

ANNUAL
REPORT
2020

LEADING
WITH
TRUST



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

02

MESSAGE FROM
THE PRESIDENT

04

MESSAGE FROM
THE CHIEF
EXECUTIVE AND
REGISTRAR

06

CORPORATE
GOVERNANCE

23

MEMBERSHIP AND
QUALIFICATION

28

STANDARDS,
REGULATIONS AND
PROFESSIONAL
CONDUCT

34

MEMBER
SERVICES,
DEVELOPMENT,
AND EVENTS

39

MAINLAND
DEVELOPMENT

42

THOUGHT
LEADERSHIP AND
PROFESSIONAL
REPRESENTATION

47

COMMUNICATION
AND ENGAGEMENT

51

INSTITUTE
FINANCES AND
OPERATIONS

56

CORPORATE SOCIAL
RESPONSIBILITY AND
SUSTAINABILITY

59

AUDITOR'S REPORT
& FINANCIAL
STATEMENTS

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

CONTENT

FOREWORD

Building trust within the profession and among other stakeholders and society is important for keeping the accounting profession sustainable and relevant. The strategic objectives and initiatives in the Institute's *Strategic Plan 2020-2022*, released this year, will build trust while also handling the challenges the profession faces including digital transformation, the evolving global regulatory landscape, increasing demand for more detailed financial disclosures, and changing demographics and socio-economic trends.

To successfully build trust, everything the Institute and its members do as CPAs has to demonstrate the relevance and value of professional accountants to both stakeholders and wider society.

This annual report includes photo essays of members of some of the Institute's committees and panels, sharing how their efforts in driving the objectives of the Strategic Plan will keep the Hong Kong accounting profession sustainable and prepared for the future. The members discuss topics including how the Institute will deepen its engagement with stakeholders, and how it will provide leadership in the areas of sustainability principles and reporting in Hong Kong.

MESSAGE FROM THE PRESIDENT



DEAR MEMBERS,

Every year throws up unexpected challenges – that's why organizations spend so much time and effort in preparing for a range of scenarios – nonetheless 2020 is unprecedented in modern times. Yet, through two important traits found in CPAs, resilience and adaptability, we have persevered and prepared the Institute and the now over 45,000 accounting professionals who are our members for the future.

RENEWING OUR OPERATIONS

Over the past year, we have invested considerable energy into the Institute's service offering. The recruitment of the Chief Executive and Registrar, who joined at the start of the financial year, has enabled us to push on with the strategic planning for the future, culminating in the release of the *Strategic Plan 2020-2022* in June this year. The plan sets out how the Institute's operations will be renewed and enhanced, and how we will continue building trust in our profession. The next three years will see the Institute adapt in support of the profession's continuing transformation to Accounting Plus, through offering guidance, support and more engagement across different sectors of the profession.

COVID-19 has required us to adapt. We are delivering more services virtually, and our webinars and e-seminars have attracted tens of thousands of enrolments. As well as these webinars, we have published more guidance for our members, to help them understand the accounting implications of the pandemic. Amid these challenges we are still able to roll out new outreach programmes, meeting members working in the public sector including the Audit Commission, Inland Revenue Department and the Treasury.

“Our members expect us to advocate for them. This is what we have been doing this year through discussions with the government and regulators.”

WORKING WITH PARTNERS

One of the major changes to the profession this year in Hong Kong was the Financial Reporting Council (FRC) taking over the regulation of auditors of listed entities. The Institute has long supported the government's efforts to introduce an independent regulatory regime for the audits of listed entities, and to continue our engagement we signed a statement of protocol with the FRC to detail the oversight arrangements.

The Greater Bay Area (GBA) is important for Hong Kong and its accountants. In 2019, the Institute set up the GBA Committee, which I chair, and finalized our GBA strategy aimed at policy advocacy, facilitating information dissemination and organizing outreach and development activities. We also launched an online resource centre on our website containing GBA-related information. As well as organizing a number of delegations to visit various GBA cities, efforts to enhance our relationships with local government and accounting profession bodies and connect our small and medium practices with their counterparts in Guangdong and Macau to explore business opportunities also took place.

FINDING OUR VOICE

Our voice, and our publications, are our way of connecting with members and the general public. Over the year, we have improved our communications approach by expanding our activities on social media, revamping our newsletters and preparing a new customer records management system.

This year, we have produced guidance for the public, to help them through the COVID-19 pandemic by discussing how to deal with financial distress and avoid fraud. We have publicized these guides through engagement with the media and via our own channels, including social media.

Our members expect us to advocate for them. This is what we have been doing this year through discussions with the government and regulators on financial reporting, tax, and auditing matters that have been impacted by the COVID-19 pandemic.

STRENGTHENING OUR GOVERNANCE

Work continues on strengthening and updating our governance structures and processes. In particular, as proposed by the Governance Committee and endorsed by the Task Force for EGM Resolution 2 at its October 2019 meeting, early this year the Council set up an independent working

group to replace the task force. Reporting directly to Council, the role of the group is to explore and help formulate amendments to the Professional Accountants Ordinance (PAO) necessary for the implementation of the election of the President and Vice-Presidents by all members of the Institute. Good progress is being made, and a public consultation on the proposed framework is planned for 2021.

IMPROVING OUR REGULATORY ACTIVITIES

A project to improve our regulatory activities through amendments to the PAO has been ongoing since 2015. Council approval was obtained in previous years for proposed changes in the areas of audit practice requirements and the practice review system. In September 2020, Council endorsed proposed changes to the final major area, the Institute's investigation and disciplinary functions. Public consultation on the proposed amendments to the PAO is planned for 2021.

ENHANCING OUR DISCLOSURES

The Best Corporate Governance Awards have been celebrating its 20th anniversary this year. Since the awards began, the corporate governance landscape has changed massively in Hong Kong. This is good for our city's status as a leading financial hub, enhancing trust in our listed companies and public sector organizations. I am pleased to say that the Institute is also improving its disclosures, and this year you'll see a longer chapter on our governance, and more disclosures about how the Institute operates. This is the start of a process of improvement, and further changes will be introduced in future annual reports.

Although it is not the year we expected when I was elected President last December, I have applied my own resilience and adaptability to the situation and have been the Institute's first "virtual president". Truly, being president of our Institute has been a pinnacle of my career.

I want to end by thanking all Council members, committee members and the management of the Institute for their support. Particular thanks go to my two Vice-Presidents, Nelson Lam and Loretta Fong, and the Chief Executive, Margaret Chan. Together we have demonstrated the resilience needed to respond to the challenges and adapted our work to prepare our members for a better future.

Johnson Kong
President

MESSAGE FROM THE CHIEF EXECUTIVE AND REGISTRAR



DEAR MEMBERS,

When I joined the Institute in July 2019, I saw an organization that was operating well and with the intentions of members at its heart, but those members were not necessarily hearing what it was doing for them. This message was reinforced through the feedback we received at the Members' Forums held in September, and other discussions I had with members over the year.

From these conversations it was clear therefore that the bonds of trust between the Institute, its members and other stakeholders were wearying. This is why the concept of building trust is at the heart of our strategic plan for the next three years that we released in June 2020.

A PLAN FOR US

The business environment, technology, accounting standards and the regulatory landscape are changing the accounting profession. In order for our members to stay relevant they must change too. The plan recognizes the challenges facing the profession, and provides a set of strategic objectives and initiatives based on the Institute's role as a statutory organization to meet these challenges over the coming years.

The plan also includes changes to our constitution, governance and organization structure to ensure that we remain a top-tier professional body and enable us to support Hong Kong's accounting community.

“Although we are facing challenges now, I believe that through our strategic plan, the dedicated efforts of our Council and committee members, and the support of the Institute’s management and staff, we can overcome any obstacles.”

A CHALLENGING YEAR

The past year has been challenging for Hong Kong and the world. COVID-19 is the latest – and most serious – challenge to face our city after social unrest in 2019, and one that has required us to significantly change our operations and activities. As one of the first locations to receive cases outside of the epicentre, Hong Kong has spent 2020 responding to the challenges the pandemic has brought. To support our members and students we have been delivering more virtual continuing professional development courses, producing guidance for accountants and auditors, and liaising with regulators and government departments on matters affecting the profession to advocate flexibility in reporting deadlines. We were also among the first bodies in Hong Kong to create a dedicated webpage containing links to government relief schemes, and advice and guidance from professional bodies and others.

AN UPGRADE TO OUR QUALIFICATION

One of the hardest actions for us to take was the cancellation of the June 2020 examination session. Though this was disappointing to many, the health and wellbeing of all our students, members, and management staff throughout the pandemic is our top priority. Although this has delayed students’ entry to the profession, this will just be a temporary delay in their careers.

The cancellation also delayed the roll out of the new Qualification Programme (QP), with the first sitting of the new QP’s Associate Level now in December 2020. The new QP will train graduates with the skills they need for business success – whatever role they may choose to take. To raise awareness of the new QP we have been promoting the programme in the media and through social media.

A LOOK AT OUR FINANCES

Regarding the financial performance of the Institute in 2019/20, the Institute recorded a deficit of HK\$93 million, up from HK\$60 million in 2019, primarily driven by COVID-19

and the membership fee waiver. The cancellation of the examination session saw HK\$33 million in foregone income. The Council approved membership fee waivers for 2019 and 2020, in this financial year, the impact was a HK\$67 million reduction in revenue.

The Institute’s net assets fell to HK\$262 million, due to the fall in total cash (including time deposits) held. The year-end total cash balance could support the operating cash flow for approximately six months.

Recognizing that the difficulties faced by our members under the pandemic, the Council after careful consideration granted some one-off concessions for 2021. While the Institute pursues a policy of prudent financial management, we are facing a structural deficit, in part the result of the full fee waivers, and various fee rebates since 2016.

To reduce the deficit, the management has been trying their best to curb costs by containing expenses and adopting a salary freeze. However, a fee adjustment in membership year 2022 may be inevitable in order for the Institute to maintain its functions and activities. This would be the first increase in the membership fee since 2013.

A BRIGHTER FUTURE

Although we are facing challenges now, I believe that through our strategic plan, the dedicated efforts of our Council and committee members, and the support of the Institute’s management and staff, we can overcome any obstacles. I look forward to working closely with our fellow members to implement the strategic objectives in the strategic plan over the next three years, and build up that trust in our profession.

By working together we will build solid foundations for the success of our profession.

Margaret W.S. Chan
Chief Executive and Registrar

CORPORATE GOVERNANCE



From left:
Edith Shih, Chairman,
Governance Committee,
and **Nancy Tse**, Deputy
Chairman, Governance
Committee

How will the Institute ensure its governance structure is effective in discharging its roles and meeting the expectations of different stakeholders?

“By reviewing and upgrading its governance structure, policies, protocols and rules, the Institute can ensure best practices and deliver performance aligned with stakeholders’ expectations.” – *Edith Shih*

“The Council and leadership team are keen to enhance the ways to connect with diverse stakeholders through different communication channels. This helps to shape the future direction and re-confirm the purpose and outcomes they are trying to achieve.” – *Nancy Tse*

As a statutory organization acting in the public interest, the Institute is committed to demonstrating good corporate governance as well as preserving the confidence of our members, their clients, and the general public.

This year, at the recommendation of the Governance Committee, this annual report includes more information about our corporate governance structures and systems to provide greater transparency on our operations.

The Institute's corporate governance framework and practices are governed by the Professional Accountants Ordinance and By-Laws.

THE COUNCIL

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

Through a balance of members from within and outside the profession, the Council benefits from a wide scope of views when debating and addressing issues.

COMPOSITION

The composition of the Council is governed by the

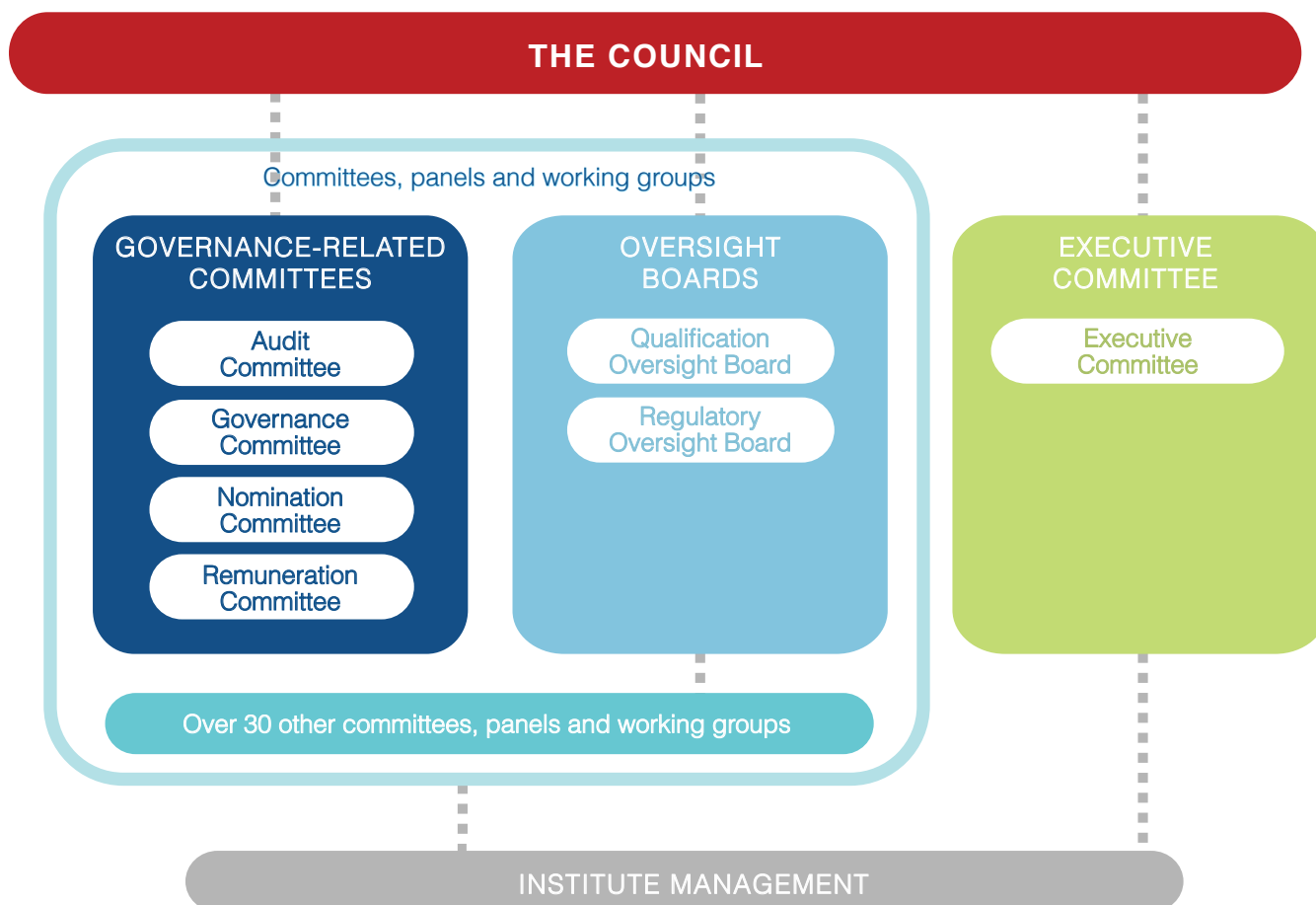
Professional Accountants Ordinance. The Council consists of 21 members, and the Council may co-opt an additional two members at the start of its term. All members are non-executive and non-compensated.

This year, the Council consists of 22 members. Fourteen individuals are CPAs directly elected by the membership and the immediate past president who completed his elected term also remains on the Council for an additional year to provide continuity. There are also six government-appointed lay members to provide independent views, including two ex-officio government members and four lay members of high standing in society. Finally, this year there is one co-opted member.

TERM OF OFFICE

The term of office of Council members is governed by the Professional Accountants Ordinance. Elected Council

GOVERNANCE STRUCTURE



members serve for two-year terms beginning after the annual general meeting (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.

COUNCIL MEMBERS



The Council (As of 30 June 2020)

Elected members

1. Johnson Kong
(President)
2. Lam Chi Yuen, Nelson, JP
(Vice-President)
3. Fong Wan Huen, Loretta
(Vice-President)
4. Alan Au
5. Au Chun Hing, Edward
6. Raymond Cheng
7. Jennifer H.Y. Cheung
8. Cheung Wai Lun, William
9. Choy Kai Sing
10. Ernest Fung
11. Rosalind Suk Yee Lee

12. Louis Leung
13. Roy Leung
14. Li Kin Hang

Immediate Past President

15. Law Fu Yuen, Patrick

Government-appointed lay members

16. Au King Lun, MH, PhD
17. Susie Ho Shuk Yee, GBS, JP
18. Theresa Ng Choi Yuk, JP
19. Wong Kam Pui, Wilfred, BBS, JP

Co-opted member

20. Zeng Tao, Tony

Ex-officio members

21. Ada Chung, JP*
(Representative of the Financial Secretary, Government of the HKSAR)
22. Charlix Wong, JP
(Director of Accounting Services, Government of the HKSAR)

Chief Executive & Registrar

23. Margaret W.S. Chan (Secretary)

* Ada Chung ceased to be a member of the Council from 3 September 2020. Her replacement is Kitty Tsui who became a member of the Council on 4 September 2020.

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

JOHNSON KONG (PRESIDENT), FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2015 Vice-President (2018-19)
Committee membership	Ex-officio member, Executive Committee (since 2018) Chairman, Greater Bay Area Committee (since 2019) (member since 2019) Chairman, Nomination Committee (since 2020) (member since 2018) Trustee, HKICPA Trust Fund (since 2019)
Position and company	Managing Director, BDO Hong Kong
Other public appointments	Member, Securities and Futures Appeals Tribunal; Member, Small and Medium Practices Advisory Group, International Federation of Accountants; Member, Mainland Business Advisory Committee and Member, Service Promotion Programme Committee, Hong Kong Trade Development Council; Member, Audit Committee, The University of Hong Kong; Member, Advisory Committee on Graduate Employment, The Hong Kong Baptist University; Member, Advisory Committee for the BBA (Hons) in Professional Accountancy, The Hang Seng University of Hong Kong
Skills and experience	Over 35 years of professional accounting experience. He specializes in financial investigation, forensic and litigation support, restructuring, receivership and insolvency related work. He oversees all the non-assurance services of BDO Hong Kong.

LAM CHI YUEN, NELSON, JP (VICE-PRESIDENT), FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

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

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

Council meeting attendance from 1 July 2019 to 30 June 2020: 10/11

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

LAW FU YUEN, PATRICK (IMMEDIATE PAST PRESIDENT), FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2014 President (2019) Vice-President (2017-18)
Committee membership	Member, Governance Committee (2014-18 and since 2020) Trustee, HKICPA Trust Fund (since 2018)
Position and company	Partner, Deputy Assurance Leader, Ernst & Young, Hong Kong and Macau
Other public appointments	Director of Board, Hong Kong Coalition of Professional Services; Member, Competition Commission
Skills and experience	Over 25 years of practical experience in assurance and business advisory services, including assisting clients to seek listings in Hong Kong. His major clients are listed companies located in Hong Kong and Mainland China.

ALAN AU, CPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2019
Committee membership	Member, Governance Committee (since 2019) Member, Professional Conduct Committee (since 2019) Member, Restructuring and Insolvency Faculty Executive Committee (since 2019) 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 CHUN HING, EDWARD, FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2019
Committee membership	Chairman, Corporate Finance Advisory Panel (since 2020) (member since 2014) Member, Audit Committee (since 2019) Member, Registration and Practising Committee (since 2020)
Position and company	Southern Region Managing Partner, Deloitte China
Other public appointments	Member, Audit and Risk Committee of Hong Kong Red Cross; Member, Investment Task Force of Construction Industry Council; Member, Advisory Committee of 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, drives service and practice transformation, fosters talent development, and advances the practice in Southern China.

AU KING LUN, MH, PHD

Council meeting attendance from 1 December 2019 to 30 June 2020: 7/7

Council membership	Council lay member since 1 December 2019
Committee membership	Member, Regulatory Oversight Board (since 2020)
Position and company	Executive Director, Financial Services Development Council
Other public appointments	Medal of Honour; Senior Fellow, Hong Kong Securities and Investment Institute; Adjunct Professor, The University of Hong Kong; Member, Index Advisory Committee, China Securities Index Co., Ltd.; Member, Index Advisory Committee, Shanghai Stock Exchange; Member, Hong Kong Corporate Governance Excellence Awards Judging Panel, The Chamber of Hong Kong Listed Companies
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.

RAYMOND CHENG, FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2011
Committee membership	Chairman, Qualification Oversight Board (since 2020) (member since 2020) Member, Registration and Practising Committee (since 2015) Member, Remuneration Committee (since 2017)
Position and company	Chairman, HLB Hodgson Impey Cheng Limited
Other public appointments	Council member, Hong Kong Examinations and Assessment Authority; Chairman, Finance Committee, Hong Kong Examinations and Assessment Authority; Convenor, Mid-Tier Firm Alliance; Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
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.

JENNIFER H.Y. CHEUNG, FCPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member in 2013-17 and since 2019
Committee membership	Member, Branding and Communication Advisory Panel (since 2017) Chairman, Professional Accountants in Business Committee (since 2018) (member since 2012) Member, Sustainability Committee (since 2020)
Position and company	Executive Director, Institutional Banking Group, DBS Bank Ltd., Hong Kong Branch
Other public appointments	Council and Court member, Lingnan University; Member, General Committee, Federation of Hong Kong Industries; Vice-President, Hong Kong Business Accountants Association
Skills and experience	A senior corporate and investment coverage banker. She has extensive experience in providing solutions in credit and lending, debt and equity capital markets, leveraged and acquisition finance, project and trade finance, treasury and cash management.

CHEUNG WAI LUN, WILLIAM, CPA

Council meeting attendance from 12 December 2019 to 30 June 2020: 6/6

Council membership	Elected Council member since 2020
Committee membership	Member, Branding and Communication Advisory Panel (since 2020) Member, Young Members Committee (since 2020)
Position and company	Finance Manager at a garment manufacturing group
Skills and experience	Previously an auditor of an international accounting firm, he is currently working in a manufacturing company, advising on matters related to financial planning and analysis.

CHOY KAI SING, FCPA (PRACTISING)

Council meeting attendance from 12 December 2019 to 30 June 2020: 6/6

Council membership	Elected Council member since 2020
Committee membership	Member, Financial Reporting Standards Committee (since 2020) Member, Sustainability Committee (since 2020)
Position and company	Director, Asia Metro Limited
Other public appointments	Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
Skills and experience	Over 20 years' experience in auditing, internal audit, investment banking and corporates in Hong Kong and the Mainland China. He was an auditor in KPMG and chief financial officer and company secretary of a Main Board listed company. He is currently in his own professional consultancy practice.

ADA CHUNG, JP, FCPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Ex-officio Council member, Representative of the Financial Secretary, Government of the HKSAR, 27 August 2007 to 3 September 2020
Committee membership	Member, Joint Government/HKICPA Companies Ordinance Review Working Group (2007-08) Member, Professional Qualifications Accountability Board (2009-11) Member, Continuing Professional Development Committee (2008) Member, Standards & Quality Accountability Board (2013-16) Member, Regulatory Oversight Board (since 2017)
Position and company	Registrar of Companies, Companies Registry
Other public appointments	Justice of the Peace; Ex-officio member, Financial Reporting Council (2007-19)
Skills and experience	A barrister-at-law and a certified public accountant. She was appointed as the Registrar of Companies in August 2007. Before her appointment as the Registrar, she was a Deputy Law Officer of the Department of Justice. In September 2020, she became the Privacy Commissioner for Personal Data and ceased to be a member of the Institute's Council.

ERNEST FUNG, CPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2018
Committee membership	Member, Remuneration Committee (since 2018) Member, Securities Regulatory Advisory Panel (since 2019)
Position and company	Financial Controller, a listed financial services group
Other public appointments	Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
Skills and experience	Extensive experience in auditing and accounting. He worked as an auditor in different multinational accounting firms. He is now a financial controller of a listed company which provides financial services.

SUSIE HO SHUK YEE, GBS, JP

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Council lay member since 1 December 2018
Committee membership	Member, Independent Working Group for President and Vice-Presidents Election (since 2020) Member, Nomination Committee (since 2019) Chairman, Regulatory Oversight Board (since 2019) (member since 2019)
Position and company	Retired
Other public appointments	Gold Bauhinia Star; Justice of the Peace
Skills and experience	Prior to her retirement, she worked as an administrative officer in the Hong Kong government for 34 years and served in various government bureaux and departments, including the Commerce and Economic Development Bureau, the Department of Justice, the Financial Services and the Treasury Bureau, and the Judiciary.

ROSALIND SUK YEE LEE, FCPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2018
Committee membership	Member, Governance Committee (since 2018) Member, Professional Conduct Committee (since 2018) Member, Registration and Practising Committee (since 2018)
Position and company	Director, Shimmer Alliance Limited
Other public appointments	Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
Skills and experience	Extensive experience in the food industry, e-commerce, finance, auditing and accounting, in Hong Kong and the United States. She is currently the founder and director of several companies.

LOUIS LEUNG, CPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 10/11

Council membership	Elected Council member since 2018
Committee membership	Member, Branding and Communication Advisory Panel (since 2018) Member, Qualification and Examinations Board (since 2018)
Position and company	Founder, Widi Limited
Other public appointments	Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
Skills and experience	Ample experience in accounting and financial services industry. He has also started several ventures in various industries.

ROY LEUNG, FCPA (PRACTISING)

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2018
Committee membership	Chairman, Professional Conduct Committee (since 2020) (member since 2016) Member, Professional Development Committee (since 2018) Deputy Chairman, Registration and Practising Committee (since 2020) (member since 2018)
Position and company	Partner, KPMG Hong Kong
Other public appointments	Member, Accounting Advisory Board, The Hong Kong University of Science and Technology; Member, Advisory Committee of Department of Accountancy, The City University of Hong Kong
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.

LI KIN HANG, CPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Elected Council member since 2018
Committee membership	Member, Professional Accountants in Business Committee (since 2018) Member, Sports and Recreation Committee (since 2018)
Position and company	Global Head of Finance at a multinational corporation in the travel industry
Other public appointments	Member, HKSAR Election Committee (Accountancy sub-sector) (2016-21)
Skills and experience	Started his career with an international accounting firm, before serving in several multinational corporations and is currently head of finance. He has extensive experience in business partnering and business transformation.

THERESA NG CHOI YUK, JP

Council meeting attendance from 1 July 2019 to 30 June 2020: 11/11

Council membership	Council lay member since 1 December 2018
Committee membership	Member, Audit Committee (since 2019) Member, Branding and Communication Advisory Panel (since 2020) Member, Governance Committee (since 2019)
Position and company	Retired
Other public appointments	Justice of the Peace; Member, Antiquities Advisory Board; 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.

CHARLIX WONG, JP, FCPA

Council meeting attendance from 1 July 2019 to 30 June 2020: 10/11

Council membership	Ex-officio Council member, Director of Accounting Services, Government of the HKSAR, since 3 January 2018
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, Kowloon-Canton Railway Corporation; Chairman, Audit Committee, Kowloon-Canton Railway Corporation
Skills and experience	Before assuming the post of Director of Accounting Services in January 2018, he served in various policy bureaux and departments of the Hong Kong government, including the Social Welfare Department, the Housing Authority and the Treasury.

WONG KAM PUI, WILFRED, BBS, JP

Council meeting attendance from 1 July 2019 to 30 June 2020: 10/11

Council membership	Council lay member since 1 December 2017
Committee membership	Member, Ethics Committee (since 2020) Member, Greater Bay Area Committee (since 2019) Member, Nomination Committee (since 2019) Member, Qualification Oversight Board (since 2018) Member, Remuneration Committee (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; Member, Committee on Self-financing Post-secondary Education; Chairman, Cross-industry Training Advisory Committee for the Human Resource Management Sector; Member, Executive Committee, Hong Kong Housing Society; Member, Hong Kong Council for Accreditation of Academic and Vocational Qualifications; Member, Travel Industry Authority
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 Hong Kong Institute of Human Resource Management.

ZENG TAO, TONY, CPA

Council meeting attendance from 17 January 2020 to 30 June 2020: 4/4

Council membership	Co-opted Council member since 17 January 2020
Committee membership	Member, Greater Bay Area Committee (since 2020)
Position and company	Vice-President, Financial Institution Group, Corporate Finance & Capital Market Services at ICBC International
Skills and experience	Began his career at Deloitte as an auditor after graduation. He later joined the investment banking industry as a coverage banker. He is mainly responsible for corporate finance deals, including initial public offerings, bond issuance, and merger and acquisitions for his institutional clients.

Members who retired during the year

Eric Tong, Past President and elected Council member (2012-19 Council years), Council meeting attendance from 1 July 2019 to 12 December 2019: 4/5

Leung Man Kit, elected Council member (2017-19 Council years), Council meeting attendance from 1 July 2019 to 12 December 2019: 5/5

Vincent Chui Yik Chiu, Council lay member (1 December 2017 to 30 November 2019), Council meeting attendance from 1 July 2019 to 30 November 2019: 3/4

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, Council operations and meeting processes, membership statistics and key projects.

COUNCIL PROCESSES

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

- Meetings are chaired by the President
- Meetings held monthly except for August
- 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.

CONFLICT OF INTEREST AND CONFIDENTIALITY

All Council members follow established rules to avoid conflict of interest, such as exclusion from discussions or decisions where a real or apparent conflict of interest is present. Council members are also not to disclose any information pertaining to their work as a member of the Council.

COUNCIL DISCUSSIONS DURING 2019/20

The Council held 10 ordinary meetings during the financial year and one special meeting after the AGM to elect the President and Vice-Presidents. Attendance records of individual

members can be found on the Institute's website. At the ordinary meetings, the Council discussed matters including:

Strategy and governance

- The Strategic Plan 2020-2022
- Institute's financial budget for 2020/21
- Terms of reference and composition of the Independent Working Group for President and Vice-President Election
- Co-option of Council members
- Nominations to external bodies and appointments to Institute's boards and committees
- Reports from boards and committees
- Proposed By-Law amendments for conduct of the Institute's annual general meetings

Operations

- Quarterly meeting with the accounting profession's Legislative Council representative
- Regulatory matters
- The Digital Strategic Plan
- Risk-based supervision of accounting professionals concerning anti-money laundering and counter-terrorist financing compliance
- Mutual recognition agreements between the Institute and overseas accounting bodies

Human resources

- Appointment and appraisal of the Chief Executive and Registrar
- Salary and bonus review for general staff

COMMITTEES

The Council is supported in its activities by various oversight boards and committees. These ensure that the operations of the Institute's management and other committees are aligned with the strategies and policies set by the Council. The terms of reference of these committees can be found on the Institute's website. 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.

Oversight boards

Qualification Oversight Board

Responsibilities

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

Regulatory Oversight Board

Responsibilities

- Oversees the performance and operations of the Quality Assurance, Compliance and Legal Departments and the Practice Review and Professional Conduct Committees.
- Oversees the performance and outcomes of regulatory activities undertaken by the departments and committees.
- Provides its views and advice to the Council on the Institute's policies, priorities and resource allocations in respect of monitoring and regulation of the professional conduct of its members and member practices and the outcomes of those activities.

Three meetings during financial year

Committee members

Raymond Cheng, FCPA (Chairman) (*member since 2020*); Cheng Kam Fung, CPA (*member since 2020*); Cheung Chor Ping, CPA (*member since 2017*); Charbon Lo, CPA (*member since 2017*); Lung Pui Lan, Stella, FCPA (*member since 2017*); Wong Kam Pui, Wilfred, Council lay member (*member since 2018*); Wong Kim Man, CPA (*member since 2017*); Yip Sai On, David, FCPA (*member since 2015*)

Four meetings during financial year

Committee members

Susie Ho Shuk Yee, Council lay member (Chairman) (*member since 2019*); Au King Lun, Council lay member (*member since 2020*); Chan Kam Wing, Clement, FCPA (*member since 2017*); Chan Mei Bo, Mabel, CPA (*member since 2019*); Ada Chung, FCPA (*member since 2017*); Ho Chiu Ping, Dennis, FCPA (*member since 2017*); Grace Hui, non-CPA (*member since 2020*); Keith Pogson, FCPA (*member since 2017*); Sun Tak Kei, David, FCPA (*member since 2020*); Yih Lai Tak, Dieter, non-CPA (*member since 2018*)

Governance-related committees

Audit Committee

Responsibilities

- Financial reports: Reviews and recommends the draft financial statements for adoption by the Council.
- Internal controls: Independently advise the Institute on its financial and risk management arrangements.
- Internal audit: Oversight of Internal Audit Section that reports functionally to the Audit Committee and administratively to the Chief Executive. Reviews and approves the annual internal audit plan. Consideration of the result of internal audits and management's responses to the findings.
- 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. Holds private sessions with the external auditors at least once a year to discuss issues and reservations arising from the management accounts and financial audits, without the presence of management.

Three meetings during financial year

Committee members

Keith Pogson, FCPA (Chairman) (*member since 2016*); Au Chun Hing, Edward, FCPA (*member since 2019*); Chan Kam Wing, Clement, FCPA (*member since 2019*); Chan Mei Bo, Mabel, CPA (*member since 2019*); Theresa Ng Choi Yuk, Council lay member (*member since 2019*)

Governance-related committees

Responsibilities

- 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.

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.

Five meetings during financial year

Committee members

Edith Shih, non-CPA (Chairman) (*member since 2013*); Tse Sau Ling, Nancy, FCPA (Deputy Chairman) (*member since 2017*); Alan Au, CPA (*member since 2019*); Chan Mei Bo, Mabel, CPA (*member since 2019*); Chan Yee Wah, FCPA (*member since 2020*); Cheung Wing Han, Ivy, FCPA (*member since 2017*); Ho Chiu Ping, Dennis, FCPA (*member since 2016*); Law Fu Yuen, Patrick, FCPA (*member since 2020*); Rosalind Suk Yee Lee, FCPA (*member since 2018*); Lo Chi Chung, William, FCPA (*member since 2017*); Theresa Ng Choi Yuk, Council lay member (*member since 2019*); Eric Tong, FCPA (*member since 2019*); Yung Wen Yee, Wendy, CPA (*member since 2016*)

Nomination Committee

Responsibilities

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

Three meetings during financial year

Committee members

Johnson Kong, FCPA (Chairman) (*member since 2017*); Margaret W.S. Chan, CPA (ex-officio member); Fong Wan Huen, Loretta, CPA (*member since 2019*); Susie Ho Shuk Yee, Council lay member (*member since 2018*); Lam Chi Yuen, Nelson, FCPA (*member since 2018*); 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.

One meeting during financial year

Committee members

Ng Chung Wai, David, FCPA (Chairman) (*member since 2010*); Chan Kam Wing, Clement, FCPA (Deputy Chairman) (*member since 2016*); Raymond Cheng, FCPA (*member since 2017*); Ernest Fung, CPA (*member since 2018*); Liu Kwok Tai, Teddy, CPA (*member since 2020*); Eric Tong, FCPA (*member since 2020*); Wong Kam Pui, Wilfred, Council lay member (*member since 2018*)

Executive Committee

Executive Committee

Responsibilities

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

Eleven meetings during financial year
(monthly before Council meetings)

Committee members

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

OTHER COMMITTEES, PANELS AND WORKING GROUPS

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

Committees, panels and working groups

Committees, panels and working groups	Chairmen and convenors
Disciplinary Panels	Shum Sze Man, Erik Ignatius
Investigation Panels	Fong Sui Yi, Andrea
Practice Review Committee	Paul Donald Hebditch
Qualification and Examinations Board	Woo King Wa, Shirley
Registration and Practising Committee	Ronald Tham
Auditing and Assurance Standards Committee	Lau Kwok Yin, Paul
Ethics Committee	Ho Wing Suen, Piera
Financial Reporting Standards Committee	Lee Chun Ho, Ernest
Greater Bay Area Committee	Johnson Kong
HKIAAT Board	Ng Kam Wah, Webster
Professional Accountants in Business Committee	Jennifer H.Y. Cheung
Professional Conduct Committee	Roy Leung
Professional Development Committee	Fong Wan Huen, Loretta
Restructuring and Insolvency Faculty Executive Committee	Kan Lap Kee, Terry
Small and Medium Practices Committee	Lam Chi Yuen, Nelson
Sports and Recreation Committee	Yeung Chi Wai, Edwin
Sustainability Committee	Wong Kim Man
Taxation Faculty Executive Committee	Chan Kam Wing, William
Young Members Committee	Yeung Long Yan
Banking Regulatory Advisory Panel	Tso Pui Sze, Teresa
Branding and Communication Advisory Panel	Lam Chi Yuen, Nelson
Corporate Finance Advisory Panel	Au Chun Hing, Edward
Insurance Regulatory Advisory Panel	Francesco Nagari
Investment Funds Regulatory Advisory Panel	Christine Lin
Professional Standards Monitoring Expert Panel	-
Securities Regulatory Advisory Panel	Tso Miu Yue, Agnes
Independent Working Group for President and Vice-Presidents Election	Sun Tak Kei, David

MANAGEMENT OF THE INSTITUTE

Role of the President and Chief Executive and Registrar

The President and Chief Executive and Registrar undertake different roles for the Institute. The President is elected by Council members after the AGM for a one-year term and acts as Chairman of the Council and the public face of the organization for media purposes. The Chief Executive and Registrar is appointed by the Council, serves as its secretary, and is responsible for the Institute's operations and staff, while also serving a regulatory function as the registrar of CPAs in Hong Kong.

Institute's management

The Chief Executive together with a management team of two executive directors, a general counsel and nine department directors, lead a group of over 200 staff. More information about the management of the Institute can be found in Chapter 8 Institute finances and operations.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

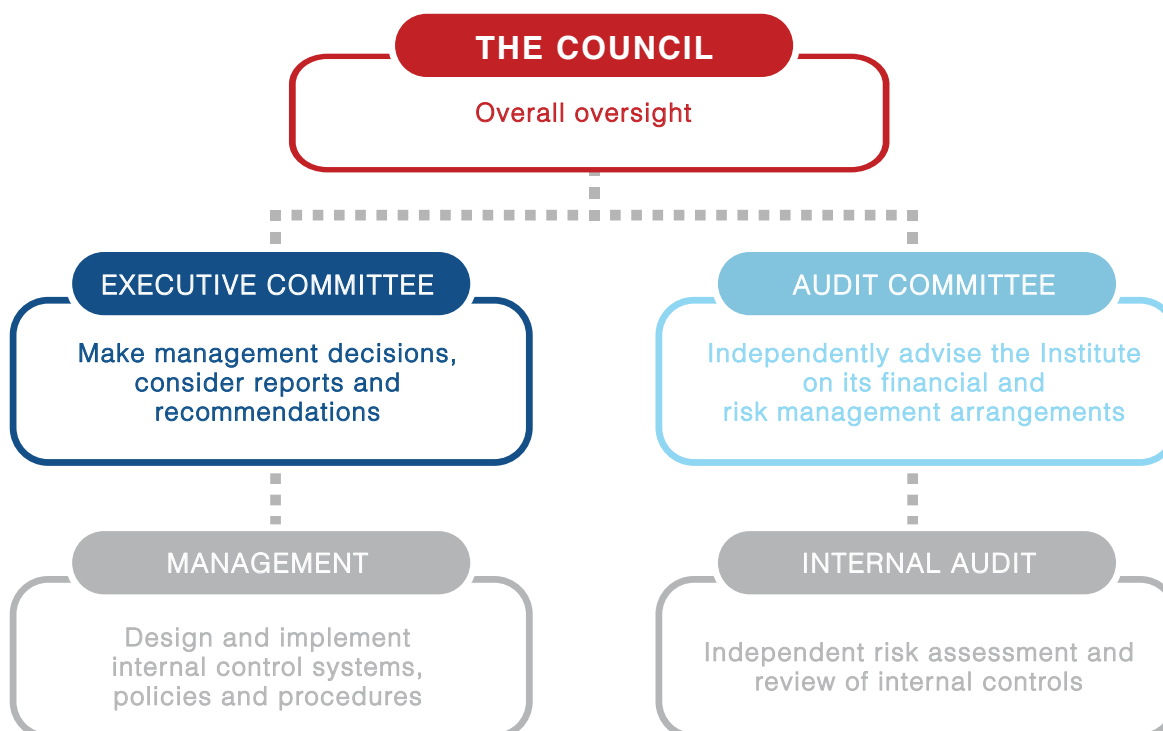
An important aspect of governance and management best practices is to strengthen internal controls and to ensure that

organizational risks are identified, assessed and managed in a timely manner. The Institute's risk management structure is as shown in the diagram below.

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.

During the financial year, policies and procedures of data privacy, purchase requisition, business travel, etc. were reviewed and/or updated, as required. Briefing sessions and training were provided to staff members on the updated policies and procedures accordingly. In addition, the Institute has taken various measures to strengthen the security controls over its application systems and members' data. For example, the Institute has strengthened its infrastructure by upgrading the firewalls at the Wu Chung

RISK MANAGEMENT STRUCTURE



House office last year, and conducted routine access control reviews to prevent unauthorized access to the Institute's network and systems. Furthermore, the Institute has conducted regular disaster recovery and system penetration testing to ensure its core systems and applications are secured and available for the Institute to maintain business operations during crisis situations.

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 adopted a Whistleblowing Policy, which provides an independent reporting channel for employees and other parties to raise concerns (in confidence) about possible improprieties.

MEMBERSHIP AND QUALIFICATION



From left:
Paul She, Deputy
Chairman, Qualification
and Examinations Board,
Raymond Cheng,
Chairman, Qualification
Oversight Board and
Council member, and
Shirley Woo, Chairman,
Qualification and
Examinations Board

How will the new QP help prospective CPAs respond to their employers' and clients' needs?

“The new QP trains our students in a real-life context to equip them with the skills to convert knowledge into professional services and solutions.” – *Paul She*

“One of the key elements is ethics. As CPAs, a strong ethical foundation is crucial. This provides more assurance to employers and clients, who seek integrity and knowledge beyond technical skills.” – *Raymond Cheng*

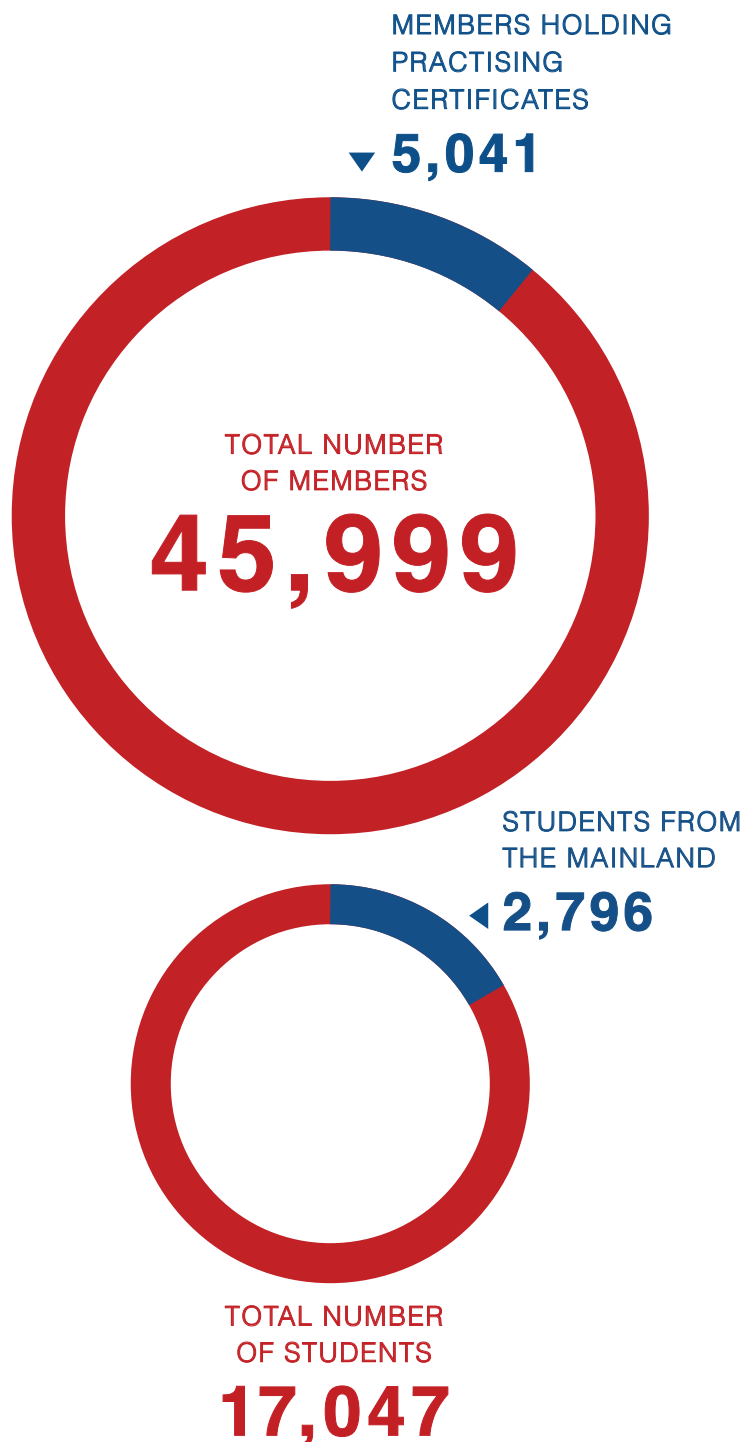
“Through offering alternative pathways and greater flexibility for students with different educational backgrounds to become CPAs, the new QP can meet the market demand from employers and clients.” – *Shirley Woo*

The continuing growth of the Institute’s membership illustrates the key role that the Qualification Programme (QP) has played in maintaining the attractiveness of the accounting profession over the past 21 years.

As of 30 June 2020, membership stood at 45,999, up from 44,269 last year, including 5,899 fellow members. There were 5,041 practising members at that date, up from 4,938 last year. The number of member practices

THE INSTITUTE IN NUMBERS

(As of June 2020)



has also grown to 1,907 from 1,891 in 2019, including 635 corporate practices.

PUBLIC INTEREST ENTITY AUDITORS

On 1 October 2019, a new registration and regulatory regime for public interest entity (PIE) auditors took effect under the Financial Reporting Council Ordinance. A practising certificate holder practising in their own name or a firm or corporate practice registered with the Institute may apply for registration as a PIE auditor. As of 30 June 2020, there are 63 registered PIE auditors and 36 recognized PIE auditors, who are overseas PIE auditors recognized by the Financial Reporting Council.

QP STUDENTS

As of 30 June 2020, there were a total of 17,047 students at the Institute. Of the QP students, 2,796 are from the Mainland, of which 599 members are of the Chinese Institute of CPAs and 2,197 Mainland degree holders. In terms of demographics, women account for 58 percent, or 9,931 of the overall studentship, and men account for 42 percent, or 7,116. This year, the number of QP module and final examination enrolments was over 13,000.

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

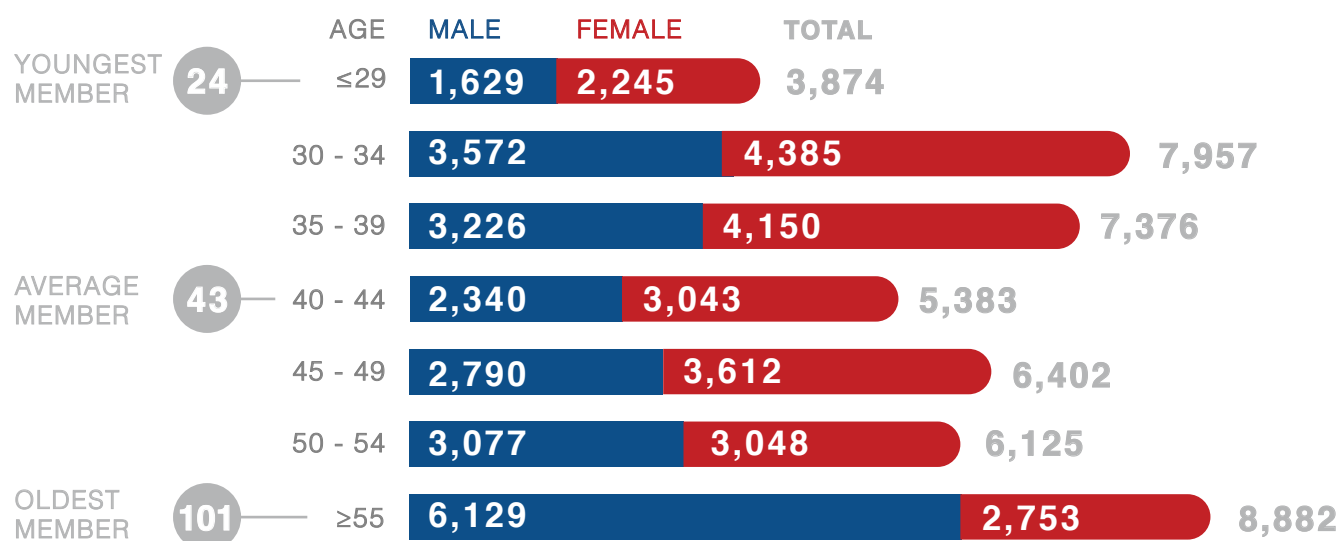
The COVID-19 pandemic caused the cancellation of the June 2020 examination session, and delayed the roll out of the new QP. In the December 2019 session, 574 students graduated, bringing the cumulative number of graduates to 22,710, since the launch of the QP in 1999. The number of accredited programmes offered by local, Mainland and overseas tertiary institutions increased by 10 to 117.

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.

MEMBERSHIP AGE AND GENDER DISTRIBUTION

(As of June 2020)



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

In the December 2019 examination session, 232 members participated as workshop facilitators and 121 members contributed as examination markers. To enable the facilitators and markers to carry out their responsibilities, the Institute arranges regular refresher courses and provides training updates to them. During the financial year, the Institute held eight sessions for workshop facilitators and 10 sessions for examination markers.

The practical experience component of the QP is an important aspect that ensures students have the real world experience needed to be effective CPAs. As of 30 June 2020, 1,461 employers and 1,617 supervisors have registered as Authorized Employers (AEs) or Authorized Supervisors (ASs) with the Institute to train prospective CPAs.

To maintain the high quality of the AE and AS system, the

Institute operates the AE/AS Enhancement Programme to provide direct support to AEs and ASs. This year, the Institute visited 26 AEs and ASs, taking the total to 427 since the launch of the programme in 2008.

REFORM OF THE CPA QUALIFYING PROCESS

The Institute is implementing the new QP to nurture future-ready accountants. It will enhance students' agility, portability and employability in order to keep their skills relevant and meet evolving market needs.

The new QP consists of three progressive levels. The Associate Level builds solid foundations in the technical knowledge accountants need. The Professional Level deepens their technical capabilities and teaches them to apply enabling competencies in the workplace. The Capstone Level integrates the knowledge, skills and experiences students have learned through the programme and from their work experience to resolve business problems and become top-notch business advisors in the market. Due to the cancellation of the June 2020 examination session, the roll out of the

new QP has been delayed. The first examination session for the Associate Level modules will now take place in December 2020. The Professional Level modules and the Capstone will be held in June 2021 and December 2021 respectively.

In preparation of the new QP, a bespoke Student Information System was introduced for online registration and the new study packs for the Associate Modules were published in September 2019.

The Institute has organized a series of training sessions under the New QP Workshop Facilitators Training Programme since August 2019 with more than 140 workshop facilitators participating. The training programme aims at getting more than 300 workshop facilitators ready to facilitate the new QP workshops for its first session in June 2021 and thereafter.

The revised practical experience framework is scheduled to be launched in 2021/2022 with objectives on enhancing the flexibility of the practical experience requirements, strengthening the quality assurance of the AE and AS system, and promoting communication through an online system.

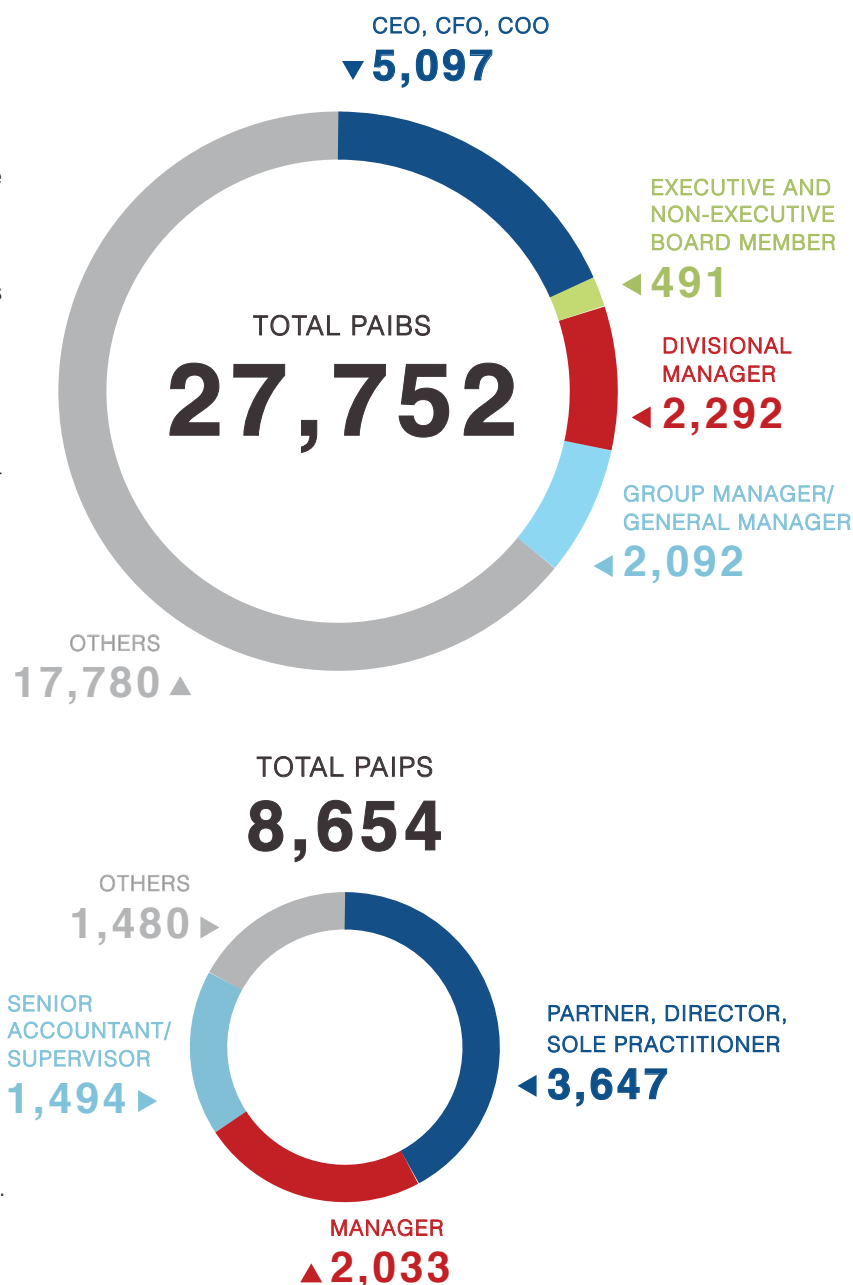
To ensure a smooth transition to the revised framework, the Institute is conducting review exercises of existing AEs and ASs to ascertain their compliance with the revised requirements and to ensure up-to-date records are transferred to the online system.

In order to provide a modernized learning experience and conduct the future examinations in a more flexible manner, the Institute intends to develop an enhancement plan for the QP with digital developments.

MUTUAL RECOGNITION AGREEMENTS

The Institute has a number of reciprocal or mutual recognition agreements (MRA) with other accounting bodies from around the world. QP-qualified Institute members are

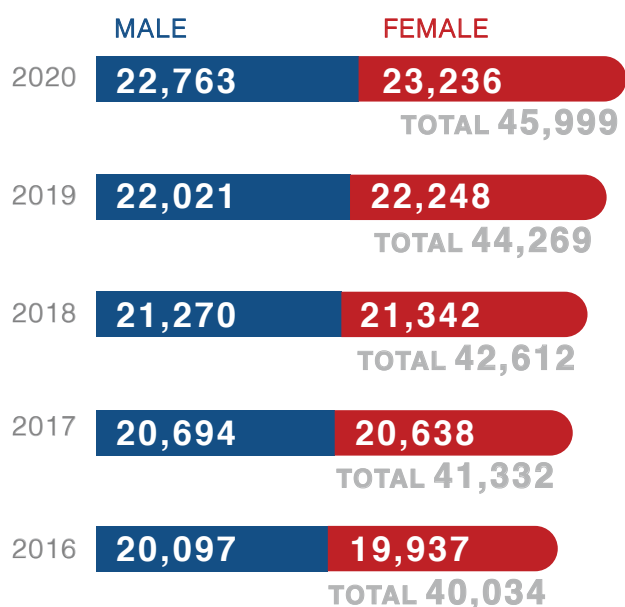
MEMBERS TAKING UP LEADERSHIP POSITIONS



Source: Among respondents to member census as of June 2020, 27,752 reported being professional accountants in business (PAIBs) and 8,654 reported being professional accountants in practice (PAIPs)

MEMBERSHIP

(As of 30 June each year)



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. During the year, the MRA with the Association of Chartered Certified Accountants and CPA Australia were renewed for five years, while the MRA with the United States was renewed up to 31 December 2022.

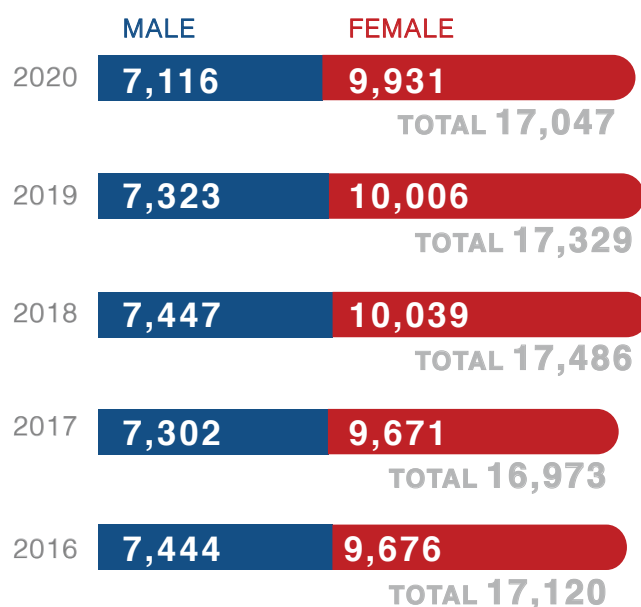
ACCOUNTING TECHNICIANS

The Hong Kong Institute of Accredited Accounting Technicians (HKIAAT), a subsidiary of the Institute, was established for the advancement of Accredited Accounting Technicians (AATs).

With the launch of the new QP, the AAT examinations and Professional Bridging Examinations will no longer be

STUDENTSHIP

(As of 30 June each year)



offered, as AAT students and graduates will have a direct pathway to the new QP en route to attaining the CPA qualification. The HKIAAT ceased to hold the AAT examinations after December 2018 and the last offering of Professional Bridging Examination was held in December 2019.

PROMOTING THE PROFESSION TO FUTURE ACCOUNTANTS PLUS

Accounting is transforming, and the profession is increasingly about delivering more than just accounting services. This is what the concept of Accounting Plus means for accountants. It is vital for the long-term success of the profession in this age of Accounting Plus for the Institute to attract the best talent to be Accountants Plus. To assist with this goal, the Institute has a number of promotional events and projects aimed at secondary school and university students. Further details about these programmes can be found in Chapter 7 Communication and engagement.

STANDARDS, REGULATIONS AND PROFESSIONAL CONDUCT



*From left:
Paul Lau, Chairman,
Auditing and Assurance
Standards Committee, and
Ernest Lee, Chairman,
Financial Reporting
Standards Committee*

How will the Institute continue to bring Hong Kong aspects into international standard setting?

“We will continue to engage with a wide range of voices in the local community, from large firms to small and medium practices to enterprises, to consider issues from different perspectives. We also escalate their views and concerns to a global level through various channels.” – *Paul Lau*

“The key is to understand the common and significant financial reporting issues in Hong Kong, to actively participate in international debates on standard-setting matters, and to respond to consultative documents and propose workable solutions.” – *Ernest Lee*

The Institute plays a crucial role in safeguarding the high quality of financial reporting by companies based or listed in Hong Kong. This serves the public interest and also helps to maintain the city’s leading position as an international business and financial centre. As the body responsible for setting financial reporting, auditing and ethics standards in Hong Kong, the Institute is committed to full convergence with international standards. Not only does the Institute shape international standards to work for Hong Kong, from the development stage to successful

implementation, its activities in quality assurance and compliance ensure that accountants follow these standards.

DEVELOPING EFFECTIVE STANDARDS THROUGH COMPREHENSIVE RESEARCH

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

The Institute carries out research studies to inform its major projects. Our joint research project with the Accounting Standards Board of Japan to assess global financial trends in goodwill and to investigate better ways to account for it continued throughout the year, culminating in the publication of a joint Research Paper in March 2020 to coincide with the issuance of the IASB's Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment*. The Institute also carried out significant research studies on crypto-assets related activities and accounting issues, reporting of non-Hong Kong Financial Reporting Standards measures and income statement presentation, and published its study on reporting of common control combination.

We also continued in our leading role in the activities of the Asian-Oceanian Standard-Setters Group (AOSSG) and made several presentations at these meetings on standard setting and implementation projects of significance to Hong Kong stakeholders. In addition, we participated in various other standard-setters meetings, including presenting our goodwill research to the meeting of the International Forum of Accounting Standard Setters in October 2019 and IASB and other standard setters at the virtual IASB's Accounting Standards Advisory Forum in April 2020.

In July 2019, the Institute hosted an IFRS 17 Global Developments Discussion Forum, inviting representatives from the IASB and standard setters in Canada and Europe to discuss international developments and implementation of the new insurance standard (IFRS/HKFRS 17 *Insurance*

Contracts). As well as the forum, it hosted several industry roundtables and investor sessions for stakeholders to voice their views on proposed amendments to the standard and implementation concerns.

The Institute supported and advised Alden Leung, who was our member on the IESBA Board from January 2018 to 31 December 2019. The Institute also participated in the virtual national standard setters meetings organized by IAASB and IESBA in May 2020 and exchanged views on topics such as ethics for tax planning, definition of listed entity and public interest entity, the effects of COVID-19 on audit and the proposed effective date of the quality management standards.

Locally, the Institute finished its comprehensive review of its home-grown *Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard*. Feedback from outreach with small- and medium-sized entities and practitioners (SMEs and SMPs), and users of SME financial reports, indicated that this standard is working well for entities with simple businesses or transactions and so the Institute only made minor improvements, consistent with providing a stable platform for these entities.

In addition, between November 2019 and January 2020, the Institute conducted an ethics survey to understand the ethical issues faced by professional accountants in Hong Kong. The survey results indicated that the respondents agreed that ethics is very important in the profession.

Given the increasing demand to provide assurance on environmental, social and governance (ESG) information by investors and stakeholders in Hong Kong, the Institute looked at how to help professionals in this area effectively meet this need. It has initiated a local project to develop guidance for practitioners undertaking assurance engagements where ESG reports are prepared in accordance with the *Environmental, Social and Governance Reporting Guide* issued by the Hong Kong Exchanges and Clearing.

EDUCATING STAKEHOLDERS

The Institute plays a vital role in bridging in-person dialogue between its stakeholders and the international accounting standard-setting boards, ensuring their views are effectively expressed. We worked with these boards and brought together Hong Kong investors, senior

executives and accountants of financial and corporate entities of all sizes, auditors, technical advisors and regulators, by way of roundtables, to discuss topical concerns and auditing or reporting challenges.

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

Apart from setting standards, the Institute continues to promote business valuation quality in Hong Kong given the prevalence of "fair values" in financial reporting. Along with other targeted key stakeholders, we have been actively participating in a local working group to develop a framework for the valuation profession to help elevate standards and professionalism in valuations for Hong Kong. This working group is in collaboration with, and facilitated by, the International Valuation Standards Council. In 2019, a public consultation was held on a proposed framework and work is currently ongoing to finalize the consultation conclusions. The group shared the Institute's experience on this initiative at the annual AOSSG meeting to encourage other jurisdictions in the region to consider similar initiatives.

As well as these research projects and responses to accounting standards, the Institute engages with governments, regulators, and other professional bodies on other topics relevant to the profession. More details about these engagements can be found in Chapter 6 Thought leadership and professional representation.

SUPPORTING THE APPLICATION AND IMPLEMENTATION OF STANDARDS

The Institute is committed to an open communication with members and other stakeholders. Our technical resources webpage is regularly updated to ensure members can have convenient access to all technical information in one place, and this year we also updated our technical enquiry policy to make it more user-friendly to improve communication with our stakeholders. Additionally, we made sure that challenges in implementing standards are addressed through expert group discussions, training and Q&A publications, and that standards are communicated to members and the public in

an informative and timely manner through public forums and articles published in our official monthly magazine, *A Plus*. We also communicate regularly with members through our LinkedIn page and technical newsletters. Recently a key focus has been producing timely educational guidance and alerts on COVID-19 accounting and audit issues to support our members through the pandemic.

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

ENHANCING HONG KONG'S ANTI-MONEY LAUNDERING REGIME

Hong Kong's anti-money laundering and counter-terrorist financing (AML/CTF) regime under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance was expanded to include designated non-financial businesses and professions (DNFBPs), including accountants, in 2018. The Institute is the designated regulatory body for the accounting profession.

The international anti-money laundering body, the Financial Action Task Force (FATF), published its *Mutual Evaluation Report of Hong Kong* in September 2019. Overall, the report was positive. It confirmed that Hong Kong has a strong legal foundation and effective AML/CTF system and commended Hong Kong's efforts in this regard. The report assessed Hong Kong's AML/CTF regime as being compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of FATF evaluations. Some gaps, however, were identified particularly in relation to the regulation and risk-based supervision of DNFBPs, due to the short time the legislation has been effective.

Meanwhile, the Institute continued to work with the Financial Services and the Treasury Bureau (FSTB) and Narcotics Division of the Security Bureau to prepare for the coming fifth year follow-up assessment, to be conducted by FATF, on the technical compliance and effectiveness of the AML/CTF framework in Hong Kong, in 2024. We are also working with the government on the update of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report*,

a self-assessment of the money laundering and terrorist financing risks and vulnerabilities, as required by the FATF.

The Institute provides a range of services to assist its members and member practices with their AML/CTF compliance, including:

- Organizing AML/CTF seminars and workshops, with expert speakers from the Narcotics Division, Joint Financial Intelligence Unit (a joint unit of the Hong Kong Police Force and the Customs and Excise Department) and professional firms, to strengthen members' knowledge and awareness of AML/CTF issues and to promote good practices.
- Regularly updating and expanding the AML/CTF webpages of the Institute's website to provide timely updates on United Nations sanctions and lists of terrorists, frequently asked questions for AML monitoring in practice reviews, etc.
- Responding on a timely basis to members' enquiries on AML/CTF issues and providing relevant information to members.
- Working on updating the Institute's *Guidelines on Anti-money Laundering and Counter-terrorist Financing for Professional Accountants*.
- Working with Refinitiv and Dow Jones on their AML/CTF screening and related services, which were offered at a discounted price to members. The Institute is also considering approaches from other providers.
- Exploring potential collaboration with other related organizations, such as Association of Certified Anti-Money Laundering Specialists, which organized a free webinar for members in June 2020.

QUALITY ASSURANCE

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

Due to the COVID-19 pandemic, some scheduled on-site practice review visits did not take place. To prevent major disruption to the process, site visits were replaced with in-house reviews and files were taken from practices for review. During the reporting period, 282 practice review site visits and 110 desktop practice reviews on practices with

audit and assurance clients were carried out by Institute staff, while the Practice Review Committee considered 369 practice review reports. The Institute's goal remains to shorten the practice review cycle for all practices with audit and assurance clients to six years. The Institute is on track to achieve this goal in 2021.

The practice review programme now also includes an AML/CTF compliance monitoring review (ACMR). This year, 33 separate ACMRs on practices without audit and assurance clients were also carried out. The Practice Review Committee considered 35 reports on separate ACMRs during the year.

Where deficiencies were identified, the Practice Review Committee directed firms to implement remedial action, required additional site visits be scheduled, or complaints be filed against the practices. A total of 13 cases were referred for disciplinary action, while two other cases concerning the audits of listed companies were referred to the Financial Reporting Council (FRC) for further investigation.

The Quality Assurance Department (QAD) and Practice Review Committee regularly monitor existing practice review outcomes, and to enhance effectiveness, introduce new elements and procedures to the practice review programme.

Following on from the enactment of the Financial Reporting Council (Amendment) Ordinance, the practice review responsibilities for auditors of public interest entities (PIE) completed after 1 October 2019 have been transferred to the FRC. The Institute continues to liaise with the FRC about the review arrangements and is aware that there may be duplication in the work of both bodies until the system is refined. It is a priority of the Institute and the FRC to minimize the disturbance to practices. The Institute also remains responsible for registering, and setting continuing professional development requirements and standards on professional ethics, auditing and assurance for registered PIE auditors.

Although its role has changed, the Institute will continue to visit all practices, where practice reviews will focus on the regulation of non-listed audits and AML compliance monitoring. In June 2020, the Institute issued an alert (Issue 34) to all members setting out its proposed plan to develop a

more robust risk supervisory plan to cover constituents wider than practices, in order to properly discharge its regulatory duties over accounting professionals under the statutory requirements and to meet FATF expectations.

The second review system is the professional standards monitoring programme, which involves reviewing published financial statements of Hong Kong's listed companies, including those of H-share companies audited by Mainland audit firms. A total of 59 sets of financial statements were reviewed during the reporting period, and 16 letters were sent to auditors with recommended revisions and improvements.

Findings from both programmes were published in the annual Quality Assurance Report and communicated to members and stakeholders via articles and technical education events.

COMPLIANCE

The Institute is committed to upholding the integrity of the profession through effective and efficient complaint handling. To promote proficiency, the Compliance Department also organizes technical forums and contributes content in *A Plus* to alert members of contemporary regulatory issues and to promote good practices.

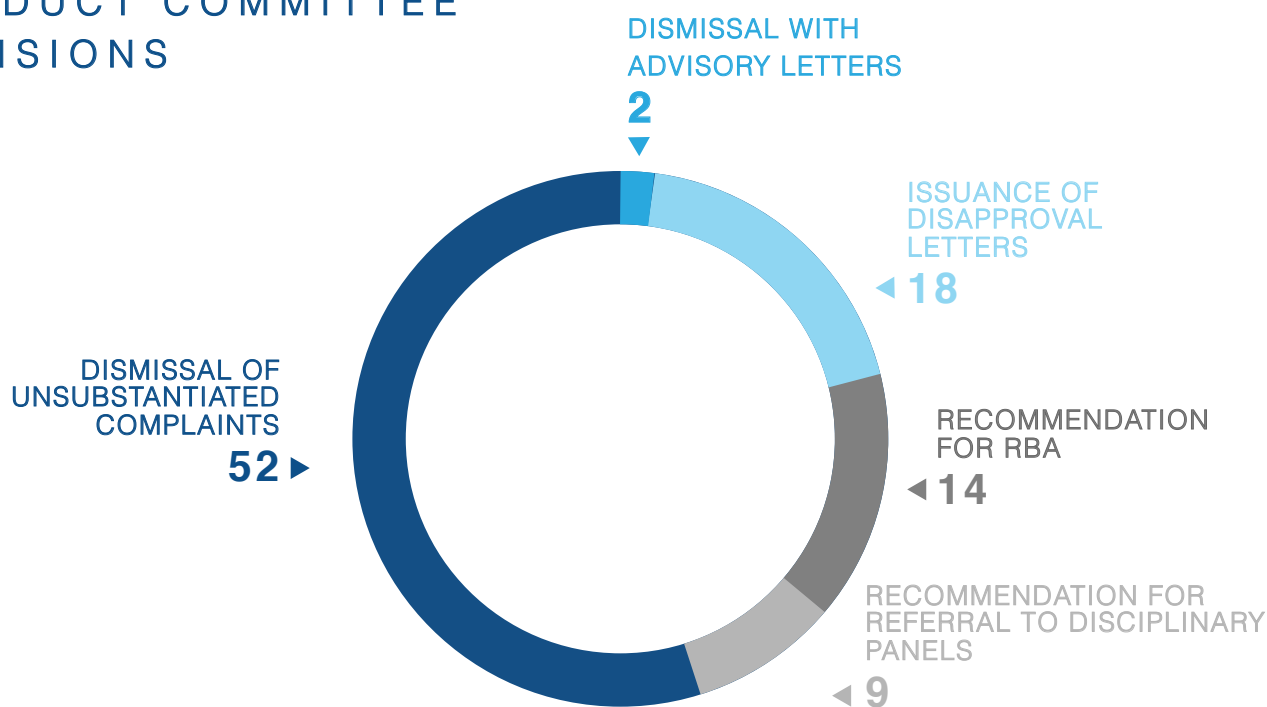
Every complaint received by the Compliance Department is investigated in accordance with an established complaint handling process. Cases are reported to the Professional Conduct Committee (PCC) for further evaluation.

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

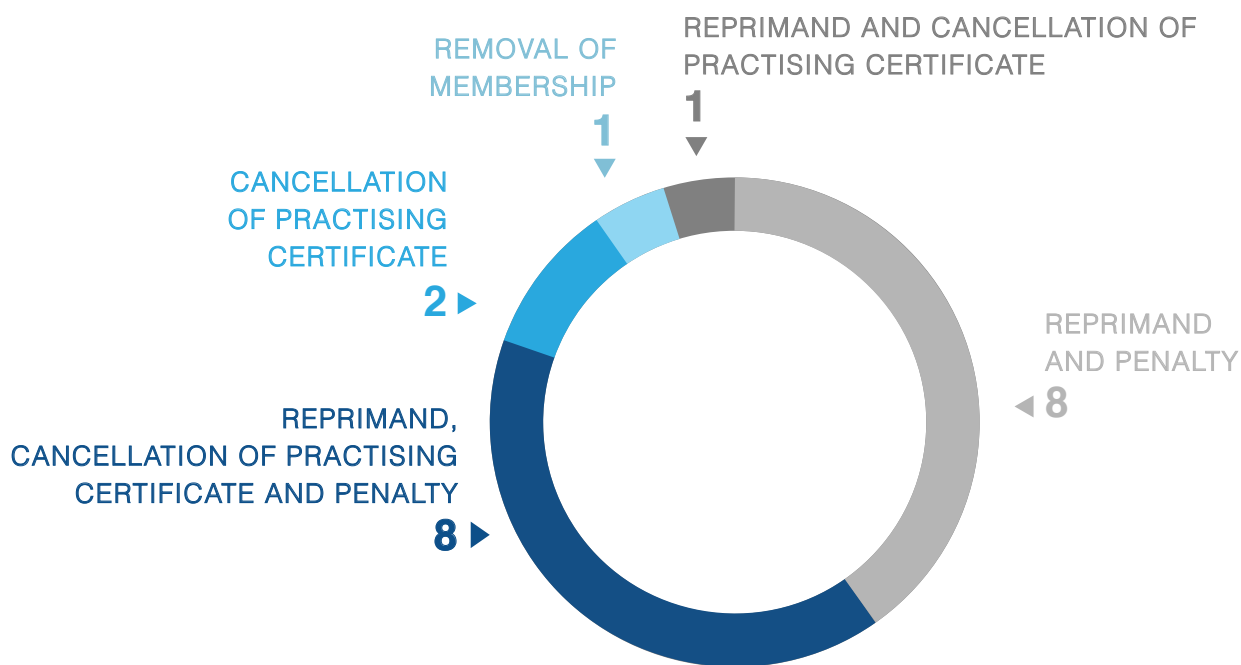
More serious complaints are referred by the PCC to the Council for determination of appropriate actions. For moderately serious complaints that meet a set of pre-determined criteria, the PCC may recommend resolving them by Resolution by Agreement (RBA) in lieu of formal disciplinary proceedings. For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

During the reporting period, 102 new complaints against members were received, bringing the number of cases processed during the year to 143. Of the 95 cases considered by the PCC, the following outcomes were approved:

PROFESSIONAL CONDUCT COMMITTEE DECISIONS



SANCTIONS IMPOSED BY DISCIPLINARY COMMITTEES



During the period, Council considered recommendations from the PCC and approved 16 RBA cases. Twelve RBA cases were accepted by respondents and concluded during this reporting period, including two which were pending acceptance by respondents at the beginning of the period. One case was pending acceptance by the respondent, and five cases were rejected by respondents. As a standard process, rejected cases will be referred to the Disciplinary Panels unless significant new information has been found subsequent to the original decision.

One of the oversight functions of the Regulatory Oversight Board is to ensure that complaint handling and disciplinary processes are dealt with according to the public interest and all strategies and policies determined by Council. In carrying out that function, the board conducted a process review of the compliance operations in the fall of 2019. The results of the review were positive and they were published in the department's 2019 Process Review Report.

To protect the public, the Institute takes action against

companies or individuals who fraudulently held themselves out as firms of CPAs or offered to provide services that only practising CPAs are qualified to provide. Six cases were reported to the police during the period.

ENFORCEMENT

The Enforcement division was established under the Legal Department, with overall responsibility for prosecutions of disciplinary cases referred by the Council for determination by the independent DCs; and to ensure the effectiveness of the disciplinary process while lowering costs.

During the reporting period, the Enforcement division handled 53 cases. Of these, a total of 20 disciplinary orders were issued by DCs, and their outcomes are summarized above. During the period, the Institute handled six appeals lodged by respondents against the DC orders, of which one had been subsequently withdrawn by the respondent.

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

MEMBER SERVICES, DEVELOPMENT, AND EVENTS



From left:
Jennifer Cheung,
Chairman, Professional
Accountants in Business
Committee and Council
member, and
Loretta Fong, Chairman,
Professional Development
Committee and Vice-
President of the Institute

How will the Institute's training and events effectively help members reach the next level in their career?

"The Institute's recently launched *Professional Development Framework for PAIBs* serves as a guide for our members to identify relevant competencies at whichever stage of their career and related courses offered by the Institute. Don't wait any longer!" – *Jennifer Cheung*

"By providing relevant training programmes, both face-to-face and virtual, the Institute can facilitate our members' career growth. We will work to ensure that they remain useful for members specializing in a wide range of fields." – *Loretta Fong*

Despite the challenges facing Hong Kong during the year due to the social unrest in the second half 2019 and the COVID-19 pandemic in 2020, meeting the differing needs of members did not stop being a priority for the Institute. One of the key ways that the Institute supports its members is by providing them with tailored services that support their career growth. This includes offering regular continuing professional development (CPD) events and programmes, which help members to enhance their technical knowledge and professional skills. The Institute also organizes

leisure activities, networking events and visits to help members achieve work-life balance.

CONTINUING PROFESSIONAL DEVELOPMENT

Professional development is vital for accountants to hone skills and learn new ones, enabling them to stay relevant and skilled for all the opportunities they encounter. To help its members, the Institute organizes a wide range of CPD events – including seminars, workshops and conferences.

In the financial year ended 30 June 2020, the Institute organized a total of 193 face-to-face events (including six collaborative events) and over 645 e-learning programmes (including 221 collaborative programmes).

The COVID-19 pandemic affected the Institute's ability to hold face-to-face events and some events were instead run as webinars. A total of 39 webinars were conducted and a majority of them were turned into archived versions accessible by all members with more than 19,240 subscribers.

The Institute received record-high enrolments numbering 111,564 in this financial year, 23 percent higher than 2019 (91,018). This was primarily due to an increase in the numbers enrolling in free virtual programmes, with 16 free webinars and online courses attracting more than 40,000 enrolments.

To assist members in need, the Institute offers free places at selected CPD events. During the year, 662 free places were taken.

Throughout the year, popular topics included corporate finance, workshops for listing on HKEX, and soft skills. The Institute also introduced three new series covering commercial lending, practical banking issues and strategic succession, which attracted more than 900 enrolments. The annual update conferences on accounting, auditing, taxation and China tax attracted an average of over 800 enrolments.

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.

The 2019 cohort of the Financial Controllership Programme was completed in December 2019 with 45 enrolments, comprising 19 full programme enrolments and 26 module enrolments. As of June 2020, there are 90 graduates of the programme. The 2020 cohort will begin in the fourth quarter of 2020.

This year, Insolvency Preparatory II had 43 enrolments. The revamped Professional Diploma in Insolvency 2019/20 ran from November 2019 to July 2020 with 25 module enrolments. The diploma has 393 graduates to date.

The China Tax Course ran from August 2019 to January 2020 had 30 enrolments. As of June 2020, there are 113 graduates of the Professional Diploma in China Tax and 90 graduates of the Professional Diploma in Hong Kong Tax.

The Forensics Interest Group Management Committee began to develop a framework of preparatory courses in forensics as a coordinated basic training programme for members who are joining the forensic field, and for more experienced members switching disciplines or expanding their skill set.

During the year, the Institute partnered with The Institute of Internal Auditors to offer the Certified Internal Auditor Challenge (CIA) Exam for the first time. The exam is a fast track route for Institute members to attain the globally-recognized CIA designation from the worldwide leader of the internal audit profession. The collaboration enabled members to enrich their knowledge in organizational governance, risk management and control which is essential to good corporate governance. A total of 278 candidates enrolled in the examination which took place from October 2019 to January 2020.

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, five rounds of the programme have been organized and the feedback received has been encouraging.

SPECIALIST FACULTIES, COMMITTEES, AND PROFESSIONAL INTEREST GROUPS

Specialisms are a key part of the future of the accounting profession. To assist members in developing specialist skills and knowledge, the Institute has a range of specialist faculties,

committees and interest groups. As well as gauging the needs of members within the sector, these groups are involved in organizing events, responding to requests for comments and other outreach activities in Hong Kong, the Mainland and internationally. More information about these activities can be found in Chapter 6 Thought leadership and professional representation.

Specialist faculties

There are two specialist faculties offering technical training and support, including specialist newsletters. Members of the faculties also support the Institute's specialist training programmes.

The Restructuring and Insolvency Faculty (RIF) held events almost monthly and the Taxation Faculty (TF) held over 30 events during the year. The major annual China taxation and Hong Kong taxation conferences were held in May and July 2020 as e-conferences. The China Taxation Conference was held as a two-session, morning and afternoon, e-conference. The conference featured a presentation on the macro-economic outlook of Mainland China and a panel discussion on China tax issues associated with a hypothetical research and development cost-sharing arrangement. The Hong Kong and international tax conference was a half-day event featuring two roundtable discussions. The first covered the challenges facing Hong Kong in relation to the Base Erosion and Profit Shifting 2.0 initiatives on taxation of the digital economy and the proposed global minimum tax, as well as the European Union's review on the offshore regimes and the impact of COVID-19. The second focused on tax considerations for merger and acquisition transactions.

At the end of the financial year, membership of the RIF stood at around 450, and the TF had 655 members. RIF and TF members continue to support the Institute's specialist training programmes, including insolvency preparatory courses, Professional Diploma in Insolvency and Professional Diplomas in Hong Kong and China tax.

Committees

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

For young members

The 2020-2021 Mentorship Programme was the sixth running of

the successful programme. This year, it paired over 240 mentor-mentees. The start-of-term training session was held on 25 April 2020 in live webinar format. Two more live webinars were tailored for mentees and mentors in May and June 2020 respectively to support them for developing a fruitful mentoring partnership.

The Young Members' Conference, scheduled in November 2019 and titled "Out of the box – options for young accountants", was postponed to November 2020 due to social unrest.

A study tour to Greater Bay Area cities, including Foshan, Jiangmen and Zhaoqing, in August 2019, enhanced members' understanding of the latest developments in these cities. In view of the overwhelming response, a site visit to Cathay Pacific City was organized again.

As well as the professional events, there were a host of social activities with peers, including a professional image building and social etiquette workshop and autumn hiking.

The Institute joined together with other professional bodies to help expand young members' networks beyond the accounting profession:

- The Hong Kong Institute of Chartered Secretaries and The Hong Kong Institute of Surveyors – Joint professional indoor war game
- The Law Society of Hong Kong, Chartered Institute of Arbitrators (East Asia Branch), Hong Kong Bar Association, The Chartered Institution of Building Services Engineers (Hong Kong Branch), The Hong Kong Institute of Architects, The Hong Kong Institute of Planners, The Hong Kong Institute of Surveyors, The Hong Kong Medical Association and The Institution of Civil Engineers – Exploring the world of wines

For small and medium practices

The Institute organized a range of events for small and medium practices (SMPs). These included the annual SMP symposium held in late November 2019 covering regulatory, technical and practice management updates was attended by nearly 360 practitioners.

A delegation of around 30 SMPs visited Foshan on 10 September 2019. The visit allowed SMPs to learn the latest

economic developments there and explore possible business cooperation opportunities brought by the Greater Bay Area initiative. Received by Foshan Nanhai District Finance Bureau, the meeting also strengthened the relationship between Hong Kong CPA firms and their counterparts in Foshan.

The Practice Management Series for SMPs was run for the second time after its launch last year. The series held seminars from September to December 2019 which covered cybersecurity and IT risk management, effective talent management and retention strategies, network and association, as well as risk management.

In response to SMPs' technical needs, Members-Help-Members was launched in May 2020. Under the auspices of SMP Committee, the programme provides non-authoritative guidance and comment on technical issues facing SMPs. The first sharing session was successfully held in July 2020 to address the technical enquiries received.

In view of COVID-19, we sped up the process of facilitating sourcing and evaluation of software and relevant services providers in order to assist SMPs to embrace technology.

For professional accountants in business

The annual PAIB Conference 2019 themed "Digital & Virtual Banking: Tomorrow's Banking Today?" was held in September 2019. The keynote speaker, Joe Ngai, JP, Managing Partner in Greater China of McKinsey, who together with other renowned speakers, updated professional accountants in business (PAIBs) on the latest developments in smart banking, how businesses can take advantage of the opportunities created by digital and virtual banking, as well as the challenges they should be aware of.

The PAIB Committee developed the *Professional Development Framework for PAIBs* during the year to provide a useful and accessible guide to the competencies necessary for PAIBs to perform both current and desired roles. The framework can help PAIBs to shape their careers, realize their objectives and take control of their learning to achieve their goals. The framework was launched with articles in *A Plus* and a video on social media.

Professional interest groups

The Institute's professional interest groups serve members

in various sectors, providing specialized training and networking events.

Corporate finance

The Corporate Finance Interest Group held three face-to-face seminars on the following topics, which attracted an average of over 250 enrolments. The seminars covered a close look at open-ended fund companies, Hong Kong IPO offering structures and GEM placing guideline, and how biotech companies in Hong Kong can smoothly list and raise capital. A webinar on the topic "Listing of biotech and medical science companies" was also organized, which attracted over 80 enrolments.

Financial services

The Financial Services Interest Group organized three face-to-face seminars in the year, which attracted an average of 140 enrolments. Topics include handling regulatory investigations, the new era of Hong Kong's insurance industry and virtual banking in Hong Kong. The interest group also held a webinar on the topic "Digital onboarding – eKYC/AML checks," which attracted over 110 enrolments.

Forensics

The Forensics Interest Group organized events on average every other month. As well as its events and the structured training programme under development, the interest group has a regular newsletter and is involved in professional representation in Hong Kong (See Chapter 6 Thought leadership and professional representation for more details on these activities).

Information technology

The annual IT conference carrying the theme "Smart CPAs in the Era of Smart Everything – Accountants in the future world of machines" was held in October 2019 to share insights on how to help businesses and professionals seize opportunities through technology advancement to drive their success. The conference attracted over 480 attendees. The interest group also organized a site visit to Smart City Innovation Centre, with 24 members in attendance.

Mainland business

The Mainland Business Interest Group organized a seminar on the topic "5G in China – its impact on daily lives and business environment," which attracted 290 attendees and a webinar on the topic "The development of mobile payment in China," which attracted 110 enrolments.

Property, infrastructure and construction

The interest group organized a webinar on the topic “Hong Kong housing market dynamics and outlook” which attracted 100 enrolments. In December 2019, 30 interest group members also visited West Kowloon Cultural District.

LEISURE ACTIVITIES

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

Corporate events

The Institute hosts major corporate events each year, both in Hong Kong and the Mainland. However, in light of the coronavirus outbreak in Hong Kong, fewer events were held this year.

In September 2019, the Institute organized Members’ Forums, offering a platform for members to meet with the leadership of the Institute including the President, Vice-Presidents and Chief Executive. During the meetings, members raised their concerns and suggested areas for improvements.

The National Day Dinner, jointly organized with the Society of Chinese Accountants and Auditors (SCAA), was held in September 2019 in celebration of the founding of the People’s Republic of China. Almost 700 guests from the governments of Hong Kong and the Mainland, academia, businesses and members attended the event.

The Annual Dinner is the Institute’s flagship event. The theme of the 2019 dinner, held on 2 December 2019, was “Together we Shine” and features the Institute’s commitment to nurture the new generation of accountants who will be the pillars of Hong Kong and its future leaders. Around 470 members and guests attended the dinner, with Carrie Lam Cheng Yuet-ngor, the Chief Executive of HKSAR, Tan Tieniu, Deputy Director of the Liaison Office of the Central People’s Government in the HKSAR, and Yang Yirui, Deputy Commissioner of the Ministry of Foreign Affairs of the People’s Republic of China in the HKSAR as guests of honour.

There are three other major annual events, all of which were cancelled this year. The Guangzhou and Hong Kong Spring Cocktails, both scheduled for February 2020 after Chinese New Year, provide an opportunity for the new Council to meet committee members and stakeholders. The New Members

Cocktail, scheduled for May 2020, welcomes the Institute’s new members who have gained their CPA designation over the preceding year.

Sports and competitions

Sports and leisure events were organized during the year to provide opportunities for both fun and networking.

The annual Sports and Recreation Night was held in October 2019 to celebrate the achievements of our CPA sports stars. Over 200 members from the sports and recreational interest groups joined this annual gathering, featuring exciting games, performances and lucky draws.

This year, the Institute jointly organized the first accounting running event “AC Fun Run” with the SCAA and Association of Chartered Certified Accountants. Making its debut in November 2019, over 500 runners came together to run.

Our members also represented the Institute in the following competitions.

- Around the Island Race 2019
- CPA Cup - National Day Celebration Dragon Boat Invitational Race 2019
- Cross Border Sports Competition 2019 (Badminton and Football)
- Golf Tournament with Hong Kong Medical Golfers Association 2019
- HKIS 35th Anniversary Run - Runderful Pro 2019
- Integrity Cup Badminton Competition 2019
- KPMG Badminton Invitational Tournament 2019
- Ngong Ping Charity Walk 2020
- RSCP tournaments - Badminton, Basketball, Bowling, Bridge, Singing and Snooker

OTHER SERVICES

As well as offering professional development, the Institute offers members other services. These include the opportunity to respond to proposals from standard setters and government, guidance on entering the Mainland market, and an online portal of accounting and finance job listings called “HKICPA Source”, which provides a platform to match CPAs with their prospective employers. More details about the other activities can be found in the other chapters of this report.

MAINLAND DEVELOPMENT



From left:
Ricky Li, Deputy
Chairman, Greater
Bay Area Committee,
and **Johnson Kong**,
Chairman, Greater Bay
Area Committee, and
President of the Institute

How will the Institute expand its efforts to help members take advantage of the opportunities available in the Greater Bay Area?

“Institute members have a high level of professionalism and rich financial knowledge, and can make a significant contribution there. The Institute can arrange more opportunities for members to communicate with professional organizations in the GBA.” – *Ricky Li*

“We will continue our efforts to encourage and facilitate our members’ access to business and work opportunities in the GBA through organizing networking, promotional, knowledge and experience sharing activities as well as lobbying to reduce obstacles and shape policies.” – *Johnson Kong*

Hong Kong plays an important role in the Greater Bay Area (GBA), and Mainland China offers our members the opportunity to develop their business and careers. This year marked the launch of the Institute’s GBA strategy and plan.

CREATING BUSINESS OPPORTUNITIES IN THE GBA

In July 2019, the Institute’s GBA Committee was launched and the committee’s first meeting was held to discuss the Institute’s GBA strategy and plan. The

committee finalized the GBA strategy at its second meeting in September, which aimed to drive relevant policy advocacy, facilitate information dissemination and organize activities to assist interested members in developing their businesses and careers in the GBA through different activities. The activities included focusing effort on the priority cities, building an outreach plan and establishing relations, actively engaging government authorities to drive relevant policy advocacy for the profession, providing a consolidated online GBA Resource Centre, organizing quality and relevant activities, helping members/firms position themselves as partner of choice in providing business advisory services in the GBA and building closer relationship with key universities in the GBA, promoting the Institute and the Qualification Programme (QP).

The Institute launched the online GBA Resource Centre in October 2019, which serves our members and the public as a one-stop destination for insights, research, as well as information on policies, events and activities.

Over the year, we continued to collaborate with accounting profession in the GBA cities and engaged with relevant government bodies and associations. The Institute has laid out a plan of organizing a series of “Working and living in GBA cities” seminars to foster exchange and cooperations among the profession across the markets, with a view to enhancing the standard, expertise and competitiveness of Hong Kong CPAs in the GBA for their long-term sustainable development.

In order to tackle the talent issue facing small and medium practice (SMP) firms in Hong Kong, an internship scheme is being formulated to attract Mainland accounting students to join Hong Kong practices in need of people.

NURTURING CLOSER COLLABORATION WITH MAINLAND PARTNERS

In August 2019, representatives of the Institute’s Taxation Faculty’s China Tax Subcommittee attended the Second South China Tax Summit, where panellists shared best practices and expertise on China tax.

In September 2019, the Institute’s leadership team headed the Hong Kong accounting profession delegation and made a visit to Chongqing and Chengdu to meet local authorities and counterparts. The leadership team also

attended the annual dinner hosted by Guangzhou Institute of CPAs in the same month.

In December 2019, the China Tax Subcommittee held its annual liaison meetings on technical matters with the Guangdong Provincial Tax Service of the State Taxation Administration and the State Taxation Administration – Shenzhen office. The minutes of these meetings have been published on the Institute’s website.

In mid-December 2019, the Institute joined the Hong Kong Coalition of Professional Services delegation to Guangzhou and met key government officials and counterparts from key professional bodies in the GBA to understand the latest developments. During the same month, we were invited by the Shenzhen Institute of CPAs to attend the GBA Finance and Accounting Summit where the President spoke about Institute’s regulatory role and audit mechanism.

In January 2020, the Institute joined the representatives from other accounting professional bodies to meet the government officials from Guangdong Provincial Finance Department to discuss the GBA “wish list” of the Hong Kong CPAs. In addition, we hosted a delegation from the Guangzhou Nansha district in Hong Kong and agreed to collaborate in organizing joint seminars on working and living in Nansha for our members.

Despite the interruptions to physical visits and meetings between the Mainland and Hong Kong, due to COVID-19, the Institute maintained frequent communications with government authorities and accounting bodies via video and conference calls.

HELPING MEMBERS WEATHER CHALLENGING TIMES

To help our members in the Mainland, and those with business interest and focus there, to stay ahead of the game we have switched from face-to-face continuing professional development (CPD) events to online formats in response to COVID-19. CPD topics were refined to address challenges and issues facing members who can’t travel and have to work from home. Topics included “Tax relief polices under COVID-19,” “Business continuity plan during the pandemic time” and “Fair value measurement in uncertain times”. These courses were well attended.

Online CPD events were also hosted in collaboration with Shenzhen and Guangzhou Institutes of CPAs on environmental, social and governance reporting, audit and information technology and anti-money laundering to help create a wider CPAs community in GBA where they can leverage each other's strengths and resources to do business across the region.

PROMOTING THE NEW QP AND ENGAGING STUDENTS

This year the Institute launched a new strategy and execution plan to promote the new QP in the Mainland. In addition to the 58 QP promotional talks organized for over 20 universities and CPA firms both on campus and online, we invited QP graduates to host online career sharing sessions to inspire students. To facilitate our initiative, we leveraged social media and key opinion leaders to share QP-related articles, generate interest and expand engagement with students who may be interested in studying the QP.

The QP scholarship and incentive programme was also leveraged to increase the awareness of the qualification and to boost registrations. To further the engagement of Mainland students, a Mainland China version of the Business Case Competition will be launched in December 2020.

HELPING BUSINESSES CAPITALIZE ON THE OPPORTUNITIES ARISING

The Institute, the Guangdong Provincial Institute of CPAs and the Union of Associations of Professional Accountants of Macau brought together more than 60 SMPs from Hong Kong, Guangdong and Macau in 2017 to form the

Guangdong-Hong Kong-Macau CPA Practices Alliance under the GBA initiative. In addition to an online platform created for alliance firms, regular gatherings are organized for them to exchange market intelligence and explore business opportunities for possible cooperation.

Approaching the end of 2019, the alliance brought together around 120 CPA practices from the GBA for a new two-year term and a new WeChat group was set up for firms to exchange business intelligence and keep the momentum of the alliance going. This has been helpful during the challenging times caused by COVID-19 and the restrictions on travel between Hong Kong and the Mainland.

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 on the Mainland and links to relevant bodies, such as government departments, accounting institutes, CPA practices with operations in the Mainland, and Mainland accounting and auditing standards.

The China Desk, stationed at the office of the Shenzhen Institute of CPAs, is being moved in-house in October 2020. The China Desk provides free advisory services and information to Institute members and international affiliates on Mainland-related issues.

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

THOUGHT LEADERSHIP AND PROFESSIONAL REPRESENTATION



From left:
William Chan, Chairman,
Taxation Faculty
Executive Committee,
Guy Norman, Convenor,
Forensic Interest Group
Management Committee,
and **Terry Kan**,
Chairman, Restructuring
and Insolvency Faculty
Executive Committee

What will the Institute do to make sure the profession's views are taken into account during public consultations?

"Focusing on the impact to the local community and how the international developments could affect us, and staying precise and relevant in the views expressed are key." – *William Chan*

"I think the Institute is a very good and open platform that all members can benefit from and that pulls together members' views to make a difference." – *Guy Norman*

"The Institute is well placed to be the advocate for the profession thanks to the generations of leading accountants locally and internationally. It can build on this legacy and lead the profession to the next level in the years to come." – *Terry Kan*

Through thought leadership articles, guidance and responses to requests for comment from government, regulators and international standard setters, the Institute advocates for a strengthened profession and promotes the views of Hong Kong's accounting community. This year, for example, the COVID-19 pandemic has seen the Institute publish relevant guidance for members and the public. Through its engagement with government and international bodies,

and regulators, the Institute consults members on new and developing regulatory regimes and professional guidance. Institute members and management also sit on some of the organizations leading the profession.

MAKING A DIFFERENCE TO SOCIETY THROUGH THOUGHT LEADERSHIP

The Institute's highly respected Best Corporate Governance Awards 2019 reached a successful conclusion with the publication of the detailed judges' report and holding of the presentation ceremony in early December 2019. The then-Secretary for Financial Services and the Treasury, James Henry Lau Jr, was the guest of honour at the awards presentation ceremony. In total, 26 awards, special mentions and commendations were given out, including a record number of Sustainability and Social Responsibility Reporting Awards.

This year, the awards celebrates their 20th anniversary, a milestone that has been marked with an article series in *A Plus* and a video series on the importance of corporate governance and sustainability.

In view of the severe economic downturn in Hong Kong due to the COVID-19 pandemic, the Restructuring and Insolvency Faculty Executive Committee (RIFEC) published a quick guidance in March 2020, *How to manage financial distress*. It highlights important information for businesses and individuals, and the insolvency practitioners who advise them, on potential pitfalls to avoid and options for dealing with the challenges and mitigating the risk of financial distress. The guidance was translated into Chinese and promoted via articles.

The Forensics Interest Group Management Committee also published its own guidance triggered by the present stressful circumstances. Released in May 2020, *Combatting fraud: A simple guide to avoiding deception during a pandemic* offers tips and advice to remaining alert to various kinds of scams that are more prevalent at difficult times such as economic downturns and recessions. It offers advice about some commonly seen methods of deception and fraud, as well as possible safeguard measures.

Surveys

During the financial year, the Institute published the

results of two surveys. The *2019 Career Survey* was released in November 2019, and found that 36 percent of member respondents were undertaking roles in non-traditional accounting functions and employers are experiencing difficulties in retaining and recruiting talents. Survey respondents at management levels also reported difficulties in recruiting and retaining staff. The results of the survey were promoted with a press release.

The second survey, *CPAs and the Coronavirus*, was released in June 2020. The survey of executives and senior- and middle-management level members in business and practice covered the impact on their organizations of the COVID-19 pandemic. It also investigated how the pandemic posed challenges to the accounting profession, how organizations' operations have changed, and the impact on the finance function. The respondents also discussed the support they need from the Institute. The results of the survey have been used to inform the Institute's policies.

Further surveys are planned on the impact of the pandemic on the profession.

PROFESSIONAL REPRESENTATION

In Hong Kong

Taxation

Every year, the Institute prepares tax policy and budget proposals ahead of the government budget. The 2020-21 submission entitled, *Together for a Better Hong Kong*, was submitted to the financial secretary, and other relevant officials in January 2020. The Institute's president, the chairman of the Institute's Taxation Faculty Executive Committee (TFEC) and the 2019 chairman of the TFEC hosted a press briefing in February 2020 to highlight and explain the Institute's main recommendations.

On the day of the budget, the same three participated in media interviews, explaining the Institute's views on the budget speech. A press release was also issued.

The 2020 annual meeting between representatives of the TFEC and the commissioner and senior staff of the Inland Revenue Department (IRD) was held in May 2020. The record of the discussions were published later in 2020. Detailed minutes of the 2019 annual meeting were posted

on the Institute's website during the year.

Restructuring and insolvency

The RIFEC held a liaison meeting with the Official Receiver and other senior staff of the Official Receiver's Office (ORO) in September 2019 to discuss the practical issues faced by the insolvency practitioners. Detailed notes of the meeting were circulated to faculty members in April 2020.

Also in September 2019, the ORO convened a meeting with representatives of RIFEC, the Hong Kong Monetary Authority and the Financial Services and the Treasury Bureau (FSTB) to discuss the difficulties often faced by insolvency practitioners in trying to open bank accounts as liquidators and trustees in bankruptcy.

In January 2020, RIFEC members facilitated and joined a meeting with the ORO and insolvency academics and practitioners from the Mainland who were involved in drafting a personal bankruptcy law to be piloted in Shenzhen. The aim was to share experience of bankruptcy law and administration. Since the meeting, the Shenzhen Special Economic Zone Personal Bankruptcy Regulations have been approved and will be effective from 1 March 2021.

The draft Companies (Corporate Rescue) Bill was issued for targeted consultation by the FSTB in June 2020. The bill includes a new statutory corporate rescue procedure and insolvent trading provisions. Representatives of RIFEC, FSTB and ORO held a meeting in July 2020 to enable RIFEC to reflect the views and concerns of the insolvency profession on the draft. The government plans to introduce the bill into the Legislative Council early in the 2020-21 legislative session.

Other consultations on legislation and regulations

The Institute conveyed the views of the profession in numerous representations to different government departments and bureaus and other local and international bodies. We participated in a number of consultation meetings and responded to various public and soft consultations, in addition to legislative proposals. These included:

Financial Services and the Treasury Bureau (Financial Services)

- Suggestions on specific issues relating to the statutory

framework for corporate rescue and insolvent trading

- Proposed profits tax concessions for the insurance sector
- Proposals to establish a Limited Partnership Regime for Funds

Financial Services and the Treasury Bureau (Treasury)

- Potential tax treaty partners for Hong Kong

Hong Kong Exchanges and Clearing

- Codification of general waivers and principles relating to initial public offerings and listed issuers and minor rule amendments
- Review of Chapter 37 – Debt issues to professional investors only
- Corporate weighted voting right beneficiaries

Securities and Futures Commission

- Consultation on Proposed Limited Partnership Fund Regime
- Proposed amendments to the code on real estate investment trusts
- Proposed enhancements to the open-ended fund companies regime

Hong Kong Monetary Authority

- Proposed rules to be made under the Financial Institutions (Resolution) Ordinance (Cap. 628) on contractual stays on termination rights in financial contracts for authorized institutions

Insurance Authority

- Stakeholder Discussion Paper on the Proposed Group-Wide Supervision Framework for Insurance Groups in Hong Kong

Official Receiver's Office

- Use by the Official Receiver of powers under section 198 of the Companies (Winding-Up) Rules

Secretary for Labour and Welfare

- Proposal to the government to review ceilings on certain payments under the Protection of Wages on Insolvency Fund

Narcotics Divisions, Security Bureau

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

Hang Seng Indexes Company Limited

- Positioning and composition of the Hang Seng Index and matters related to the Hang Seng China Enterprises Index

Internationally

In addition to its involvement in international standard-setting activities (see Chapter 3 Standards, regulations and professional conduct), the Institute actively participates in a number of international accounting organizations and forums. Through these activities, the Institute represents of the Hong Kong profession on a global stage and ensures its views are taken into account.

In the latter half of the year, the restrictions on travel as a result of the COVID-19 pandemic have meant that many of the international meetings have, like so many other activities, switched to virtual, but the level of involvement has largely been maintained.

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

The Institute is a founding member of the Global Accounting Alliance (GAA), a group of 10 of the leading accounting bodies from around the world that provides a valuable source of information and knowledge sharing and strengthens our influence and advocacy in relationships with other bodies such as IFAC, International Forum of Independent Audit Regulators and International Organization of Securities Commissions. In addition to monthly board meetings, the Institute actively participates in GAA working groups on taxation, education and sustainability.

The GAA's Tax Directors Group held a face-to-face meeting in New Zealand in November 2019, attended by the deputy director, Advocacy and Practice Development. Periodic teleconferences were also conducted. The next meeting is scheduled to be held

in Dublin, Ireland, subject to the developments of COVID-19. The group was formally established by the GAA Board in 2009 to share information and best practice on tax matters, to network, and discuss and collaborate on important international issues and solutions to common concerns.

Institute representatives (KK So, the then TFEC chairman and Anthony Tam, the 2016-17 TFEC chairman) participated in the Asia Oceania Tax Consultants' Association's (AOTCA) annual meeting and tax conference in October 2019. During the period, two Institute representatives (Anthony Tam, and Edward Lean) remained as technical advisors on AOTCA's Technical Committee.

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

INSOL held another successful one-day conference in Hong Kong on 18 October 2019, which was supported by the Institute and attended by Julie Hertzberg and Scott Atkins, the current president and vice-president of the INSOL. The RIFEC annual cocktail was held on the evening before, which enabled the INSOL leadership to attend. The companies judge, the Hon Mr Justice Jonathan Harris, was guest of honour at the cocktail.

The Institute is also a member of the Accounting Bodies Network (ABN) of the Prince's Accounting for Sustainability Project (A4S), an organization that promotes and enables the accounting profession to take a leading role in sustainability and inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy. Through monthly ABN meetings and attendance at the annual A4S Summit, the Institute is able to draw on a wide range of initiatives, knowledge and materials to share in Hong Kong. In April 2020, the Institute joined other ABN members in signing up to a call to action for the accounting profession to lead the response to climate change.

PERSONS NOMINATED BY THE INSTITUTE TO SERVE ON INTERNATIONAL ORGANIZATIONS AT 30 JUNE 2020

International Federation of Accountants

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

International Forum of Accounting Standard Setters

- **Ernest Lee**, Institute representative
- **Michelle Fisher**, Technical advisor to Ernest Lee

IFRS World Standard Setters (financial reporting)

- **Ernest Lee**, Institute representative
- **Michelle Fisher**, Technical advisor to Ernest Lee

Asian-Oceanian Standard-Setters Group (financial reporting)

- **Ernest Lee**, Institute representative
- **Michelle Fisher**, Technical advisor to Ernest Lee

Global Accounting Alliance (GAA)

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

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

- **Terry Kan**, Board director

Asia Oceania Tax Consultants’ Association

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

The Prince’s Accounting for Sustainability Project (A4S)

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

COMMUNICATION AND ENGAGEMENT



From left:
Yan Yeung, Chairman,
Young Members
Committee, **Nelson Lam**,
Chairman, Branding and
Communication Advisory
Panel and Vice-President
of the Institute, and
Eric Tong, Former
Chairman, Branding and
Communication Advisory
Panel and Past President
of the Institute

How will the Institute increase and deepen its engagement with stakeholders?

“Using technology to increase and deepen the Institute’s engagement with stakeholders is vital. Promoting and incentivizing the use of mobile apps should be high on agenda to further enhance communication channels.” – *Yan Yeung*

“Through our communications with members and students we can provide them the support they need in their careers, while through media interviews and events we can promote our profession in society.” – *Nelson Lam*

“The Institute should have an ongoing, two-way dialogue over time, including advanced forms of participation, continuing advisory and partnership.” – *Eric Tong*

As a body dedicated to providing quality member support, the Institute places great importance on strengthening its relationship with members and other stakeholders by maintaining open and effective communication with them. This year, great efforts were made to further tailor our messages to fit the needs and interests of different member groups. We also focused on promoting the attractiveness of the profession – a profession of Accountants Plus – to the wider society.

COVID-19

COVID-19 has had significant effects on the accounting profession and the Institute's operations. In response, we have transformed our operations and enhanced our communications approach.

From January 2020, the Institute regularly liaised with the Financial Services and the Treasury Bureau, the Hong Kong Stock Exchange (HKEX), and the Securities and Futures Commission (SFC) to discuss the challenges faced by preparers of financial reports and auditors, and advocate for flexibility in the reporting deadlines. The concerns of auditors attendance of annual general meetings was also raised with the HKEX after the restrictions on group gatherings were announced.

The concerns of tax professionals needing to meet filing deadlines were raised with the Inland Revenue Department, which granted block extensions to a number of filing deadlines.

Through the dedicated COVID-19 CPA Information Centre webpage, set up in February 2020, we collated guidance, useful information, and regulatory developments released by the government, Institute, international accounting bodies and others for members. The page also has subpages detailing the government's financial support schemes through its anti-epidemic funds, budget and other measures, including relevant application information, to help members access financial support.

In May 2020, the government announced a scheme allowing certain professionals travelling between Hong Kong and Mainland China for work reasons to be exempted from quarantining on their return to Hong Kong. Auditors were among these professionals. The Institute supports the scheme through the initial vetting of applications from auditors wishing to travel to the Mainland.

As well as our webpage, we have released guidance, as discussed in Chapter 6 Thought leadership and professional representation.

INSTITUTE'S NEWSLETTERS

This year, the Institute's email newsletters were consolidated. Newsletters and publication schedules were changed

to increase the relevance of the Institute's messages to their audience, while decreasing the frequency of emails members and students received. The weekly *e-circular* and monthly *TechWatch* were discontinued and replaced with a monthly highlight of events at the Institute, *CPA Pulse*, and a fortnightly *Technical News* respectively. Two new newsletters were introduced: a weekly *CPD Highlights* focusing on upcoming events and a new fortnightly well-being newsletter, *CPA Beats*. *CPD Planner* was renamed *Training and Development* as a fortnightly summary of the Institute's training events, alternating between face-to-face and e-learning events.

As well as these newsletters, there are targeted newsletters for professional accountants in business (PAIBs), tax, restructuring and insolvency, and forensics specialists. *Inside Business* is sent to PAIBs, *The IP's Voice* to the Restructuring and Insolvency Faculty's members, *Tax Link* to the Taxation Faculty's members and *Forensic Update* to Forensics Interest Group members.

SOCIAL MEDIA

Social media is one of the Institute's key channels for connecting with members, students, prospective students and the public. Our accounts on Facebook, LinkedIn, Instagram and WeChat, promote various content for different target audiences.

A campaign promoting the new Qualification Programme (QP) was run in June 2020, including adverts on Facebook, in-house banner promotion, and other post promotion on LinkedIn and Instagram to maximize the exposure.

Two Instagram accounts, namely "Hong Kong Institute of CPAs" and "CPA Buddies", were created in early April 2020. The former account is the official account of the Institute and its target audience is our members, while the latter is targeted at students from secondary schools and universities, as well as the general public. These two accounts are created to further diversify the Institute's communication channels with the public, in particular the younger generation who are more active on Instagram.

A WhatsApp sticker pack was also released, enabling users to liven up their conversations with images from the new *Rich Kid, Poor Kid* comic book series.

A PLUS

The Institute's monthly magazine, *A Plus*, was revamped this year, with updates to the design and the inclusion of new content and special features. The revamp introduced new columns: Second Opinions, where three authors write their response to a question relating to a business or accounting issue; Meet the Speaker, where a continuing professional development course speaker discusses their course and what participants can expect to learn; and Young Member of the Month, featuring a short interview with a young member about his or her career journey so far. The revamp also introduced a new quarterly specialism series, focusing on the different specializations available in the profession, the tasks of accountants in these sectors, how to get into the specialism, and the skills the specialists need. These articles aim to promote the concept of "Accounting Plus" to readers, and showcase a profession that is rich in variety and career options. There are also more roundtable discussions, featuring Institute members discussing important topics from the Greater Bay Area to navigating Mainland China's tax system.

Content from *A Plus* is translated into Chinese for use in other media in Hong Kong and the Mainland, including *Master Insight*, *Xinlicai*, and WeChat.

MEDIA ENGAGEMENTS

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

The COVID-19 outbreak and economic downturn

Numerous media reports featured interviews or quotes from the Institute. Topics covered by the media included the reporting deadlines for listed companies, discussions between the Institute and regulators, issues with auditing including access to work papers, the exemption from compulsory quarantine arrangement mechanism, and the guidance issued by the Institute for members and the public on how to manage financial distress and common frauds.

President's interview

Every year, interviews are arranged for the new President to meet the media. President Johnson Kong was interviewed in February 2020, with coverage focusing on the effects of

COVID-19 on businesses, the statement issued by the HKEX and the SFC, the arrangement of this year's QP examinations, and the impact of COVID-19 on accounting profession. Two TV programmes and 80 articles featured the event.

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 year included the following:

- Issuance of the statement of protocol on arrangement for the oversight of public interest entities auditors signed with the Financial Reporting Council, September 2019
- Press briefing for the Rich Kid, Poor Kid revamp, November 2019; and a dedicated TV programme on money management education for children
- Press conference for results announcement of Best Corporate Governance Awards, December 2019
- Post-annual general meeting press conference, December 2019
- Publicity for the new QP, December 2019 and June 2020
- Press briefing on the Institute's budget proposals and response to the budget speech, February 2020

Issuance of press releases on compliance matters

The Institute enforces the highest professional and ethical standards in the accounting profession. To provide transparency on such matter, press releases are published on both disciplinary orders and cases regarding Resolution by Agreement. A total of 32 relevant press releases were issued during this period.

The Institute's bylined articles on *Oriental Daily News* and *Master Insight*

A monthly column in *Oriental Daily News* publishes the Institute's bylined articles, which feature different topics regarding the accounting profession, such as taxation, business valuation, forensic accounting and money laundering, etc. Chinese editions of *A Plus* articles are published in *Master Insight*.

MEETING WITH STAKEHOLDERS

The Institute's leadership regularly meets with stakeholders from the profession and society. Through these meetings we can engage and inform others about our activities and our work to promote the accounting profession. This year, we

held a number of outreach events:

- Hong Kong representatives of the Institute of Chartered Accountants in England and Wales in May 2020
- The Inland Revenue Department, The Treasury, and the Audit Commission, separately in June and July 2020
- Hong Kong Business Accountants Association in June 2020

ENGAGING WITH FUTURE ACCOUNTANTS PLUS

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

For secondary school students, the Institute and the Hong Kong Association for Business Education Limited jointly organize the Business, Accounting and Financial Studies (BAFS) mock examination for the Hong Kong Diploma of Secondary Education (HKDSE). The mock examination aims to help student fully prepare for the HKDSE BAFS 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. The mock examination for the 2019-20 session was well received, with 5,049 enrolments from the secondary schools in Hong Kong, which accounts for 52.9 percent of the total number of HKDSE BAFS candidates.

As one of the flagship events among the secondary schools, the HKICPA Accounting and Business Management Case Competition 2019-20 was successfully held with over 1,740 students from 87 schools joining the competition, with the final oral presentations of six teams held in May 2020. This annual event allows senior secondary school students to apply their textbook knowledge in the areas of accounting and business to the real world. It also enhances students' enabling skills such as analytical thinking, time management, presentation skills, creativity and team building. This year, Lifestyle International Holdings Limited

was the company selected for case study.

The HKICPA Business Case Competition is an inter-tertiary event organized by the Institute and has been in the running since 2003. The competition helps students to develop valuable business skills such as case analysis, problem solving, team building and presentation, and cultivate their professional judgement as well. More than 580 teams from various universities in Hong Kong, the Mainland and Macau participated in the competition in 2019, analysing the case of the luxury hotel industry.

The Institute's annual career forum for university students, usually held in October, was cancelled in view of the pandemic, after originally being delayed due to the social unrest.

In May 2020, the Institute launched the HKICPA Career Portal, an online platform for QP and tertiary institution students to build connections with employers in a virtual environment. The portal provides a one-stop platform that offers information on accounting careers, career opportunities and labour market needs. The portal's four key features are "Professional accounting intelligence", "Career exhibitors and job vacancies", "CV clinic and soft skills training" and "Meeting CPA firms". Through the new platform, students can learn about valuable insights from CPA experts on career prospects and professional development in specialist fields. By the end of June 2020, over 4,000 students have visited the portal.

The HKICPA V-fair is another new signature event established this year. The V-fair features two sessions: "CV doctor" and "Interview with CPA firms". "CV doctor" is built to offer participants one-on-one resume-enhancing advice by professional consultants, whereas with "Interview with CPA firms", online interviews were conducted by human resources experts to obtain internship placements at CPA firms. Over 120 students from various tertiary institutions have enrolled for the event.

INSTITUTE FINANCES AND OPERATIONS



From left:
Susie Ho, Chairman,
Regulatory Oversight
Board and Council
lay member, and
Keith Pogson,
Chairman, Audit
Committee and Past
President of the
Institute

How will the Institute effectively discharge its statutory responsibilities?

“The effective discharge of the Institute’s statutory responsibilities hinges on having the stakeholders all working together in the interest of the public, seeking to achieve the common objective of furthering the standard of the accounting profession in Hong Kong.” – *Susie Ho*

“The Institute takes its statutory responsibilities very seriously. They are at the core of what makes the accounting profession respected. We need to ensure that they are carried out in an unbiased and equitable manner, that upholds the values of our profession.” – *Keith Pogson*

The efficient operation of the Institute is vital for ensuring it fulfils its responsibilities as a statutory organization acting in the public interest, and helps it to achieve its goals. Meanwhile, the prudent management of the Institute’s finances is key to ensuring efficient operations.

FINANCES

The Institute recorded a deficit of HK\$93 million (2019: HK\$60 million deficit) caused by a few major factors. As a result of

the outbreak of COVID-19, the June 2020 Qualification Programme workshops and examinations were cancelled, and income forgone was HK\$33 million (with a net contribution margin of HK\$17 million). Also, the impact of the cancellation of face-to-face seminars and courses was HK\$3 million. Council approved a membership fee waiver for calendar years 2019 and 2020, and the impact in this financial year was HK\$67 million (2019: HK\$68 million). Staff cost increased by HK\$14 million from the prior year mainly due to the salary adjustment in 2019 and filling of vacancies.

The Institute's net assets fell to HK\$262 million (2019: HK\$353 million) due to the fall in total cash (including time deposits) held. Total cash balance was HK\$163 million, down from HK\$294 million in 2019, due to the operating deficit, changes in working capital and purchase of fixed assets. The year-end total cash balance

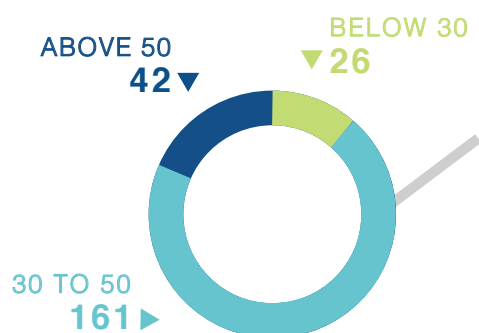
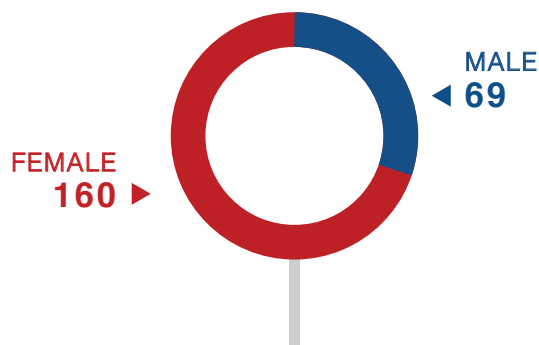
could support the Institute's operating cash flow needs for approximately six months.

Recognizing the difficulties faced by our members during the pandemic, after careful consideration the Council granted some one-off concessions for 2021. While the Institute pursues a policy of prudent financial management for the benefit of its membership, we are facing a structural deficit. This is in part the result of two consecutive years' of full fee waivers in 2019 and 2020, and fee rebates since 2016.

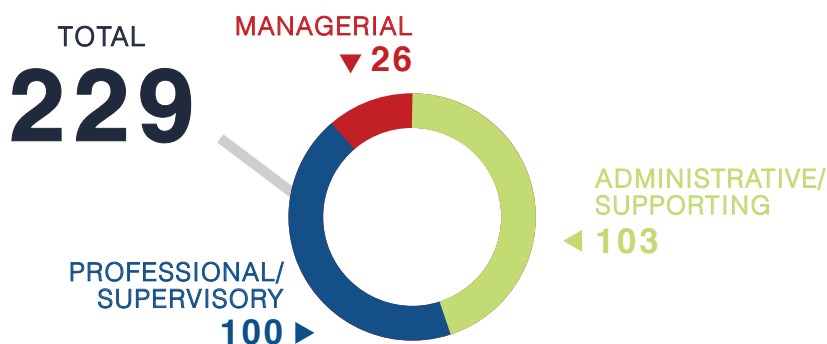
To reduce the deficit, the management has been trying their best to curb costs by containing expenses and adopting a salary freeze. However, a membership fee adjustment in the following year may be inevitable in order for the Institute to maintain its functions and activities. The membership fee was last changed in 2013.

KEY STAFFING FIGURES

STAFF BY GENDER



STAFF BY AGE



STAFF BY CAPACITY

TOTAL
229

11% STAFF TURNOVER RATE

34 NEW HIRES

STAFFING

Institute's management

The Institute's staff play vital roles in ensuring its efficient operations. The chief executive together with a management team of two executive directors, a general counsel and nine department directors, direct a group of over 200 staff.

MANAGEMENT TEAM (AS OF 30 JUNE 2020)



Chief Executive & Registrar

1. Margaret W.S. Chan

Executive Directors

2. Jonathan Ng
Qualification and Education
3. Chris Joy
Standards and Regulation

General Counsel

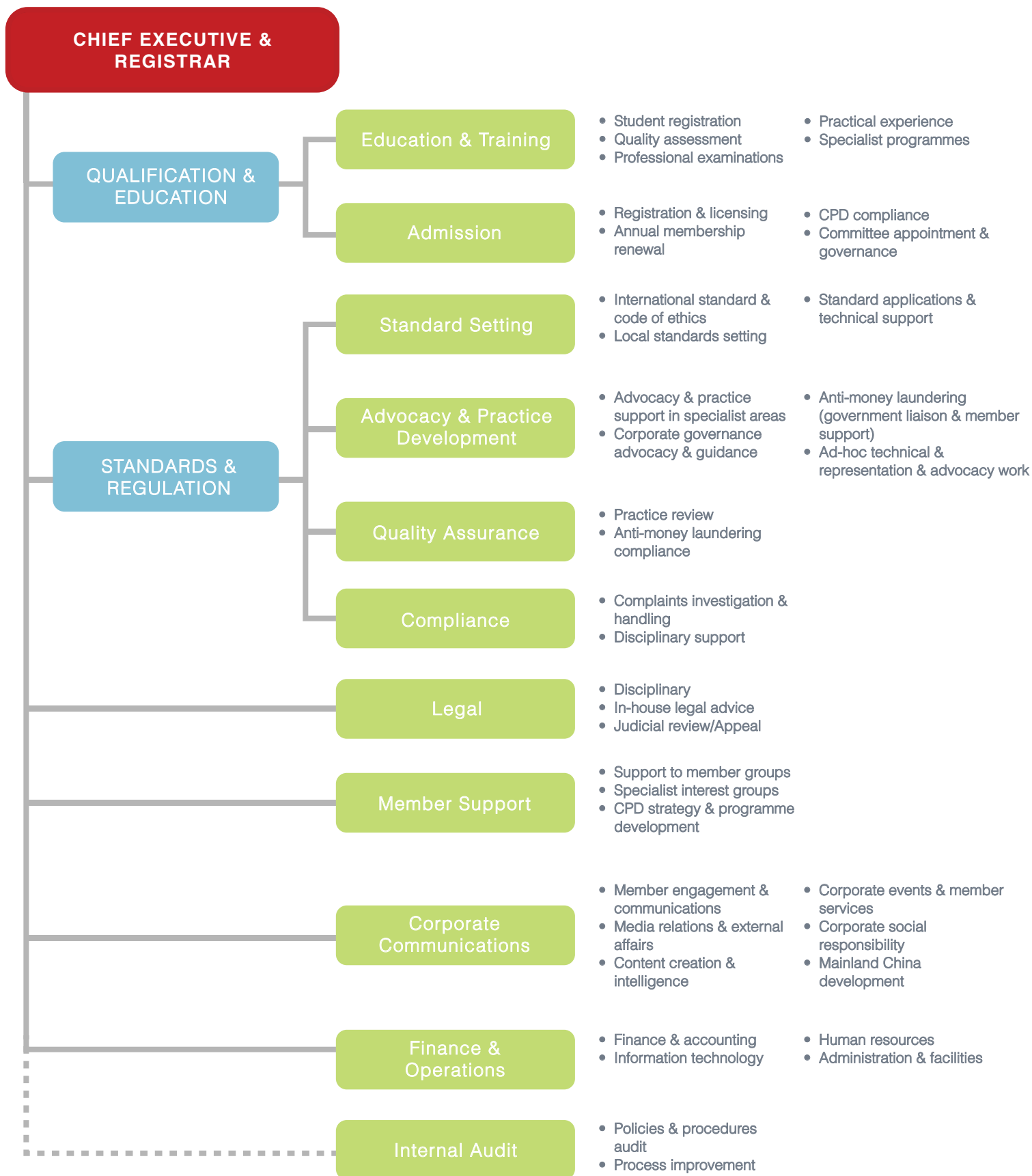
4. Donald Leo

Directors

5. Tracy Wong*
Admission
6. Peter Tisman
Advocacy and Practice Development
7. Linda Biek
Compliance
8. Dr Wendy Lam
Corporate Communications
9. Kit Wong
Education and Training
10. Perry Pang
Finance and Operations
11. Elsa Ho
Quality Assurance

*Tracy Wong resigned on 30 September 2020.

ORGANIZATION CHART



Staff well-being, engagement and communications

The Institute regards the well-being of staff members as a priority. The Institute not only provides group medical insurance coverage to all staff members but also has actively engaged registered professionals to deliver health talks to promote awareness and offer guidance.

The Institute offers long-service awards to show appreciation to staff members for their service. In the financial year ended June 2020, 19 staff members were eligible to receive their long-service awards. Ten staff members received an award for their five years of service, three staff members for 10 years, four staff members for 25 years, and two staff members for 30 years.

In August 2019, all staff members were invited to meet the new Chief Executive and Registrar in six cross-functional lunch gatherings. Staff members expressed their comments and suggestions to help the Institute to enhance its services and operational efficiency. Follow-up actions have been taken.

Training and development

The Institute recognizes that the training of its staff is key to the sustainable development of their careers. Management places great emphasis on supporting staff to equip themselves with professional knowledge and to develop their management skills. Staff members are offered opportunities to enrol in continuing professional development (CPD) programmes and external training courses in accordance to their professional requirements and individual training needs. In the financial year, about 430 enrolments in 185 CPD programmes and training courses were recorded.

Community engagement

The Institute has been participating in the Community Chest Dress Casual Day since 2001. In the financial year, about 70 staff members made an Institute record-breaking donation to the Community Chest of Hong Kong.

IMPROVING OUR OPERATIONS

Responding to COVID-19

The Institute has taken measures in light of COVID-19 to protect the health and safety of members and staff while balancing the needs to ensure the services provided.

The Institute promptly arranged for staff to work from home, and engaged laptop rental to enable our staff to work in a secured manner, and to carry out normal business operations. In addition, the Institute has adopted the rollout of Zoom to hold virtual meetings. The Member Activity System was also enhanced for the support of increased number of online CPD events.

Other anti-epidemic activities include social distancing measures to minimize physical contact through flexible starting and leaving times and lunch hours, and the adjustment/suspension of the library and counter services, intensified cleaning and disinfection of the office and facilities, and the provision of personal protective equipment to staff and visitors.

For staff, an Employee Assistance Programme was introduced to support their own and their family members' overall well-being. Timely emails, notices and SMS messages also keep staff posted of the Institute's policies and precautionary measures.

Continuing our digital transformation

The digital team successfully delivered a new event mobile application for our members. Through the new app, our members can enjoy a new digital experience when enrolling in the Institute's CPD events. The mobile application uses artificial intelligence to recommend events that might be of interest based on the user's profile and their past enrolment history. App users can easily scan QR codes provided at the venue to check in at events and download presentation materials. During the event, users can interact with the presenter via polling and ask questions using the app. To improve the connectivity of our member community app users can also enable their social media profile to be shared with others.

This year, we have soft launched a new customer relationship management (CRM) system internally to facilitate and enhance member services with relation to enquiry management. Staff can now retrieve key member-related information from several legacy systems all at once through a secure and centralized system. The CRM enables us to efficiently track our service and communication history with individual members, which lays an important cornerstone for further personalization of communication in the future.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY



From left:
K.M. Wong, Chairman,
Sustainability Committee,
and **Ricky Cheng**,
Member, Sustainability
Committee

How will the Institute provide focus and leadership for efforts to develop awareness and adoption of sustainability principles and reporting in Hong Kong?

“The Institute should set itself as a good example on sustainability principles and reporting in order to show the public in Hong Kong that it will focus on and provide leadership in this area.” – *K.M. Wong*

“To raise the practitioners’ awareness, the Institute has been organizing seminars and training on environmental, social and governance (ESG) reporting for members. Also, the insights gained from international cooperation enable the Institute to align its practices of ESG reporting to international best practices.” – *Ricky Cheng*

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

COMMUNITY INVOLVEMENT

New and existing CSR programmes reflect the Institute’s commitment to good corporate citizenship. Throughout the year, over 6,700 members of the public benefited from the various projects and activities that our members voluntary contributed to.

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

Rich Kid, Poor Kid revamped

A revamp of the Institute's flagship CSR programme, Rich Kid, Poor Kid, continued during the year. To maintain the programme's relevance, new components including workshops with new content, video and animation productions, and the first five of a new comic book series *10 Lessons in Money Management* launched in October 2019.

To promote the launch of the new series, the Institute partnered with media outlets Happy PaMa, Sky Post, TOPick and Sing Tao Smart Parents to give away 140 sets of the comics. The programme was also recognized by the Investor and Financial Education Council as a "Financial Education Champion 2020".

With social distancing and online learning being the new norms, the Institute explored conducting online Rich Kid, Poor Kid workshops for students for the new school year with schools.

CPA for NGO: promoting best corporate governance in NGOs

We have reached more than 1,400 board members, agency heads and executives from over 340 non-governmental organizations (NGOs). Through various channels including thematic seminars, advisory service, visits, online resources and publications, we advocate best governance practices and help NGOs to improve their financial reporting and governance by utilizing CPAs' expertise.

This year, the Institute re-ran three workshops of the NGO Treasurers' Club Dialogue series in September 2019 and January 2020 with The Hong Kong Council of Social Service (HKCSS) to equip NGO honorary treasurers with relevant knowledge in financial management, budgeting, auditing and governance.

Separately, two members of the CSWG represented the

Institute to sit in an expert group formed by The HKCSS to produce two concise guides for NGOs on reserves and investment. The guides were published in June 2020.

Collaboration with various organizations

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

The Institute accepted an invitation from the Hong Kong Inheritance Foundation to support the "Time Bank" project. On the platform, volunteers can record their volunteer service hours to redeem assistance from others or offers. We are expecting to see Accountant Ambassadors' efforts recognized in this new collaboration.

OTHER SOCIAL SERVICES

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

The family service department of Caritas Social Work Services Division has been our partner for over 20 years. In recent years, through career talks, mentorship, firm visits and project competitions, we benefit about 270 secondary school students studying Business, Accounting and Financial Studies annually. Twelve Accountant Ambassadors signed up as mentors for the inter-school case competition organized by the Millennium Entrepreneurship Programme of Wofoo Social Enterprises. They led a team of four to six secondary school students to prepare a business plan for the competition under the theme "Better Hong Kong, A Smart City". The final was held at late March 2020.

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.

THE HKICPA CHARITABLE FUND

The Institute supports The HKCSS as the sole strategic partner of its NGO Governance Platform Project through the HKICPA Charitable Fund. This year, the Institute's President, Vice-Presidents, Chief Executive and Registrar, Chairman of the CSWG, and Accountant Ambassadors took part in the 13th NGO Directors' Luncheon under the project, meeting with over 120 board members and agency heads from 70 NGOs. Guest speaker, Director of Social Welfare Gordon Leung, spoke on the topic "NGOs' governance and the partnership of Social Welfare Department and the social service sector".

The fund also sponsored CPA teams for the Ngong Ping Charity Walk 2020.

A SUSTAINABLE INSTITUTE

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

Use of resources

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

Energy management

To reduce overall power consumption, the Institute continued to replace energy-consuming halogen spotlights with LED tube lights. During the year, 130 pieces of T8 fluorescent lights have been replaced with LED tube lights in the working area on the 37th floor of Wu Chung House.

Reducing excessive lighting has always been the Institute's recommended practice. A zone lighting control system was installed in open office areas to control the use of lighting and the accompanying energy consumption. To meet and maintain the Institute's long-term energy-saving goals, staff members were educated and reminded to turn off the lighting when the rooms are not in use and after work.

Paper reduction

To promote environmentally-friendly practices, the Institute continues to encourage members to receive Institute

communications electronically. One major change is to send out the annual renewal notices by email rather than by post to our members and students. In the financial year, 43,533 members received annual renewal notices by email, compared to 1,261 who received a hard copy by postal mail. The e-renewal system also applied to students. No students were sent hard copy notices, while all the 18,599 students received e-renewal notices. As such, there was a continuous reduction in paper usage.

Internally, the Institute continues to implement measures to reduce the use of paper in the office. Apart from the electronic and automated internal administrative processes adopted for staff, including leave application, performance evaluation, approval of overtime work and monthly payment processing, we used electronic means to communicate with our members. E-handouts of continuing professional development seminars were given out to participants instead of hardcopies. In addition to the recommended practice for double-sided printing, we also posted in-house reminders with catchy slogans near each copy machine and printer to add efficiency. Through these efforts, a much larger deduction in the total meter reading was recorded for this financial year, 12.7 percent compared to 1.33 percent for last financial year.

Waste management

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

To facilitate better waste management, a cleaning contractor was arranged to collect cardboard boxes for reuse or recycle. Wastewater from our pantries also went through under-sink grease traps before being discharged to the building's sewerage system and public sewer, whereas the maintenance contractor was arranged to safely remove the built-up sludge in the traps once every two months.

AUDITOR'S REPORT & FINANCIAL STATEMENTS

HONG KONG INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

THE HKICPA TRUST FUND

THE HKICPA CHARITABLE FUND

TRUST TRUST TRUST
TRUST TRUST TRUST

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 62 to 97, 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 2020, and the statements of comprehensive income, the statements of changes in funds and reserve and the statements of cash flows of the Group and the Institute for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Institute at 30 June 2020, 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 2020 annual report but does not include the financial statements of the Group and the Institute and our auditor's report thereon. The other information obtained at the date of this auditor's report is the financial statements of the Institute's subsidiaries, The HKICPA Trust Fund and The HKICPA Charitable Fund.

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

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

RESPONSIBILITIES OF COUNCIL FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
17 September 2020

STATEMENTS OF FINANCIAL POSITION

At 30 June 2020

	Note	Group		Institute	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets					
Fixed assets	4	158,312	162,566	157,074	162,064
Interests in subsidiaries	5	-	-	-	-
Prepayments for purchase of fixed assets		736	597	736	597
		159,048	163,163	157,810	162,661
Current assets					
Inventories		400	471	400	405
Receivables	7	4,326	4,457	4,235	4,374
Deposits and prepayments		18,939	7,726	18,839	7,675
Tax recoverable		177	200	165	165
Time deposits with original maturities over three months	21(a)	14,857	201,244	-	183,054
Cash and cash equivalents	8	176,522	122,593	162,677	111,418
		215,221	336,691	186,316	307,091
Current liabilities					
Contract liabilities	9	(46,207)	(68,547)	(46,207)	(68,547)
Payables and accruals	10	(32,504)	(45,292)	(32,059)	(43,932)
Lease liabilities	4	(1,695)	(1,658)	(1,072)	(1,152)
		(80,406)	(115,497)	(79,338)	(113,631)
Net current assets		134,815	221,194	106,978	193,460
Non-current liabilities					
Lease liabilities	4	(895)	(698)	(311)	(698)
Deferred tax liabilities	6	(2,281)	(2,085)	(2,281)	(2,085)
		(3,176)	(2,783)	(2,592)	(2,783)
		290,687	381,574	262,196	353,338
Funds and reserve					
General fund	11	93,715	186,259	71,083	163,900
Capital fund	11	197,123	195,448	191,113	189,438
Exchange reserve		(151)	(133)	-	-
		290,687	381,574	262,196	353,338

Approved by the Council on 17 September 2020

Johnson Kong
President

Margaret W.S. Chan
Chief Executive & Registrar

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	Group		Institute	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Subscriptions and fees	12	90,399	85,509	90,399	84,886
Other revenue	13	58,828	96,425	58,828	96,147
Total revenue from contracts with customers		149,227	181,934	149,227	181,033
Other income	14	22,219	34,118	21,656	34,312
Expenses	15	(263,796)	(275,345)	(263,504)	(273,685)
Deficit before tax	16	(92,350)	(59,293)	(92,621)	(58,340)
Income tax charge	17	(194)	(2,162)	(196)	(2,155)
Deficit		(92,544)	(61,455)	(92,817)	(60,495)
Other comprehensive income					
Item that may be reclassified subsequently to surplus or deficit: Exchange loss on translating the financial statements of HKICPA Beijing		(18)	(21)	-	-
Comprehensive income		(92,562)	(61,476)	(92,817)	(60,495)

Approved by the Council on 17 September 2020

Johnson Kong
President

Margaret W.S. Chan
Chief Executive & Registrar

STATEMENTS OF CHANGES IN FUNDS AND RESERVE

For the year ended 30 June 2020

	2020						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	186,259	195,448	(133)	381,574	163,900	189,438	353,338
Deficit	(92,544)	-	-	(92,544)	(92,817)	-	(92,817)
Other comprehensive income	-	-	(18)	(18)	-	-	-
Comprehensive income	(92,544)	-	(18)	(92,562)	(92,817)	-	(92,817)
Capital levy from members and students	-	1,675	-	1,675	-	1,675	1,675
At the end of the reporting period	93,715	197,123	(151)	290,687	71,083	191,113	262,196
	2019						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	247,714	194,018	(112)	441,620	224,395	188,008	412,403
Deficit	(61,455)	-	-	(61,455)	(60,495)	-	(60,495)
Other comprehensive income	-	-	(21)	(21)	-	-	-
Comprehensive income	(61,455)	-	(21)	(61,476)	(60,495)	-	(60,495)
Capital levy from members and students	-	1,430	-	1,430	-	1,430	1,430
At the end of the reporting period	186,259	195,448	(133)	381,574	163,900	189,438	353,338

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2020

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities				
Deficit before tax	(92,350)	(59,293)	(92,621)	(58,340)
Adjustments for:				
Allowance for obsolete inventories	62	37	62	37
Depreciation of fixed assets	20,295	15,102	19,632	14,409
Gain on disposal of fixed assets	(10)	(11)	(10)	(11)
Interest on lease liabilities	123	117	94	70
Impairment of receivables	35	-	35	-
Obsolete inventories written off	89	11	24	11
Uncollectible amounts written off	30	7	30	7
Operating cash flows before working capital changes	(71,726)	(44,030)	(72,754)	(43,817)
(Increase)/decrease in inventories	(80)	180	(81)	172
Decrease in receivables	66	216	74	615
Increase in deposits and prepayments	(11,215)	(1,903)	(11,164)	(1,985)
Decrease in time deposits with original maturities over three months	186,387	167,083	183,054	160,097
Decrease in contract liabilities	(22,340)	(14,211)	(22,340)	(13,572)
Decrease in payables and accruals	(15,015)	(707)	(14,077)	(453)
Cash generated from operations	66,077	106,628	62,712	101,057
Net tax refunded/(paid)	24	(1,220)	-	(1,209)
Net cash generated from operating activities	66,101	105,408	62,712	99,848
Cash flows from investing activities				
Purchase of fixed assets	(10,241)	(13,351)	(10,195)	(13,306)
Prepayments for purchase of fixed assets	(736)	(597)	(736)	(597)
Sale proceeds from disposal of fixed assets	10	11	10	11
Net cash utilized in investing activities	(10,967)	(13,937)	(10,921)	(13,892)
Cash flows from financing activities				
Lease payments (note 4)	(2,890)	(2,844)	(2,207)	(2,135)
Capital levy received	1,675	1,430	1,675	1,430
Net cash utilized in financing activities	(1,215)	(1,414)	(532)	(705)
Net increase in cash and cash equivalents	53,919	90,057	51,259	85,251
Cash and cash equivalents at the beginning of the reporting period	122,593	32,539	111,418	26,167
Exchange difference in respect of cash and cash equivalents	10	(3)	-	-
Cash and cash equivalents at the end of the reporting period (note 8)	176,522	122,593	162,677	111,418

Non-cash transactions (financing or investing activities):

During the current year, the Group and the Institute acquired fixed assets of HK\$3,011,000 (2019: HK\$1,617,000) and HK\$1,646,000 (2019: HK\$1,617,000) respectively by means of leases. At 30 June 2020, HK\$2,204,000 (2019: HK\$5,639,000) for additions of owned assets was included in "Payables and accruals" for the Group and the Institute.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. PRINCIPAL ACTIVITIES AND REGISTERED OFFICE

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

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

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

Actual results may differ from these estimates. The critical accounting estimates and assumptions are summarized below:

Depreciation

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

Impairment of financial assets

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2b.

b. New/revised HKFRSs that were issued during the current year and after 30 June 2020

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

The Institute has not issued any new/revised HKFRSs after 30 June 2020 and up to the date of approval of these financial statements.

c. Basis of consolidation and subsidiaries

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

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

d. Financial instruments

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

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

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

e. Impairment of financial assets

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

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

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

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

f. Derecognition of financial assets and financial liabilities

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

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

g. Impairment of non-financial assets

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

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

h. Fixed assets

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

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

The estimated useful lives of fixed assets are as follows:

Owned assets

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

Right-of-use assets

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

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

i. Leases

Lessee

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

Lessor

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

j. Inventories

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

k. Cash and cash equivalents

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

l. Provisions

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

m. Capital levy

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

n. Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

o. Revenue recognition

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

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

- (i) Annual subscription fees are recognized over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods or services provided by the Group.
- (ii) First registration fees are recognized at a point in time on completion of assessment services by granting the qualification and status to the applicants.
- (iii) Income from examinations is recognized over time based on the cost-to-cost method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (iv) Income from seminars and courses, member and student activities is recognized over time as the services are rendered.
- (v) Accreditation income is recognized at a point in time on completion of services.

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

p. Government grants

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

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

q. Income tax

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

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

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

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

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

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

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 the Mandatory Provident Fund ("MPF") Exempted Occupational Retirement Schemes Ordinance, a MPF scheme under the Mandatory Provident Fund Schemes Ordinance and the People's Republic of China central pension scheme.

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

(iii) Employee leave entitlements

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

s. Related parties

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

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

3. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Institute	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets - measured at amortized cost				
Accounts receivable, net of charges for impairment	4,326	4,457	4,235	4,243
Amounts due from subsidiaries	-	-	-	131
Deposits	1,831	1,922	1,785	1,874
Time deposits with original maturities over three months	14,857	201,244	-	183,054
Cash and cash equivalents	176,522	122,593	162,677	111,418
	197,536	330,216	168,697	300,720
Financial liabilities - measured at amortized cost				
Payables	2,403	11,411	2,331	11,323
Amounts due to subsidiaries	-	-	50	50
Accruals	8,061	15,896	8,061	15,811
Lease liabilities				
- Current	1,695	1,658	1,072	1,152
- Non-current	895	698	311	698
	13,054	29,663	11,825	29,034

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

Owned assets

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

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

Owned assets

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

Year ended 30 June

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on lease liabilities	123	117	94	70
Expense relating to short-term leases				
- Lease term of more than one month	82	112	82	112
- Lease term of one month or less (d)	10,683	17,727	10,683	17,720
Expense relating to variable lease payments not included in the measurement of lease liabilities	249	264	249	264
Income from sub-leasing right-of-use assets	3	32	3	32
Total cash outflow for leases				
- Lease liabilities	2,890	2,844	2,207	2,135
- Short-term lease and variable lease payments	14,274	16,724	14,274	16,717
	17,164	19,568	16,481	18,852

At 30 June

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Maturity profile of lease liabilities:				
- Within 1 year	1,776	1,711	1,104	1,193
- Between 1 to 2 years	916	718	316	718
Lease liabilities (undiscounted)	2,692	2,429	1,420	1,911
Discount amount	(102)	(73)	(37)	(61)
Lease liabilities (discounted)	2,590	2,356	1,383	1,850
Current	1,695	1,658	1,072	1,152
Non-current	895	698	311	698
Lease liabilities (discounted)	2,590	2,356	1,383	1,850

Movements of the carrying amount of lease liabilities:

Year ended 30 June

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the reporting period	2,356	3,502	1,850	2,298
Non-cash changes:				
- Interest expense	123	117	94	70
- New leases	3,011	1,617	1,646	1,617
- Exchange differences	(10)	(36)	-	-
Cash payments	(2,890)	(2,844)	(2,207)	(2,135)
At the end of the reporting period	2,590	2,356	1,383	1,850

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

5. INTERESTS IN SUBSIDIARIES

	Institute	
	2020	2019
	HK\$'000	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)	Mainland China	HK\$300,000	100%	Promotion of the Institute's qualification programme and provision of services to members in Mainland China
The HKICPA Trust Fund (a)	Hong Kong	-	(c)	Relief of poverty of members of the Institute
The HKICPA Charitable Fund (a)	Hong Kong	-	(c)	General charitable purposes
Hong Kong Institute of Accredited Accounting Technicians Limited (a)	Hong Kong	-	(c)	Award of the "Accredited Accounting Technician" qualification
The HKIAAT Trust Fund (b)	Hong Kong	-	(c)	Provision of scholarships to persons studying for the examinations held by HKIAAT

- a. Held/controlled directly by the Institute.
- b. Controlled directly by HKIAAT.
- c. Accounted for as a subsidiary and 100% consolidated by virtue of control.

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

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

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

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

Nature and purpose of funds

The general fund of HKIAAT of HK\$16,913,000 (2019: HK\$16,585,000) 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\$5,261,000 (2019: HK\$5,196,000), the use of which is restricted to the principal activities as outlined above and the provisions stipulated in the respective trust deeds.

Use of bank balances

Included in the Group's time deposits and cash and cash equivalents is an amount in total of HK\$28,703,000 (2019: HK\$29,365,000) which are held by the Institute's subsidiaries and have been designated for the operations of the subsidiaries.

6. DEFERRED TAX LIABILITIES

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

	Group and Institute		
	Accelerated tax depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018	(1,733)	1,803	70
Credited/(charged) to deficit (note 17)	(2,537)	382	(2,155)
At 30 June 2019 and 1 July 2019	(4,270)	2,185	(2,085)
Credited/(charged) to deficit (note 17)	(645)	449	(196)
At 30 June 2020	(4,915)	2,634	(2,281)

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

	Group		Institute	
	2020	2019	2020	2019
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Decelerated tax depreciation	17	20	-	-
Other temporary differences	1,370	1,451	-	-
Tax losses	187,411	91,005	168,007	72,320
	188,798	92,476	168,007	72,320

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

7. RECEIVABLES

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable	4,627	4,723	4,536	4,509
Amounts due from subsidiaries	-	-	-	131
	4,627	4,723	4,536	4,640
Charges for impairment (a)	(301)	(266)	(301)	(266)
	4,326	4,457	4,235	4,374

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

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

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

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

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

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At the beginning of the reporting period	266	266	266	266
Impairment charged during the year	35	-	35	-
At the end of the reporting period	301	266	301	266

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

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

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

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Not past due	3,040	3,039	2,950	2,884
Within 30 days past due	797	114	797	188
31 to 90 days past due	17	40	16	38
91 to 180 days past due	-	543	-	543
181 to 270 days past due	-	721	-	721
Over 270 days past due	472	-	472	-
	1,286	1,418	1,285	1,490
	4,326	4,457	4,235	4,374

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

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

8. CASH AND CASH EQUIVALENTS

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank balances				
- Time deposits with original maturities within three months	155,197	80,402	144,973	73,449
- Savings accounts	4,811	6,358	3,503	5,067
- Current accounts	16,431	35,737	14,124	32,819
Cash on hand	83	96	77	83
	176,522	122,593	162,677	111,418

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

9. CONTRACT BALANCES

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

Contract liabilities:

	Group and Institute	
	2020	2019
	HK\$'000	HK\$'000
Subscription fees received in advance	40,443	54,370
Other fees received in advance	5,764	14,177
	46,207	68,547

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		Institute	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Decrease due to the recognition of revenue for contract liabilities at the beginning of the year	(59,562)	(56,525)	(59,562)	(55,886)
Increases due to cash received during the year	126,887	167,723	126,887	167,461
Decrease due to the recognition of revenue for cash received during the year	(89,665)	(125,409)	(89,665)	(125,147)

10. PAYABLES AND ACCRUALS

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Payables	2,403	11,411	2,331	11,323
Amounts due to subsidiaries	-	-	50	50
Accruals	8,061	15,896	8,061	15,811
Financial liabilities	10,464	27,307	10,442	27,184
Employee benefits obligations	22,040	17,985	21,617	16,748
	32,504	45,292	32,059	43,932

Payables and accruals are mainly purchase cost of fixed assets, litigation costs and costs related to examinations, seminars and courses. At 30 June 2020, HK\$358,000 (2019: HK\$1,358,000) is accrued as potential liability arising from an appeal against a disciplinary order.

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

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

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Within 30 days	6,497	23,114	6,475	22,991
Between 31 and 90 days	767	1,858	767	1,858
Between 91 and 180 days	2	172	2	172
Between 181 and 270 days	2,045	53	2,045	53
Over 270 days	1,153	2,110	1,153	2,110
	10,464	27,307	10,442	27,184

11. GENERAL FUND AND CAPITAL FUND

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

The Group has two capital funds:

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

12. SUBSCRIPTIONS AND FEES

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Annual subscription fees				
Members (a)	26,028	22,100	26,028	22,100
Practising certificates	25,712	25,144	25,712	25,144
Students	8,328	7,740	8,328	7,429
Firms	10,610	10,746	10,610	10,746
Corporate practices	7,623	7,426	7,623	7,426
Others	1,689	1,959	1,689	1,657
First registration fees				
Members	5,842	5,586	5,842	5,586
Practising certificates	819	952	819	952
Students	1,504	1,661	1,504	1,651
Firms	130	154	130	154
Corporate practices	242	242	242	242
Others	281	182	281	182
Other fees				
Advancement to fellowship	259	319	259	319
Assessment for overseas students	1,332	1,298	1,332	1,298
	90,399	85,509	90,399	84,886

a. Members' annual subscription fees

In June 2018, the Council announced a membership fee waiver for calendar years 2019 and 2020 for members whose names were on the register at 31 December 2017. Full fee waiver was granted to these members for both 2019 and 2020.

13. OTHER REVENUE

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Income from examinations	40,795	74,437	40,795	74,159
Income from seminars and courses	17,203	20,605	17,203	20,605
Income from member and student activities	800	1,347	800	1,347
Accreditation income	30	36	30	36
	58,828	96,425	58,828	96,147

During the current year, the COVID-19 pandemic caused the cancellation of the June 2020 examination session and some of the face-to-face courses and activities were cancelled.

14. OTHER INCOME

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
FRC special levy (a)	-	8,496	-	8,496
Events sponsorship	2,103	2,043	2,103	2,043
Disciplinary fines and costs recovery	7,388	7,789	7,388	7,789
Interest income	4,807	5,755	4,290	5,325
Sales of goods	729	1,294	719	1,248
Income from advertisements placed in the journals	90	196	90	196
Litigation costs recovery (b)	2,257	6,267	2,257	6,267
Income from hardcopy surcharge	625	686	625	686
Commission from professional indemnity insurance master policy	1,678	1,329	1,678	1,329
Commission from affinity credit card programme	91	133	91	133
Royalty income	-	23	-	-
Donations	36	25	16	17
Income from sub-leasing right-of-use assets	3	32	3	32
Reversal of allowance for obsolete inventories	19	6	19	6
Service fees from HKIAAT	-	-	-	720
Gain on disposal of fixed assets	10	11	10	11
Government grants (c)	2,064	-	2,064	-
Miscellaneous	319	33	303	14
	22,219	34,118	21,656	34,312

a. FRC special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (the "FRC"), along with the Companies Registry Trading Fund of the Government of the Hong Kong Special Administrative Region, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the funding arrangements, the Institute contributes one quarter of the annual funding of the FRC. The Institute's share of the funding is met by a special annual levy on member practices which are auditors of listed entities. The levy was exempted for two years under the new regime of the FRC (Amendment) Ordinance 2019. During the year ended 30 June 2019, the Institute received HK\$8,496,000 from such member practices and contributed HK\$8,496,000 to the FRC (note 16).

b. Litigation costs recovery

	Group and Institute	
	2020	2019
	HK\$'000	HK\$'000
Litigation costs recovery for:		
Professional indemnity insurance recovery (i)	1,056	4,767
Appeal against disciplinary order (ii)	1,201	1,500
	2,257	6,267

- (i) During the current year, the Institute recognized HK\$1,056,000 (2019: HK\$4,767,000) as recovery from the insurers for partial settlement of legal costs and claims incurred in dealing with an appeal against a disciplinary order.

During the current year, the Institute made partial settlement of HK\$1,000,000 (2019: HK\$4,000,000) for the case and Nil (2019: HK\$127,000) was charged to the statements of comprehensive income. At 30 June 2020, included in "Payables and accruals" is an amount of HK\$358,000 (2019: HK\$1,358,000) for outstanding potential liability of the case, which is under on-going settlement discussions. The actual recovery and liability will depend upon a number of factors including taxation, agreement reached with the appellant and the insurers agreement to such amounts.

- (ii) During the current year, the Institute recovered HK\$1,201,000 (2019: HK\$1,500,000) as interim settlement from an applicant who applied for appeal on a disciplinary order against him.

c. Government grants

During the current year, the Institute recognized HK\$2,064,000 (2019: Nil) as the approved amount of wage subsidies under the Employment Support Scheme launched by the HKSAR Government on 12 May 2020.

15. INCOME AND EXPENSES BY ACTIVITY

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

2020

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

2019

	Group			Institute		
	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Deficit before tax <i>HK\$'000</i>	Income <i>HK\$'000</i>	Expenses <i>HK\$'000</i>	Deficit before tax <i>HK\$'000</i>
Members and practices						
Membership and licensing	65,416	-	65,416	65,416	-	65,416
Admission and registration	9,467	(6,510)	2,957	9,467	(6,510)	2,957
Standards and regulation	22,657	(61,837)	(39,180)	22,657	(61,837)	(39,180)
Professional development and specialization	21,157	(26,721)	(5,564)	21,157	(26,721)	(5,564)
Interest groups and networking activities	2,139	(10,969)	(8,830)	2,139	(10,943)	(8,804)
	120,836	(106,037)	14,799	120,836	(106,011)	14,825
Qualification	86,021	(64,242)	21,779	86,021	(64,166)	21,855
Corporate functions						
Constitution, governance and corporate activities	1,810	(7,816)	(6,006)	1,810	(7,816)	(6,006)
Branding and communication	-	(9,295)	(9,295)	-	(9,295)	(9,295)
Publications	196	(6,420)	(6,224)	196	(6,420)	(6,224)
Advocacy	-	(1,177)	(1,177)	-	(1,177)	(1,177)
Legal	-	(6,419)	(6,419)	-	(6,419)	(6,419)
China and international relations	-	(6,311)	(6,311)	-	(6,311)	(6,311)
General administration, finance and operations	5,764	(43,935)	(38,171)	6,482	(44,655)	(38,173)
Depreciation and building related expenses	-	(21,415)	(21,415)	-	(21,415)	(21,415)
	7,770	(102,788)	(95,018)	8,488	(103,508)	(95,020)
HKIAAT Group	1,353	(2,094)	(741)	-	-	-
HKICPA Charitable Fund	7	(182)	(175)	-	-	-
HKICPA Trust Fund	65	(2)	63	-	-	-
Total	216,052	(275,345)	(59,293)	215,345	(273,685)	(58,340)

16. DEFICIT BEFORE TAX

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Deficit before tax has been arrived at after charging/(crediting):				
Employee benefits (note 18)	166,476	153,859	164,296	150,407
Depreciation of fixed assets	20,295	15,102	19,632	14,409
Contribution to FRC (note 14(a))	-	8,496	-	8,496
Award for an appeal case (note 14(b)(i))	-	127	-	127
Auditor's remuneration	491	476	475	383
Allowance for obsolete inventories	62	37	62	37
Cost of goods sold	165	151	163	142
Donations (a)	4	2	54	52
Exchange (gain)/loss	(3)	14	-	-
Gain on disposal of fixed assets	(10)	(11)	(10)	(11)
Impairment of receivables (note 7(a))	35	-	35	-
Interest on lease liabilities	123	117	94	70
Obsolete inventories written off	89	11	24	11
Recovery of obsolete inventories written off	(19)	(6)	(19)	(6)
Uncollectible amounts written off	30	7	30	7

a. During the current year, the Institute donated HK\$50,000 (2019: HK\$50,000) to The HKICPA Charitable Fund.

17. INCOME TAX CHARGE

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Current tax				
Mainland China income tax:				
Current year	-	2	-	-
(Over)/underprovision in prior year	(2)	5	-	-
	(2)	7	-	-
Deferred tax				
Origination and reversal of temporary differences	196	2,155	196	2,155
Total tax charge	194	2,162	196	2,155

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

Mainland China income tax has been provided at the statutory rate of 25% (2019: 25%) in accordance with the relevant tax laws in Mainland China.

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

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Deficit before tax	(92,350)	(59,293)	(92,621)	(58,340)
Tax at the applicable rate of 16.5% (2019: 16.5%)	(15,238)	(9,783)	(15,282)	(9,626)
Tax effect of different tax rate for a subsidiary in Mainland China	(10)	(13)	-	-
Tax effect of non-deductible expenses	753	769	738	738
Tax effect of non-assessable income	(1,248)	(958)	(1,050)	(881)
Tax effect of unrecognized tax losses	15,907	12,151	15,788	11,933
Tax effect of temporary differences not recognized	30	(30)	-	-
(Over)/underprovision in prior year	(2)	5	-	-
Others	2	21	2	(9)
Total tax charge	194	2,162	196	2,155

18. EMPLOYEE BENEFITS

	Group		Institute	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Employee benefits (including key management personnel remuneration):				
Salaries, wages, bonuses and allowances	155,611	144,807	153,579	141,523
Retirement benefits scheme contributions	10,865	9,052	10,717	8,884
	166,476	153,859	164,296	150,407
<u>Number of staff</u>				
At the beginning of the reporting period	226	211	220	203
At the end of the reporting period	229	226	225	220

19. KEY MANAGEMENT PERSONNEL REMUNERATION AND EXECUTIVES REMUNERATION

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

	Group and Institute	
	2020	2019
	HK\$'000	HK\$'000
Chief Executive and Registrar (i)		
Salaries and allowances (ii)	3,395	-
Performance bonus	442	-
Retirement benefits scheme contributions	18	-
	3,855	-

- (i) The remuneration charges were recognized for the service rendered by the new Chief Executive and Registrar who joined the Institute on 11 July 2019. The position of Chief Executive and Registrar was vacant during the year ended 30 June 2019.

- (ii) The amount includes accruals for gratuity, annual leave entitlements and other employee benefits.

- b. The remuneration of the Chief Executive and Registrar and two Executive Directors are within the following bands:

	Group and Institute	
	Number of Executives	
	2020	2019
HK\$3,500,000 to HK\$4,000,000 (a)(i)	1	-
HK\$3,000,000 to HK\$3,500,000	2	2
	3	2

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 Nil and HK\$751,000 (2019: HK\$90,000 and HK\$488,000) for conducting a technical training class and development of Train-the-Trainer Programme of the new Qualification Programme provided by KPMG and its group company, KPMG Advisory (Hong Kong) Limited, respectively, of which a Council member of the Institute is a partner of KPMG. At 30 June 2020, included in "Payables and accruals" is an amount of HK\$76,000 (2019: Nil) due to KPMG and total outstanding commitment is HK\$1,341,000 (2019: HK\$1,951,000). The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (ii) During the current year, the Institute incurred expenses of HK\$228,000 and HK\$175,000 (2019: HK\$79,000 and Nil) in respect of training services provided by Deloitte Touche Tohmatsu ("DTT") and its group company, Deloitte Advisory (Hong Kong) Limited ("Deloitte"), respectively, of which a Council member of the Institute is a partner of DTT and director of Deloitte. At 30 June 2020, no outstanding amount due to Deloitte (2019: HK\$79,000).

- (iii) During the current year, the Institute incurred expenses of HK\$250,000 (2019: HK\$130,000) for the update of international tax course materials provided by Ernst & Young Tax Services Limited, a group company of Ernst & Young (“EY”). A Council member of the Institute is a partner of EY. At 30 June 2020, included in “Payables and accruals” is an amount of HK\$140,000 (2019: Nil) due to EY and total outstanding commitment is HK\$240,000 (2019: Nil). The amount outstanding is unsecured, interest-free and has been settled after the end of the reporting period.
- (iv) During the current year, the Institute incurred expenses of HK\$228,000 for the training services provided by PricewaterhouseCoopers Limited (“PwC”) (2019: HK\$130,000 for the update of specialist tax training programme materials), of which a Council member of the Institute is a director of PwC. At 30 June 2020, the total outstanding commitment is HK\$220,000 (2019: HK\$220,000).
- (v) During the current year, the Institute incurred expenses of HK\$4,088,000 (2019: HK\$8,157,000) for rental of venue and administration fee for examinations and HK\$109,000 (2019: Nil) for data integration services provided by Hong Kong Examinations and Assessment Authority (“HKEAA”), of which a Council member of the Institute is a council member. At 30 June 2020, included in “Prepayment” is an amount of HK\$884,000 (2019: HK\$724,000) paid to HKEAA for these contracts and total outstanding commitment is HK\$1,666,000 (2019: HK\$3,058,000).

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\$3,192,000 (2019: HK\$3,319,000) to HKICPA Beijing for the promotion of the Institute’s qualification programme and the provision of services to members in Mainland China.

(ii) The HKICPA Charitable Fund

During the current year, the Institute donated HK\$50,000 (2019: HK\$50,000) to The HKICPA Charitable Fund. At 30 June 2020, included in “Payables and accruals” of the Institute is an amount of HK\$50,000 (2019: HK\$50,000) due to The HKICPA Charitable Fund.

(iii) HKIAAT

During the year ended 30 June 2019, the Institute charged service fees of HK\$720,000 to HKIAAT for management, rental and other services provided to HKIAAT at agreed terms. Total staff employment costs of HK\$1,190,000 were also recharged to HKIAAT for the human resources support on a cost recovery basis. At 30 June 2019, included in “Receivables” of the Institute was an amount of HK\$131,000 due from HKIAAT arising from the services provided. The service agreement has been terminated with effect from 1 January 2019.

c. Board members of HKIAAT

During the current year, the Institute incurred expenses of HK\$341,000 (2019: HK\$352,000) in respect of services provided by United International College (“UIC”) for the promotion of the Institute’s Qualification Programme and rental of training rooms in Mainland China. A Board member of HKIAAT is a member of the senior management of UIC. This Board member was retired during the current year. At 30 June 2019, included in “Payables and accruals” was an amount of HK\$330,000 due to UIC.

21. FINANCIAL RISK MANAGEMENT

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

a. Interest rate risk

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

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

	Group		Institute	
	2020 %p.a.	2019 %p.a.	2020 %p.a.	2019 %p.a.
Time deposits	1.99%	1.86%	2.09%	1.88%
Savings accounts	0.03%	0.04%	0.02%	0.03%

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

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

	Group		Institute	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Time deposits				
- with original maturities within three months	155,197	80,402	144,973	73,449
- with original maturities over three months	14,857	201,244	-	183,054
	170,054	281,646	144,973	256,503
Impact of interest rate deviation				
Change in interest rate by 0.25% (2019: 0.25%)				
- Change in deficit before tax	425	704	362	641
- Change in funds and reserve	425	704	362	641

Time deposits with original maturities over three months carry interest at market rates from 1.2% to 2.29% (2019: 1.7% to 2.55%) per annum and with maturities of six months.

b. Credit risk

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

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

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

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

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

The Group and the Institute have designed their credit policies with an objective to minimize their exposure to credit risk. The Group's and the Institute's "Receivables", other than the amounts due from subsidiaries, are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sales of goods are made in cash or via credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history. The recovery of the costs and the settlement of penalties in relation to disciplinary and legal cases are closely monitored by management and there was no default in most of the cases according to past experience. Further quantitative data in respect of the exposure to credit risk arising from receivables are disclosed in note 7.

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

c. Liquidity risk

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

d. Foreign currency risk

The majority of the Group's and the Institute's transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies. At the end of the reporting period, the Group and the Institute have bank balances denominated in Renminbi ("RMB") in total of HK\$709,000 and HK\$60,000 (2019: HK\$1,131,000 and HK\$62,000) respectively. In respect of the Group's bank balances denominated in RMB, HK\$649,000 (2019: HK\$1,069,000) 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

	Group and Institute	
	2020	2019
	HK\$'000	HK\$'000
Capital expenditure in respect of system implementation and leasehold improvements contracted but not provided for in the financial statements	5,704	7,173

24. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

a. Recognizing that the difficulties facing by the Institute's members under the COVID-19 pandemic, the Council decided to grant some one-off concessions for the subscription year of 2021. They are:

- annual fee waiver to a maximum of one partner per firm or one director per corporate practice
- waiving the capital levy for all members and students
- reduction of students annual fee

Existing members, firms, corporate practices and students are entitled to the concessions when they renew their membership/license for 2021. New joiners will pay the normal rates.

To further support members' preparations for the future, the Institute will also offer more free/subsidized continuing professional development events in the next financial year.

The estimated cash impact for these concessions and subsidies is approximately HK\$23 million.

b. The COVID-19 pandemic caused the cancellation of the June 2020 examination session and has a knock-on effect on the timing of the implementation of the new QP, thereby affecting the amount of examination income and related expenses anticipated in the next financial year.

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 100 to 105, which comprise the statement of financial position at 30 June 2020, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund at 30 June 2020, 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Trust Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

17 September 2020

STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	<i>Note</i>	2020 HK\$	2019 <i>HK\$</i>
Current assets			
Other receivables	4	10,149	9,318
Time deposits with original maturities over three months		3,848,615	915,188
Cash and cash equivalents	5	217,227	3,062,806
Net assets		4,075,991	3,987,312
Accumulated Funds		4,075,991	3,987,312

Approved by the Trustees on 17 September 2020

Johnson Kong
Trustee

Lam Chi Yuen, Nelson
Trustee

Law Fu Yuen, Patrick
Trustee

Wong Hong Yuen
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	<i>Note</i>	2020 HK\$	2019 <i>HK\$</i>
Revenue			
Donations	6	17,513	2,000
Interest income		73,416	63,094
		90,929	65,094
Expenses			
Bank charges		(2,250)	(2,250)
		(2,250)	(2,250)
Surplus		88,679	62,844
Other comprehensive income		-	-
Comprehensive income		88,679	62,844

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2020

	2020	2019
	HK\$	HK\$
Accumulated funds		
At the beginning of the reporting period	3,987,312	3,924,468
Surplus	88,679	62,844
Other comprehensive income	-	-
Comprehensive income	88,679	62,844
At the end of the reporting period	4,075,991	3,987,312

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020	2019
	HK\$	HK\$
Cash flows from operating activities		
Surplus	88,679	62,844
(Increase)/decrease in other receivables	(831)	20,780
(Increase)/decrease in time deposits with original maturities over three months	(2,933,427)	2,777,014
Net cash (utilized in)/generated from operating activities and net (decrease)/increase in cash and cash equivalents	(2,845,579)	2,860,638
Cash and cash equivalents at the beginning of the reporting period	3,062,806	202,168
Cash and cash equivalents at the end of the reporting period	217,227	3,062,806

5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. PRINCIPAL ACTIVITIES

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

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

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

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

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default. The Trust Fund uses judgment in making these assumptions based on the Trust Fund's past history, existing market conditions as well as forward looking estimates at the end of the reporting period. For details, see note 7(b).

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2(b).

b. New/revised HKFRSs that were issued during the current year and after 30 June 2020

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

The Institute has not issued any new/revised HKFRSs after 30 June 2020 and up to the date of approval of these financial statements.

c. Financial instruments

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

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

d. Impairment of financial assets

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

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

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

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

e. Derecognition of financial assets

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

f. Cash and cash equivalents

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

g. Revenue recognition

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

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

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

h. Related parties

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

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

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

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

- (a) The entity and the Trust Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Trust Fund or an entity related to the Trust Fund.

- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Trust Fund or to its parent.

3. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020	2019
	HK\$	HK\$
Other receivables	10,149	9,318
Time deposits with original maturities over three months	3,848,615	915,188
Cash and cash equivalents	217,227	3,062,806
	<u>4,075,991</u>	<u>3,987,312</u>

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

4. OTHER RECEIVABLES

	2020	2019
	HK\$	HK\$
Interest receivable	<u>10,149</u>	<u>9,318</u>

5. CASH AND CASH EQUIVALENTS

	2020	2019
	HK\$	HK\$
Bank Balances		
- Time deposits with original maturities within three months	-	2,860,858
- Savings accounts	48,859	32,431
- Current accounts	168,368	169,517
	<u>217,227</u>	<u>3,062,806</u>

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

6. DONATIONS

	2020	2019
	HK\$	HK\$
Donation from other parties	<u>17,513</u>	<u>2,000</u>

7. FINANCIAL RISK MANAGEMENT

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

a. Interest rate risk

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

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

	2020	2019
	%p.a.	%p.a.
Time deposits	1.944%	1.944%
Savings accounts	0.032%	0.093%

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

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

	2020	2019
	HK\$	HK\$
Time deposits		
- with original maturities within three months	-	2,860,858
- with original maturities over three months	3,848,615	915,188
	3,848,615	3,776,046
Impact of interest rate deviation		
Change in interest rate by 0.25% (2019: 0.25%)		
- Change in surplus and accumulated funds	9,622	9,440

Time deposits with original maturities over three months carry interest at market rates from 1.20% to 2.25% (2019: 1.94%) per annum and with maturities of six months.

b. Credit risk

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

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

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

8. 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 108 to 113, which comprise the statement of financial position at 30 June 2020, and the statement of comprehensive income, the statement of changes in accumulated funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Charitable Fund at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

BASIS FOR OPINION

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

RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

17 September 2020

STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Note	2020 HK\$	2019 HK\$
Current assets			
Amount due from the Institute	4	50,000	50,000
Cash and cash equivalents	5	629,910	654,463
Net assets		679,910	704,463
Accumulated funds		679,910	704,463

Approved by the Trustees on 17 September 2020

Johnson Kong
Trustee

Law Fu Yuen, Patrick
Trustee

Margaret W.S. Chan
Trustee

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020 HK\$	2019 HK\$
Revenue			
Donations	6	52,000	56,600
Interest income		217	551
		52,217	57,151
Expenses			
Sponsorship		(75,000)	(180,660)
Bank charges		(1,770)	(1,850)
		(76,770)	(182,510)
Deficit		(24,553)	(125,359)
Other comprehensive income		-	-
Comprehensive income		(24,553)	(125,359)

STATEMENT OF CHANGES IN ACCUMULATED FUNDS

For the year ended 30 June 2020

	2020	2019
	HK\$	HK\$
Accumulated funds		
At the beginning of the reporting period	704,463	829,822
Deficit	(24,553)	(125,359)
Other comprehensive income	-	-
Comprehensive income	(24,553)	(125,359)
At the end of the reporting period	679,910	704,463

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020	2019
	HK\$	HK\$
Cash flows from operating activities		
Deficit, net cash utilized in operating activities and net decrease in cash and cash equivalents	(24,553)	(125,359)
Cash and cash equivalents at the beginning of the reporting period	654,463	779,822
Cash and cash equivalents at the end of the reporting period	629,910	654,463

Note

5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. PRINCIPAL ACTIVITIES

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

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 financial statements, except for the early adoption of new/revised HKFRSs as explained in note 2(b).

b. New/revised HKFRSs that were issued during the current year and after 30 June 2020

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

The Institute has not issued any new/revised HKFRSs after 30 June 2020 and up to the date of approval of these financial statements.

c. Financial instruments

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

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

d. Impairment of financial assets

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

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

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

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

e. Derecognition of financial assets

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

f. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

g. Revenue recognition

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

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

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

h. Related parties

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

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

3. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020	2019
	HK\$	<i>HK\$</i>
Amount due from the Institute	50,000	50,000
Cash and cash equivalents	629,910	654,463
	679,910	704,463

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

	2020	2019
	HK\$	<i>HK\$</i>
Bank Balances		
- Savings accounts	503,564	501,787
- Current accounts	126,346	152,676
	629,910	654,463

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

6. DONATIONS

	2020	2019
	HK\$	<i>HK\$</i>
Donation from the Institute	50,000	50,000
Donation from other parties	2,000	6,600
	52,000	56,600

7. RELATED PARTY TRANSACTIONS

During the current year, the Charitable Fund received a donation of HK\$50,000 (2019: HK\$50,000) from the Institute. At 30 June 2020, the amount due from the Institute is HK\$50,000 (2019: HK\$50,000) and has been settled after the end of the reporting period.

8. FINANCIAL RISK MANAGEMENT

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

a. Interest rate risk

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

b. Credit risk

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

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

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

9. CAPITAL MANAGEMENT

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



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