSB published its first two proposed standards for public consultation, namely Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and Exposure Draft IFRS S2 *Climate-related Disclosures*.

The Institute's Financial Reporting Standards Committee and the Sustainability Committee established a dedicated task force to comment on the ISSB's maiden exposure drafts.

Given the importance of this topic in Hong Kong, the Institute scaled up its outreach activities for these two consultations: we specifically invited over 40 targeted companies and organizations to engage in conversations with us about their views on the ISSB exposure drafts, invited ISSB officials to hold a roundtable for Hong Kong stakeholders in May 2022 to allow the latter to express their views directly to the ISSB, and developed a survey to facilitate interested stakeholders in providing feedback to us.

In May 2022, we received confirmation from the Financial Services and the Treasury Bureau (FSTB) that the extant Professional Accountants Ordinance provides the statutory authority for the Institute to issue sustainability standards. Work is under way to establish a brand new sustainability standards setting work stream at the Institute and we are liaising with relevant parties, including the Green and Sustainable Finance Cross-Agency Steering Group, to bring this to fruition in tandem with international development.

In order to instil trust in reported sustainability information, the Institute adopted the IAASB *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements* as Auditing and Assurance Technical Bulletin (AATB) 6

in August 2021. AATB 6 covers a broad range of EER assurance including information prepared outside the Hong Kong Exchanges and Clearing Limited regime, and is intended to assist members in providing assurance services over information disclosed in sustainability and similar reports.

TAXATION

In Hong Kong

Every year, the Institute prepares tax policy and budget proposals ahead of the government budget. The 2022-23 submission *Building a sustainable future for Hong Kong, its economy and community*, was submitted to the Financial Secretary (FS) 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 2022 to highlight and explain the Institute's main recommendations.

On the day of the budget, the President and the representatives participated in media interviews, explaining the Institute's assessment of the tax-related measures in the budget speech. A press release was also issued. Two articles, one on the budget proposals, another one on the 2022-23 budget speech, were also issued in the February and March 2022 issues of *A Plus* respectively.

The Institute was pleased to note that the FS took into account a number of recommendations made by the Institute in our budget submission, including in the budget speech measures such as tax rebates, tax deductions for residential rental expenses, issuance of consumption vouchers, proposals for tax incentives for single-family offices, injecting additional funds into the EV-charging at Home Subsidy Scheme, holding an investment summit, and aligning Hong Kong's tax policy with international tax rules.

The 2022 annual meeting between representatives of the TFEC and the commissioner and senior staff of the Inland Revenue Department (IRD) was held in May 2022. The record of the discussions will be published later in the year. Detailed minutes of the 2021 annual meeting were posted on the Institute's website during the year once they became available.

A new International Tax Task Force (ITTF) was set up in April 2022 to support the TFEC on various international tax topics, make representations and, where appropriate, open up a dialogue with the government on major international tax issues affecting Hong Kong. The ITTF met with the IRD in July 2022. The purpose of the meeting was to convey practitioners' views and raise matters of concern regarding the implementation plan for the Base Erosion and Profit Shifting 2.0 proposals on, among other things, a global minimum tax and to discuss Hong Kong's response to being included on European Union's "grey list" of jurisdictions with certain tax practices that could facilitate tax avoidance.

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 among the membership to join the board. The Institute compiled a list of 38 Institute members who wished to be considered and who met the board's basic requirements for eligibility.

In view of the impact of the fifth wave of COVID-19, the TFEC, among other stakeholders, requested the IRD for extensions of time for filing "N" code and "D" code returns in 2022, on members' behalf. The Institute also asked the IRD to consider an extension of up to two months for the filing of employers' returns, salaries tax returns and country-by-country reporting and notifications;

in addition, to provide clear and early guidance on any flexibility around other due dates and deadlines, including for tax payments, replies to tax queries, objections to tax assessments, and stamping matters, during any potential lock down or community testing period. The Institute was pleased to see that the IRD responded favourably to the main requests and announced arrangements for certain further extended tax due dates under the Block Extension Scheme.

Internationally

The Institute representatives will participate virtually in the Asia Oceania Tax Consultants' Association (AOTCA) 2022 conference in November 2022, which will be a hybrid event. These two Institute representatives remained as technical advisors on AOTCA's Technical Committee.

RESTRUCTURING AND INSOLVENCY

In Hong Kong

The Institute's Restructuring and Insolvency Faculty Executive Committee (RIFEC) held a liaison meeting with the Official Receiver (OR) and other senior staff of the Official Receiver's Office (ORO) in December 2021 to discuss various practical issues faced by insolvency practitioners (IPs). This was held as face-to-face meeting. Detailed notes of the meeting were subsequently agreed with the OR and made available to all RIF members through *The IP's Voice*, issued in May 2022.

The introduction of the Companies (Corporate Rescue) Bill into Legislative Council (LegCo) was deferred again, reportedly on the basis that there remained divergent views in the labour and business sectors. The Institute continued to urge the government, including in a letter to the Chief Executive before the 2021 Policy Address, and, in June 2022, in a letter to the Chief Executive Designate to either proceed

with the bill or consider alternatives, such as possible expansion of section 193 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), to provide a statutory route for corporate restructuring through provisional liquidation.

Liquidators, who are RIFEC and RIF members, successfully obtained the first recognition order from the Shenzhen Intermediate People's Court in a test case under new arrangements for mutual recognition of, and giving of assistance to, insolvency proceedings between the courts of the Mainland and the HKSAR (cooperation mechanism) in December 2021. Following this, more cases, also involving other RIFEC/RIF members, obtained orders from the Hong Kong court for the issue of letters of request to the Mainland courts.

To urge for greater protection for employees in an insolvency situation, the Institute had submitted a letter to the Secretary for Labour and Welfare (SLW), requesting review of certain ceilings under the Protection of Wages on Insolvency Fund, in particular, the caps on wages in arrears and wages in lieu of notice, in April 2020. We later followed up with the Labour Department on the progress. Finally, the SLW put a resolution to LegCo in 2022, which was passed on 16 June 2022, to amend the Protection of Wages on Insolvency Ordinance to increase the ceilings for wages in arrears, wages in lieu of notice, severance payments, untaken statutory holidays and untaken annual leave. The increase in wages in arrears in particular was close to the figure suggested by the Institute, which took account of the increase in the median wage since the previous review, more than 20 years' earlier.

Following a meeting with the Hong Kong Monetary Authority (HKMA), a couple of years ago, on the difficulties that IPs

faced in trying to open bank accounts in the name of companies in liquidation, the HKMA compiled a list of designated contact points of retail banks for IPs to enquire about account-opening related matters with specific banks. They also provided a dedicated email account and a hotline to facilitate bank customers to provide feedback regarding opening and maintenance of bank accounts. This information was promulgated to RIF members. Since that time, we have been monitoring whether the situation has improved and IPs report that, generally, they are no longer experiencing problems with opening accounts.

Internationally

The Institute holds a directorship on the board of INSOL International (the International Association of Restructuring, Insolvency and Bankruptcy Professionals), as one of the 10 largest member associations. The previous RIFEC chair, Terry Kan, was nominated for a three-year term, commencing November 2019.

OTHER CONSULTATIONS ON LEGISLATION AND REGULATIONS

The Institute continued to convey the views of the profession in numerous representations and submissions issued to different government departments and bureaux, and other local and international bodies. We also responded to various public consultations on policy and legislative proposals, as well as participated in soft consultations. Submissions included the following:

Chief Executive

- Submission on Policy Address 2021

Chief Executive Designate

- Follow-up submission on Policy Address 2021

Financial Secretary

- Budget Proposals 2022-23

Financial Services and the Treasury Bureau (Financial Services)

- Consultation on proposals to provide tax concessions for family-owned investment holding vehicles

Hong Kong Exchanges and Clearing Limited

- Consultation Paper on SPACs
- Consultation Paper on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers

Hang Seng Indexes Company Limited

- Consultation Paper on A New "Comprehensive" China Index – Access to both Onshore and Offshore China Stock Markets

Narcotics Divisions, Security Bureau

- Comments on the draft Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report

Inland Revenue Department

- Consultation on proposals for taking forward e-filing project
- Comments on taxation and accounting issues arising from the abolition of the offsetting arrangement under the MPF system

Official Receiver's Office

- Consultation on Security Requirements for Appointment of Liquidators or Trustees in Bankruptcy and a follow-up consultation
- Consultation on applicability of the proposed Payment Arrangements for Property Transactions on relevant property transactions entered into by a receiver, trustee or liquidator in insolvency cases
- Proposed Changes to Panel A Scheme Rules

PERSONS NOMINATED BY THE INSTITUTE TO SERVE ON INTERNATIONAL ORGANIZATIONS AS AT 30 JUNE 2022

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 **Paul Hebditch** 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 **Helen Tang** as Chair of the Institute’s Ethics Committee)

International Forum of Accounting Standard Setters

- **Gary Stevenson**, Institute representative
- **Cecilia Kwei**, Institute representative

IFRS World Standard Setters (financial reporting)

- **Gary Stevenson**, Institute representative
- **Cecilia Kwei**, Institute representative

Asian-Oceanian Standard-Setters Group (financial reporting)

- **Gary Stevenson**, 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
- **Herbert Yung**, Member of the GAA Sustainability Working Group

INSOL International

- **Terry Kan**, Board director

Asia Oceania Tax Consultants’ Association

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

Accounting for Sustainability (A4S)

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

THOUGHT LEADERSHIP, COMMUNICATION AND COMMUNITY ENGAGEMENT



More than ever, professional accountants are in a prime position to lend their unique combinations of expertise and experience to serve society. Within the Institute's redefined role, to be recognized as a socially-responsible professional body continues to be an important objective within our strategic plan. In addition to making a difference in society through thought leadership, the Institute is committed to engaging the community and providing support through both existing and new corporate social responsibility programmes.

Through its platforms and key initiatives over the years, the Institute mobilizes and empowers its members to contribute to the wider community, especially in efforts to invest in the city's future. One such initiative is the Institute's Rich Kid, Poor Kid programme. The award winning initiative involves accountants visiting primary and secondary schools throughout Hong Kong to instil good money management in young people. In an extension to our pursuit to nurturing future generations, the programme reaches thousands of students every year.

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 IN SOCIETY THROUGH THOUGHT LEADERSHIP

Celebrating the best corporate governance practices

The Institute's Best Corporate Governance (CG) and ESG Awards (Awards) 2021 were renamed and revamped, to reflect the importance of both good CG and environmental, social and governance (ESG) reporting and practices for listed companies and public sector/not-for-profit organizations, and their investors and stakeholders. The Awards encourage companies and organizations to achieve high standards of CG and ESG and, as far as possible, to integrate the oversight and implementation of their CG and ESG into their strategy and operations.

The new highest level of awards in 2021 were the Most Sustainable Companies/Organizations Awards (MSCO Awards), which were presented to those companies and organizations that reflected the overall best practices in CG and ESG and which were moving towards fuller integration of these elements.

The 2021 Awards reached a successful conclusion with the publication of a detailed judges' report, as well as a physical presentation luncheon in early December 2021 at which the guest of honour, Dr. Kelvin Wong, Chairman of the Financial Reporting Council, addressed the audience before presenting the trophies to the winners. There were 10 winners of the inaugural MSCO Awards; other awards were given out in separate sections for CG and ESG. In all, the judges gave recognition to 29 companies and public sector organizations in 2021.

Recognizing our work in this area, Hong Kong Exchanges and Clearing Ltd. (HKEX)

invited the Institute to contribute to their ESG in Practice webpage, and to refer to them examples of best practices demonstrated by some of our award winners.

Looking ahead to the 2022 Awards, the focus continues to be on the integration of CG and ESG, which is one of the most critical factors determining whether listed companies and public sector organizations are able to achieve resilience and long-term success, as well as meeting the expectations of different stakeholders. The Institute firmly believes that CG and the elements of "E", "S" and "G" complement one another and a growing number of investors have made it clear that pursuing long-term investment in sustainable and socially responsible companies is now part of their investment strategy.

Surveys

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

As part of the 2021 Awards, the Institute conducted a brief research covering all the December year-end listed companies for 2020 to understand the current situation with ESG assurance in Hong Kong. The Institute found that among the almost 1,900 companies included in the research, overall the proportion of companies with assurance on their ESG report was low, at 4.5%. However, among large companies, the figure was over 20% and, for mid-sized companies, around 11.6%. In most cases, only limited scope assurance was conducted. One of the underlying reasons for these findings is that, currently, there are no generally accepted international ESG reporting standards, unlike for financial reporting. The situation is expected to change once the International Sustainability Standards Board begins to develop general sustainability disclosure standards. The report which reflected a snapshot of

where Hong Kong listed companies stood at the time of the study with regard to ESG assurance, was published on the Institute's website.

In August 2021, the Institute's Long Working Hours Steering Group conducted a work-life balance survey of the accounting profession to learn about the working conditions and thoughts on enhancing the work efficiency from its members and Qualification Programme (QP) students. Over 1,100 responses were received and a summary of the survey result was published in the December 2021 issue of *A Plus*.

During the same period, the Institute published the findings of another survey that was carried out to better gauge our members and QP students' understanding of the opportunities that are in the Mainland cities of the Greater Bay Area for Hong Kong CPAs. An article relating to the survey was also published in the July 2021 issue of *A Plus*.

In September 2021, the Institute conducted a survey on the technology usage by accountants. The survey, of both members and QP students, covered the use of technologies in practice and in business, and ethical considerations for the use of new technologies.

A Plus

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

During the financial year, the magazine included content that informed accountants of the latest trends in business, as well as equipping them to handle the fundamental changes the profession is facing, all while providing important technical updates and informal guides to issues of interest to our members. Looking to the future, *A Plus* explored the growing importance of

technology within the profession and in the business world, covering issues such as digital transformation in the profession, the metaverse and non-fungible tokens, the impact of blockchain on the profession, as well as business opportunities in the Greater Bay Area, talent requisition in the new normal, and sustainability-related topics such as the circular economy and achieving net zero, among others.

Business leaders, prominent members of the Institute, as well as young members were interviewed to share success stories from the profession as well as inspire and inform members of new opportunities. The Institute's 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.

A revamp was announced with the June 2022 issue as part of the Institute's *Strategic Plan 2022*, as well as its commitment to net zero carbon emissions. Beginning with the September 2022 issue, *A Plus* will halt the production of physical copies and go fully digital, and will also shift towards a quarterly publication schedule starting in 2023.

Bylined articles

Through the Institute's bylined articles in *Oriental Daily News*, the Institute informs the public about different topics relevant to the accounting profession, such as taxation, insolvency and auditing, etc. Chinese editions of *A Plus* articles are also published in the *Master Insight* online.

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.

Reviewing the Institute's Council election arrangements

The government announced to enhance the Institute's Council election arrangements in March 2022. The Institute issued emails, set up a webpage, organized a members' forum and conducted a survey in April 2022 to collect the views of members. The Institute received 434 responses to the online survey questionnaire and the summary of results have been published on the Institute's website.

Institute's newsletters

Members are kept informed about important developments in the Institute, the profession and Hong Kong through our newsletters. These are: *CPA Pulse*, *CPA Beats*, *Training and Development*, *Technical News* and *CPD Highlights*. In line with the Institute's plan to streamline its communication channels in early 2022, the content of the bi-weekly *CPA Beats* were folded into the monthly *CPA Pulse*, while the weekly *CPD Highlights* were folded into the fortnightly *Training and Development* newsletter. Their last issues were published on 1 and 27 April 2022 respectively.

As well as these newsletters, the Institute also issues targeted newsletters to particular groups. *Inside Business* is sent to professional accountants in business, 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* for 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 official accounts on Facebook, LinkedIn, Instagram, YouTube and WeChat, promote content to different audiences. The Institute's social media content has been re-organized since January 2022 with focus on thought leadership, brand stories and members/ corporate events.

During the year, the Institute created various types of social media posts including interactive games, wise quotes, industry fun facts and news, and QP success stories to engage the younger generation through the leisure Instagram page CPA Buddies. In June 2022, we also launched an augmented reality game to briefly introduce the daily duties of CPAs and promote accounting as an international business language.

Three short videos featuring light conversations between CPAs and accounting students were produced and published on social media from October to December 2021 to enhance the public's understanding of the profession in a softer and more engaging way.

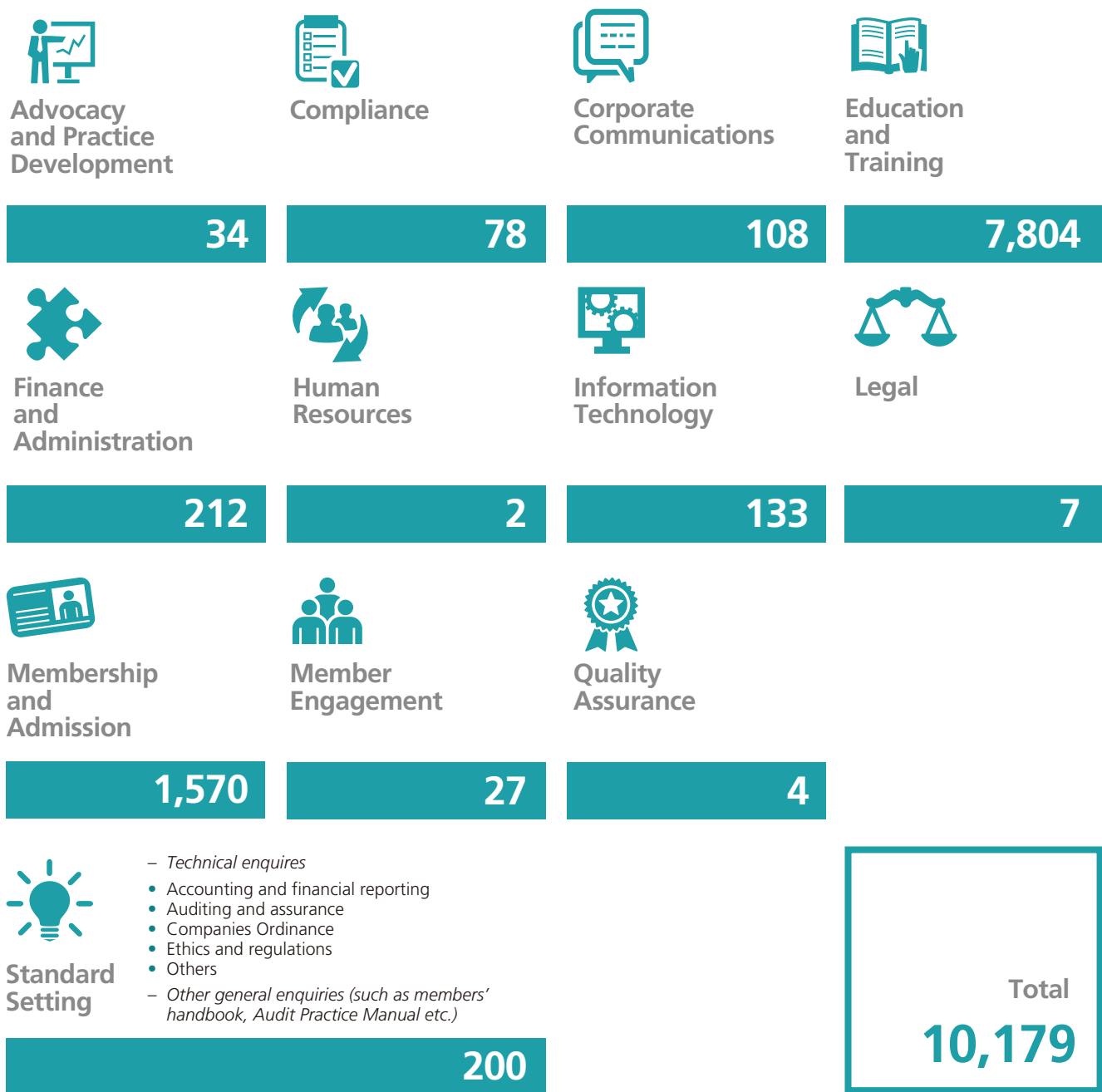
In terms of QP promotion, the Institute published between two to three social media posts about QP and QP graduates every month. From October to December 2021, Facebook and Google advertisements were placed to promote student registration. From May to June 2022, online advertisement via Facebook, LinkedIn and YouTube, as well as an online sharing by a social media influencer or KOL (key opinion leader) on their experience studying accounting and working as an accountant were arranged before the student registration deadline.

By the end of June 2022, the Institute's Facebook and LinkedIn pages have accumulated almost 12,500 and 11,300 followers respectively.

RESPONDING TO ENQUIRIES

Last 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 and sections responded to over 10,000 cases.

NUMBER OF CASES HANDLED BY THE INSTITUTE’S DEPARTMENTS



MEDIA ENGAGEMENTS

Regular engagement with the media is vital to getting the Institute's message across to the wider public. Through interviews, press releases, features, and articles, the Institute publicizes its views on various issues.

The Institute's President for 2022 met the media in January 2022 after she was newly elected, media reported the President's focus areas including a smooth transfer of regulatory power to minimize the impact on the profession and the Institute's daily operations and to review its strategies to fulfil the Institute's redefined roles.

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 this financial year included the following:

- Press conferences for call-for-entries and results announcement of Best Corporate Governance and ESG Awards, July and December 2021 respectively
- Post-annual general meeting press conference, December 2021
- Press briefing on the Institute's budget proposals and response to the budget speech, January and February 2022 respectively
- Press releases on compliance matters. The Institute enforces the highest professional and ethical standards in the accounting profession. To provide transparency on such matters, press releases are published on both disciplinary orders and cases regarding Resolution by Agreement.

A total media value of HK\$2.84 million was generated throughout the year.

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 reach 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 (HKDSE). 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. For the 2021/22 session, the mock examination was held on 30 December 2021 with over 4,000 enrolments, which accounts for 45.2 percent of the total number of the 2022 HKDSE BAFS candidates.

As one of the Institute's annual flagship events for secondary schools, the HKICPA Accounting and Business Management Case Competition 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, Bonjour Holdings Limited was the company selected for the competition's case study. The competition attracted over 630 teams of around 2,100 students joining. On 21 May 2022, the oral presentation of the competition was held via a hybrid mode, with six finalist teams competing for the championship physically while other students joined the event online.

The HKICPA Business Case Competition is an inter-tertiary event that aims to provide students with the opportunity to train up their business skills and cultivate their professional judgment, develop valuable skills such as case analysis, problem solving, team building and presentation. The case question of the year was about the fashion industry. This year, the competition opened to three categories of contestants, including Hong Kong sub-degree, Hong Kong undergraduate and Mainland undergraduate students. Around 2,500 students from approximately 70 tertiary institutions in Hong Kong, Macau and the Mainland joined the competition. On 20 and 27 November 2021, six finalist teams each from Hong Kong sub-degree and undergraduate groups, and eight finalist teams from the Mainland undergraduate group competed for the championships in the finale held in Hong Kong and Guangzhou respectively.

The HKICPA V-fair, with a goal of promoting CPA as a preferred and multi-faceted career with promising career prospects, comprised three major activities, namely career webinar sessions, "CV doctor" sessions and virtual interviews with CPA firms. The Institute invited speakers to share their insights on topics including professional accountants in practice, professional accountants in business, new trends in accounting, being young accountants and "QP – pathway to success". This year, the V-fair saw 324 participants (61% of registered attendance) join the webinar on 23 April 2022, and 48 undergraduate students were shortlisted for online interviews supported by eight CPA firms on 27 and 28 April 2022, while 105 participants received one-to-one consultations provided by three professional HR consultants.

The Institute organized the QP Top Student Award and Sponsorship Presentation Ceremony on 23 October 2021. Around 60 awardees and guests attended the ceremony, with

Joseph H. L. Chan, Under Secretary for Financial Services and the Treasury being the guest of honour. The Institute presented awards to top students of the new QP Associate and Professional Level Examinations of the December 2020 and June 2021 sessions. At the occasion, 37 QP top candidates and 44 scholarships to outstanding university students received the awards.

The Institute conducted 16 talks and online information sessions about the QP to over 1,350 participants, including sub-degree students, undergraduates, and recent young graduates. Eleven career and BAFS talks were also arranged to around 1,640 secondary school students. The Institute also sponsored 31 students' activities which were organized by the societies of the accountancy and business associations of various universities. These activities included orientation camps, inauguration ceremonies and academic festivals and student journals.

COMMUNITY INVOLVEMENT

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

New and existing CSR programmes reflect the Institute's commitment to good corporate citizenship. Throughout the financial year, over 9,000 members of the public benefited from the various projects and activities that our members voluntarily contributed to.

This financial year, to strengthen the Institute's efforts in CSR, the Community Services Working Group was disbanded, while the Branding and Communication Advisory Panel was elevated to the Branding and Communication Committee (BCC) beginning in January 2022. Overseeing the Institute's communications, stakeholders' engagement, branding and CSR initiatives, the BCC has been providing advice on developing CSR activities

that allow the Institute's members to utilize their professional knowledge and expertise in a meaningful way.

Rich Kid, Poor Kid

Adapting to the pandemic and fulfilling schools' requests, the Institute continued to arrange online workshops under its flagship community programme, Rich Kid, Poor Kid (RKPK) in the 2021-22 academic year. Fifty-four online and physical school sessions were organized for some 8,860 students as classes were met with disruptions throughout the year.

For the fourth year in a row, RKPK has been recognized by the Investor and Financial Education Council (IFEC), which is a subsidiary of the Securities and Futures Commission, to receive the "Investor and Financial Education Award" (formerly named "Financial Education Champion").

CPA for NGO: promoting best corporate governance in NGOs

Four members of the now disbanded Community Services Working Group continually represented the Institute to sit on an expert group formed by the Hong Kong Council of Social Service to produce the fourth concise guide for non-governmental organizations (NGOs) on financial reporting and disclosure.

Collaboration with various organizations in promoting financial literacy

For the second consecutive year, 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, which echo the Institute's efforts in financial education.

The Institute also participated in the Global Money Week 2022, organized this year by the International Network on Financial Education of the Organization for Economic Co-operation and Development. The Hong Kong edition was hosted by the IFEC.

Offering financial support to local community service groups

In February 2022, the Institute, jointly with other accounting bodies, made a financial donation to support local community service groups that help the underprivileged overcome challenges brought by the pandemic.

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, about 270 secondary students studying business, accounting and financial studies were benefited annually. Since last academic year, the Institute changed the format of the Smart Way Forward programme from face-to-face mentorship to an education video series due to the pandemic. The video series with three episodes, "一個會計師的誕生", "會計師多面睇" and "我有說話未曾講" were released during the beginning of academic year 2021-22.

Ten Accountant Ambassadors signed up as mentors for the inter-school case competition of Millennium Entrepreneurship Programme organized by Wofoo Social Enterprises under the theme "Post-Pandemic Innovation for Social Betterment". The final was held in May 2022.

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.

FINANCES AND OPERATIONS



Recent developments in digital technologies have provided organizations with the tools to embark on digital transformation journeys encompassing a wide range of business processes and activities. To support our members in their journeys in this new era, the Institute has organized a wide range of activities such as the new Digital Transformation Series of webinars to consistently and steadfastly update members with the necessary skills to thrive in the digital world.

“Accountants and finance professionals around the globe have learned many lessons about how to embrace digital transformation strategically and thoughtfully in ways that address the unique needs of their firms and organizations. It’s important that we facilitate the exchange of these experiences,” said Vincent Chan CPA, Co-convenor of the Information, Communications and Technology Interest Group (ICTIG) Organizing Committee.

“Technological change is able to breathe new life into the profession. Accountants and finance teams are in fact, well-positioned to meet organizations’ evolving needs for agility and help support new business models. Now is the time for organizations to seize the opportunities digital transformation has to offer alongside our profession,” said Victor Tan FCPA, Co-convenor of the ICTIG Organizing Committee.

The efficient and financially prudent operation of the Institute ensure 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 has been in a structural deficit situation for a few years. This year's financial results reflect a surplus of HK\$13 million (2021: HK\$58 million deficit). While the membership fee collection reinstated in 2021 contributed HK\$33 million additional income, the results also include substantial non-recurrent items.

The one-off costs recovery and disciplinary fines for regulatory cases completed during this financial year reached HK\$21 million (2021: HK\$11 million). Meanwhile, like many organizations, the Institute experienced high staff turnover during the year. This was also attributable to an improved employment market while the Institute implemented a salary freeze and reduced bonus pool for two consecutive years in 2020 and 2021. The

employee benefits cost incurred in this financial year was HK\$141 million (2021: HK\$153 million).

The Institute maintained a net assets balance of HK\$225 million (2021: HK\$204 million). With the resumption of the annual fee collection in 2021, total cash balance was maintained at HK\$206 million, up from HK\$170 million.

With the regulatory functions of the Institute to be taken over by the Accounting and Financial Reporting Council, the Institute's headcount and staff costs will be reduced. However, income would also be reduced due to loss of fees from practice units and practising certificate holders. Non-recurrent income from disciplinary fines will cease altogether as the remaining disciplinary cases in progress are completed over the coming months. To maintain its functions and activities, a membership fee adjustment is inevitable for the Institute. The membership fee was last changed in 2013.

Looking ahead, in addition to the adjustment of fees, we have identified three key areas to conduct operational

reviews, namely re-engineering the QP process for cost rationalization, a holistic review on continuing professional development (CPD) strategy, and a further organizational review. By doing so, we intend to improve the Institute's financial sustainability and secure a solid platform to better serve members and the profession.

STAFFING

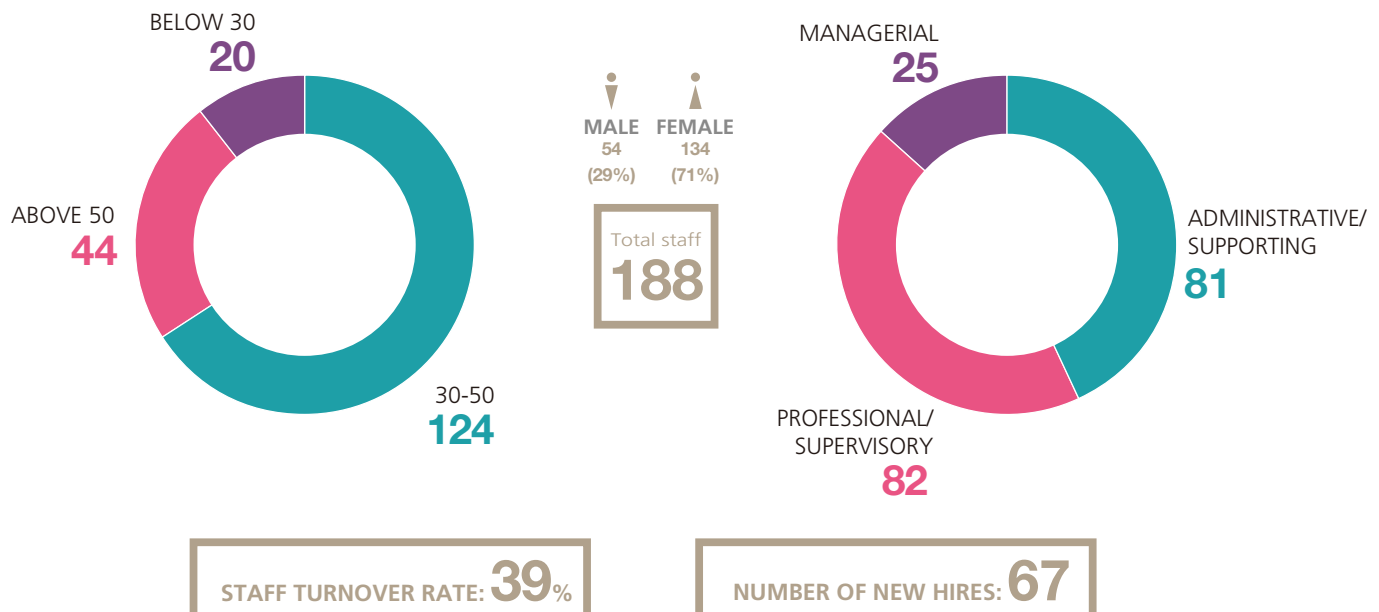
Institute's management

The Institute's staff play vital roles in ensuring its efficient operations. The Chief Executive together with a management team of a Deputy Chief Executive, an Executive Director and eight department directors, lead a group of nearly 200 staff.

Community engagement

During the financial year, the Institute took part in three Community Chest of Hong Kong events: Dress Casual Day, Skip Lunch Day and the Community Chest Virtual Walk for Millions. Around 70 employees contributed to the Community Chest in support of local charities.

KEY STAFFING FIGURES – AGE AND CAPACITY



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 organized various well-being programmes and invited staff members to participate. These included a nagomi pastel art workshop, workshops on acupressure for office workers, horticulture and stress management, as well as a Korean aroma decoration DIY workshop.

The Institute places great emphasis on launching staff engagement initiatives during the financial year. These initiatives included the launch of the Institute’s Internal Core Values (ICV) based on the collective input from cross-department and cross-level staff focus groups. A video competition was organized to promote staff members’ awareness of the Institute’s ICV as well as challenge their creativity and ability to collaborate. In addition, an ICV recognition programme was organized to provide a platform for staff members to recognize their colleagues who demonstrate ICV. The Institute also maintains regular communication with staff members via the Chief Executive’s monthly update, quarterly newsletters, and a dedicated staff information hub.

The Institute offers long service awards to show appreciation to staff members for their service. In the financial year, 15 staff members received an award for their five years of service, six staff members for 10 years, three staff members for 15 years, one staff member for 20 years, three staff members for 25 years and one staff member for 35 years.

Training and development

The Institute recognizes the importance of continuous learning for staff members’ career development. Staff members are encouraged to enrol in both external and internal training courses according to their professional needs. About 730 enrolments in 191 external and CPD courses in the financial year.

MANAGEMENT TEAM



Chief Executive & Registrar

- 1 Margaret W.S. Chan

Deputy Chief Executive

- 2 Jonathan Ng

Executive Director

- 3 Chris Joy *Standards and Regulation*

Directors

- 4 Peter Tisman *Advocacy and Practice Development*
- 5 Linda Biek *Compliance*
- 6 Dr Wendy Lam *Corporate Communications*
- 7 Kit Wong *Education and Training*
- 8 Herbert Yung *Member Engagement*
- 9 Elaine Chung *Membership and Admission*
- 10 Elsa Ho *Quality Assurance*
- 11 Cecilia Kwei *Standard Setting*



CLIMATE AND SUSTAINABILITY

The Institute is playing its own part in becoming more sustainable and promoting sustainability to members. In November 2021, the Institute joined other accounting bodies, all members of the Accounting Bodies Network, in publicly committing to achieve net zero greenhouse gas emissions within their own organizations, as well as providing an enabling environment for their membership to do the same. The Institute has currently established a carbon reduction target for 2025 and will continue to review and accelerate its own net zero pathway.

“Our civilization faces grave risks from climate change and other sustainability challenges. Accountants, and hence the Institute, have a key role to play in quantifying the cost of taking the necessary actions and enabling the investment required for sustainability,” said Prof John Robert Gibson CPA (right), Chairman of the Sustainability Committee.

“The Institute is building on the sustainability discussion through a series of webinars that aim to equip our members with fundamental knowledge in sustainability. The Sustainability Committee will continue to support the Institute in driving its climate and sustainability initiatives, and raise awareness among the profession,” said Cyrus Cheung CPA (practising) (left), Vice Chairman of Sustainability Committee. “



The Institute recognizes the impact of climate change to businesses and the role that accountants can play in enhancing awareness, transparency and performance on sustainability. To demonstrate the Institute's dedication to climate and sustainability, we have joined 13 other accounting bodies, all members of the Accounting for Sustainability established Accounting Bodies Network, in publicly committing to achieving net zero greenhouse gas emissions within our own organizations, as well as to providing an enabling environment for our membership to do the same.

With reference to the recommendations of the Task Force on Climate-Related Financial Disclosures, this chapter summarizes various initiatives of the Institute to support global climate change mitigation and adaptation efforts during the financial year.

GOVERNANCE

The Council is responsible for developing strategy and dedicating resources to address climate change and support the sustainable development of the profession and the Institute. In 2019, the Institute upgraded its Sustainability and Integrated Reporting Advisory Panel to become the Sustainability Committee, comprising representatives from business, academic, consultancy and regulatory sectors, to drive the Institute's climate and sustainability initiatives, and raise awareness among the profession.

In 2021, we appointed a Sustainability Lead and formed an internal Sustainability Taskforce comprising cross-function representatives to develop our net zero pathway and make our operations greener through awareness building, resources saving, waste management and operation reengineering. Issues and progress relating to climate and

sustainability have been discussed and reported to relevant committees and Council on a regular basis.

STRATEGY

We believe CPAs can make significant contributions in driving positive change and lead the way to achieve sustainability by leveraging their expertise in accounting and financial reporting, as well as their unique position with knowledge and influence in both operational and strategic areas of organizations. To enable them to better capture the opportunities of and contribute to global sustainable development, it is important to equip CPAs with awareness and knowledge on climate and sustainability. Therefore, upskilling, standard setting and advocacy for the profession are core objectives of our sustainability efforts.

Upskilling professional accountants on climate and sustainability

We have formed a Sustainability Education Working Group under the Sustainability Committee in 2022 to develop various learning initiatives to upskill our members and students on climate and sustainability:

Sustainability-QP integration – We are in the progress of reviewing our Qualification Programme (QP) syllabus and study materials. We will be enhancing the learning outcomes of the Associate Level of QP to raise awareness of the importance of action on climate change and sustainability for the accounting profession. We plan to introduce practical content on climate and sustainability that are relevant to the profession, with reference to the available reporting frameworks and requirements, as well as stakeholders' expectations.

CPD programmes – During the financial year, we launched a series of continuing

professional development (CPD) programmes covering various topics including climate change, sustainability strategy, reporting and assurance, as well as environmental and social risks management. We also worked closely with our Professional Development Committee, Professional Accountants in Business Committee, Small and Medium Practices Committee, and Young Members Committee to identify members' needs and continue to enhance our CPD offerings in this regard. More details can be found on page 42.

ESG Information Center – To keep our members up-to-date on the latest development and trends on climate and sustainability, we established the ESG Information Center, a platform on the Institute's website that provides convenient access to relevant news, thought leadership and learning resources on the related topics. We also feature articles regularly in the Institute's *A Plus* magazine to discuss topics of interest in climate and sustainability.

Sustainability standard setting and advocacy

The Institute leverages its role on the global standard-setting stage to support Hong Kong's efforts in establishing sustainability practices and standards. Throughout the year, the Institute has maintained regular dialogue with regulatory bodies including the Securities and Futures Commission, and Hong Kong Stock Exchange to contribute our insights on enhancing the reliability and transparency of sustainability disclosures, and provide our comments to the related standards consultations. We have also been in discussion with the Green and Sustainable Finance Cross-Agency Steering Group on the local implementation of the International Sustainability Standards Board standards. Further details can be found on page 51.

In addition, we collaborated with other organizations to promote climate and sustainability in Hong Kong, which included The Hong Kong Green Finance Association, The Hong Kong University of Science and Technology, as well as The Hong Kong Institution of Engineers, to launch education programmes on trending climate and sustainability topics.

To further promote the best practices on climate and sustainability reporting, the Institute refocused its annual Best Corporate Governance Awards to become the Best Corporate Governance and ESG Awards in its 21st anniversary. The awards were renamed to reflect the increasing importance of environmental, social and governance (ESG), and to encourage companies and organizations to integrate the oversight and implementation of their corporate governance and ESG, as well as uplift the standards of disclosure and practices in both areas. Further details can be found on page 56.

RISK MANAGEMENT

The Institute has developed a formal Enterprise Risks Management mechanism, for which the risk identification and assessment exercises are conducted annually by the management and Internal Audit, and reported to the Audit Committee (refer to page 27). Climate and sustainability related risks, including physical and transitional risks, were considered and discussed during the process. Although climate risks were not considered as material to our operations due to the nature of the Institute, the Institute had formulated response plans on extreme weather conditions (typhoon, rainstorm) for its staff and activities, with safety and business continuity considered in the process. The Institute will continue to monitor and assess the impact of climate risks to our operations, and develop appropriate mitigation plans accordingly.

METRICS AND TARGETS

Further to the signing of the net zero commitment with other international accounting bodies in October 2021, the Institute has commenced the development of its net zero pathway and carbon reduction target. The Institute also plans to publish the [results of its initial carbon assessment](#) in late 2022.

Meanwhile, several measures have been taken to minimize the Institute's carbon footprint throughout its operations:

Energy management

To reduce overall energy consumption, the Institute replaced close to 1,000 pieces of T8 fluorescent lightings to LED tubes in the office areas during the financial year. A lighting zone control system was also installed in office areas to minimize the use of energy. These initiatives helped save about 38,000 kWh of electricity for the year.

To support the Energy Saving Charter on Indoor Temperature, the Institute has set and maintained an average indoor temperature at 24°C or higher in our offices during summer. All copy machines and computers of the Institute have been defaulted to energy saving mode when they are not in use.

Paper reduction

The Institute has implemented a number of policies to reduce paper use and encourages members to do the same:

- Enabled and encouraged e-filing and e-forms for office operations, with only e-handouts available for all CPD seminars
- Reminders were issued to staff members on duplex printing with printers defaulted to enable this
- Implemented follow-you-print function to eliminate misprints

- Encouraged staff members to reuse and recycle paper and envelopes as possible
- Procurement of Programme for the Endorsement of Forest Certification certified and lighter weight A4 paper
- Issued the annual renewal notices by email rather than by post

Through these efforts, the Institute has saved about 600,000 pieces of paper in the financial year.

Waste management


The Institute actively promotes recycling and reuse of resources via different initiatives. The Green Corner was set up at each office floor to encourage all staff members to collect and reuse stationeries. The Institute has also provided recycling facilities to collect wasted confidential paper, and over 14,300 kg of paper has been recycled.

Recycling stations at pantries were established for the collection of glass and plastic bottles, aluminum cans as well as used batteries. Mooncake boxes recycling programme was also launched during Mid-Autumn Festival. "Go Green" posters were also placed in the office to provide green tips and recycling instructions.

Award and recognition

Our green achievements have been recognized through a number of awards, including:

- Caring Organization Logo, by The Hong Kong Council of Social Service
- Green Office Label and Eco-Healthy Workplace Label, by the World Green Organization
- Basic level of the Wastewi\$e Certificate and Good level of the Energywi\$e Certificate, by the Environmental Campaign Committee



AUDITOR'S REPORT & FINANCIAL STATEMENTS

- HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
- THE HKICPA TRUST FUND
- THE HKICPA CHARITABLE FUND

INDEPENDENT AUDITOR'S REPORT



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

TO THE MEMBERS OF HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (INCORPORATED IN HONG KONG UNDER THE PROFESSIONAL ACCOUNTANTS ORDINANCE)

OPINION

We have audited the financial statements of Hong Kong Institute of Certified Public Accountants (the "Institute") set out on pages 70 to 104, 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 2022, 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 2022, 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 2022 annual report but does not include the financial statements of the Group and the Institute and our auditor's report thereon.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
21 September 2022

STATEMENTS OF FINANCIAL POSITION

At 30 June 2022

	Note	Group		Institute	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Non-current assets					
Fixed assets	4	131,862	144,605	131,779	143,969
Interests in subsidiaries	5	–	–	–	–
Prepayments for purchase of fixed assets		1,382	1,863	1,382	1,863
		133,244	146,468	133,161	145,832
Current assets					
Inventories		441	429	441	429
Receivables	7	3,084	1,568	3,039	1,549
Deposits and prepayments		12,341	11,098	12,341	11,048
Tax recoverable		185	165	185	165
Time deposits with original maturities over three months	21(a)	132,090	29,743	106,677	10,973
Cash and cash equivalents	8	102,381	169,697	99,077	159,394
		250,522	212,700	221,760	183,558
Current liabilities					
Contract liabilities	9	(84,586)	(81,816)	(84,586)	(81,816)
Payables and accruals	10	(45,094)	(44,071)	(43,764)	(41,986)
Lease liabilities	4	(1,184)	(1,531)	(1,110)	(965)
		(130,864)	(127,418)	(129,460)	(124,767)
Net current assets		119,658	85,282	92,300	58,791
Non-current liabilities					
Lease liabilities	4	(311)	(365)	(311)	(290)
Deferred tax liabilities	6	–	–	–	–
		(311)	(365)	(311)	(290)
Net assets		252,591	231,385	225,150	204,333
Funds and reserve					
General fund	11	47,866	34,082	26,304	12,894
Capital fund	11	204,856	197,449	198,846	191,439
Exchange reserve		(131)	(146)	–	–
		252,591	231,385	225,150	204,333

Approved by the Council on 21 September 2022

Fong Wan Huen, Loretta
President

Margaret W.S. Chan
Chief Executive & Registrar

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	Group		Institute	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Subscriptions and fees	12	156,367	117,722	156,367	117,722
Other revenue	13	81,702	72,049	81,702	72,049
Total revenue from contracts with customers		238,069	189,771	238,069	189,771
Other income	14	30,455	25,851	30,345	25,665
Expenses	15	(254,760)	(277,536)	(255,024)	(275,906)
Surplus/(deficit) before tax	16	13,764	(61,914)	13,390	(60,470)
Income tax credit	17	20	2,281	20	2,281
Surplus/(deficit)		13,784	(59,633)	13,410	(58,189)
Other comprehensive income					
<i>Item that may be reclassified subsequently to surplus or deficit:</i>					
Exchange differences on translating the financial statements of a foreign operation		15	5	-	-
Total comprehensive income/(loss)		13,799	(59,628)	13,410	(58,189)

Approved by the Council on 21 September 2022

Fong Wan Huen, Loretta
President

Margaret W.S. Chan
Chief Executive & Registrar

STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2022

	2022						
	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 1 July 2021	34,082	197,449	(146)	231,385	12,894	191,439	204,333
Surplus	13,784	–	–	13,784	13,410	–	13,410
Other comprehensive income	–	–	15	15	–	–	–
Total comprehensive income	13,784	–	15	13,799	13,410	–	13,410
Capital levy from members and students	–	7,407	–	7,407	–	7,407	7,407
At 30 June 2022	47,866	204,856	(131)	252,591	26,304	198,846	225,150
	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 1 July 2020	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	–	–	–
Total comprehensive (loss)/income	(59,633)	–	5	(59,628)	(58,189)	–	(58,189)
Capital levy from members and students	–	326	–	326	–	326	326
At 30 June 2021	34,082	197,449	(146)	231,385	12,894	191,439	204,333

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2022

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Cash flows from operating activities				
Surplus/(deficit) before tax	13,764	(61,914)	13,390	(60,470)
Adjustments for:				
Allowance for obsolete inventories	30	43	30	43
Obsolete inventories written off	7	3	7	3
Depreciation of fixed assets	19,184	20,959	18,629	20,243
Interest on lease liabilities	63	101	46	48
Impairment loss of receivables (net of recovery)	141	163	141	163
Uncollectible amounts written off	91	23	91	23
Operating cash flows before working capital changes	33,280	(40,622)	32,334	(39,947)
Increase in inventories	(49)	(75)	(49)	(75)
(Increase)/decrease in receivables	(1,748)	2,572	(1,722)	2,500
(Increase)/decrease in deposits and prepayments	(1,243)	7,851	(1,293)	7,791
Increase in time deposits with original maturities over three months	(102,347)	(14,886)	(95,704)	(10,973)
Increase in contract liabilities	2,770	35,609	2,770	35,609
Increase in payables and accruals	1,866	10,392	2,621	8,702
Cash (used in)/generated from operations	(67,471)	841	(61,043)	3,607
Net tax refunded	-	13	-	-
Net cash (used in)/generated from operating activities	(67,471)	854	(61,043)	3,607
Cash flows from investing activities				
Purchase of fixed assets	(3,780)	(3,827)	(3,780)	(3,827)
Prepayments for purchase of fixed assets	(1,382)	(1,863)	(1,382)	(1,863)
Net cash used in investing activities	(5,162)	(5,690)	(5,162)	(5,690)
Cash flows from financing activities				
Lease payments (note 4)	(2,109)	(2,254)	(1,519)	(1,526)
Capital levy received	7,407	326	7,407	326
Net cash generated from/(used in) financing activities	5,298	(1,928)	5,888	(1,200)
Net decrease in cash and cash equivalents	(67,335)	(6,764)	(60,317)	(3,283)
Cash and cash equivalents at the beginning of the reporting period	169,697	176,522	159,394	162,677
Exchange difference in respect of cash and cash equivalents	19	(61)	-	-
Cash and cash equivalents at the end of the reporting period (note 8)	102,381	169,697	99,077	159,394

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$1,639,000 (2021: HK\$1,350,000) and HK\$1,639,000 (2021: HK\$1,350,000) respectively by means of leases. At 30 June 2022, HK\$382,000 (2021: HK\$1,225,000) 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 2022

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. Under the further reform of the regulatory regime of the accounting profession to be commenced on 1 October 2022, the regulatory functions and licensing of the practice units would be transferred to the Accounting and Financial Reporting Council.

HKICPA Beijing is incorporated as a wholly foreign-owned enterprise ("WFOE") in the People's Republic of China (the "PRC"). Its principal activities are the promotion of the Institute's qualification programme and provision of services to members in PRC. 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 ("RO") in Mainland China to replace the WFOE. The Guangdong RO and Beijing RO were set up on 8 July 2021 and 7 January 2022 respectively. HKICPA Beijing is in the process of liquidation during the year.

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.

Adoption of new/revised HKFRSs

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 financial statements. New/revised HKFRSs that were issued and adopted by the Group and the Institute during the current year and after 30 June 2022 are disclosed in note 2(b).

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgement 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 fixed assets. Depreciation is provided on a straight-line basis over the useful life of each class of fixed assets. Depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

During the year ended 30 June 2022, the management reviewed the useful lives of the Group’s and the Institute’s buildings. Upon formulation of the Institute’s strategy plan and taking into consideration of the physical conditions of the buildings, management determined that the useful lives for the buildings were to be extended to align them with the lease term of the leasehold land. As a consequence, the carrying amount of fixed assets as at 30 June 2022 increased by HK\$1,829,000; depreciation of fixed assets for the year ended 30 June 2022 decreased by HK\$1,829,000 and surplus for the year increased by HK\$1,829,000. Details of the Group’s and the Institute’s depreciation policy are set forth in note 2(h).

Impairment of financial assets

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

(b) New/revised HKFRSs that were issued during the current year and after 30 June 2022

All new/revised HKFRSs issued by the Institute on or before 30 June 2021 had been early adopted by the Group and the Institute in prior years. The new/revised HKFRSs issued during the current year has no impact to the Group and the Institute.

The Institute has not issued any new/revised HKFRSs after 30 June 2022 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, 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, except for financial assets and financial liabilities at fair value through surplus or deficit, for which transaction costs are recognized in surplus or deficit directly.

The Group's financial assets, including receivables, deposits, time deposits with original maturities over three months 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 payables, amount due to subsidiaries, accruals and lease liabilities. 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 ("ECL") 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 ECLs decreases, the reversal would be recognized in surplus or deficit or adjusted to the loss allowances account for receivables.

(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, 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	Over the shorter of the useful life and the lease term of leasehold land on which the buildings are erected (2021: 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 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 or short term leases (defined as leases with a lease term of 12 months or less). 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 accretion and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications. Lease payments on short term leases and leases of low value assets are recognized as an expense on a straight-line or another systematic basis over the lease term.

(j) Inventories

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

(k) Cash and cash equivalents

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

(l) Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(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.

(o) Revenue and income recognition

Interest income from time deposits with original maturities over three months, 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 surplus or deficit 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 surplus or deficit 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Financial assets – measured at amortized cost				
Receivables, net of loss allowances	3,084	1,568	3,039	1,549
Deposits	1,130	1,484	1,130	1,434
Time deposits with original maturities over three months	132,090	29,743	106,677	10,973
Cash and cash equivalents	102,381	169,697	99,077	159,394
	238,685	202,492	209,923	173,350
Financial liabilities – measured at amortized cost				
Payables	5,803	2,222	5,674	2,162
Amounts due to subsidiaries	–	–	215	82
Accruals	10,591	12,248	10,591	12,248
Lease liabilities				
– Current	1,184	1,531	1,110	965
– Non-current	311	365	311	290
	17,889	16,366	17,901	15,747

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 HK\$'000 (a)	Lease premises HK\$'000 (b)	Furniture, fixtures and equipment HK\$'000 (c)	Total HK\$'000
2022 – Group				
Net book value at 1 July 2021	114,301	1,231	623	116,155
Additions	–	1,639	–	1,639
Depreciation	(4,398)	(1,659)	(360)	(6,417)
Exchange realignment	–	2	–	2
Net book value at 30 June 2022	109,903	1,213	263	111,379
At cost	184,669	3,246	777	188,692
Accumulated depreciation and impairment	(74,766)	(2,033)	(514)	(77,313)
	109,903	1,213	263	111,379
2022 – Institute				
Net book value at 1 July 2021	114,301	611	623	115,535
Additions	–	1,639	–	1,639
Depreciation	(4,398)	(1,105)	(360)	(5,863)
Net book value at 30 June 2022	109,903	1,145	263	111,311
At cost	184,669	3,150	777	188,596
Accumulated depreciation and impairment	(74,766)	(2,005)	(514)	(77,285)
	109,903	1,145	263	111,311

Owned assets				
Buildings HK\$'000 (a)	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000	Total HK\$'000
8,658	2,930	16,862	28,450	144,605
–	–	4,800	4,800	6,439
(333)	(600)	(11,834)	(12,767)	(19,184)
–	–	–	–	2
8,325	2,330	9,828	20,483	131,862
43,255	27,819	79,502	150,576	339,268
(34,930)	(25,489)	(69,674)	(130,093)	(207,406)
8,325	2,330	9,828	20,483	131,862
8,658	2,929	16,847	28,434	143,969
–	–	4,800	4,800	6,439
(333)	(600)	(11,833)	(12,766)	(18,629)
8,325	2,329	9,814	20,468	131,779
43,255	27,746	78,712	149,713	338,309
(34,930)	(25,417)	(68,898)	(129,245)	(206,530)
8,325	2,329	9,814	20,468	131,779

	Right-of-use assets			
	Leasehold land HK\$'000 (a)	Lease premises HK\$'000 (b)	Furniture, fixtures and equipment HK\$'000 (c)	Total HK\$'000
<u>2021 – Group</u>				
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
Net book value at 30 June 2021	114,301	1,231	623	116,155
At cost	184,669	3,932	777	189,378
Accumulated depreciation and impairment	(70,368)	(2,701)	(154)	(73,223)
	114,301	1,231	623	116,155
<u>2021 – Institute</u>				
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)
Net book value at 30 June 2021	114,301	611	623	115,535
At cost	184,669	2,432	777	187,878
Accumulated depreciation and impairment	(70,368)	(1,821)	(154)	(72,343)
	114,301	611	623	115,535

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	
<u>8,658</u>	<u>2,930</u>	<u>16,862</u>	<u>28,450</u>	<u>144,605</u>	
43,255	27,819	74,841	145,915	335,293	
(34,597)	(24,889)	(57,979)	(117,465)	(190,688)	
<u>8,658</u>	<u>2,930</u>	<u>16,862</u>	<u>28,450</u>	<u>144,605</u>	
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)	
<u>8,658</u>	<u>2,929</u>	<u>16,847</u>	<u>28,434</u>	<u>143,969</u>	
43,255	27,746	74,067	145,068	332,946	
(34,597)	(24,817)	(57,220)	(116,634)	(188,977)	
<u>8,658</u>	<u>2,929</u>	<u>16,847</u>	<u>28,434</u>	<u>143,969</u>	

For the year ended 30 June

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	63	101	46	48
Expense relating to short-term leases				
– Lease term of more than one month	911	302	940	302
– Lease term of one month or less (d)	12,429	17,111	12,429	17,111
Expense relating to variable lease payments not included in the measurement of lease liabilities (c)	85	276	85	276
Total cash outflow for leases				
– Lease liabilities	2,109	2,254	1,519	1,526
– Short-term lease and variable lease payments	14,482	14,146	14,511	14,146
	16,591	16,400	16,030	15,672

At 30 June

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Maturity profile of lease liabilities:				
– Within 1 year	1,218	1,569	1,143	985
– Between 1 to 2 years	316	370	316	293
Lease liabilities (undiscounted)	1,534	1,939	1,459	1,278
Discount amount	(39)	(43)	(38)	(23)
Lease liabilities (discounted)	1,495	1,896	1,421	1,255
Current	1,184	1,531	1,110	965
Non-current	311	365	311	290
Lease liabilities (discounted)	1,495	1,896	1,421	1,255

Movements of the carrying amount of lease liabilities:

For the year ended 30 June

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At the beginning of the reporting period	1,896	2,590	1,255	1,383
Non-cash changes:				
– Interest expense	63	101	46	48
– New leases	1,639	1,350	1,639	1,350
– Exchange differences	6	109	–	–
Cash payments	(2,109)	(2,254)	(1,519)	(1,526)
At the end of the reporting period	1,495	1,896	1,421	1,255

- (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. 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 in Hong Kong. The lease term is two years with no extension or termination options. Apart from the fixed payments, the rentals of the copiers also include variable payments based on usage which are recognized in surplus or deficit in the period during which the expenses are incurred.
- (d) The Group entered into lease agreements in respect of venues for examination or event in Hong Kong and the PRC. The lease terms were mainly on daily basis with no extension or termination options.

5. INTERESTS IN SUBSIDIARIES

	Institute	
	2022 HK\$'000	2021 HK\$'000
At cost	300	300
Impairment charges	(300)	(300)
	-	-

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)	The PRC	HK\$300,000	100%	Promotion of the Institute's qualification programme and provision of services to members in the PRC
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 wholly-owned subsidiary and consolidated by virtue of control.

HKICPA Beijing is a wholly-owned subsidiary of the Institute incorporated as a foreign enterprise in the PRC. It is in the process of liquidation and two ROs in Beijing and Guangdong were set up to replace it during the year 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 of subsidiaries

The general fund of HKIAAT of HK\$17,142,000 (2021: HK\$17,058,000) 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\$5,323,000 (2021: HK\$5,358,000), the use of which are 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 with original maturities over three months and cash and cash equivalents is an amount in total of HK\$28,717,000 (2021: HK\$29,073,000) which are held by the Institute's subsidiaries and have been designated solely for the operations of the subsidiaries pursuant to the terms of trust deed or articles of association of these subsidiaries.

6. DEFERRED TAXATION

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

	Group and Institute			
	Accelerated tax depreciation HK\$'000	Other temporary differences HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 July 2020	(4,915)	2,634	–	(2,281)
Credited to deficit (note 17)	759	132	1,390	2,281
At 30 June 2021 and 1 July 2021	(4,156)	2,766	1,390	–
Credited/(charged) to surplus (note 17)	804	(446)	(358)	–
At 30 June 2022	(3,352)	2,320	1,032	–

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

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Decelerated tax depreciation	12	15	–	–
Other deductible temporary differences, net	2,450	3,032	–	–
Tax losses	226,658	239,555	207,237	220,144
	229,120	242,602	207,237	220,144

No deferred tax assets are recognized by the Group and the Institute 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Disciplinary fines and costs recovery receivables	524	705	524	705
Loss allowances (a)	(358)	(217)	(358)	(217)
	166	488	166	488
Government grant receivables (note 14(a))	1,396	–	1,396	–
Other receivables	1,522	1,080	1,477	1,061
	3,084	1,568	3,039	1,549

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 (“ECLs”) assessment. While for the remaining amounts, lifetime ECL assessment is adopted.

At the end of the reporting period, receivables of HK\$358,000 (2021: HK\$217,000) of the disciplinary fines and costs recovery is credit-impaired and loss allowance are 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 include the settlement for credit card payments from banks, bank interest receivables and commission from professional indemnity insurance master policy.

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 has 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
At the beginning of the reporting period	217	301	217	301
Receivables written off during the year as uncollectible	–	(247)	–	(247)
Impairment loss (net of recovery) recognized during the year (note 16)	141	163	141	163
At the end of the reporting period	358	217	358	217

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Bank balances				
– Time deposits with original maturities within three months	72,985	140,526	72,985	133,964
– Savings accounts	11,007	16,906	9,700	15,599
– Current accounts	18,352	12,233	16,362	9,807
Cash on hand	37	32	30	24
	102,381	169,697	99,077	159,394

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 of 0.11% to 1.05% (2021: 0.13% to 2.2%) per annum.

Cash and cash equivalents of HK\$3,304,000 (2021: HK\$10,303,000) are held by the Institute's subsidiaries and have been designated solely for the operations of the subsidiaries pursuant to the terms of trust deeds or articles of association of these subsidiaries.

9. CONTRACT BALANCES

Contract assets/contract costs:

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	
	2022 HK\$'000	2021 HK\$'000
Subscription fees received in advance	74,497	70,190
Other fees received in advance	10,089	11,626
	84,586	81,816

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	
	2022 HK\$'000	2021 HK\$'000
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	(81,710)	(43,693)
Increase due to cash received during the year	240,839	221,747
Decrease due to the recognition of revenue for cash received during the year	(156,359)	(142,445)

10. PAYABLES AND ACCRUALS

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Payables	5,803	2,222	5,674	2,162
Amounts due to subsidiaries	–	–	215	82
Accruals	10,591	12,248	10,591	12,248
Financial liabilities	16,394	14,470	16,480	14,492
Employee benefits obligations	28,700	29,601	27,284	27,494
	45,094	44,071	43,764	41,986

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 aging analysis of the Group's and the Institute's financial liabilities at the end of the reporting period is as follows:

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Within 30 days	15,360	13,018	15,446	13,041
Between 31 and 90 days	143	35	143	35
Between 91 and 180 days	14	31	14	31
Between 181 and 270 days	5	502	5	502
Over 270 days	872	884	872	883
	16,394	14,470	16,480	14,492

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:

- (a) The capital fund of the Institute represents 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.
- (b) The capital fund of HKIAAT represents 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	
	2022 HK\$'000	2021 HK\$'000
Annual subscription fees		
Members (a)	95,410	61,537
Practising certificates	26,596	26,187
Students (b)	7,527	7,106
Firms (b)	8,393	6,398
Corporate practices (b)	7,160	5,662
Others	2,336	1,806
First registration fees		
Members	4,793	4,328
Practising certificates	833	763
Students	1,152	1,863
Firms	88	151
Corporate practices	263	252
Others	839	360
Other fees		
Advancement to fellowship	262	276
Assessment for overseas students	715	1,033
	156,367	117,722

- (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. The reduction of annual subscription fees for the year ended 30 June 2021 represented the impact related to the period from 1 July 2020 to 31 December 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 member is recognized. The impact of the reduction of annual subscription fees was recognized in the period from 1 July 2020 to 31 December 2021.

13. OTHER REVENUE

	Group and Institute	
	2022 HK\$'000	2021 HK\$'000
Income from examinations	65,782	58,065
Income from seminars and courses	15,472	13,938
Income from member and student activities	418	46
Accreditation income	30	–
	81,702	72,049

14. OTHER INCOME

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Commission from affinity credit card programme	83	94	83	94
Commission from professional indemnity insurance master policy	1,901	1,793	1,901	1,793
Disciplinary fines and costs recovery	20,073	7,212	20,073	7,212
Donations	12	29	10	23
Events sponsorship	1,212	457	1,212	457
Government grants (a)	3,153	9,126	3,153	9,126
Interest income	662	999	554	819
Income from advertisements placed in the journals	141	177	141	177
Hardcopy and administrative surcharge	971	584	971	584
Litigation costs recovery (b)	965	3,289	965	3,289
Miscellaneous	650	427	650	427
Recovery of obsolete inventories written off	22	9	22	9
Sales of goods	610	1,655	610	1,655
	30,455	25,851	30,345	25,665

- (a) Government grants
During the current year, the Institute recognized HK\$2,792,000 and HK\$361,000 (2021: HK\$9,126,000 and Nil) as subsidies under the Employment Support Scheme launched by the HKSAR Government and the Professional Services Advancement Support Scheme respectively.

(b) Litigation costs recovery

	Group and Institute	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	765	2,440
Appeal against disciplinary order (ii)	200	849
	<hr/>	<hr/>
	965	3,289
	<hr/> <hr/>	<hr/> <hr/>

- (i) During the current year, the Institute recognized HK\$765,000 (2021: HK\$2,440,000) 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\$200,000 (2021: HK\$849,000) as settlement from an applicant who applied for appeal against a disciplinary order.

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:

2022

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus/ (deficit) before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus/ (deficit) before tax HK\$'000
Members and practices						
Membership and licensing	137,559	–	137,559	137,559	–	137,559
Admission and registration	11,281	(7,014)	4,267	11,281	(7,014)	4,267
Standards and regulation	21,225	(55,073)	(33,848)	21,225	(55,073)	(33,848)
Professional development and specialization	15,724	(20,447)	(4,723)	15,724	(20,447)	(4,723)
Interest groups and networking activities	2,115	(9,257)	(7,142)	2,115	(9,458)	(7,343)
	<u>187,904</u>	<u>(91,791)</u>	<u>96,113</u>	<u>187,904</u>	<u>(91,992)</u>	<u>95,912</u>
Qualification	<u>76,558</u>	<u>(70,809)</u>	<u>5,749</u>	<u>76,558</u>	<u>(70,960)</u>	<u>5,598</u>
Corporate functions						
Constitution, governance and corporate activities	–	(8,276)	(8,276)	–	(8,276)	(8,276)
Branding and communication	–	(4,023)	(4,023)	–	(4,023)	(4,023)
Publications	141	(6,156)	(6,015)	141	(6,156)	(6,015)
Advocacy	–	(1,124)	(1,124)	–	(1,124)	(1,124)
Legal	–	(4,633)	(4,633)	–	(4,633)	(4,633)
China and international relations	–	(3,232)	(3,232)	–	(3,232)	(3,232)
General administration, finance and operations	3,811	(39,660)	(35,849)	3,811	(39,661)	(35,850)
Depreciation and building related expenses	–	(24,945)	(24,945)	–	(24,967)	(24,967)
	<u>3,952</u>	<u>(92,049)</u>	<u>(88,097)</u>	<u>3,952</u>	<u>(92,072)</u>	<u>(88,120)</u>
HKIAAT Group	<u>93</u>	<u>(10)</u>	<u>83</u>	<u>–</u>	<u>–</u>	<u>–</u>
HKICPA Charitable Fund	<u>–</u>	<u>(81)</u>	<u>(81)</u>	<u>–</u>	<u>–</u>	<u>–</u>
HKICPA Trust Fund	<u>17</u>	<u>(20)</u>	<u>(3)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>268,524</u></u>	<u><u>(254,760)</u></u>	<u><u>13,764</u></u>	<u><u>268,414</u></u>	<u><u>(255,024)</u></u>	<u><u>13,390</u></u>

2021

	Group			Institute		
	Income HK\$'000	Expenses HK\$'000	Surplus/ (deficit) before tax HK\$'000	Income HK\$'000	Expenses HK\$'000	Surplus/ (deficit) before tax HK\$'000
Members and practices						
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	(19,214)	(5,266)	13,948	(19,214)	(5,266)
Interest groups and networking activities	1,088	(8,936)	(7,848)	1,088	(8,173)	(7,085)
	<u>135,961</u>	<u>(98,591)</u>	<u>37,370</u>	<u>135,961</u>	<u>(97,828)</u>	<u>38,133</u>
Qualification	<u>69,021</u>	<u>(74,749)</u>	<u>(5,728)</u>	<u>69,021</u>	<u>(73,904)</u>	<u>(4,883)</u>
Corporate functions						
Constitution, governance and corporate activities	–	(7,998)	(7,998)	–	(7,998)	(7,998)
Branding and communication	–	(5,900)	(5,900)	–	(5,900)	(5,900)
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	(46,370)	(36,091)	10,277	(46,371)	(36,094)
Depreciation and building related expense	–	(26,587)	(26,587)	–	(26,587)	(26,587)
	<u>10,456</u>	<u>(104,173)</u>	<u>(93,717)</u>	<u>10,454</u>	<u>(104,174)</u>	<u>(93,720)</u>
HKIAAT Group	<u>151</u>	<u>(7)</u>	<u>144</u>	<u>–</u>	<u>–</u>	<u>–</u>
HKICPA Charitable Fund	<u>4</u>	<u>(1)</u>	<u>3</u>	<u>–</u>	<u>–</u>	<u>–</u>
HKICPA Trust Fund	<u>29</u>	<u>(15)</u>	<u>14</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>215,622</u></u>	<u><u>(277,536)</u></u>	<u><u>(61,914)</u></u>	<u><u>215,436</u></u>	<u><u>(275,906)</u></u>	<u><u>(60,470)</u></u>

16. SURPLUS/(DEFICIT) BEFORE TAX

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Surplus/(deficit) before tax has been arrived at after charging/(crediting):				
Allowance for obsolete inventories	30	43	30	43
Auditor's remuneration	546	495	493	477
Cost of goods sold	84	407	84	407
Depreciation of fixed assets (note 4)	19,184	20,959	18,629	20,243
Donations (a)	–	1	50	83
Employee benefits (note 18)	143,415	156,441	140,978	152,514
Exchange loss	12	104	10	147
Impairment loss of receivables (net of recovery) (note 7(a))	141	163	141	163
Interest on lease liabilities	63	101	46	48
Obsolete inventories written off	7	3	7	3
Recovery of obsolete inventories written off	(22)	(9)	(22)	(9)
Legal costs for disciplinary and litigation cases	4,173	9,632	4,173	9,632
Uncollectible amounts written off	91	23	91	23

(a) During the current year, the Institute donated HK\$50,000 (2021: HK\$82,000) to The HKICPA Charitable Fund.

17. INCOME TAX CREDIT

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Current tax				
Overprovision in prior year	(20)	–	(20)	–
Deferred tax				
Origination and reversal of temporary differences (note 6)	–	(2,281)	–	(2,281)
Total tax credit	(20)	(2,281)	(20)	(2,281)

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the year is wholly absorbed by the unrelieved tax losses brought forward from previous years.

No PRC income tax has been provided for the current year as the Group do not have assessable profits in accordance with the relevant tax laws in the PRC.

The reconciliation between income tax credit and surplus/(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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Surplus/(deficit) before tax	13,764	(61,914)	13,390	(60,470)
Tax at the applicable rate of 16.5% (2021: 16.5%)	2,271	(10,216)	2,210	(9,977)
Tax effect of different tax rate for a subsidiary in the PRC	26	(144)	–	–
Tax effect of non-deductible expenses	548	739	534	736
Tax effect of non-assessable income	(643)	(1,682)	(612)	(1,645)
Utilization of unrecognized tax losses/ tax effect of unrecognized tax losses	(2,128)	8,604	(2,130)	8,603
Utilization of unrecognized deductible temporary differences/tax effect of deductible temporary differences not recognized	(72)	416	–	–
Overprovision in prior year	(20)	–	(20)	–
Others	(2)	2	(2)	2
Total tax credit	(20)	(2,281)	(20)	(2,281)

18. EMPLOYEE BENEFITS

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	135,991	146,744	133,698	142,981
Retirement benefits scheme contributions	7,424	9,697	7,280	9,533
	143,415	156,441	140,978	152,514
<u>Number of staff</u>				
At the beginning of the reporting period	213	229	209	225
At the end of the reporting period	188	213	184	209

19. KEY MANAGEMENT PERSONNEL REMUNERATION AND EXECUTIVE REMUNERATION

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

	Group and Institute	
	2022 HK\$'000	2021 HK\$'000
Chief Executive and Registrar		
Salaries and allowances (i)	3,416	3,476
Performance bonus	325	140
Retirement benefits scheme contributions	18	18
	3,759	3,634

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

	Group and Institute Number of Executives	
	2022	2021
HK\$3,500,001 to HK\$4,000,000	1	2
HK\$3,000,001 to HK\$3,500,000	2	–
HK\$2,500,000 to HK\$3,000,000	–	1
	3	3

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

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\$370,000 (2021: HK\$100,000) for technical training services provided by KPMG. In addition, HK\$970,000 and Nil (2021: HK\$608,000 and HK\$280,000) 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 2022, the total outstanding commitment is Nil (2021: HK\$934,000).
- (ii) During the current year, the Institute incurred expenses of HK\$500,000 and HK\$72,000 (2021: Nil and HK\$234,000) in respect of training services provided by Deloitte Touche Tohmatsu ("DTT") and its group company, Deloitte Advisory (Hong Kong) Limited ("Deloitte Advisory"), respectively, of which a Council member of the Institute is a partner of DTT and director of Deloitte Advisory. At 30 June 2022, the total outstanding commitment is HK\$550,000 (2021: HK\$150,000).

- (iii) During the current year, the Institute incurred expenses of HK\$180,000 (2021: Nil) for the update of China 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. At 30 June 2022, the total outstanding commitment is HK\$480,000 (2021: HK\$660,000).
- (iv) During the current year, the Institute incurred expenses of Nil (2021: HK\$110,000) for the update of specialist tax training programme materials provided by PricewaterhouseCoopers Limited ("PwC"), of which a Council member of the Institute is a director of PwC. At 30 June 2022, the total outstanding commitment is HK\$110,000 (2021: HK\$110,000).
- (v) During the current year, the Institute incurred expenses of HK\$4,642,000 (2021: HK\$5,840,000) for administration fee for examinations including venue rental fee provided by Hong Kong Examinations and Assessment Authority ("HKEAA"), of which a Council member of the Institute is a council member of HKEAA. At 30 June 2022, included in "Payables and accruals" is an amount of HK\$566,000 (2021: HK\$2,697,000) due to HKEAA and outstanding commitment of HK\$2,193,000 (2021: Nil). 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\$3,485,000 (2021: HK\$3,355,000) to HKICPA Beijing for the promotion of the Institute's qualification programme and the provision of services to members in the PRC. At 30 June 2022, included in "Payables and accruals" of the Institute is an amount of HK\$165,000 (2021: Nil) due to HKICPA Beijing for office expenses paid on behalf of the two ROs in Guangdong and Beijing.
- (ii) The HKICPA Charitable Fund
During the current year, the Institute donated HK\$50,000 (2021: HK\$82,000) to The HKICPA Charitable Fund. At 30 June 2022, included in "Payables and accruals" of the Institute is an amount of HK\$50,000 (2021: HK\$82,000) due to The HKICPA Charitable Fund.

21. FINANCIAL RISK MANAGEMENT

Financial instruments mainly consist of deposits, 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 average effective interest rates of the Group's and the Institute's interest-bearing financial assets are as follows:

	Group		Institute	
	2022 % p.a.	2021 % p.a.	2022 % p.a.	2021 % p.a.
Time deposits	0.48%	0.51%	0.42%	0.46%
Savings accounts	0.002%	0.002%	0.002%	0.002%

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 surplus/(deficit) before tax and funds and reserve.

	Group		Institute	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Time deposits				
– with original maturities within three months	72,985	140,526	72,985	133,964
– with original maturities over three months	132,090	29,743	106,677	10,973
	205,075	170,269	179,662	144,937

Impact of interest rate deviation

Change in interest rate by 0.25%
(2021: 0.25%)

– **Change in surplus/(deficit)
before tax**

	513	426	449	362
--	------------	-----	------------	-----

– **Change in funds and reserve**

	513	426	449	362
--	------------	-----	------------	-----

Time deposits with original maturities over three months carry interest at market rates from 0.12% to 2.0% (2021: 0.17% to 2.29%) per annum and with original maturities of six to twelve months (2021: six months) as at 30 June 2022.

(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 and the Institute'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, ECL 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 fund and reserves and performing periodical cash flow forecasts to monitor future cash flows.

No maturity profiles for the Group and the Institute's financial liabilities have been presented for both years as payables, amounts due to subsidiaries and accruals are either repayable on demand or due within 30 days. Maturity profile of lease liabilities has been disclosed in note 4.

The subscription fees and registration fees provide a stable source of funds to the Group and the Institute. The membership fee waiver for calendar years 2019 and 2020, together with the concessions and subsidies granted in 2021 depleted the Group's and the Institute's cash reserves and general fund. With the resumption of the annual fee collection in 2021, the cash position has been increased at 30 June 2022. Fees collection will be continued in 2023 to maintain adequate cash reserves and therefore, the management considers the overall liquidity for the Group and the Institute was maintained at a safe level.

(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\$441,000 and HK\$121,000 (2021: HK\$787,000 and HK\$52,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$320,000 (2021: HK\$735,000) 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.

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

Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements

Group and Institute	
2022	2021
HK\$'000	HK\$'000
1,242	3,699

24. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Reform of the regulatory regime of accounting profession (the "Reform")

On 22 October 2021, the Financial Reporting Council (Amendment) Bill 2021 was passed by the Legislative Council. By three pieces of subsidiary legislation published by the Government in the Gazette on 6 May 2022, the Government has appointed 1 October 2022 as the date when the Reform will come into full operation.

After the new regime becomes effective on 1 October 2022, the Institute will remain the certified public accountants registration body while the Accounting and Financial Reporting Council ("AFRC") will issue and renew practising certificates and register practice units and public interest entity auditors. The disciplinary functions will also be transferred to the AFRC.

This change would result in reduction of both income and expenses of the Institute once it is effective. The annualized net impact from the loss of fees and reduction of staff cost in relation to the disciplinary functions is considered to be not significant. Correspondingly, there will also be a loss of income from disciplinary fines and cost recovery for regulatory cases.

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 107 to 112, which comprise the statement of financial position at 30 June 2022, 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 2022, 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 HKSAAs, we exercise professional judgement 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
21 September 2022

STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	2022 HK\$	2021 HK\$
Current assets			
Other receivables	4	9,259	3,436
Time deposits with original maturities over three months		3,892,270	3,882,765
Cash and cash equivalents	5	185,629	204,077
		<u>4,087,158</u>	<u>4,090,278</u>
Net assets			
		<u>4,087,158</u>	<u>4,090,278</u>
Accumulated funds			
		<u>4,087,158</u>	<u>4,090,278</u>

Approved by the Trustees on 21 September 2022

Fong Wan Huen, Loretta
Trustee

Raymond Cheng
Trustee

Roy Leung
Trustee

Wong Hong Yuen
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 HK\$	2021 HK\$
Income			
Donations	6	2,001	2,000
Interest income		15,329	27,437
		<u>17,330</u>	<u>29,437</u>
Expenses			
Grants to members	7	(18,400)	(12,900)
Bank charges		(2,050)	(2,250)
		<u>(20,450)</u>	<u>(15,150)</u>
(Deficit)/surplus		(3,120)	14,287
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive (loss)/income		<u>(3,120)</u>	<u>14,287</u>

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2022

	2022 HK\$	2021 HK\$
Accumulated funds		
At the beginning of the reporting period	<u>4,090,278</u>	<u>4,075,991</u>
(Deficit)/surplus	(3,120)	14,287
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income	<u>(3,120)</u>	<u>14,287</u>
At the end of the reporting period	<u>4,087,158</u>	<u>4,090,278</u>

STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 HK\$	2021 HK\$
Cash flows from operating activities			
(Deficit)/surplus and operating cash flows before working capital changes		(3,120)	14,287
(Increase)/decrease in other receivables		(5,823)	6,713
Increase in time deposits with original maturities over three months		<u>(9,505)</u>	<u>(34,150)</u>
Net cash used in operating activities and net decrease in cash and cash equivalents		(18,448)	(13,150)
Cash and cash equivalents at the beginning of the reporting period		<u>204,077</u>	<u>217,227</u>
Cash and cash equivalents at the end of the reporting period	5	<u>185,629</u>	<u>204,077</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. PRINCIPAL ACTIVITIES AND REGISTERED OFFICE

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.

Adoption of new/revised HKFRSs

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 financial statements. New/revised HKFRSs that were issued and adopted by the Trust Fund during the current year and after 30 June 2022 are disclosed in note 2(b).

Critical accounting estimates and assumptions

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

Impairment of financial assets

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

(b) New/revised HKFRSs that were issued during the current year and after 30 June 2022

All new/revised HKFRSs issued by the Institute on or before 30 June 2021 had been early adopted by the Trust Fund in prior years. The new/revised HKFRSs issued during the current year has no impact to the Trust Fund.

The Institute has not issued any new/revised HKFRSs after 30 June 2022 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 loss allowance (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 ("ECL") 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 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 ECLs 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:

	2022 HK\$	2021 HK\$
Other receivables	9,259	3,436
Time deposits with original maturities over three months	3,892,270	3,882,765
Cash and cash equivalents	185,629	204,077
	4,087,158	4,090,278

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

4. OTHER RECEIVABLES

	2022 HK\$	2021 HK\$
Interest receivables	9,259	3,436

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 2022 is assessed to be close to zero.

5. CASH AND CASH EQUIVALENTS

	2022 HK\$	2021 HK\$
Bank balances		
– Savings account	50,861	49,759
– Current account	134,768	154,318
	185,629	204,077

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

6. DONATIONS

	2022 HK\$	2021 HK\$
Donation from other parties	2,001	2,000

7. GRANTS TO MEMBERS

During the current year, grants totalling HK\$18,400 (2021: HK\$12,900) 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 with original maturities over three months 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:

	2022 % p.a.	2021 % p.a.
Time deposits	0.501%	0.525%
Savings accounts	0.001%	0.001%

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

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

	2022 HK\$	2021 HK\$
Time deposits – with original maturities over three months	<u>3,892,270</u>	<u>3,882,765</u>
Impact of interest rate deviation		
Change in interest rate by 0.25% (2021: 0.25%) – Change in surplus/(deficit) and accumulated funds	<u>9,731</u>	<u>9,707</u>

Time deposits with original maturities over three months carry interest at market rates from 0.18% – 0.90% (2021: 0.30% to 2.25%) per annum and with original maturities of six months as at both years ended.

(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's bank balances 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 115 to 120, which comprise the statement of financial position at 30 June 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

BASIS FOR OPINION

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

RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

The Trustees of the Charitable Fund are responsible for the preparation of 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 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 judgement 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
21 September 2022

STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	2022 HK\$	2021 HK\$
Current assets			
Amount due from the Institute	4	50,000	81,500
Cash and cash equivalents	5	682,501	682,385
		<u>732,501</u>	<u>763,885</u>
Net assets			
		<u>732,501</u>	<u>763,885</u>
Accumulated funds			
		<u>732,501</u>	<u>763,885</u>

Approved by the Trustees on 21 September 2022

Fong Wan Huen, Loretta
Trustee

Raymond Cheng
Trustee

Margaret W.S. Chan
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 HK\$	2021 HK\$
Income			
Donations	6	50,001	85,500
Interest income		5	5
		<u>50,006</u>	<u>85,505</u>
Expenses			
Sponsorship		(79,960)	–
Bank charges		(1,430)	(1,530)
		<u>(81,390)</u>	<u>(1,530)</u>
(Deficit)/surplus		(31,384)	83,975
Other comprehensive income		<u>–</u>	<u>–</u>
Total comprehensive (loss)/income		<u>(31,384)</u>	<u>83,975</u>

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2022

	2022 HK\$	2021 HK\$
Accumulated funds		
At the beginning of the reporting period	763,885	679,910
(Deficit)/surplus	(31,384)	83,975
Other comprehensive income	–	–
Total comprehensive (loss)/income	(31,384)	83,975
At the end of the reporting period	732,501	763,885

STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 HK\$	2021 HK\$
	Note	
Cash flows from operating activities		
(Deficit)/surplus and operating cash flows before working capital changes	(31,384)	83,975
Decrease/(increase) in amount due from the Institute	31,500	(31,500)
Net cash generated from operating activities and net increase in cash and cash equivalents	116	52,475
Cash and cash equivalents at the beginning of the reporting period	682,385	629,910
Cash and cash equivalents at the end of the reporting period	5 682,501	682,385

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. PRINCIPAL ACTIVITIES AND REGISTERED OFFICE

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.

Adoption of new/revised HKFRSs

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 financial statements. New/revised HKFRSs that were issued and adopted by the Charitable Fund during the current year and after 30 June 2022 are disclosed in note 2(b).

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with HKFRSs requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Charitable 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 Charitable Fund uses judgement in making these assumptions based on the Charitable Fund's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. Details of impairment assessment are set out in note 8(b).

(b) New/revised HKFRSs that were issued during the current year and after 30 June 2022

All new/revised HKFRSs issued by the Institute on or before 30 June 2021 had been early adopted by the Charitable Fund in prior years. The new/revised HKFRSs issued during the current year has no impact to the Charitable Fund.

The Institute has not issued any new/revised HKFRSs after 30 June 2022 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 loss allowance (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 ("ECL") 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 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 ECLs 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:

	2022 HK\$	2021 HK\$
Amount due from the Institute	50,000	81,500
Cash and cash equivalents	<u>682,501</u>	<u>682,385</u>
	<u>732,501</u>	<u>763,885</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

	2022 HK\$	2021 HK\$
Bank balances		
– Savings accounts	505,274	505,329
– Current accounts	<u>177,227</u>	<u>177,056</u>
	<u>682,501</u>	<u>682,385</u>

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

6. DONATIONS

	2022 HK\$	2021 HK\$
Donation from the Institute	50,000	81,500
Donation from other parties	1	4,000
	50,001	85,500

7. RELATED PARTY TRANSACTIONS

During the current year, the Charitable Fund received a donation of HK\$50,000 (2021: HK\$81,500) from the Institute. At 30 June 2022, the amount due from the Institute is HK\$50,000 (2021: HK\$81,500) 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 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 impact on interest income only as the Charitable Fund did not have any other interest bearing assets or liabilities. 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 bank balances 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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