CHARTERED GOVERNANCE
Hong Kong

Annual Report 2022

The Hong Kong Chartered Governance Institute
香港公司治理公會

The Hong Kong Chartered Governance Institute 香港公司治理公會

(Incorporated in Hong Kong with limited liability by guarantee)

The Hong Kong Chartered Governance Institute (HKCGI, the Institute) – until 20 July 2021 known as The Hong Kong Institute of Chartered Secretaries – is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies, as well as the development of the profession of the Chartered Secretary and Chartered Governance Professional in Hong Kong and the mainland of China (the Mainland).

HKCGI was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute (CGI). In 1994 HKCGI became CGI's Hong Kong Division and, since 2005, has been CGI's Hong Kong/China Division.

HKCGI is a founder member of Corporate Secretaries International Association (CSIA), which was established in March 2010 in Geneva, Switzerland. Relocated to Hong Kong in 2017, where it operates as a company limited by guarantee, CSIA aims to give a global voice to corporate secretaries and governance professionals.

HKCGI has over 6,800 members, more than 300 graduates and around 3,000 students.

For more information, please visit www.hkcgi.org.hk.

香港公司治理公会

(于香港注册成立的担保有限公司)

香港公司治理公会(公会)–于2021年7月20日前，原称为香港特许秘书公会–是一个独立专业团体，一直致力于制定与执行良好公司治理政策，在中国香港以及内地提升会员所担当的角色，同时推动「特许秘书」和「公司治理师」专业的发展。

公会于1949年成立，最初为设立在英国伦敦的特许公司治理公会(CGI)的属会，于1994年成为CGI的香港分会，亦从2005年至今为CGI的香港/中国属会。

公会亦是公司秘书国际联合会(CSIA) 的创会成员之一。CSIA 于2010年3月在瑞士日内瓦成立，于2017 年CSIA 迁移至香港，并以香港担保有限公司形式运作，在国际上代表全球公司秘书和治理专业人士发声。

公会现拥有超过6,800名会员，毕业学员300多名以及学员3,000多名。

更多资讯，请浏览www.hkcgi.org.hk。

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Report summary

Welcome to the Annual Report 2022 of The Hong Kong Chartered Governance Institute (HKCGI, the Institute) 香港公司治理公會 – previously known as The Hong Kong Institute of Chartered Secretaries 香港特許秘書公會. The Institute convened a general meeting on 15 July 2021, at which special resolutions were passed regarding the change of name and the adoption of revised Articles of Association, which came into effect on 20 July 2021.

This report covers the financial year from 1 July 2021 to 30 June 2022 (fiscal 2022), while figures for fiscal 2021 refer to the period from 1 July 2020 to 30 June 2021. Financial results record the consolidated results of the Institute and its seven subsidiaries.

Who we are

The Institute is a premier independent professional body dedicated to promoting good corporate governance and corporate secretaryship in Hong Kong and the Mainland. As a thought leader, we provide the route to qualification for those wishing to engage in or develop a career as a Chartered Secretary and Chartered Governance Professional, and offer professional development training programmes relevant to essential areas of corporate governance. Our primary focus includes member, graduate and student services, advocacy, research and governance reform.

Membership growth

Our membership and graduateship numbers advanced, while our student numbers dropped. As at 30 June 2022, we had 6,958 members (4% increase from the same point in 2021), 390 graduates (10% increase) and 2,845 students (10% decline).

Financial performance

The Institute, together with its subsidiaries, made an operating deficit of HK$921,181 in fiscal 2022 – mainly attributable to one-off expenses incurred in connection with the rebranding and name change project, as well as reduced revenues from seminars and events, notably in the Mainland – more details of which will be given in the President's report. Total income was HK$39,149,634 (10% decrease from fiscal 2021), most of which comes from membership and studentship subscriptions, examination fees, and professional development and membership activities in Hong Kong and the Mainland. Income from subscriptions and fees was HK$22,727,223 (13% increase), while income from continuing professional development (CPD) and other activities was HK$15,098,314 (13% decrease). Total costs and expenses were HK$40,048,462 (2% decrease).

Key activities

Our Chartered Governance Qualifying Programme (CGQP) is renowned as a top-tier route to professional qualification in the field of governance, in both Hong Kong and the Mainland. In fiscal 2022, a total of 1,204 students enrolled in our two CGQP examination diets, in November 2021 and June 2022, while our five master's degree programmes under the Institute's Collaborative Course Agreement attracted 209 new students.

We held a total of 99 Enhanced CPD (ECPD) events this year in Hong Kong and the Mainland, which drew 23,630 participants (down 3% from fiscal 2021). We also offered 49 video-recorded CPD seminars, attracting 5,042 viewers (up 22%). Our membership events proved popular, with 32 physical and online events attended by 7,437, an increase of 38% over fiscal 2021.

In terms of our thought leadership initiatives, we published three new research reports and 11 guidance notes, while we made seven consultation submissions relating to a wide range of regulatory reform and policy formulation themes.

PROFESSIONAL DEVELOPMENT

Our continuing professional development work keeps our members' knowledge and skills up to date in all relevant areas of corporate governance, secretaryship and compliance.

ECPD events
99 (–7%)

ECPD participants
23,630 (–3%)

Viewers of video-recorded CPD seminars
5,042 (+22%)

RESEARCH AND GOVERNANCE REFORM

Our research reports, thought leadership articles, consultation submissions, guidance notes and liaison work with regulators contribute to governance reform and regulatory policy formulation locally and internationally.

Research reports
3 (0%)

Guidance notes
11 (0%)

Panel meetings
11 (+10%)

EDUCATION AND EXAMINATIONS

Our Chartered Governance Qualifying Programme (CGQP) qualifies people as Chartered Secretaries and Chartered Governance Professionals via our CGQP examinations or postgraduate collaborative courses with local universities.

Students enrolled for the CGQP examinations
1,204 (–22%)

CGQP module enrolments
1,634 (–24%)

New students enrolled via collaborative courses
209 (–16%)

ADVOCACY

Our advocacy and promotion activities centre on our ongoing programmes that keep our members, graduates, students, other stakeholders and the wider public informed of pioneering governance issues.

Advocacy events
40 (–20%)

Participants at these events
3,808 (–19%)

Media interviews
2 (0%)

DONATIONS

Our sponsorship funds to support education, research and thought leadership initiatives in corporate governance and secretaryship are channelled through The Hong Kong Chartered Governance Institute Foundation Limited.*

Donations raised
HK$355,318 (–21%)

Funds distributed
HK$315,000 (–40%)

Scholarships and subject prizes awarded
46 (–4%)

MEMBER, GRADUATE AND STUDENT SERVICES

Our study materials, extracurricular activities and networking opportunities assist our members, graduates and students to develop the professional and soft skills they need to succeed in their careers.

Membership events
32 (–14%)

Participants at these events
7,437 (+38%)

Mentees joining our Governance Professional Mentorship Programme
86 (–13%)

Note: Percentages in parenthesis refer to the comparison between this financial year and the previous financial year.

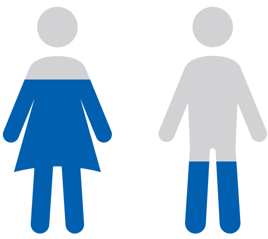
** The Foundation was previously known as The Hong Kong Institute of Chartered Secretaries Foundation Limited (name change effective from 31 August 2021).*

Membership & graduateship profile

(as at 30 June 2022)

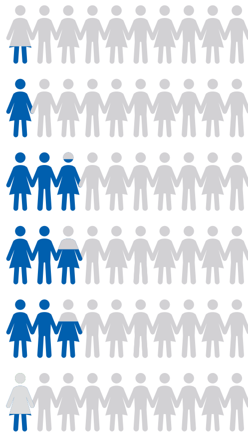
Members and graduates

7,348



69% (5,042) | 31% (2,306)

Age



> 70	3% (251)
60–69	10% (760)
50–59	29% (2,154)
40–49	26% (1,928)
30–39	27% (1,969)
< 30	4% (286)

Type of employer organisation

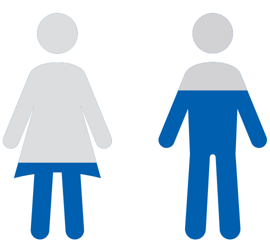
41%	Listed company
30%	Private company
20%	Partnership/Professional firm
3%	Government/Quasi-government organisation
2%	Sole proprietor/Self-employed
1.5%	Statutory body
1.5%	Further/Higher education
1%	Others

Area of activity of current job

31%	Company secretarial
14%	Accounting and auditing
14%	Management/Administration
10%	Governance professional
8%	Finance
7%	Compliance
6%	Legal
4%	Taxation
3%	Others
2%	Risk management and internal control
1%	Education and training

Affiliated Persons

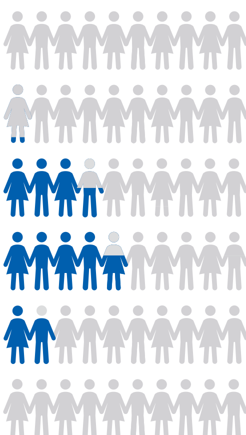
158



34% (54) | 66% (104)

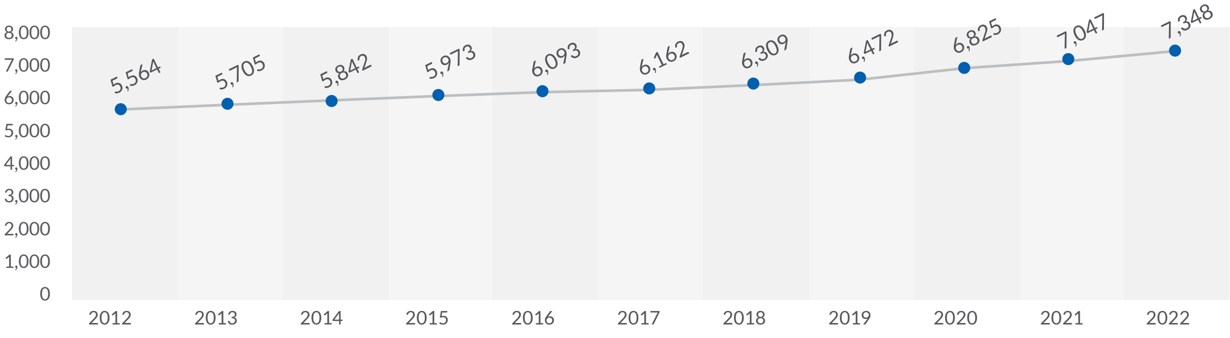
59% State-owned enterprises | 41% Private enterprises

Age

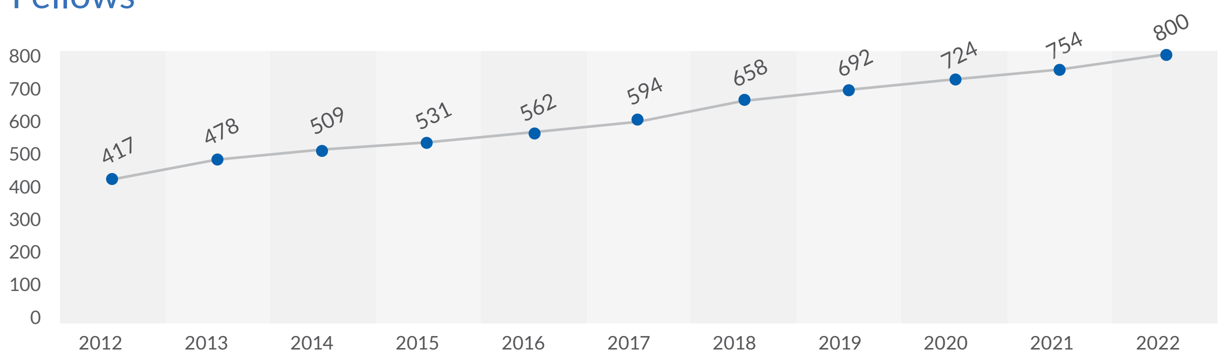


> 70	0% (0)
60–69	1% (1)
50–59	35% (55)
40–49	46% (73)
30–39	18% (29)
< 30	0% (0)

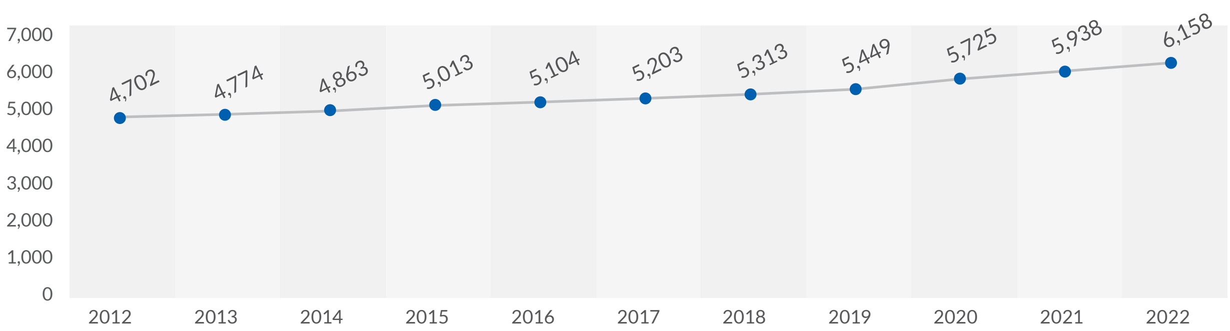
Members and graduates growth



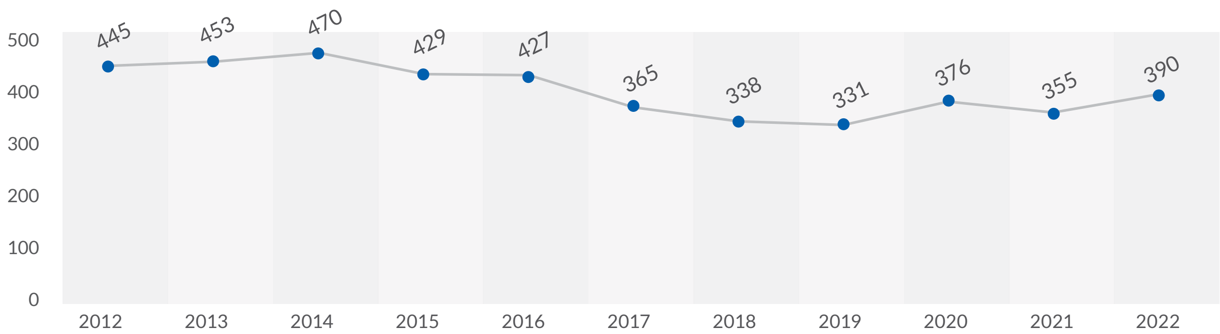
Fellows



Associates



Graduates



President's report

Better governance, better future

Welcome to our Annual Report 2022. The year under review has been challenging but highly productive for the Institute. The global outlook continues to be unpredictable due to the Covid-19 pandemic, with a complex interplay of other major concerns – the climate crisis, geopolitical tensions, and the ongoing trade and supply chain disruptions.

As you would expect, these challenges are reflected in some of the statistics documented in this report. We should not underestimate the likely duration and severity of the issues listed above. However, this report also bears testimony to the significant gains the Institute has made in fiscal 2022. As we go to press, I believe we are better positioned than ever to play our part in finding solutions to the problems affecting the organisations we serve, as well as the local and global communities in which we live.

Defining our purpose and values

This year, the Institute recorded an operating deficit of HK$921,181. Our last deficit was two years ago, and resulted from reduced revenues from our courses and events due to Covid-19. This year's shortfall, which was similarly affected to some extent by the ongoing pandemic in the Mainland, was more to do with the increased costs we incurred from the culmination of our repositioning exercise.

That exercise has been a long-term undertaking to better match our brand to our work. Readers familiar with the Institute will know the major milestones in that journey – including the launch of our members' dual designation of Chartered Secretary and Chartered Governance Professional, and the transition to our Chartered Governance Qualifying Programme. Two other noteworthy milestones fall within our current review period – the adoption of the Institute's new name (The Hong Kong Chartered Governance Institute 香港公司治理公會) and the launch of our new brand, tagline and logo.

The Institute held a hybrid general meeting on 15 July 2021. The two special resolutions – for adopting our current name and our amended Articles of Association – were passed, with affirmative votes of approximately 89% and 90%, respectively. Our new name, which aligns us with the global transition of our profession and our enhanced identity, took effect on 20 July 2021.

The rebranding exercise that followed our name change was no small undertaking. Our Chief Executive will detail the operational aspects in her message on the following pages. Here, I would like to highlight the vital strategic significance of this exercise. I have taken our new tagline – Better Governance. Better Future – as the title of this message since it encapsulates what we have achieved in the year under review and the direction we have set for our profession in the years ahead.

Good governance will be at the heart of the solutions to many of the threats facing our world today, particularly the climate crisis. That crisis will also require a globalised response just at a time when geopolitical tensions between nation states are on the rise. In this context, the Institute has a new importance and mission as a global governance body.

We have adapted to the challenges brought by Covid-19 and refocused perceptions of our work via our new brand. We will be devising new forms of governance that will address the emerging challenges facing our world and our work. The financial cost reflected in this year's deficit is, therefore, I believe, amply justified by the gains.

Taking up the governance challenge

The part played by our members and the Institute in delivering good governance is better recognised now than ever. The biggest story in the year ahead will be how we respond to the opportunities that now lie before us.

The year under review gives some good indications of how the Institute is taking up that challenge. In particular, we have put a lot more effort and resources into building our training, research and thought leadership contributions on the major issues for governance professionals in the current operating environment.

For example, a significant focus in fiscal 2022 was the need to provide practical, valuable and relevant guidance on how local and global developments relating to climate change, and in particular climate reporting, will impact the work of governance professionals. This has resulted in the growth in the number of climate-related ECPD webinars. We also organised an online Climate Change Conference on

> "good governance will be at the heart of the solutions to many of the threats facing our world today"

13 January 2022, dedicated to building knowledge of the climate change risks and opportunities facing organisations today, at which we brought together top experts and practitioners to address all the latest climate-related trends.

That event, together with our webinar (Climate Change Reporting: Changes Are Coming Quickly, held on 5 May 2022), had a practical focus – updating members on the impending regulatory changes in this space. Local regulators in Hong Kong are progressively seeking to align local disclosure requirements with those of the Task Force on Climate-related Financial Disclosures (TCFD) and the newly created International Sustainability Standards Board (ISSB).

I should add that climate change was not the only ESG-related theme we addressed this year. The number of ESG webinars rose by 40% from fiscal 2021, demonstrating the Institute's commitment to keeping all aspects of ESG high on the list of priorities for the governance professional. Participant numbers at the ESG webinars were up by 55%, indicative of the greater import of this theme.

Looking beyond ESG, our training and advocacy work in fiscal 2022 also addressed many other critical issues at the top of the governance agenda. These included risk management, organisational culture and purposeful governance, diversity and inclusion, data privacy and whistleblower protection, and various technology-related issues emerging in the digital transition.

As you would expect, the Institute's work on all of the above critical issues focuses on the roles our members can play in providing governance solutions to the challenges. These solutions relate not only to regulatory compliance but also to getting these issues the attention they deserve on the board.

Celebrating 25 years in the Mainland

2021 was the 25th anniversary of the establishment of our Beijing office. In November last year, we celebrated this special occasion and I think we can look back with pride on what we have achieved over that time. Together with our partners in the Mainland, the Institute has played a role in advocating for good governance, cross-border compliance and the professionalism of board secretaries, as well as in promoting professional knowledge and expertise in governance best practices in the Mainland.

Our well-respected Affiliated Persons (AP) programme provides high-quality governance-related training and services to board secretaries, directors, supervisors and equivalent governance practitioners of overseas listed companies. The programme is valued for its research, communication and professional networking. As at 30 June 2022, 158 APs were registered in the programme, a slight decline from the previous fiscal year, largely due to Covid-19. However, the number of members and graduates climbed to 200, from 126 in the previous year, proof positive of our growing influence and the relevance of good governance.

Another development I would like to mention is the setting up of our Mainland China Affairs Committee in January 2022. This will better support and oversee the work of our Mainland China Focus Group and its panels and subcommittees. Together, our committees and subcommittees in the Mainland do a sterling job of reinforcing our professional network and research proficiency.

Heartfelt thanks

I hope I have been able to give you a sense of the potential for us to play our part in building a better future through better governance. It only remains for me to thank everyone involved in our work this year.

The first half of fiscal 2022 was under the capable leadership of my predecessor, Gillian Meller FCG HKFCG(PE), who played a pivotal role in our renaming and rebranding initiatives. The Institute has a relatively small Secretariat. Despite this, under the leadership of our Chief Executive Ellie Pang FCG HKFCG(PE) and Deputy Chief Executive Mohan Datwani FCG HKFCG(PE), we have been able to pull our weight and to leverage the collective intelligence of the expanding community of professionals within our membership, together with our partners and stakeholders in governance.

> “the biggest story in the year ahead will be how we respond to the opportunities that now lie before us”

Good governance has an extensive remit and requires the joint efforts of many players, including professional practitioners, directors, managers, regulators and academics. The Institute has been increasingly working in partnership with a broad range of organisations and individuals outside our membership. This has made possible the expanded and upgraded ECPD services, and the research and thought leadership publications mentioned later in this report.

I would therefore like to offer my heartfelt thanks to all our members and collaborators. Without your expertise, guidance and good judgement we would not have been able to achieve everything detailed in this report and I look forward to working with you in the year, and years, ahead.

Ernest CH Lee FCG HKFCG(PE)
President
The Hong Kong Chartered Governance Institute
3 November 2022

Chief Executive's report

Our new brand and clarity of purpose

It is with great pleasure that I present my report for fiscal 2022, the first full year under our new identity as The Hong Kong Chartered Governance Institute 香港公司治理公會. Our rebranding and website redesign were certainly two of the biggest developments of the year under review and I would like to add to our President's comments on those projects with an update on the work involved. Those projects were by no means the only story for the Institute in fiscal 2022, however, and I would like to take this opportunity to also update you on our other significant achievements of the past 12 months.

New beginnings

Our rebranding and website redesign projects ran from May 2021 through to January 2022, when our new brand and website were officially launched. Key to the success of both tasks was ensuring close engagement with stakeholders, both inside and outside the Institute, and with the external agencies we commissioned to help us with the work. In particular, members of our Rebranding Working Group provided valuable expertise and feedback in the process of identifying the key pillars of our new brand identity.

Governance professionals add value to the organisations they serve in myriad ways, but our new brand has, I think, very successfully foregrounded the key elements of that value. Our members are governance specialists who act as a moral compass for the organisations they serve. In the current operating environment, regulatory compliance is essential but not sufficient for success. As governance gatekeepers, our members not only ensure their organisations abide by the relevant rules, but also help shape a better future for all.

> "in the current operating environment, regulatory compliance is essential but not sufficient for success"

This theme is at the forefront of both the Institute's new 'compass' logo and our new tagline – Better Governance. Better Future – which has provided us with a highly concise mission statement.

The redesign of our website has enabled us to gain maximum leverage from the clarity of purpose our new brand has provided. We now have a consistent visual identity across our website and publications, with both adopting our brand's new colour palette and font.

Our website redesign, however, goes beyond this with a major restructuring that has brought more clarity to the site as an information and professional community hub, but also as a calling card for the Institute and the profession as a whole. Indeed, feedback has been very positive from a number of stakeholders. Our website currently features a message from The Honourable Paul Chan Mo-po GBM GBS MH JP FCG HKFCG, Financial Secretary of the HKSAR, congratulating the Institute on our rebranding.

Simultaneously with the launch of the new brand and website, we also implemented the new post-nominals used by the Institute's members, whereby FCS has become HKFCG and ACS has become HKACG. The new post-nominals can be combined with the Chartered Secretary and Chartered Governance Professional (CS/CGP) designation, as well as, where appropriate, the Practitioner's Endorsement (PE) designation. The updated post-nominals came into full use from 1 January 2022. The Companies Registry published a circular on 18 November 2021 in which the meaning of 'professional company secretary' was amended to embody these changes.

Delivering our core value

Fiscal 2022 has been a busy year for us in many different areas of our work. Over the last two fiscal years we have successfully adapted to the new normal under Covid-19, in particular transitioning to webinar or hybrid format for most of our events and moving application forms and other communications online. In fiscal 2022, we have been able to achieve a renewed focus and efficiency in our core areas of activity.

Professional qualification

I am happy to report that our improved and expanded professional qualification examinations, the Chartered Governance Qualifying Programme (CGQP), have now been running seamlessly for two years. In fiscal 2022, while the number of students enrolling for the CGQP examinations in Hong Kong decreased by 25%, we saw an 8% rise in enrolments in the Mainland. In total, 479 students attained graduate status – via the CGQP, our Collaborative Course Agreements and our new Fast Track Professional route – and hence eligibility for membership of the Institute and the CS/CGP designation.

Professional development

We are committed to the continual development of our members' professional skills and to advancing international recognition of the CS/CGP role. Our careful preparations in previous years ensured that we were well placed to continue supporting our members, graduates and students with a variety of relevant and constructive events and activities, notwithstanding the outbreak of the fifth wave of Covid-19 in Hong Kong in the second half of the fiscal year, although the pandemic did have a greater impact on our Mainland metrics.

The number of ECPD events we held in Hong Kong and the Mainland therefore fell slightly, with a 3% dip in participants, while viewers of our video-recorded CPD seminars rose by 22%. Now known as ECPD Videos on Demand, this alternative learning platform was soft launched as a self-developed feature of our revamped website on 22 June 2022. Members, graduates and students, as well as non-members, can now benefit from enhanced access to our ECPD seminars at the click of a button.

As in fiscal 2021, we organised 20 Company Secretarial Practical Training sessions, with a 7% gain in attendees. As well as our integrated governance, risk and compliance, and our anti–money laundering and counter–financing of terrorism, seminars and webinars, we also hosted seven webinars specifically centred on ESG and climate change reporting, with a 55% growth in participant numbers. In addition, we organised a six-part series looking specifically at the year's major enforcement themes and regimes, and another six-part series on technology-themed issues.

Events for our members, graduates and students, including our Annual Convocation 2021, remained popular. Despite holding fewer events than in fiscal 2021, participant numbers increased by 38%.

Thought leadership

In his preceding message, our President highlights the Institute's greater emphasis on thought leadership. In the year under review, this can be clearly seen in our training, research and advocacy work.

One of the 40 advocacy events we hosted this year was the President's Forum: A New Vision 2022, held online on 7 April 2022, at which our President Ernest Lee FCG HKFCG(PE) and Vice-President Paul Stafford FCG HKFCG spoke about the Institute's new brand identity, answered questions and discussed the feedback from a survey of our members, graduates and students on the repositioning exercise.

I am also delighted to report that our 23rd Annual Corporate Regulatory Update (ACRU), held on 9 June 2022, drew a record-high number of participants, at 2,164, who had the opportunity to interact with top experts and regulators on a wide range of governance-related topics.

The Institute has also stayed ahead of the curve on the critical and cutting-edge issues at the top of the governance agenda in our ECPD events and publications. We published three thought leadership research reports in fiscal 2022. The first, published jointly with Bain & Company, relates to how Hong Kong and Mainland corporations can build resilience by managing stakeholder interests under a new board agenda. The second, published together with Corporate Secretaries International Association Limited (CSIA) and Ernst & Young Advisory Services Limited, was a survey report on the emerging trends in today's post-pandemic risk environment. The third, with Clifford Chance LLP, was a discussion paper on Listing Rule amendments relating to share schemes.

In addition, we published 11 guidance notes and made seven consultation submissions on regulatory and policy reforms. We also held a number of professional seminars, information sessions and career talks in collaboration with local universities and institutions to draw more young people to the governance profession.

Broadening our reach in the Mainland

Covid-19 has had a more detrimental effect on our events and activities in the Mainland than in Hong Kong. Our four planned Regional Board Secretaries and Corporate Governance Professionals Panel (previously, Regional Board Secretary Panel) meetings had to be cancelled, as did our June 2022 CGQP examinations in Beijing and Shanghai. In addition, participant numbers at our ECPD events decreased by 40%, partly because the shift to online mode did not attract as many participants as the usual physical events.

Nevertheless, our member and graduate numbers increased by 59%, indicating the far greater awareness of, and interest in, the governance profession and the role that the Institute plays. We maintained our close working relationship with regulators and government bodies, as well as with our professional network, and broadened the target audience for our ECPD seminars to three major groups – board secretaries, directors and supervisors, and CFOs.

Agenda 2023

Despite the ongoing challenges in our macro operating environment, the Institute has been able to achieve a great deal in fiscal 2022. I would like to thank everyone – members, graduates, students and stakeholders – who supported our work.

I would like to thank in particular Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President and Past President, for leading our name change initiative. Thanks are also due to our Immediate Past President, Gillian Meller FCG HKFCG(PE), our Deputy Chief Executive, Mohan Datwani FCG HKFCG(PE), and our Secretariat team, who all put in a lot of hard work to ensure that our rebranding and website initiatives reached a successful conclusion.

As we go to press with our Annual Report 2022, however, I would also like to urge all our members and stakeholders to continue to engage with our work. The achievements I have outlined above would not have been possible without the expertise and dedication of all our collaborators, both in and outside the Institute, but many of the issues where governance, and governance professionals, can play a critical role in finding solutions are still unfolding. Better governance really does mean a better future for us all and we at the Institute are determined to play a pivotal role in that going forward.

Ellie KL Pang FCG HKFCG(PE)
Chief Executive
The Hong Kong Chartered Governance Institute
3 November 2022

Council's report

The Council is pleased to submit its report, together with the audited consolidated financial statements for the year ended 30 June 2022, under our new name of The Hong Kong Chartered Governance Institute.

Principal activities

The principal activity of the Institute is to promote and advance secretaryship and leadership in the effective governance and efficient administration of commerce, industry and public affairs through the continued development of the study and practice of governance, which also encompasses regulatory compliance and risk management, as well as the general direction and administration of companies and other bodies. The principal activities and other particulars of the Institute's subsidiaries are described in Note 1 to the consolidated financial statements.

Governance structure

Council is the Institute's foremost governance body, responsible for setting strategic direction and the approach to developments in the field, both locally and globally. Its work in Hong Kong and the Mainland is supported by six committees – the Education, Membership, Professional Development, Nomination, Audit and Mainland China Affairs committees. The latter was established by Council in January 2022 to formulate Mainland objectives and strategies, and to lead the Mainland China Focus Group, with a view to carrying out the initiatives set by Council and to make recommendations to Council on the strategies, policies and implementation plans for promoting the Institute and the profession of Chartered Secretary and Chartered Governance Professional in the Mainland.

A number of working groups, which report directly to Council, also assist Council in Hong Kong and the Mainland. Our Secretariat, steered by Chief Executive Ellie KL Pang FCG HKFCG(PE), is responsible for executing the Council's strategies.

The governance structure of Council, its committees and the Secretariat as at 30 June 2022 is set out on pages 16 and 17 of this annual report.

Council disclosures

Council and other directorships

Membership of our Council for the financial year under review is presented on pages 14 and 15 of this report, along with the directors or Council members of the Institute's subsidiaries included in the consolidated financial statements during the year and up to the date of this report. In addition, Ms Pang is a director or Council member of all seven subsidiaries.

By resolution of Council on 15 December 2021, the title of Honorary Adviser was conferred on Ms Edith Shih FCG(CS, CGP) HKFCG(CS, CGP)(PE), Past International President and Past President, in recognition of her outstanding contribution to the Institute and to formalise the advisory role she plays.

Election to the 2023 Council

Towards the end of calendar year 2022, the following Council members will retire pursuant to Article 54.1 of the Institute's Articles of Association: Daniel WS Chow FCG HKFCG(PE), Edmond MK Chiu FCG HKFCG(PE), Wendy WT Ho FCG HKFCG(PE) and Stella SM Lo FCG HKFCG(PE). Being eligible, Mr Chow, Mr Chiu and Ms Ho have offered themselves for re-election for a second

Council as of 30 June 2022

term of three years at the Annual General Meeting (AGM) to be held on 15 December 2022.

As required by Article 54.1, Ms Lo, who will have completed her second term of Council membership by the end of 2022, shall cease holding office for at least one year before seeking election for any further term and will therefore retire from Council from 1 January 2023. Council would like to express its sincere gratitude to Ms Lo for her valuable contribution to the Institute during her tenure of service.

David YH Fu FCG HKFCG(PE), who will have been an ex-officio member of Council for three years by the end of 2022, will retire from 1 January 2023 pursuant to Article 50.2. Council wishes to record its deep appreciation of the valuable contribution made by Mr Fu to the Institute during his period of service.

In accordance with Article 54.4, no elected member of Council holding office as of 30 August 2005 has held office for longer than the maximum term of 18 years, while no person who became an elected member of Council after 30 August 2005 has held office as an elected member for a total of more than 12 years.

In addition to the three retiring Council members mentioned above, two other candidates – Robin B Healy FCG HKFCG and Poon Chiu Kwok FCG HKFCG – have been nominated for election to the 2023 Council. As the number of candidates exceeds the number of vacancies, the election shall be conducted by postal ballot. Biographical information on the candidates, along with other documentation relating to the 2022 AGM, is available on the Institute's website.

Interest of Council members

No member of Council was appointed to any salaried office of the Institute or any office of the Institute paid by fees, and no remuneration was given by the Institute to any member of Council. All Council members have completed an annual declaration of interest form.

Related-party transactions

Details of the significant related-party transactions undertaken in the normal course of business are provided in Note 24 to the consolidated financial statements.

Donations

Total donations made by the Institute to The Hong Kong Chartered Governance Institute Foundation Limited and to third parties for charitable and other purposes during the financial year under review amounted to HK$376,016.

Business review

For fiscal 2022, the Institute reported a consolidated operating deficit of HK$921,181, largely a consequence of one-off expenses associated with the rebranding and name change project, as well as reduced revenues from seminars and events, as detailed in Notes 7 and 12. A fair review of the Institute's business and particulars of significant events affecting the Institute during the reporting period are provided in the performance review (pages 18 to 31). An overview of the main events of the year and some pointers to the future development of the Institute's business is outlined in the President's report (pages 6 to 8) and Chief Executive's report (pages 9 to 11). An account of the principal risks facing the Institute can be found in the key risks and challenges section (pages 32 to 33). The Institute's thought leadership initiatives in relation to ESG, as well as its own environmental and social policies and performance, are presented in the ESG report (pages 34 to 36).

Non-current assets

Details of movements of property, plant and equipment are included in Note 14 to the consolidated financial statements.

Permitted indemnity

A permitted indemnity provision, as defined under section 469 of the Companies Ordinance (Cap 622), for the benefit of the Institute's Council members was in force throughout the fiscal year.

Auditors

The consolidated financial statements for this fiscal year have been audited by BDO Limited, who will retire and, being eligible, will seek reappointment at the Institute's 2022 AGM.

By order of the Council

Ernest CH Lee FCG HKFCG(PE)
President
Hong Kong, 3 November 2022

COUNCIL (1 July 2021 to 30 June 2022)

Title	Name	Post-nominal#	Gender	Total years of service in Council as of 31 Dec 2022
President	Ernest CH Lee[1, 2, 3, 4, 5, 6, 7] (re-elected from 1 January 2022)	FCG HKFCG(PE)	M	7
Vice-President	David J Simmonds[1, 2, 3, 5, 6, 7]	FCG HKFCG	M	5
Vice-President	Paul A Stafford[1, 2, 3, 5, 6, 7]	FCG HKFCG	M	6
Vice-President	Dr Gao Wei[4, *] (newly elected from 1 January 2022)	FCG HKFCG(PE)	M	9
Treasurer	Daniel WS Chow[1, 2, 3, 5, 6, 7]	FCG HKFCG(PE)	M	3
Council member	Professor Alan KM Au (newly elected from 1 January 2022)	FCG HKFCG	M	12
Council member	Tom SL Chau	FCG HKFCG	M	2
Council member	Edmond MK Chiu	FCG HKFCG(PE)	M	3
Council member	Wendy WT Ho	FCG HKFCG(PE)	F	3
Council member	Stella SM Lo	FCG HKFCG(PE)	F	6
Council member	Professor CK Low (re-elected from 1 January 2022)	FCG HKFCG	M	4
Council member	Kenny Luo (Luo Nan) (newly elected from 1 January 2022)	FCG HKFCG	M	1
Council member	Natalia KM Seng[4] (re-elected from 1 January 2022)	FCG HKFCG	F	20 (17 years as elected Council member & 3 years as ex-officio member)
Council member	Bill WM Wang	FCG HKFCG	M	2
Council member	Xie Bing (re-elected from 1 January 2022)	FCG HKFCG	M	4
Ex-officio member and Immediate Past President	Gillian E Meller[†]	FCG HKFCG(PE)	F	6 (5 years as elected Council member & 1 year as ex-officio member)
Ex-officio member and Past President	David YH Fu	FCG HKFCG(PE)	M	9 (6 years as elected Council member & 3 years as ex-officio member)
Council member	Loretta WM Chan (retired from Council from 1 January 2022)	FCG HKFCG	F	–
Council member	Wendy WY Yung (retired from Council from 1 January 2022)	FCG HKFCG	F	–

Numerals indicate that the relevant Council member was also a Council member and/or a director of the following subsidiary(ies) during the period of this report:

1. Council member of The Hong Kong Chartered Governance Institute Foundation Limited[‡]
2. Council member of The Hong Kong Institute of Company Secretaries Limited
3. Director of The Hong Kong Institute of Chartered Secretaries (China) Limited
4. Director of 思治企业咨询（北京）有限公司 (HKICS Consulting (Beijing) Limited), a wholly foreign owned enterprise in Beijing[§]
5. Director of The Institute of Chartered Secretaries and Governance Professionals Limited
6. Director of The Hong Kong Institute of Chartered Secretaries Limited[¶]
7. Director of The Chartered Governance Institute of Hong Kong Limited

Attendance at Council meetings for 2021/2022	Skill set, expertise and experience
9/9	Corporate Governance/Accounting & Finance/Company Secretarial
5/9	Corporate Governance/Legal/Company Secretarial
5/9	Corporate Governance/Company Secretarial
3/4	Corporate Governance/Legal/Company Secretarial
9/9	Corporate Governance/Accounting & Finance/Company Secretarial
4/4	Corporate Governance/Academic/Education
8/9	Corporate Governance/Legal/Company Secretarial
9/9	Corporate Governance/Company Secretarial
9/9	Corporate Governance/Company Secretarial
8/9	Corporate Governance/Corporate Communications/Company Secretarial
5/9	Corporate Governance/Legal/Academic Research/Education
4/4	Corporate Governance/Company Secretarial
8/9	Corporate Governance/Company Secretarial
9/9	Corporate Governance/Legal/Company Secretarial
5/9	Corporate Governance/Finance/Company Secretarial
8/9	Corporate Governance/Legal/Company Secretarial
9/9	Corporate Governance/Accounting & Finance/Company Secretarial
3/5	Corporate Governance/Legal/Company Secretarial
4/5	Corporate Governance/Accounting & Finance/Legal/Company Secretarial

* Dr Gao Wei was appointed as a new director of company numbered 4 with effect from 8 February 2022.

† Gillian E Meller ceased to be a Council member and/or director of companies numbered 1, 2, 3, 5, 6 and 7 from 1 January 2022.

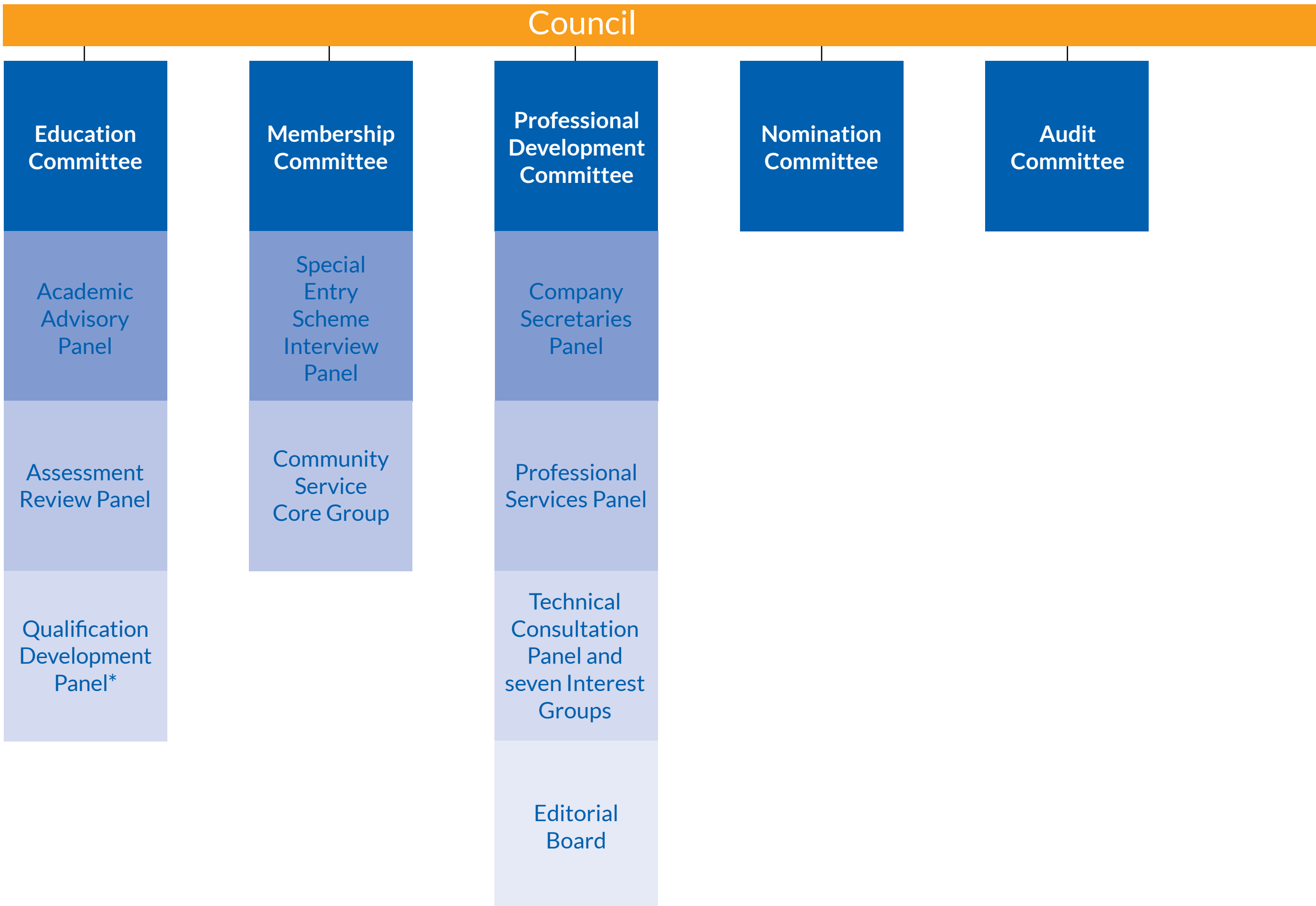
‡ Until 31 August 2021, this subsidiary was known as The Hong Kong Institute of Chartered Secretaries Foundation Limited.

§ Ivan KW Tam, Past President, who retired from Council from 1 January 2021, remains a director of company numbered 4.

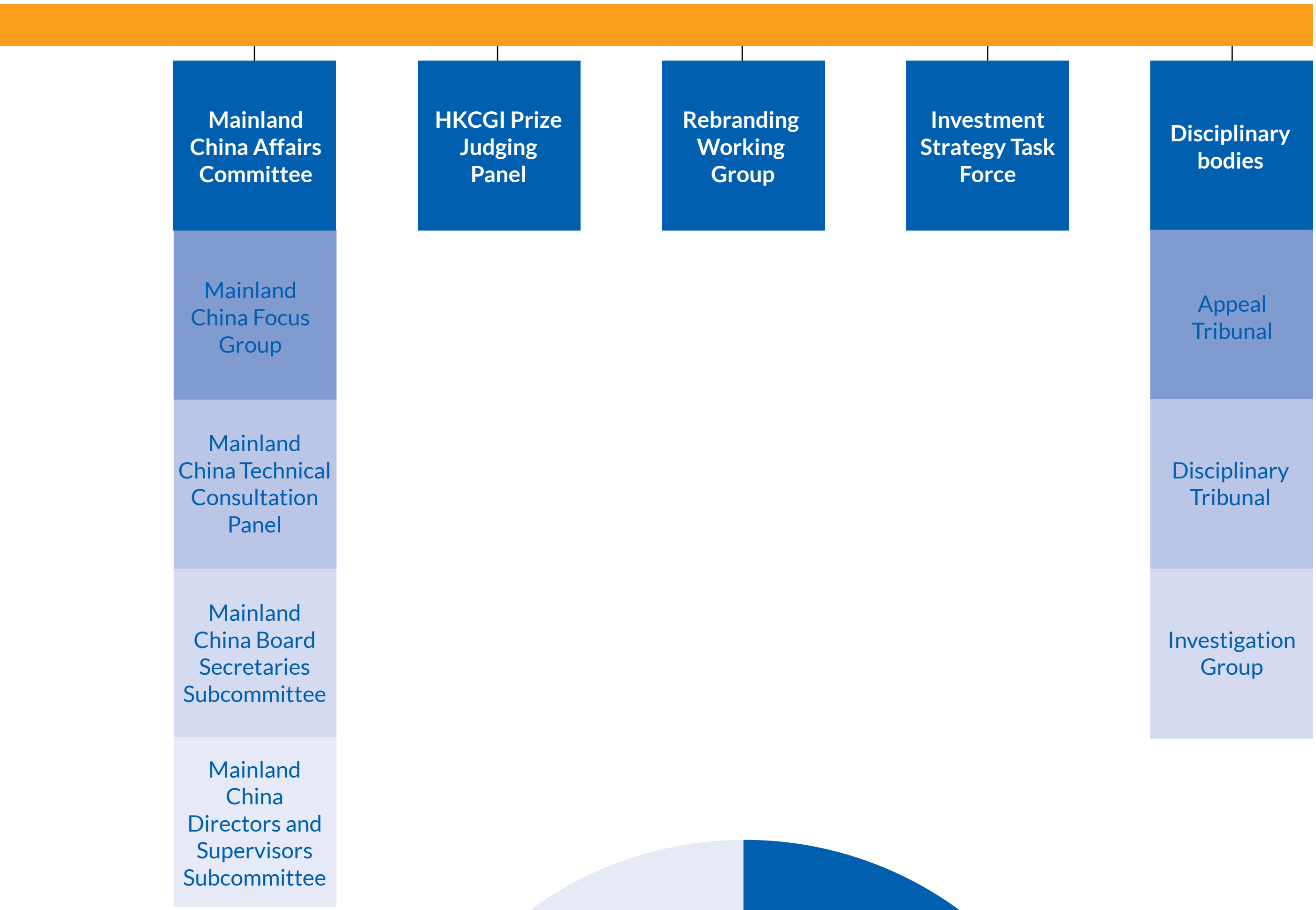
¶ Until 20 July 2021, this subsidiary was known as The Hong Kong Chartered Governance Institute Limited.

Post-nominals shown in the table above are those in use from 1 January 2022 up to the end of the year under review.

GOVERNANCE STRUCTURE (as at 30 June 2022)



**The Qualification Development Panel was put on hold from 1 January 2022.*


Mainland China Affairs Committee
Mainland China Focus Group
Mainland China Technical Consultation Panel
Mainland China Board Secretaries Subcommittee
Mainland China Directors and Supervisors Subcommittee
HKCGI Prize Judging Panel
Rebranding Working Group
Investment Strategy Task Force
Disciplinary bodies
Appeal Tribunal
Disciplinary Tribunal
Investigation Group


Secretariat
Chief Executive
Beijing Office
Finance and Accounting Department
Marketing Department
IT Department
Company Secretarial Department
Research and Professional Development Department
Membership Department
Education and Examinations Department

Performance review

“the Fast Track Professional route has proved to be a popular alternative path [to] membership of CGI and the Institute”

Education and examinations

As at 30 June 2022, a total of 2,845 students in Hong Kong and the Mainland were registered with the Institute, of whom 504 were new students, both numbers representing a drop compared with 30 June 2021. This, along with a decrease in the number of examination enrolments, was a result of the prolonged Covid-19 pandemic and the unstable economic situation throughout the fiscal year.

Chartered Governance Qualifying Programme

In fiscal 2022, a total of 1,204 (1,541 in fiscal 2021) students in Hong Kong, the Mainland and overseas enrolled for our Chartered Governance Qualifying Programme (CGQP) examinations, held in November 2021 and June 2022, encompassing 1,634 module enrolments. Unfortunately, because of the severe pandemic situation in Beijing and Shanghai in May 2022, the examinations in those two cities had to be cancelled for the June 2022 diet. However, candidates were permitted to reschedule to the next examination diet. A total of 36 students gained a Distinction or Merit grade in the November 2021 diet, and 14 in June 2022. The Institute continued to implement every possible precautionary measure to safeguard students’ well-being and to ensure the examinations were run safely in the customary physical mode.

A total of 479 students attained graduate status during the year, comprising 61 from the successful completion of the CGQP examinations in November 2021 and 28 from June 2022, 357 collaborative course graduates who were granted full exemptions and 33 via the Fast Track Professional route.

The Fast Track Professional route has proved to be a popular alternative path since its launch in January 2021, affording the opportunity for qualified lawyers or accountants with more than five years of relevant post-qualifying experience to apply for membership of CGI and the Institute by completing only two of the CGQP modules, namely Corporate Governance and Risk Management. Out of a total of 197 applications, 53 were approved for the full five-module exemption, while 76 were approved for the five-module exemption with conditions.

This year, 292 exemption applications were approved through the CGQP, covering 666 modules, with a further 248 modules exempted under the Fast Track Professional route, for a total of 914 module exemptions.

Collaborative Course Agreement

The master's degree programme under the Institute's Collaborative Course Agreement (CCA) acts to encourage more young people to become governance professionals and company secretaries. Subject to registration requirements being met, CCA graduates are eligible to apply for full exemptions from the Institute's qualifying programme.

The Institute currently collaborates closely with five local universities and institutions, namely City University of Hong Kong, Hong Kong Baptist University, The Hong Kong Polytechnic University, Hong Kong Metropolitan University and Caritas Institute of Higher Education, the latter of which welcomed its first intake cohort to its Master of Corporate Governance Programme in January 2022. All five have now adopted the CGQP syllabus in their curriculum. In fiscal 2022, a total of 209 new CCA students registered with the Institute.

During the year, we organised 10 new student orientations and briefing sessions on the process of applying for exemptions and advancement to membership. We also sent regular notifications to all CCA students about the latest Institute developments and recent technical updates.

Partnership Bachelor's Programme

The objective of our Partnership Bachelor's Programme (PBP) is to strengthen our relationship with local universities and to motivate undergraduates to work towards the dual qualification of Chartered Secretary and Chartered Governance Professional. This fiscal year, the four PBP universities and institutions that are currently accredited under the Institute's qualifying programme – Caritas Institute of

KEY METRICS EDUCATION AND EXAMINATIONS

504 –28%
New students

1,062 –25%
Students enrolled for the CGQP examinations in Hong Kong

209 –16%
New students enrolled via collaborative courses

2,845 –10%
Students in total

142 +8%
Students enrolled for the CGQP examinations in the Mainland

294 –40%
Enrolments for HKU SPACE examination preparatory courses

89 –18%
Graduates who successfully completed the CGQP examinations

40.5%
Examination pass rate (Average)*

50
Number of outstanding performances (Distinction and Merit awardees)*

* Figures are for the November 2021 and June 2022 CGQP examination diets combined.

Notes: Percentages refer to the comparison with the previous financial year.

Higher Education, Hong Kong Shue Yan University, The Hang Seng University of Hong Kong and Hong Kong Metropolitan University – between them offered six PBPs.

PBP students can register with the Institute as a Student(Conditional), after which they are entitled to enrol for the CGQP examinations. In fiscal 2022, four PBP students registered for the Student(Conditional) status. Graduates of the PBP are eligible for exemption status in four CGQP modules, subject to registration and curriculum requirements being met.

Studentship policies and quality assurance

The Institute's Education Committee is entrusted with supervising the studentship policies and quality assurance for our qualifying programme. To support this committee in its work, the Assessment Review Panel (ARP) meets three times a year, twice to review and confirm the examination results, as well as to discuss related matters, and once to deal with questions of policy and examination developments. In view of the smooth operations of the CGQP over the past two years, the Qualification Development Panel (QDP) – responsible for monitoring the CGQP and its progress, including related exemption policies, quality assurance for its study materials and related learning support – was put on hold from 1 January 2022.

Professional development

The Institute's ECPD activities in fiscal 2022 emphasised the ongoing enhancement of members' professional competence and technical knowledge, as well as boosting international recognition of the Chartered Secretary and Chartered Governance Professional role.

ECPD activities

This year, the Institute organised a variety of ECPD activities to cater for members pursuing different career paths. We currently run seven to eight seminars/webinars per month for all our members, graduates and students. Non-members who have an interest in specific areas of company secretaryship or corporate governance are also welcome to take part.

Our ECPD events cover all relevant areas necessary for members to perform their roles as Chartered Secretaries and Chartered Governance Professionals. Key areas this year included company secretarial practice, corporate governance, risk management, compliance, law, accounting and cybersecurity. A total of 99 ECPD events were held in Hong Kong and the Mainland, attended by 23,630 individuals.

Seminars and training sessions

Our seminars and training sessions for members, graduates and students keep them up to date with current developments and trends in the governance field.

KEY METRICS PROFESSIONAL DEVELOPMENT

	2021	2022	%
ECPD events*	107	99	–7%
Participants at ECPD events*	24,245	23,630	–3%
Video-recorded CPD seminars	51	49	–4%
Viewers of video-recorded CPD seminars	4,120	5,042	+22%
Company Secretarial Practical Training sessions	20	20	0%
Participants at Company Secretarial Practical Training sessions	4,786	5,135	+7%
ACRU attendees	2,085	2,164	+4%

* Figures reflect the fact that the four Regional Board Secretaries and Corporate Governance Professionals Panel (formerly Regional Board Secretary Panel) meetings held in the Mainland in fiscal 2021 were cancelled in fiscal 2022 due to Covid-19.

Note: Percentages refer to the comparison with the previous financial year.

“our seminars and training sessions for members, graduates and students keep them up to date with current developments and trends in the governance field”

Our Company Secretarial Practical Training series enables company secretarial and governance professionals, at various stages of their careers, to gain a deeper appreciation of their dynamic and evolving roles. This series supports members, graduates and students in their quest to improve and update their technical and practical skills. This fiscal year we held 20 training sessions, attracting 5,135 participants, an increase of 7% over the previous year.

To coincide with the Institute’s rebranding exercise, our integrated governance, risk and compliance (GRC) seminars and webinars were designed to more productively synchronise information-sharing across these topics and avoid overlaps. This year, we held 16 such sessions for our members, graduates and students on several areas of GRC, drawing 3,613 participants.

Anti–money laundering and counter–financing of terrorism (AML/CFT) remains high on the governance agenda as the business landscape continues to evolve and demand stays strong for greater transparency of beneficial ownership of companies incorporated in Hong Kong. Our three AML/CFT sessions this fiscal year centred on the latest regulations and best practices in Hong Kong’s trust or company service provider sector, attended by 936 participants.

In addition, the Institute organised a six-part series reviewing the major enforcement themes and regimes during the year, which attracted 1,327 participants. Another six-part series was offered on technology-themed issues, including recent compliance technologies and related developments, concentrating on practical applications and emerging governance trends, attended by 1,167 individuals. In terms of developments in the Mainland, we held nine sessions for 1,259 participants, while for our increasingly sought-after ESG and climate change reporting series, we organised seven events for 1,084 participants, up 55% from last year.

Demand for our video-recorded CPD seminars (now known as ECPD Videos on Demand) as a popular alternative learning platform for our members, graduates and students continued on an upswing, indicative of the growing preference for flexible training opportunities over fixed-time events. We added 17 new videos in fiscal 2022, while an average of 45 video-recorded seminars were made available to a total of 5,042 viewers (up 22% on the number of viewers last year).

ACRU

Our Annual Corporate and Regulatory Update (ACRU) is one of the most eagerly anticipated events of our year, at which regulators and practitioners come together in direct dialogue to discuss the top regulatory issues facing our profession. Our 23rd ACRU, on 9 June 2022, was held online for the third time and attracted a record number of participants, at 2,164 (up 4% on the previous year). This year, 15% of those attending were non-members (16% in the previous year) from diverse backgrounds, ranging from directors to managers and other professional practitioners. This reflects the high weighting accorded to the governance profession by the wider business community, as well as the greater appeal of ACRU to stakeholders outside our membership.

ACRU 2022

2,164 participants, of whom 15% were non-members

Practitioner's Endorsement scheme

The Institute's Practitioner's Endorsement (PE) designation, introduced in 2006, recognises members who attend a minimum of 15 ECPD hours during the fiscal year, of which at least 10 must be from the Institute's own ECPD seminars, webinars or training sessions. In fiscal 2022, over 270 members acquired the PE designation, of whom over 110 are company secretaries, or work in company secretarial departments, of listed companies.

Maintaining professional standards

Members, graduates and students are required to adhere to the Institute's rules and regulations governing their professional conduct and ethics, to maintain their professional standards and to meet the expectations of the public for the governance profession.

Accordingly, the Institute takes its disciplinary process seriously. Self-initiated and public complaints are considered by the Investigation Group. Potential disciplinary cases are then referred to the Disciplinary Tribunal for determination. The Appeal Tribunal serves to hear appeals against the Disciplinary Tribunal's determinations.

These disciplinary bodies all adhere to the rules of natural justice. The disciplinary processes are also designed with the utmost respect for confidentiality and impartiality.

Professional conduct cases under disciplinary proceedings

Apart from public complaints, the Institute monitors and initiates disciplinary cases based on information from the public domain. Sources include the Companies Registry, Hong Kong Bar Association, Hong Kong Exchanges and Clearing Limited (HKEX), Hong Kong Judiciary, The Law Society of Hong Kong, Hong Kong Institute of Certified Public Accountants, Market Misconduct Tribunal and Securities and Futures Commission.

In fiscal 2022, the Investigation Group dealt with 16 cases (eight new and eight brought forward from the previous fiscal year). Of these, 11 cases are under investigation, three were referred to the Disciplinary Tribunal and two cases were closed. The Disciplinary Tribunal dealt with seven cases (three new and four brought forward). Of these, four were concluded and the remaining three are at various stages of proceedings. There were no appeals against Disciplinary Tribunal decisions made to the Appeal Tribunal.

CPD non-compliance

No CPD non-compliance cases were subject to the disciplinary process in the year under review.

Member, graduate and student services

As a caring organisation, the Institute continued its meticulous measures to comply with the social distancing requirements resulting from Covid-19's ongoing challenges. In the first half of fiscal 2022, when the pandemic situation was stable in Hong Kong, we resumed some physical events to meet the needs of members, graduates and students. However, as soon as the fifth wave erupted in the latter half of fiscal 2022, we promptly switched all events to webinar format to ensure the smooth delivery of our quality services.

Examination support services

Our dedication to our students extends through all levels of their journey into membership of the Institute, including support in their examination preparations. In fiscal 2022, a total of 294 students attended our regular examination preparatory courses, organised by The University of Hong Kong, School of Professional and Continuing Education (HKU SPACE).

Our examination technique workshops supply the essential backing to those who have their own independent knowledge and experience in their chosen topic. Students are provided with a two-hour seminar and a one-hour workshop on a take-home mock examination paper, in which they receive guidance and feedback from the tutors. As in the previous fiscal year, this year's examination technique workshops were held online, with 537 enrolments – 280 students attended online and a further 257 subscribed to the video-recorded sessions.

We further support our students by offering free online study materials for each of the eight CGQP modules, for which 1,836 students registered in fiscal 2022. We also held four online student gatherings to discuss examination preparations and to review the examination diets, attracting a total of 185 participants. All video-recorded student gatherings were made available for free online viewing.

"our dedication to our students extends through all levels of their journey into membership of the Institute"

Personal and social developmental services

In fiscal 2022, we conducted 32 physical and online membership events for 7,437 members, graduates and students, which included our Annual Convocation 2021. In addition, we launched a series of wellness webinars to cater for the physical and mental health of members, graduates and students during the fifth wave of the pandemic.

We also proceeded with our activities targeting the diverse interests and experience levels of our membership via our 'four pillars' programmes.

1. Mentorship

Now in its eighth term, our Governance Professional Mentorship Programme is well favoured as a platform for cultivating young professionals. Open to all members, graduates and students, this programme welcomed 49 mentors and 86 mentees in fiscal 2022 (2021: 52 and 99, respectively). Three training workshops were held for mentors and mentees to facilitate communication and enhance soft skills.

2. Members' Networking

Our Members' Networking programme offers members, graduates and students the opportunity to network both professionally and socially, along

KEY METRICS MEMBER, GRADUATE AND STUDENT SERVICES

32 –14%	7,437 +38%	49 –6%	86 –13%	185 –42%
Membership events	Participants at these events	Mentors joining our Governance Professional Mentorship Programme	Mentees joining our Governance Professional Mentorship Programme	Participants at student gatherings

Note: Percentages refer to the comparison with the previous financial year.

“we launched a series of wellness webinars to cater for the physical and mental health of members, graduates and students during the fifth wave of the pandemic”

with activities to boost a variety of core skills. In fiscal 2022, we arranged webinars on diverse topics, such as protecting the privacy of directors and officers under the new regime, anti-discrimination issues, a guide to estate planning and enduring power of attorney, NGO governance and coaching in the workplace.

3. Fun & Interest Group

Members, graduates and students can take part in a wide range of informal recreational activities through our Fun & Interest Group. In fiscal 2022, we continued to offer free wellness webinars with a focus on maintaining physical and mental health, encompassing stress management, a positive mindset, yoga and qigong (氣功), and vision health. We also hosted physical and online workshops on Christmas flower arranging, perfume-making, coffee grounds mosquito coil–making and planting, Chinese calligraphy and mobile photography.

4. Community Service

Our Community Service programme furnishes our members, graduates, students and Secretariat staff with a vehicle to serve the community and support the Institute’s CSR initiatives. The tighter social distancing requirements necessitated by the fifth wave of Covid-19 in the second half of the fiscal year curtailed our face-to-face community service events. Nevertheless, we held a soap-recycling workshop, and also joined the online campaign Pink Together 2021, organised by the Hong Kong Breast Cancer Foundation, and Dress Pink Day, organised by the Hong Kong Cancer Fund.

Publications

Our monthly journal – redesigned and renamed *CGj* (formerly *CSj*) from the February 2022 edition, to synchronise with our new brand identity and name – highlights the principal practices and strategic developments in the company secretarial and corporate governance arena. The journal, which is also available online via our e-CGj website, is one of our major communication channels – together with the Institute’s main website and weekly E-updates – providing a valuable resource for our members, graduates, students and other stakeholders.

Donations

The Institute transfers donations and sponsorship funds to advance governance-related education, research and thought leadership initiatives through its wholly owned subsidiary, The Hong Kong Chartered Governance Institute Foundation Limited (the Foundation).

In fiscal 2022, the Foundation raised a total of HK$355,318 in donations (of which HK$353,216 was received from the Institute) and disbursed HK$315,000 in funds. It sponsored 19 scholarships to local universities and institutions, and 27 subject prizes for students of collaborative courses and relevant degree programmes (fiscal 2021: 20 and 28, respectively). The Foundation also awarded a total of 10 module prizes to students achieving a Distinction grade in the Institute’s CGQP examination diets, held in November 2021 and June 2022.

KEY METRICS DONATIONS

HK$ **355,318** –21%
Donations raised by the Foundation

HK$ **315,000** –40%
Funds distributed by the Foundation

19 –5%
Scholarships awarded by the Foundation

27 –4%
Subject prizes awarded by the Foundation

Note: Percentages refer to the comparison with the previous financial year.

The repercussions of the continuing Covid-19 pandemic meant that all functions and activities for student associations of local universities had to be cancelled.

Advocacy

Advocacy is a crucial part of the Institute's work. We liaise closely with government and regulatory bodies, other governance organisations at home and abroad, and individuals from a wide range of professional sectors. In fiscal 2022, we held 40 advocacy events – including the President's Forum: A New Vision 2022, held on 7 April 2022 – which attracted a total of 3,808 participants.

AML/CFT Charter

Two money laundering and terrorist financing risk assessment reports published by the HKSAR Government, in 2018 and 2022, recognise that many key officers or staff of trust or company service provider (TCSP) licensees are members of professional bodies, one of which is the Institute.

The reports also make reference to the Institute's AML/CFT Charter, for which six leading firms in the trade are subscribers. These TCSPs, accredited as HKCGI AML/CFT Organisations, continue to support the Institute to promote AML/CFT best practices for the benefit of members, graduates, students and other stakeholders working in or related to the TCSP sector.

Future-proofing the profession

Responsible governance looks not only at the current situation, but also ahead to emerging and potential developments and trends. To secure the future of good governance – to future-proof our profession – means that the younger generation must be motivated and fostered. This is an essential part of our role and is particularly close to our hearts.

In fiscal 2022, despite the ongoing challenges of Covid-19, we maintained our strong links with universities and institutions to promote the profession and explain its greater significance in today's world, as well as to motivate more young people to get involved in governance.

To this end, the Institute organised 10 online professional seminars, information sessions and career talks in association with local universities and institutions. The Career Paths of a Governance Professional (formerly Governance Professionals Career Day), held on 26 March 2022 as an online event, attracted 128 participants. This annual event provided an overview of the role of the Chartered Secretary and Chartered Governance Professional, and illuminated the career prospects for the future generation of governance professionals through

practical insights from industry leaders, senior members of the Institute, premium employers and HR professionals.

We held five online Governance Professionals Information Sessions, for a total of 328 attendees. We also gave two media interviews and issued five press releases to enlighten the general public on the role and opportunities of our profession.

Our Academic Advisory Panel, comprising senior academics from local universities and institutions, met in November 2021 to discuss future developments and strategies to encourage the younger generation to consider governance as a profession.

Our Student Ambassadors Programme (SAP) serves to introduce the dual qualification of Chartered Secretary and Chartered Governance Professional to local undergraduates, as well as to develop our student ambassadors' potential as future leaders in governance. In fiscal 2022, 162 new student ambassadors joined the programme. SAP has welcomed 2,081 student ambassadors since its

KEY METRICS ADVOCACY

40 –20%
Advocacy events

3,808 –19%
Participants at our advocacy events

328 –49%
Participants at Governance Professionals Information Sessions

15 –74%
Governance Professionals Information Session participants enrolling as students

52 +13%
Mentors joining our Student Ambassadors Programme (SAP) mentorship programme

187 –22%
Mentees joining our SAP mentorship programme

50 +16%
Summer internship opportunities for undergraduates participating in SAP

Notes: Percentages refer to the comparison with the previous financial year.

KEY METRICS RESEARCH AND GOVERNANCE REFORM

3 +0% Research reports

11 +0% Guidance notes

11 +10% Panel meetings

Note: Percentages refer to the comparison with the previous financial year.

inception in 2006. In fiscal 2022, 52 Institute members joined the SAP mentorship programme as mentors, while 187 students signed up as mentees. In addition, we held four mentorship gatherings over the year, including our first Fireside Chat for SAP mentors and mentees, during which a CEO shared his experience of ESG principles applicable in the commercial sector.

Our Corporate Governance Paper Competition and Presentation Awards inspire gifted Hong Kong undergraduates to get involved with issues at the forefront of corporate governance. This year's theme – Do you think better governance leads to a better future for organisations? – was taken up by 49 teams, consisting of 149 individuals. The top six finalists competed for the Best Presentation Award and the Audience's Favourite Team Award on 17 September 2022.

Survey on the new brand, services and student learning support

Following the Institute's repositioning exercise, we launched a survey in March 2022 to gather feedback from members, graduates and students on the new brand and revamped website, as well as the Institute's services, which generated 1,797 responses. Highlights of the survey findings and responses from the Institute were discussed at the President's Forum, held in April 2022, and the full survey report was published on our website in June 2022.

Another survey, launched in April 2022, gathered feedback from students on their CGQP examination experience and the learning support offered to them. 164 respondents, constituting 6% of the total number of students, completed the survey. A Student Gathering was held on 23 June 2022 to share the findings and provide tips for examination preparations. The survey report was published on the Institute's website in July 2022.

We will take all suggestions on board, and work to increase the relevance of the Institute's training, thought leadership and future development, including in the Mainland, along with delivery of our services in the modern digital age.

Research and governance reform

As a major contributor to thought leadership in the field of governance, our pursuit of excellence in research and governance reform has resulted in an invaluable collection of resource material and expertise that is widely acknowledged, both locally and globally.

Research reports

In fiscal 2022, we published three new research reports.

1. Thought leadership

On 15 September 2021, the Institute and Bain & Company jointly published a major thought leadership survey report, titled The New Board Agenda, which focused on how Hong Kong and Mainland corporations can build resilience by managing stakeholder interests under a new board agenda.

2. Share schemes

On 26 January 2022, the Institute and Clifford Chance LLP jointly published a discussion paper on the amendments to the Listing Rules relating to share schemes of listed issuers, as proposed by HKEX in its October 2021 consultation paper on that topic.

3. Risk management

On 20 May 2022, the Institute, together with Corporate Secretaries International Association Limited (CSIA)

> “our pursuit of excellence in research and governance reform has resulted in an invaluable collection of resource material and expertise”

and Ernst & Young Advisory Services Limited, published a survey report on the Roles of Governance Professionals in Today’s Post-Pandemic and Dynamically Changing Risk Environment, which highlighted the emerging trends in today’s risk environment, as elevated by the Covid-19 pandemic and other global business disruptions.

Governance reform

In fiscal 2022, we maintained our active involvement in regulatory reform and policy formulation in Hong Kong via consultation submissions and liaison with regulators and government bodies on issues relevant to the profession. During the year, we made seven submissions on a range of key regulatory themes, all of which are available on our website.

Guidance notes

As well as assisting our members and the wider governance profession and community, our guidance notes and other publications play an important role in shaping governance reform. In fiscal 2022, the seven Interest Groups under our Technical Consultation Panel initiated 11 new guidance notes, encompassing company law; ethics, bribery and corruption; public governance; competition law; technology; securities law and regulation; and mergers and acquisitions. These 11 guidance notes, together with eight other publications on various pertinent topics, are available on our website.

The Mainland

In our role as CGI’s Hong Kong/China Division, we are deeply committed to the promotion of the profession of Chartered Secretary and Chartered Governance Professional in the Mainland.

Despite the ongoing challenges associated with Covid-19 during the year under review – which inevitably affected the number of students attaining graduateship and being eligible to apply for membership of the Institute – our numbers increased by 59% from

KEY METRICS THE MAINLAND

	2021	2022	%
Students	299	300	+0.3%
Members and graduates	126	200	+59%
Affiliated Persons	168	158	–6%
CGQP module enrolments*	215	183	–15%
Mainland ECPD events	8	7	–13%
Participants at ECPD events†	1,005	600	–40%
Regional Board Secretaries and Corporate Governance Professionals Panel (Regional Panel) meetings‡	4	0	–
Participants at Regional Panel meetings‡	103	0	–

* Figures reflect the fact that the June 2022 examinations in Beijing and Shanghai were cancelled due to Covid-19.

† The decrease in participant numbers was mainly attributable to the shift in mode from physical to online, as well as to the dip in number of events held.

‡ The four planned Regional Board Secretaries and Corporate Governance Professionals Panel meetings were cancelled due to the ongoing Covid-19 pandemic.

Note: Percentages refer to the comparison with the previous financial year.

> "one pivotal aspect of our role is our research activities, through which we aim to provide practical solutions, and enhance knowledge and understanding of governance issues among our APs, members, students and the wider governance community"

the previous fiscal year, to 200 registered members and graduates as at 30 June 2022.

The Chartered Secretary and Chartered Governance Professional qualification

The number of Mainland students registered with the Institute in fiscal 2022 held steady at 300 (299 in fiscal 2021). However, the direction of growth remains positive, with an expanded interest among students in working to achieve the Chartered Secretary and Chartered Governance Professional qualification.

Our Postgraduate Programme in Corporate Governance (PGPCG), run in collaboration with Hong Kong Metropolitan University (HKMU) (formerly known as The Open University of Hong Kong), is an important contributory factor to this greater interest in the profession. The PGPCG, held in Shanghai since 2016 and in Shenzhen since 2019, provides the essential practical knowledge and skills, as well as tutorial assistance, for those wishing to pursue or advance their careers as company secretaries, board secretaries or corporate governance professionals. In fiscal 2022, we welcomed our sixth cohort of PGPCG students in Shanghai and our third in Shenzhen, for a total of 44 students (50 in the previous year). The continuing Covid-19 pandemic over the last two years caused a slight drop in the 2021 PGPCG enrolments, while for the 2019 cohort, the one-week residential training usually held on the HKMU Hong Kong campus had to be substituted with an online format. Subsequently, 26 students from the 2019 cohort obtained a Master of Corporate Governance degree, all of whom successfully applied for full exemptions from the Institute's qualifying examinations and were granted graduateship. Having fulfilled certain requirements, 22 of the 2019 cohort were then elected members of the Institute in fiscal 2022.

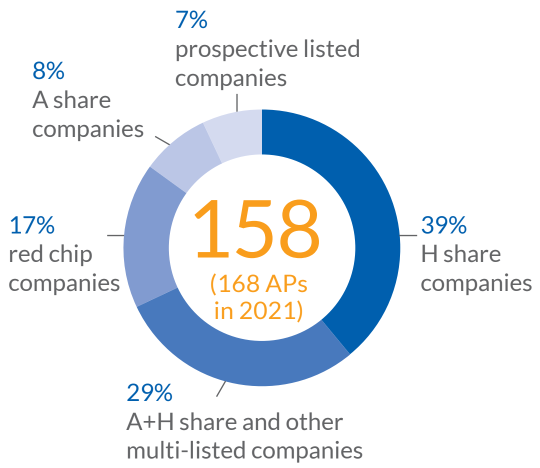
In fiscal 2022, in tandem with Hong Kong, we held two CGQP examination diets – one in November 2021 in Beijing, Shanghai and Guangzhou, with 77 candidates enrolled for 136 modules, and the second in June 2022 in Guangzhou, with 27 candidates enrolled for 47 modules. The June 2022 examinations in Beijing and Shanghai had to be cancelled due to Covid-19 and, as a result, a total of 38 candidates who had enrolled for 67 modules have been given approval to postpone their examinations to the next diet, in November 2022.

Professional development

Our Affiliated Persons (AP) programme in fiscal 2022 maintained its reputation for the excellence of its governance-related training and services, as well as for research, communication and professional networking.

As at 30 June 2022, 158 APs were registered in the programme, down slightly from 168 in the previous fiscal year, a consequence of Covid-19 and the change in status to membership for a number of our APs. Of the APs, 39% were from H share companies, 29% were from

AFFILIATED PERSONS (APs)



As at 30 June 2022

A+H share and other multi-listed companies, 17% from red chip companies, 8% from A share companies and 7% from prospective listed companies.

This year we held seven ECPD events in the Mainland, one of which was held in physical mode in Changsha, while the other six were held online as part of our Covid-19 precautionary measures. The seven events attracted 600 participants in total, a 40% drop from 2021, mainly attributable to the shift in mode from physical to online, as well as to the dip in the number of events held. Of the 600 participants, 40% were board secretaries, 23% senior management other than board secretaries, and 37% directors and supervisors. The number of non-APs attending our ECPD events remained at 81% of total participants, which is the same as in the previous fiscal year. This is indicative of our continued influence on a broader group of governance practitioners in the Mainland.

The target audience for our ECPD seminars and webinars was expanded during the year to three major groups, namely, board secretaries, directors and supervisors, and CFOs. A diversity of topics was covered, encompassing risk management and ESG, director's duties and governance practices, major transactions, connected transactions and insider trading control, information disclosure and inside information control, annual financial audit and performance reporting, corporate governance reporting, and M&A and transactions management. One webinar, held in November 2021, was particularly noteworthy for its focus on ESG and climate-related issues, at which a wide-ranging series of pertinent issues was addressed, including HKEX's major regulatory initiatives in relation to climate change, the expectations of international investors on sustainable investments, highlights of ESG guidelines in relation to climate change disclosures and other practical issues, the formulation of business strategies based on the TCFD reporting requirements and the roadmap to carbon neutrality.

In fiscal 2022, the four planned meetings of the Regional Board Secretaries and Corporate Governance Professionals Panel (the Regional Panel) – known until September 2021 as the Regional Board Secretary Panel – were cancelled due to the ongoing Covid-19 pandemic. Given that our five regional panels – located in Beijing, Shanghai, Guangzhou, Shenzhen and the Southwest region – are key local hubs for nearby members, graduates, students and APs, as well as valuable networking and communication channels for board secretaries and regulatory bodies, we have every intention of resuming regional meetings as soon as the pandemic situation improves.

The accelerated interest in our professional development services – including from non–H share companies, non-APs and governance professionals other than board secretaries – is testament to the Institute's good standing among Mainland companies, as well as the greater regard being attributed to the governance role and profession as a whole.

Advocacy

In fiscal 2022, the pre-eminent role played by the Institute in promoting and advocating for good governance practices, and the role of the Chartered Secretary and Chartered Governance Professional, has ensured its reputation and good working relationships with Mainland regulators, stakeholders and listed companies, as well as those seeking to list in Hong Kong.

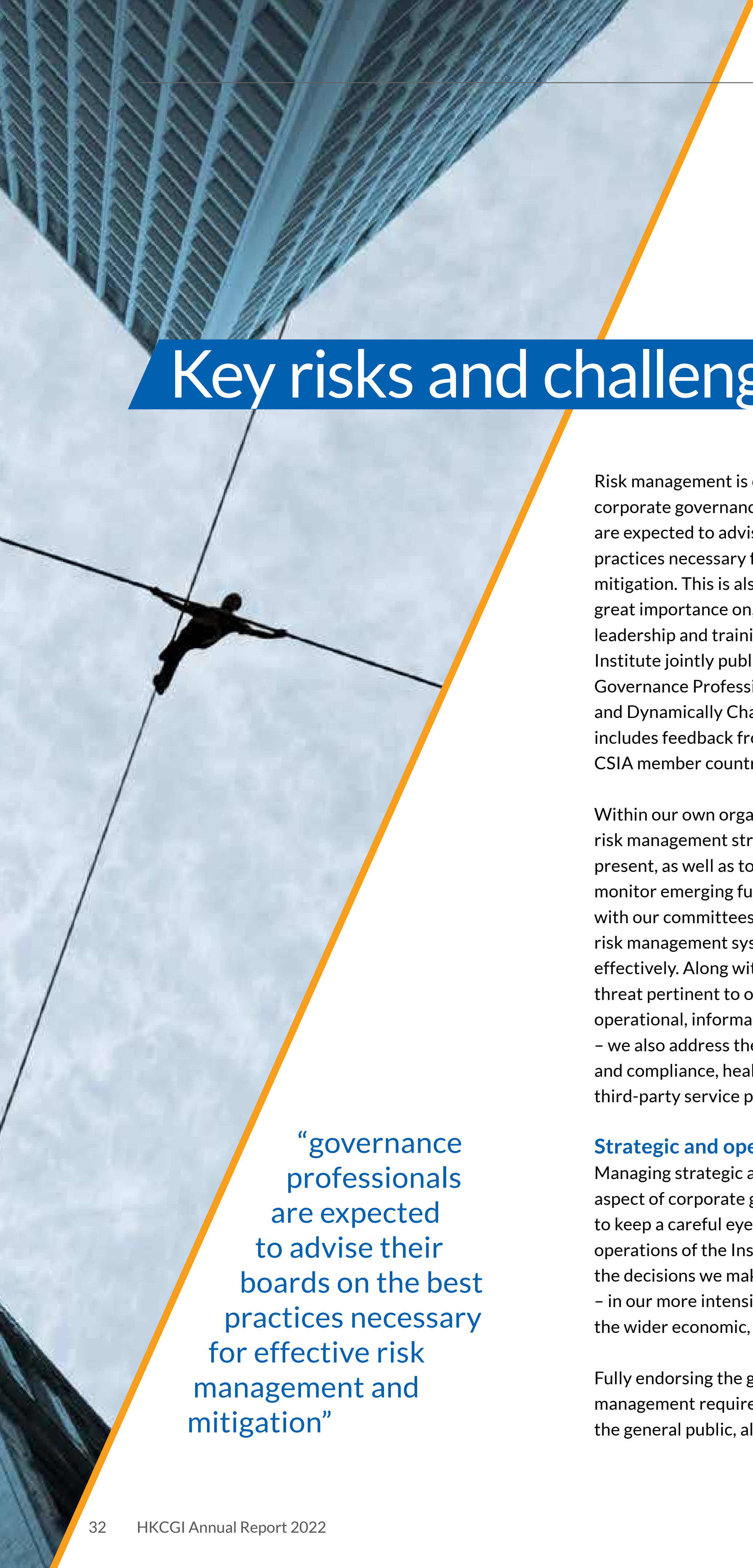
Research and governance reform

One pivotal aspect of our role is our research activities, through which we aim to provide practical solutions, and enhance knowledge and understanding of governance issues among our APs, members, students and the wider governance community. We also contribute to the formulation and revision of regulations, as well as to governance-related reforms, in both the Mainland and Hong Kong.

In fiscal 2022, the two subcommittees under our Mainland China Technical Consultation Panel, namely, the Mainland China Board Secretaries Subcommittee and the Mainland China Directors and Supervisors Subcommittee, played an important role in strengthening our research capabilities and reinforcing our network for board secretaries, directors and supervisors of companies listed or seeking to list in Hong Kong.

We were involved in three research projects in the year under review. The first, Guidelines on Information Disclosure Practices of Companies Listed in Hong Kong and the Mainland (3rd Edition), is expected to be published by the end of December 2022, while the second, Guidelines on Connected Transaction Practices of Companies Listed in Hong Kong and the Mainland, has an anticipated publication date in December 2022, in order to incorporate the most up-to-date regulations. Our third research project, titled Guidelines on the Practices of Directors of Companies Listed in Hong Kong, is currently underway and is expected to be finalised by the end of 2022.

"we also contribute to the formulation and revision of regulations, as well as to governance-related reforms, in both the Mainland and Hong Kong"



Key risks and challenges

Risk management is one of the core elements of corporate governance, and governance professionals are expected to advise their boards on the best practices necessary for effective risk management and mitigation. This is also an area that the Institute places great importance on, notably in terms of thought leadership and training. For instance, in May 2022, the Institute jointly published a research report – Roles of Governance Professionals in Today's Post-Pandemic and Dynamically Changing Risk Environment – that includes feedback from over 1,700 participants from CSIA member countries globally.

Within our own organisation, we have evolved our risk management strategies to meet the needs of the present, as well as to proactively assess, identify and monitor emerging future risks. Our Council, along with our committees, sets the internal controls and risk management systems that keep us operating effectively. Along with the core potential areas of threat pertinent to our Institute – strategic and operational, information technology (IT) and financial – we also address the possible impact of regulatory and compliance, health and safety, reputational and third-party service provider risks.

> "governance professionals are expected to advise their boards on the best practices necessary for effective risk management and mitigation"

Strategic and operational risk

Managing strategic and operational risk is an essential aspect of corporate governance, and requires us to keep a careful eye not just on the day-to-day operations of the Institute and the likely outcome of the decisions we make concerning our future, but also – in our more intensively interconnected world – on the wider economic, social and political environment.

Fully endorsing the greater emphasis placed on risk management required by members, regulators and the general public, along with higher expectations

> “our Council, along with our committees, sets the internal controls and risk management systems that keep us operating effectively”

KEY METRICS

INVESTMENT PORTFOLIO

HK$ 28,607,726

–11%

Note: Percentage refers to the comparison with the previous financial year.

for good governance in general, in fiscal 2022 our Council maintained its commitment to meeting every two months to monitor our internal controls and risk mechanisms, and to upgrade where necessary, as well as to set and oversee the strategic direction of the Institute. Following best practice of independence and objectivity in our risk management framework, and to monitor risks most effectively, our Secretariat reports all identified risks, and the action taken to minimise them, to the Audit Committee. The Audit Committee, plus other relevant committees, monitor all risks and report regularly to Council. Each of our departments participates in the process of identifying risks relating to their own area, formulating internal and supervisory control systems, and taking responsibility for their implementation.

This year, we continued our meticulous risk-prevention measures in relation to the ongoing Covid-19 pandemic to safeguard the health and well-being of our Secretariat staff, as well as our members, graduates and students.

IT risk

The perhaps inevitable rise in risk associated with IT in today’s ever-more digital world has been met with a tightening of compliance requirements around the globe, as well as increased legislation in relation to the collection, use and security of user and employee data.

We keep abreast of all the latest developments and regulatory stipulations, and ensure we take every possible step to protect ourselves against any IT risk, which includes data privacy threats, technological disruption, cyberattacks, malware, phishing scams and data breaches, among others. This is particularly vital given the fact that a higher proportion of our services has been taken online, given the ongoing situation with Covid-19, and that the success of our Institute depends on us having a system that cannot be breached.

In fiscal 2022, we renewed our contract with an independent consulting firm to review and provide guidance on our IT systems and security measures, and to handle the security of our online platforms. We also completed a major database system upgrade. No data security breaches occurred in the year under review.

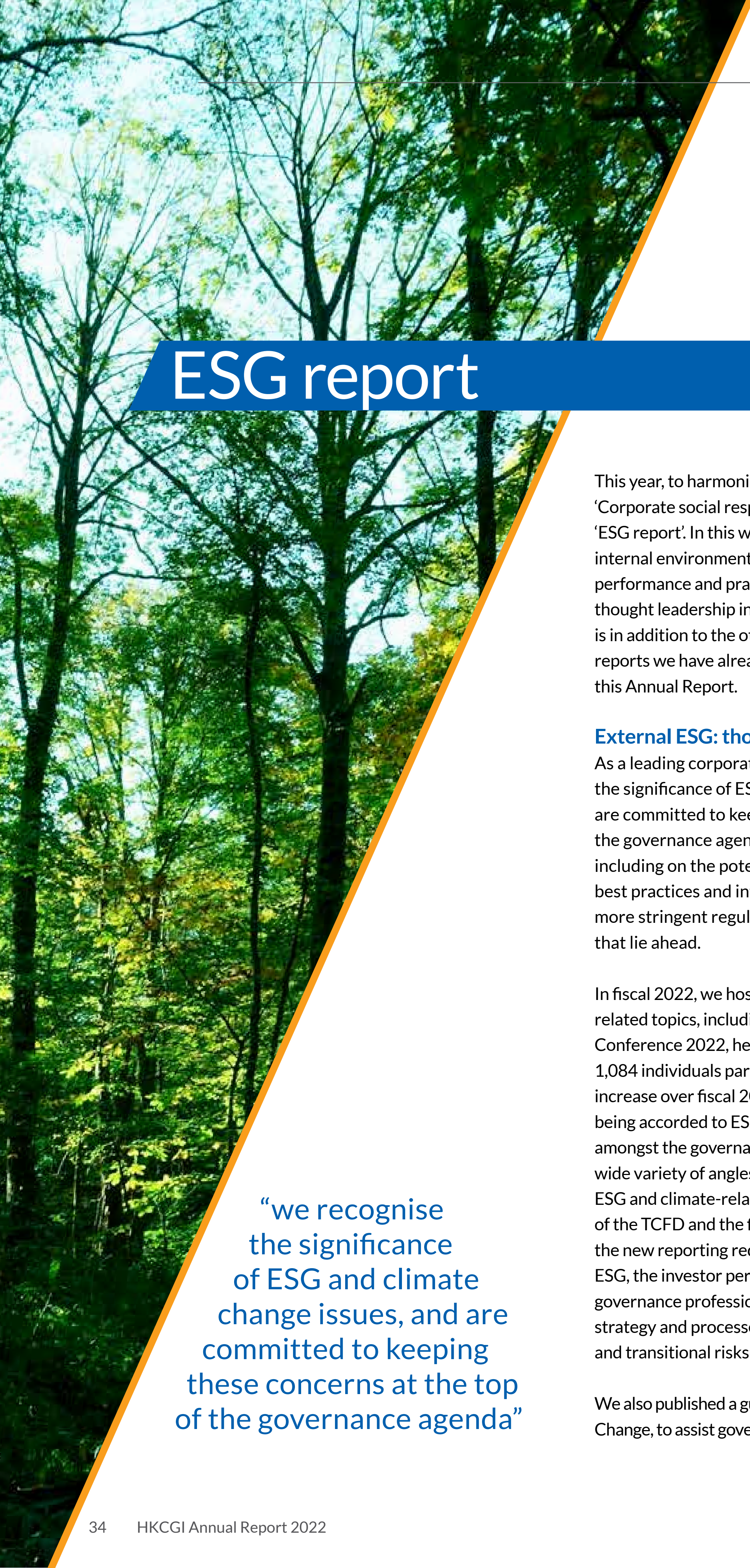
As an extra layer of security, and to prevent unauthorised information retrieval, we also regularly remind our members, graduates and students via email to change their login passwords for accessing their personal data on our database.

Financial risk

Macroeconomic forces outside one’s immediate control can play a significant role in exposing an organisation to financial risks, including credit and currency risks. Other local, international and sociopolitical factors can also contribute to financial risks. Details of potential exposure to financial risks, and the policies and practices we adopt to manage these risks, are described in Note 26 to the consolidated financial statements (pages 73 to 77).

Through our Investment Strategy Task Force, we continue to review the performance of and hold regular meetings with the Institute’s external professional investment manager to administer our surplus cash. To reduce financial risks, we concentrate on carefully thought-out anti-inflation investment strategies that will secure a sound financial position, and retain sufficient reserves to fund ongoing activities and future development. Despite the overall market downturn, which led to an 11% drop compared with fiscal 2021, as at 30 June 2022, our investment portfolio amounted to HK$28,607,726.

ESG report



This year, to harmonise with our new brand identity, our 'Corporate social responsibility report' has been restyled 'ESG report'. In this way, we can discuss not only our own internal environmental, social and governance (ESG) performance and practice, but we can also showcase our thought leadership initiatives in this important arena. This is in addition to the other ESG initiatives and research reports we have already mentioned in various sections of this Annual Report.

External ESG: thought leadership initiatives

As a leading corporate governance body, we recognise the significance of ESG and climate change issues, and are committed to keeping these concerns at the top of the governance agenda. We offer guidance and training, including on the potential challenges and opportunities, best practices and international standards, and the more stringent regulatory and compliance obligations that lie ahead.

In fiscal 2022, we hosted seven webinars on ESG-related topics, including our impactful Climate Change Conference 2022, held online in January 2022. In total, 1,084 individuals participated in these webinars, a 55% increase over fiscal 2021, indicating the higher priority being accorded to ESG, sustainability and climate change amongst the governance community. Topics covered a wide variety of angles, such as the board's role in tackling ESG and climate-related issues, the recommendations of the TCFD and the financial impacts of climate change, the new reporting requirements for the 'Social' aspect of ESG, the investor perspective on ESG reporting, and how governance professionals can play a role in formulating the strategy and processes of a company to tackle the physical and transitional risks brought about by climate change.

We also published a guidance note, titled ESG and Climate Change, to assist governance professionals to most

"we recognise the significance of ESG and climate change issues, and are committed to keeping these concerns at the top of the governance agenda"

KEY METRICS* External ESG

7 +40%
ESG webinars

1,084 +55%
Participants at ESG webinars

effectively discuss these topics with the board, and worked with KPMG China and CLP Holdings Limited on a joint research report, titled Climate Change Reporting: Imminent, Challenging & Mandatory – The Opening Moves. This crucial and very timely report, published just after the end of the year under review, in July 2022, gives practical guidance and advice in preparation for the significant tightening of reporting requirements that is imminently expected from the International Sustainability Standards Board's proposed new standards for general sustainability and climate disclosures.

In addition, we instigated a series of interviews with governance professionals, company secretaries and heads of ESG in Hong Kong listed companies, each of which focused on one of the five key industry sectors for which the TCFD has issued specific guidance. Two of these interviews were published on our website in fiscal 2022, with the remaining three scheduled for early fiscal 2023.

The Institute is an avid supporter of other ESG-related initiatives and conferences, one of which was the Business Environment Council Limited's EnviroSeries Conference held in June 2022, titled Driving Business Ambition into Action for a Net-Zero Hong Kong, for which we acted as a Supporting Organisation.

Internal ESG: caring for the environment, the community and our people

We remain committed to our employees; members, graduates and students; professional network; and the community in which we live, as well as to conducting our activities from an ethical, responsible and sustainable perspective.

Environmental responsibility

Our strategic commitment to the environment extends on a practical level to raising awareness of environmental issues amongst our staff, members, graduates, students and other stakeholders, through such activities as our ESG seminars and webinars, and our approach to making our offices more eco friendly by reducing our resource and energy consumption. We routinely monitor and review our eco-friendly practices, and implement the 'reuse, reduce, recycle and replace' principle in our workplace culture.

Our paper usage has decreased considerably, while our electronic communication with members, graduates, students and others has accelerated. In fiscal 2022, we launched an online application platform for Fellows and Associates, having already initiated online applications for student registration, examinations and exemptions in the previous fiscal year. We also rolled out a new electronic card to replace our physical member, graduate and student identity card. As at 30 June 2022, 6,382 subscribers now opt to receive the e-version of our monthly journal, *CGj*, as opposed to the print version, representing a 4% increase from the same point in the previous year.

We also reduced our per-unit electricity consumption this fiscal year and, to further conserve energy, we kept our average office temperature at between 24°C and 26°C.

KEY METRICS* Internal ESG

200 reams –33%
Paper usage

59,439 units –6%
Electricity consumption (kWh)

Community involvement

The Institute's community service pursuits are organised by our Membership Committee's Community Service Core Group, run by our Secretariat team with the staunch support of members, graduates and students.

Unfortunately, the ongoing challenges brought by Covid-19 during the year, notably the stricter social distancing requirements warranted by the fifth wave, inevitably limited our in-person community involvement. Nevertheless, our volunteer hours this year rose 7% from fiscal 2021, to 76 hours.

We once again participated in the online fundraising campaign Pink Together 2021, organised by the Hong

**Note: Percentages refer to the comparison with the previous financial year.*

KEY METRICS* Internal ESG

76 hours +7%
Volunteer hours

Kong Breast Cancer Foundation, for which members of our Secretariat team helped pack goody bags to benefit those in need, as well as took part in Dress Pink Day in aid of the Hong Kong Cancer Fund.

In terms of assisting in the fight against Covid-19, HKICS Consulting (Beijing) Limited, a Mainland-based subsidiary of the Institute, donated RMB10,000 to the Chinese Red Cross Foundation, while the Institute donated 9,000 masks to the People Service Centre in Hong Kong to help the most vulnerable and marginalised groups in the community, and to reinforce the Hong Kong government's efforts to alleviate the effects of the pandemic.

To honour our commitment to the community, and in particular for our work serving the elderly through the Chinese YMCA of Hong Kong, we are pleased to announce that the Institute has been awarded the Perfect Partner designation under that organisation's Y-Care CSR Scheme for the year 2021/2022. In addition, we are proud to have been awarded the 5 Years Plus Caring Organisation Logo in The Hong Kong Council of Social Service's 2021/2022 Caring Company Scheme, to acknowledge our care of the community, our employees and the environment.

Valuing our people

Our people are our lifeblood. Without their hard work, backing and understanding of what we have set out to achieve, we could not succeed. In turn, we strive to provide a good workplace culture and environment for our Secretariat staff, paying attention to both physical and mental welfare. We hold regular cross-departmental gatherings and provide opportunities to our staff for professional and personal development, through a variety of external and internal training sessions to upgrade technical knowledge and soft skills.

In fiscal 2022, we made arrangements for 12 external training courses on diverse topics, including our annual IT awareness update, with 47 enrolments and a total of 64.5 training hours. This was a marked drop from previous fiscal years, but was understandable given the ongoing challenges of Covid-19. However, the number of training hours and enrolments for our internal training sessions was maintained at a comparable level to fiscal 2021, with 68 CPD events attracting 160 enrolments and representing 438 training hours.

We encouraged our employees to get vaccinated against Covid-19 by implementing an incentive policy in July 2021 that entitled staff to take time off to receive the vaccination, as well as a day of leave after inoculation. We also ensured our offices in Hong Kong and the Mainland were systematically cleaned and disinfected, and have continued our work-from-home arrangements on a rotation basis, as and when necessary. As an additional safety measure, we provided Rapid Antigen Test kits to our Secretariat staff.

KEY METRICS* Internal ESG

External training		
Training courses	12	-29%
Staff training enrolments	47	-43%
Training hours	64.5 hours	-51%
Internal training		
Training courses	68	-12%
Staff training enrolments	160	-4%
Training hours	438	0%

The Institute is accredited with the Labour Department of Hong Kong's Good Employer Charter 2020 for our good human resource management, covering the period from October 2020 up to 30 September 2022. We are also a recipient of an Equal Opportunity Employer (Gender Equality) award from the Equal Opportunities Commission of Hong Kong, for our commitment to promoting equal opportunities and eliminating all forms of discrimination.

In addition, we are delighted to report that, in recognition of our role in enhancing our employees' retirement benefits, the Institute received the Good MPF Employer 5 Years+ and the MPF Support Award for 2021–2022 from the Mandatory Provident Fund (MPF) Schemes Authority, of whom we are a 'Supporting Organization'.

**Note: Percentages refer to the comparison with the previous financial year.*

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Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG CHARTERED GOVERNANCE INSTITUTE
香港公司治理公會
(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the consolidated financial statements of The Hong Kong Chartered Governance Institute (the "Institute") and its subsidiaries (together the "Group") set out on pages 40 to 80, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

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 Consolidated Financial Statements" section of our report. We are independent of the Group 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.

Other Information in the Annual Report

The Council members are responsible for the other information. The other information comprises the information included in the Institute's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG CHARTERED GOVERNANCE INSTITUTE
香港公司治理公會
(Incorporated in Hong Kong and limited by guarantee)

Council Members' Responsibilities for the Consolidated Financial Statements

The Council members are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Council members determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Council members are 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 members either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Council members are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Council members in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents 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 consolidated 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 consolidated 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.

Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG CHARTERED GOVERNANCE INSTITUTE
香港公司治理公會
(Incorporated in Hong Kong and limited by guarantee)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- 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 members.

- conclude on the appropriateness of the Council members' 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 Audit Committee 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.

BDO Limited
Certified Public Accountants
Yu Tsui Fong
Practising Certificate Number: P05440

Hong Kong, 3 November 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	**2022** **HK$**	2021 HK$
Subscriptions and fees	6	**22,727,223**	20,183,456
Other revenue	7	**16,866,564**	19,711,967
Interest income	8	**32,697**	48,394
Other net (loss)/income	9	**(476,850)**	3,460,086
Staff costs	10	**(20,996,325)**	(21,987,871)
Depreciation expenses	14	**(1,228,155)**	(1,055,249)
Amortisation expenses	15	**(1,327,650)**	(1,133,823)
Other operating expenses	12	**(16,443,445)**	(16,549,818)
Finance costs	23	**(52,887)**	(45,759)
(Deficit)/Surplus before income tax expense		**(898,828)**	2,631,383
Income tax expense	13	**(22,353)**	(75,209)
(Deficit)/Surplus for the reporting period		**(921,181)**	2,556,174
Other comprehensive (loss)/income for the reporting period			
Items that will not be reclassified to surplus or deficit:			
(Deficit)/Surplus on revaluation of land and buildings held for own use	14	**(5,807,525)**	6,204,343
Fair value changes of investments in listed equity securities classified as financial assets at fair value through other comprehensive income	18	**(1,879,316)**	1,295,288
Item that may be reclassified subsequently to surplus or deficit:			
Exchange (loss)/gain on translating foreign operations		**(87,448)**	198,026
Other comprehensive (loss)/income for the reporting period		**(7,774,289)**	7,697,657
Total comprehensive (loss)/income for the reporting period		**(8,695,470)**	10,253,831

Consolidated Statement of Financial Position

At 30 June 2022

	Note	2022 HK$	2021 HK$
Non-current assets			
Property, plant and equipment	14	**114,495,121**	120,140,294
Intangible assets	15	**3,125,754**	3,213,060
Financial assets at fair value through other comprehensive income	18	**4,505,397**	6,859,931
		122,126,272	130,213,285
Current assets			
Inventories	16	**4,557**	7,257
Financial assets at fair value through profit or loss	17	**9,326,427**	13,197,962
Accounts and other receivables	19	**2,363,667**	2,301,594
Cash and cash equivalents	20	**26,991,416**	21,416,255
		38,686,067	36,923,068
Total assets		**160,812,339**	167,136,353
Current liabilities			
Accounts and other payables	21	**2,352,661**	1,826,051
Contract liabilities	22	**3,067,895**	1,336,373
Lease liabilities	23	**971,799**	686,237
		6,392,355	3,848,661
Net current assets		**32,293,712**	33,074,407
Total assets less current liabilities		**154,419,984**	163,287,692
Non-current liabilities			
Lease liabilities	23	**752,571**	924,809
NET ASSETS		**153,667,413**	162,362,883
Reserves and funds			
General fund		**52,785,132**	53,733,833
Property revaluation reserve		**97,774,515**	103,582,040
Financial assets at fair value through other comprehensive income reserve		**189,305**	2,068,621
Building maintenance sinking fund		**886,008**	886,008
Education development fund		**982,347**	954,827
IT maintenance fund		**1,000,000**	1,000,000
Exchange reserve		**50,106**	137,554
TOTAL RESERVES AND FUNDS		**153,667,413**	162,362,883

The consolidated financial statements were approved and authorised for issue by the Council on 3 November 2022 and are signed on its behalf by:

Ernest CH Lee
President

Daniel WS Chow
Treasurer

Consolidated Statement of Changes in Reserves and Funds

For the year ended 30 June 2022

	General fund HK$	Property revaluation reserve HK$	Financial assets at fair value through other comprehensive income reserve HK$
Balance as at 1 July 2020	51,361,119	97,377,697	773,333
Surplus for the year	2,556,174	-	-
Other comprehensive income for the year	-	6,204,343	1,295,288
Total comprehensive income for the year	2,556,174	6,204,343	1,295,288
Transfer to general fund	9,000	-	-
Transfer from general fund	(192,460)	-	-
Balance as at 30 June 2021 and 1 July 2021	53,733,833	103,582,040	2,068,621
Deficit for the year	(921,181)	-	-
Other comprehensive loss for the year	-	(5,807,525)	(1,879,316)
Total comprehensive loss for the year	(921,181)	(5,807,525)	(1,879,316)
Transfer to general fund	147,596	-	-
Transfer from general fund	(175,116)	-	-
Balance as at 30 June 2022	52,785,132	97,774,515	189,305

Notes:

a. The building maintenance sinking fund represents funds for the purpose of renovation, repairs and maintenance of the Institute's office premises. HK$300,000 was transferred from the general fund on 1 August 2014 as a startup fund and 5% of the Institute's surplus for the reporting period would be transferred from the general fund annually thereafter.

b. The education development fund represents funds for the purpose of development of education programmes. HK$100,000 was transferred from the general fund on 1 August 2014 as a startup fund and 5% of the Institute's surplus for the reporting period was transferred from the general fund annually up to the period ended of 30 June 2017. 2% of the Institute's total income related to students will be transferred from the general fund to this fund annually thereafter.

During the year ended 30 June 2022, HK$147,596 (2021: HK$9,000) was utilised for the new qualifying programme.

	Building maintenance sinking fund HK$ (Note a)	Education development fund HK$ (Note b)	IT maintenance fund HK$ (Note c)	Exchange reserve HK$	Total HK$
	870,397	786,978	1,000,000	(60,472)	152,109,052
	-	-	-	-	2,556,174
	-	-	-	198,026	7,697,657
	-	-	-	198,026	10,253,831
	-	(9,000)	-	-	-
	15,611	176,849	-	-	-
	886,008	954,827	1,000,000	137,554	162,362,883
	-	-	-	-	(921,181)
	-	-	-	(87,448)	(7,774,289)
	-	-	-	(87,448)	(8,695,470)
	-	(147,596)	-	-	-
	-	175,116	-	-	-
	886,008	982,347	1,000,000	50,106	153,667,413

c. The IT maintenance fund represents funds for the purpose of maintenance of the Institute's IT systems. From 1 August 2015 to 30 June 2017, 0.5% of the gross income was transferred from the general fund annually. From the year ended of 30 June 2018 onwards, 1% of the gross income will be transferred from the general fund to this fund annually.

The fund is capped at HK$1,000,000 and the Group has reached the cap since the year ended 30 June 2019.

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 HK$	2021 HK$
Cash flows from operating activities			
(Deficit)/Surplus before income tax expense		**(898,828)**	2,631,383
Adjustments for:			
Depreciation of property, plant and equipment		**1,228,155**	1,055,249
Amortisation of intangible assets		**1,327,650**	1,133,823
Bad debts written off		**30,000**	14,030
Bank interest income		**(22,341)**	(43,350)
Interest income from cash at custodian		**(10,356)**	(5,044)
Write-off of property, plant and equipment		**556**	-
Lease interest expense		**52,887**	45,759
Dividend income from financial assets at fair value through profit or loss		**(136,399)**	(319,626)
Dividend income from financial assets at fair value through other comprehensive income		**(113,006)**	(105,615)
Exchange differences		**798**	6,630
Gain on derecognition of a lease		**(13,120)**	-
Gain on disposal of financial assets at fair value through profit or loss		**(314,460)**	(49,638)
Unrealised loss/(gain) on financial assets at fair value through profit or loss		**1,973,274**	(591,139)
Surplus before changes in working capital		**3,104,810**	3,772,462
Decrease in inventories		**2,700**	300
(Increase)/Decrease in accounts and other receivables		**(92,073)**	648,587
Increase/(Decrease) in accounts and other payables		**526,610**	(1,722,015)
Increase/(Decrease) in contract liabilities		**1,731,522**	(927,106)
Cash generated from operating activities		**5,273,569**	1,772,228
Income tax paid		**(22,353)**	(75,209)
Net cash generated from operating activities		**5,251,216**	1,697,019
Cash flows from investing activities			
Interest received		**32,697**	48,394
Dividends received		**167,324**	289,115
Purchase of property, plant and equipment		**(507,272)**	(406,331)
Purchase of intangible assets		**(1,240,344)**	(900,000)
Purchase of financial assets at fair value through profit or loss		**(300,173)**	-
Purchase of financial assets at fair value through other comprehensive income		**(4,290,803)**	(3,507,213)
Proceeds on sale of financial assets at fair value through profit or loss		**2,594,976**	8,981,434
Proceeds on sale of financial assets at fair value through other comprehensive income		**4,766,021**	4,378,145
Net cash from investing activities		**1,222,426**	8,883,544
Cash flows from financing activities			
Interest paid	28	**(52,887)**	(45,759)
Repayment of principal portion of lease liabilities	28	**(758,146)**	(660,369)
Net cash used in financing activities		**(811,033)**	(706,128)
Net increase in cash and cash equivalents		**5,662,609**	9,874,435
Cash and cash equivalents at the beginning of the reporting period		**21,416,255**	11,343,794
Effect of foreign exchange rate change, net		**(87,448)**	198,026
Cash and cash equivalents at the end of the reporting period	20	**26,991,416**	21,416,255

Notes to the Consolidated Financial Statements

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES

The Hong Kong Chartered Governance Institute (香港公司治理公會) ("the Institute") is incorporated in Hong Kong with liability limited by guarantee under the Hong Kong Companies Ordinance. The registered address is at 3/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong.

The principal activity of the Institute is promoting and advancing secretaryship and leadership in the effective governance and efficient administration of commerce, industry and public affairs by the continued development of the study and practice of governance (including regulatory compliance and risk management) and general direction and administration of companies and other bodies.

The principal activities and other particulars of the subsidiaries are set out below.

	Name	Place of incorporation and operations	Percentage of share capital / interest held by the Institute		Description of shares/ interest held	Principal activities
			Directly	Indirectly		
1.	The Hong Kong Chartered Governance Institute Foundation Limited (香港公司治理公會基金有限公司) ("HKCGIFL")	Hong Kong	100%	-	As the sole member of the company (limited by guarantee)	Provide scholarship and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects
2.	The Hong Kong Institute of Company Secretaries Limited (香港公司秘書公會有限公司) ("HKICSL")	Hong Kong	100%	-	As the sole member of the company (limited by guarantee)	Has not yet commenced any activity
3.	The Hong Kong Institute of Chartered Secretaries (China) Limited (香港特許秘書公會(中國)有限公司) ("HKICS China")	Hong Kong	100%	-	Ordinary shares	Investment holding
4.	思治企业咨询(北京)有限公司 (HKICS Consulting (Beijing) Limited) ("HKICS BJ")	Beijing, China	-	100%	Registered capital	Provision of services to members in Mainland China

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES – continued

	Name	Place of incorporation and operations	Percentage of share capital / interest held by the Institute		Description of shares/ interest held	Principal activities
			Directly	Indirectly		
5.	The Institute of Chartered Secretaries and Governance Professionals Limited (特許秘書及企業管治公會有限公司) ("ICSGPL")	Hong Kong	100%	-	Ordinary shares	Dormant
6.	The Hong Kong Institute of Chartered Secretaries Limited (香港特許秘書公會有限公司) ("HKICL")	Hong Kong	100%	-	Ordinary shares	Dormant
7.	The Chartered Governance Institute of Hong Kong Limited ("CGIHKL")	Hong Kong	100%	-	Ordinary shares	Dormant

The general funds of HKCGIFL and HKICSL can be used for their principal activities as outlined above and in fulfilling their objects as set out in their Articles of Association. Upon dissolution of HKCGIFL or HKICSL, the net assets of the relevant subsidiary will be transferred according to the provisions stipulated in their Articles of Association.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Statement of compliance

The consolidated financial statements of the Institute and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the Hong Kong Companies Ordinance.

b. Basis of measurement

The financial statements have been prepared under the historical cost basis except for the leasehold land and buildings which are held for own use and certain financial instruments, which are measured at fair value as explained in the significant accounting policies in Note 4.

c. Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Institute.

3. ADOPTION OF HKFRSs

a. Adoption of new/revised HKFRSs – Effective 1 July 2021

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

2021 Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021

The Council members consider that the amendments have no material impact on the Group's consolidated financial statements.

b. New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds Before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]

[1] No mandatory effective date yet determined but available for adoption

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022

The Group has already commenced an assessment of the impact of adopting the above amendments to HKFRSs to the Group. The Council members of the Group anticipate that the application of these amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and position and/or the disclosure to the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation and subsidiaries

A subsidiary is an entity over which the Institute has control. The Institute controls an entity when it has power over the entity, has exposure, or 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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

a. Basis of consolidation and subsidiaries – continued

The consolidated financial statements include the financial statements of the Institute and those of 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.

The results of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate.

b. Property, plant and equipment

Leasehold land and buildings

Leasehold land and buildings are stated in the consolidated statement of financial position at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed at the reporting date.

The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

Level 1:	Quoted prices in active markets for identical items (unadjusted);
Level 2:	Observable direct or indirect inputs other than Level 1 inputs;
Level 3:	Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in surplus or deficit to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to general fund.

Property, plant and equipment items other than leasehold land and buildings

Property, plant and equipment items other than leasehold land and buildings are stated in the consolidated statement of financial position at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates are as follows:

4. SIGNIFICANT ACCOUNTING POLICIES – continued

b. Property, plant and equipment – continued

Depreciation – continued

Leasehold land	Over the unexpired lease terms
Buildings	2% or over the unexpired lease terms if shorter
Other properties held for own use	2% or over the unexpired lease terms if shorter
Leasehold improvements	20% or over the unexpired lease terms if shorter
Office furniture	20%
Office equipment	20%

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

c. Leasing

The Group as lessee

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

c. Leasing – continued

The Group as lessee – continued

Right-of-use asset – continued

The Group accounts for leasehold land and buildings which are held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from a change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

d. Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

e. Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer system	5 years
Online study materials	3 years

Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(l)).

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

f. Financial instruments

i. Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

i. Financial assets – continued

Debt instruments – continued

Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss (“FVPL”): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

ii. Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

ii. Impairment loss on financial assets – continued

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

iii. Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group has one category of financial liabilities being financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially recognised at fair value, net of directly attributable transaction costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

iv. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

v. Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

g. Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

h. Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Revenue is recognised as follows:

i. Subscription income is recognised over time on a straight-line basis over the subscription period.
ii. Admission and registration fees are recognised at a point in time on completion of assessment services by granting the qualification to the applicants.
iii. Income from examinations is recognised over time based on the cost-to-cost method.
iv. Income from functions, seminars and courses, member and student activities is recognised over time as the services are rendered.
v. Interest income is recognised as it accrues using the effective interest method.
vi. Dividend income is recognised when the right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

h. Revenue recognition – continued

Contract assets and liabilities

A contract liability represents the Group's obligation to transfer services or goods to a service user or customer for which the Group has received consideration (or an amount of consideration is due) from the service user or customer.

A contract liability is recognised when the service user or customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

i. Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the surplus or deficit from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

j. Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in surplus or deficit in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in surplus or deficit for the

4. SIGNIFICANT ACCOUNTING POLICIES – continued

j. Foreign currency – continued

period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

k. Employee benefits

Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the relevant services are rendered by the employees. Where payment is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in surplus or deficit when the services are rendered by the employees.

l. Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that this asset has suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

m. Related parties

a. A person or a close member of that person's family is related to the Group if that person:
   i. has control or joint control over the Group;
   ii. has significant influence over the Group; or
   iii. is a member of the key management personnel of the Group.

b. An entity is related to the Group if any of the following conditions apply:
   i. 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).
   ii. 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).
   iii. Both entities are joint ventures of the same third party.
   iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

m. Related parties – continued

b. An entity is related to the Group if any of the following conditions apply: – continued

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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

i. that person's children and spouse or domestic partner;
ii. children of that person's spouse or domestic partner; and
iii. dependents of that person or that person's spouse or domestic partner.

n. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

a. Critical judgements in applying the Group's accounting policies

<u>Classification of leasehold land and buildings held for own use</u>

In accordance with HKAS 16, *Property, Plant and Equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold land and buildings and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with Notes 4(b) and 4(c). Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

b. Key sources of estimation uncertainty

<u>Fair value of leasehold land and buildings held for own use in Hong Kong</u>

The Group's leasehold land and buildings held for own use in Hong Kong are stated at fair value based on professional valuation performed. In determining the fair value, the valuers have assessed the market value of the property in its existing state by the direct comparison approach assuming sale of the property

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

b. Key sources of estimation uncertainty – continued

Fair value of leasehold land and buildings held for own use in Hong Kong – continued

with the benefit of vacant possession. They have made reference to the appropriate comparable sales transactions as available in the market and have made due adjustments for differences between the subject property and comparable premises. In relying on the valuation, the Council has exercised its judgement and is satisfied that the valuation reflects the current market conditions.

Impairment of accounts receivable

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. An estimate of the loss arising on default is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account of cash flows from collateral and integral credit enhancements. Probability of default, being a key input in measuring ECL, is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

6. SUBSCRIPTIONS AND FEES

	2022 **HK$**	2021 HK$
Subscriptions, recognised over time	16,116,568	14,325,449
Admission and registration fees, recognised at a point in time	6,610,655	5,858,007
	22,727,223	20,183,456

7. OTHER REVENUE

	2022 **HK$**	2021 HK$
Income from examinations, recognised over time	1,768,250	2,354,600
Income from seminars, courses, member and student activities and functions held, recognised over time	15,098,314	17,357,367
	16,866,564	19,711,967

8. INTEREST INCOME

	2022 **HK$**	2021 HK$
Bank interest income	22,341	43,350
Interest income from cash at custodian	10,356	5,044
	32,697	48,394

9. OTHER NET (LOSS)/INCOME

	2022 HK$	2021 HK$
Dividend income on financial assets at fair value through profit or loss	136,399	319,626
Dividend income on financial assets at fair value through other comprehensive income	113,006	105,615
Donations	2,102	351,610
Covid-19-related rent concessions	45,185	54,466
Gain on derecognition of a lease	13,120	-
Government grants (Note)	496,000	1,485,000
Net foreign exchange (loss)/gain	(12,786)	58,591
Sundry income	388,938	444,401
Gain on disposal of financial assets at fair value through profit or loss	314,460	49,638
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(1,973,274)	591,139
	(476,850)	3,460,086

Note:
Amount represents government grants obtained from Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this scheme.

10. STAFF COSTS

	2022 HK$	2021 HK$
Salaries, allowances and other benefits	19,750,765	20,675,520
Contributions to defined contribution retirement scheme:		
Hong Kong Mandatory Provident Fund	1,245,560	1,312,351
	20,996,325	21,987,871

Staff costs included key management personnel remuneration (Note 11).

11. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise members of the Council, the Chief Executive and department directors. Council members are not remunerated.

	2022	2021
	HK$	HK$
Salaries	6,322,780	6,761,534
Performance benefits, other allowances and benefits-in-kind	1,762,176	1,730,504
Contributions to defined contribution retirement schemes	446,482	501,007
	8,531,438	8,993,045

12. OTHER OPERATING EXPENSES

	2022	2021
	HK$	HK$
Auditor's remuneration	309,714	281,228
Bad debts written off	30,000	14,030
Credit card merchant fees	896,842	799,035
Direct costs (Note)	1,291,594	2,873,062
Donations	11,852	1,001
Government rent and rates	64,350	65,900
Investment handling charges	343,401	355,083
Legal and professional fees	454,751	190,501
Postage and courier	59,824	160,492
Promotion and public relations	1,520,574	815,672
Publications and printing	2,983,654	2,945,423
Repairs and maintenance	292,968	69,377
Scholarship, sponsorship and subject prizes	255,000	523,400
Service fees charged by The Chartered Governance Institute	714,200	668,046
Service fees in PRC	3,969,269	3,475,893
Student services	1,611,193	1,603,619
Sundry expenses	1,046,973	1,081,495
Travelling	20,792	70,794
Utilities	504,334	474,817
Variable lease payment – printer meter charge	62,160	80,950
	16,443,445	16,549,818

Note: Direct costs represent costs incurred in provision of examinations, seminars, courses, member and student activities and functions.

13. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2022 **HK$**	2021 HK$
Current tax		
Overseas tax		
– Tax for the current year	22,353	75,209
Income tax expense	22,353	75,209

The income tax expense for the year can be reconciled to the (deficit)/surplus before income tax expense in the consolidated statement of comprehensive income as follows:

	2022 **HK$**	2021 HK$
(Deficit)/Surplus before income tax	(898,828)	2,631,383
Tax calculated at Hong Kong profits tax rate of 16.5%	(148,307)	434,178
Effect of different tax rate of a subsidiary operating in other jurisdiction	4,219	184,701
Effect of tax exemptions granted	(1,864)	(75,640)
Tax effect of non-deductible expenses	158,362	-
Tax effect of concessionary tax rate	(9,928)	(434,591)
Others	19,871	(33,439)
Income tax expense	22,353	75,209

No deferred tax liability has been recorded on certain temporary differences of HK$2,242,092 (2021: HK$2,214,804) relating to the undistributed earnings of a foreign subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

<u>The Institute</u>
In the opinion of the Council, the Institute is a professional association and not more than half of the receipts from subscriptions are from persons who claim or would be entitled to claim that their subscriptions are allowable deductions under Section 16 of the Inland Revenue Ordinance. The Institute is therefore not subject to Hong Kong Profits Tax under Section 24(2) of the Inland Revenue Ordinance, and no provision for Hong Kong Profits Tax has been made in the financial statements.

<u>HKCGIFL</u>
HKCGIFL is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

<u>HKICSL, ICSGPL, HKICL and CGIHKL</u>
No provision for Hong Kong Profits Tax has been provided as HKICSL, ICSGPL, HKICL and CGIHKL had not carried on any activities during the reporting period.

13. INCOME TAX EXPENSE – continued

HKICS China

No provision for Hong Kong Profits Tax has been provided as HKICS China's business does not give rise to assessable profits during the reporting period.

HKICS BJ

HKICS BJ is subject to PRC Enterprise Income Tax at 25%. HKICS BJ is qualified as a small and thin-profit enterprise, and the tax authorities have granted HKICS BJ preferential income tax rate of 5% for first RMB1,000,000 of assessable profits and 10% for the assessable profits between RMB1,000,000 to RMB3,000,000.

14. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2022

	Leasehold land held for own use carried at fair value HK$	Buildings held for own use carried at fair value HK$	Other properties leased for own use carried at cost HK$	Leasehold improvements HK$	Office furniture HK$	Office equipment HK$	Total HK$
Cost or valuation							
At 1 July 2021	113,200,000	4,800,000	2,671,984	3,352,605	628,746	1,504,682	126,158,017
Additions	-	-	1,875,888	213,200	79,481	214,591	2,383,160
Derecognition of a lease	-	-	(2,666,568)	-	-	-	(2,666,568)
Write-off	-	-	-	-	(124,460)	-	(124,460)
Deficit on revaluation	(5,400,000)	(600,000)	-	-	-	-	(6,000,000)
Exchange alignment	-	-	(39,225)	-	(4,101)	-	(43,326)
At 30 June 2022	107,800,000	4,200,000	1,842,079	3,565,805	579,666	1,719,273	119,706,823
Representing:							
Cost	-	-	1,842,079	3,565,805	579,666	1,719,273	7,706,823
Revaluation	107,800,000	4,200,000	-	-	-	-	112,000,000
	107,800,000	4,200,000	1,842,079	3,565,805	579,666	1,719,273	119,706,823
Accumulated depreciation							
At 1 July 2021	-	-	1,242,533	3,352,605	508,016	914,569	6,017,723
Charge for the year	96,475	96,000	704,442	27,810	60,642	242,786	1,228,155
Elimination on revaluation	(96,475)	(96,000)	-	-	-	-	(192,475)
Derecognition of a lease	-	-	(1,711,321)	-	-	-	(1,711,321)
Write-off	-	-	-	-	(123,904)	-	(123,904)
Exchange alignment	-	-	(5,394)	-	(1,082)	-	(6,476)
At 30 June 2022	-	-	230,260	3,380,415	443,672	1,157,355	5,211,702
Carrying amount							
At 30 June 2022	107,800,000	4,200,000	1,611,819	185,390	135,994	561,918	114,495,121

14. PROPERTY, PLANT AND EQUIPMENT – continued

Year ended 30 June 2021

	Leasehold land held for own use carried at fair value HK$	Buildings held for own use carried at fair value HK$	Other properties leased for own use carried at cost HK$	Leasehold improvements HK$	Office furniture HK$	Office equipment HK$	Total HK$
Cost or valuation							
At 1 July 2020	106,600,000	5,400,000	698,759	3,352,605	491,819	3,632,434	120,175,617
Additions	-	-	-	-	136,927	445,540	582,467
Derecognition of a lease	-	-	-	-	-	(132,604)	(132,604)
Write-off	-	-	-	-	-	(2,440,688)	(2,440,688)
Lease modification	-	-	1,836,900	-	-	-	1,836,900
Surplus/(Deficit) on revaluation	6,600,000	(600,000)	-	-	-	-	6,000,000
Exchange alignment	-	-	136,325	-	-	-	136,325
At 30 June 2021	113,200,000	4,800,000	2,671,984	3,352,605	628,746	1,504,682	126,158,017
Representing:							
Cost	-	-	2,671,984	3,352,605	628,746	1,504,682	8,158,017
Revaluation	113,200,000	4,800,000	-	-	-	-	118,000,000
	113,200,000	4,800,000	2,671,984	3,352,605	628,746	1,504,682	126,158,017
Accumulated depreciation							
At 1 July 2020	-	-	549,025	3,352,605	478,525	3,273,311	7,653,466
Charge for the year	108,343	96,000	612,525	-	23,831	214,550	1,055,249
Elimination on revaluation	(108,343)	(96,000)	-	-	-	-	(204,343)
Derecognition of a lease	-	-	-	-	-	(132,604)	(132,604)
Write-off	-	-	-	-	-	(2,440,688)	(2,440,688)
Exchange alignment	-	-	80,983	-	5,660	-	86,643
At 30 June 2021	-	-	1,242,533	3,352,605	508,016	914,569	6,017,723
Carrying amount							
At 30 June 2021	113,200,000	4,800,000	1,429,451	-	120,730	590,113	120,140,294

14. PROPERTY, PLANT AND EQUIPMENT – continued

Right-of-use assets

Right-of-use assets, included in the property, plant and equipment, by class of underlying asset are as follows:

	Leasehold land held for own use carried at fair value HK$	Other properties held for own use carried at cost HK$	Office equipment HK$	Total HK$
Cost or valuation				
At 1 July 2020	106,600,000	698,759	132,604	107,431,363
Surplus on revaluation	6,600,000	-	-	6,600,000
Addition of a new lease	-	-	176,136	176,136
Derecognition of a lease	-	-	(132,604)	(132,604)
Lease modification	-	1,836,900	-	1,836,900
Exchange alignment	-	136,325	-	136,325
At 30 June 2021	113,200,000	2,671,984	176,136	116,048,120
Representing:				
Cost	-	2,671,984	176,136	2,848,120
Revaluation	113,200,000	-	-	113,200,000
	113,200,000	2,671,984	176,136	116,048,120
Accumulated depreciation				
At 1 July 2020	-	549,025	83,750	632,775
Charge for the year	108,343	612,525	63,532	784,400
Elimination on revaluation	(108,343)	-	-	(108,343)
Derecognition of a lease	-	-	(132,604)	(132,604)
Exchange alignment	-	80,983	-	80,983
At 30 June 2021	-	1,242,533	14,678	1,257,211
Carrying amount				
At 30 June 2021	113,200,000	1,429,451	161,458	114,790,909
Cost or valuation				
At 1 July 2021	113,200,000	2,671,984	176,136	116,048,120
Deficit on revaluation	(5,400,000)	-	-	(5,400,000)
Addition of a new lease	-	1,875,888	-	1,875,888
Derecognition of a lease	-	(2,666,568)	-	(2,666,568)
Exchange alignment	-	(39,225)	-	(39,225)
At 30 June 2022	107,800,000	1,842,079	176,136	109,818,215
Representing:				
Cost	-	1,842,079	176,136	2,018,215
Revaluation	107,800,000	-	-	107,800,000
	107,800,000	1,842,079	176,136	109,818,215

14. PROPERTY, PLANT AND EQUIPMENT – continued

Right-of-use assets – continued

	Leasehold land held for own use carried at fair value HK$	Other properties held for own use carried at cost HK$	Office equipment HK$	Total HK$
Accumulated depreciation				
At 1 July 2021	-	1,242,533	14,678	1,257,211
Charge for the year	96,475	704,442	58,712	859,629
Elimination on revaluation	(96,475)	-	-	(96,475)
Derecognition of a lease	-	(1,711,321)	-	(1,711,321)
Exchange alignment	-	(5,394)	-	(5,394)
At 30 June 2022	-	230,260	73,390	303,650
Carrying amount				
At 30 June 2022	107,800,000	1,611,819	102,746	109,514,565

Fair value measurement

The Group's leasehold land and buildings were valued by DTZ Cushman & Wakefield Limited, a firm of independent valuers who hold a recognised relevant professional qualification and have recent experience in the location and segments of the leasehold land and buildings valued. For all leasehold land and buildings, their current use equated to the highest and best use.

At 30 June 2022 and 2021, the fair value of leasehold land and buildings held for own use were determined using the direct comparison approach to value these properties in their respective existing state and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sale evidence. The valuations took into account and adjusted for unobservable inputs for the differences in the characteristics of the properties including the location, size, view, floor level, year of completion and other factors collectively.

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Leasehold land and buildings in Hong Kong	Direct comparison approach	Premium on characteristics of the properties	-6% to 15% (2021: -10% to 5%)

14. PROPERTY, PLANT AND EQUIPMENT – continued

Fair value hierarchy
The fair value of land and buildings is a level 3 recurring fair value measurement.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers into or out of level 3 or any other levels in the reporting period.

Valuation techniques
Premium on characteristics of the properties are estimated by the independent valuer based on the size, location, view, floor level, year of completion, building quality, maintenance factor and etc. of the properties. The higher the premium, the higher the fair value. In addition, the valuation was based on the economic, market and other conditions as they exist on, and with information available to management as of 30 June 2022. Given the outbreak of Covid-19 which has caused high volatility to the global economy and uncertainties to the property market, this disruption has increased the uncertainty of the assumptions adopted in the valuation process. Consequently, the on-going development of Covid-19 may cause unexpected volatility in the future fair value of the properties subsequent to 30 June 2022.

Fair value movements
A reconciliation of the opening and closing fair value balance is provided below:

	HK$
At 1 July 2020	112,000,000
Depreciation	(204,343)
Valuation surplus	6,204,343
At 30 June 2021 and 1 July 2021	118,000,000
Depreciation	(192,475)
Valuation deficit	(5,807,525)
At 30 June 2022	112,000,000

Valuation deficit of HK$5,807,525 (2021: surplus of HK$6,204,343) arising on revaluation has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

Had the Group's leasehold land and buildings been measured on a historical cost basis, their carrying amounts would have been HK$14,151,199 and HK$1,682,184 respectively (2021: HK$14,168,352 and HK$1,736,448 respectively) at the end of the reporting period.

15. INTANGIBLE ASSETS

	Computer system HK$	Online study materials HK$	Total HK$
Cost			
At 1 July 2020	2,464,500	1,630,270	4,094,770
Addition	900,000	-	900,000
At 30 June 2021 and 1 July 2021	3,364,500	1,630,270	4,994,770
Addition	1,240,344	-	1,240,344
At 30 June 2022	4,604,844	1,630,270	6,235,114
Accumulated amortisation			
At 1 July 2020	376,175	271,712	647,887
Charge for the year	590,400	543,423	1,133,823
At 30 June 2021 and 1 July 2021	966,575	815,135	1,781,710
Charge for the year	784,227	543,423	1,327,650
At 30 June 2022	1,750,802	1,358,558	3,109,360
Carrying amount			
At 30 June 2022	2,854,042	271,712	3,125,754
At 30 June 2021	2,397,925	815,135	3,213,060

16. INVENTORIES

Inventories comprise study materials held for sale.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$	2021 HK$
Unlisted fund investments	9,326,427	13,197,962

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$	2021 HK$
Listed equity securities	4,505,397	6,859,931

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – continued

i. Disposal of equity investments

During the year ended 30 June 2022, the Group sold certain of its equity investments in order to suit the Group's investment strategy. The equity securities had a fair value of HK$5,045,201 (2021: HK$4,040,705) at the time of the sale.

ii. Amount recognised in surplus or deficit, and other comprehensive income

	2022 **HK$**	2021 HK$
(Loss)/Gain recognised in other comprehensive income	(1,879,316)	1,295,288
Dividends from equity investments held at FVOCI recognised in surplus or deficit:		
Relating to investments derecognised during the year	44,606	984
Relating to investments held at the end of the reporting period	68,399	104,631
	113,005	105,615

19. ACCOUNTS AND OTHER RECEIVABLES

	2022 **HK$**	2021 HK$
Accounts receivables (Note i)	721,381	979,177
Other receivables (Note ii)	269,383	107,889
Deposits	326,210	255,131
Prepayments	1,046,693	959,397
	2,363,667	2,301,594

Note:

i. Invoices are due on presentation. At the end of the reporting period, ageing analysis of the accounts receivables (net of impairment losses), based on invoice dates, are as follows:

	2022 **HK$**	2021 HK$
Current	719,321	954,957
1-3 months	2,060	24,220
Over 3 months	-	-
	2,060	24,220
	721,381	979,177

19. ACCOUNTS AND OTHER RECEIVABLES – continued

The Council members considered that credit risk is not significant.

The Group assessed impairment loss based on the accounting policy stated in note 4(f)(ii). Further details on the Group's credit policy and credit risk arising from accounts receivables are set out in note 26(a).

ii. Other receivables represented seminar income receivable from an external seminar organiser and government grant obtained from the ESS. Credit risk is not significant.

The Group did not hold any collateral as security or other credit enhancement over these balances.

20. CASH AND CASH EQUIVALENTS

	2022	2021
	HK$	HK$
Cash and bank balances	11,045,713	7,937,578
Time deposits with original maturity three months or less when acquired	1,169,800	1,506,229
Cash at custodians	14,775,903	11,972,448
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	26,991,416	21,416,255

Cash at banks earned interest ranging from 0.1% to 0.3% (2021: ranged from 0.1% to 0.3%) per annum.

Time deposits with original maturity three months or less when acquired earned interest of 0.4% (2021: 0.4%) per annum.

Included in the Group's cash and bank balances is an amount of HK$1,752,090 (2021: HK$1,656,109) which is held by HKCGIFL that can be used to fulfil the objects of HKCGIFL as set out in its Articles of Association.

21. ACCOUNTS AND OTHER PAYABLES

	2022	2021
	HK$	HK$
Accruals and other payables	2,322,661	1,796,051
Deferred income	30,000	30,000
	2,352,661	1,826,051

22. CONTRACT LIABILITIES

	2022 **HK$**	2021 HK$
Contract liabilities	3,067,895	1,336,373

Contract liabilities represent fees received or entitled to for which the Group has not delivered the related services in respect of the subscriptions for next financial year, registration applications to be assessed, and examinations, seminars or functions to be completed.

Movements in contract liabilities during the year:

	HK$
Balance at 1 July 2020	2,263,479
Decrease in contract liabilities as a result of recognising revenue	(2,263,479)
Increase in contract liabilities as a result of advanced consideration received/billing in advance during the year	1,336,373
Balance at 30 June 2021 and 1 July 2021	1,336,373
Decrease in contract liabilities as a result of recognising revenue	(1,336,373)
Increase in contract liabilities as a result of advanced consideration received/billing in advance during the year	3,067,895
Balance at 30 June 2022	3,067,895

23. LEASES LIABILITIES

	Other properties leased for own use in Mainland China HK$	Copiers leased for own use in Hong Kong HK$	Total HK$
At 1 July 2020	152,244	49,823	202,067
Interest expenses	43,619	2,140	45,759
Addition of a new lease	-	176,136	176,136
Lease modification	1,836,900	-	1,836,900
Lease payments	(640,272)	(65,856)	(706,128)
Exchange alignment	56,312	-	56,312
At 30 June 2021 and 1 July 2021	1,448,803	162,243	1,611,046
Interest expenses	47,694	5,193	52,887
Addition of a new lease	1,875,888	-	1,875,888
Derecognised of lease	(968,367)	-	(968,367)
Lease payments	(748,873)	(62,160)	(811,033)
Exchange alignment	(36,051)	-	(36,051)
At 30 June 2022	1,619,094	105,276	1,724,370

23. LEASES LIABILITIES – continued

Future lease payments are due as follows:

At 30 June 2022	Minimum lease payments HK$	Interest HK$	Present value HK$
Not later than one year	1,015,726	(43,927)	971,799
Later than one year and not later than two years	761,794	(9,223)	752,571
	1,777,520	(53,150)	1,724,370

At 30 June 2021	Minimum lease payments HK$	Interest HK$	Present value HK$
Not later than one year	731,816	(45,579)	686,237
Later than one year and not later than two years	731,816	(19,926)	711,890
Later than two year and not later than five years	214,035	(1,116)	212,919
	1,677,667	(66,621)	1,611,046

The present value of future lease payments are analysed as:

	2022 HK$	2021 HK$
Current liabilities	971,799	686,237
Non-current liabilities	752,571	924,809
	1,724,370	1,611,046

24. RELATED PARTY TRANSACTIONS

Transactions with members of the Council

Members of the Council did 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 Institute received income in the ordinary course of business, such as sponsorship, subscriptions and fees from Council members or parties related to Council members. The total amount received from Council members or parties related to Council members in this regard was not significant.

25. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 HK$	2021 HK$
Financial assets		
- at amortised cost		
Accounts and other receivables	1,316,974	1,342,197
Cash and cash equivalents	26,991,416	21,416,255
	28,308,390	22,758,452
- at fair value		
Financial assets at fair value through other comprehensive income	4,505,397	6,859,931
Financial assets at fair value through profit or loss	9,326,427	13,197,962
	13,831,824	20,057,893

	2022 HK$	2021 HK$
Financial liabilities - measured at amortised cost		
Accounts and other payables	2,322,661	1,796,051
Lease liabilities	1,724,370	1,611,046
	4,047,031	3,407,097

The carrying amounts of the Group's financial instruments carried at amortised cost at the reporting date approximate their fair values due to the immediate or short-term maturity of these financial instruments.

26. FINANCIAL RISK MANAGEMENT

Exposure to credit, currency and liquidity risks arise in the normal course of the Group's operations. The Group is also exposed to equity price risk arising from its investments. These risks are limited by the Group's financial management policies and practices described below.

a. Credit risk

The carrying amount of financial assets included in the statement of consolidated financial position represents the Group's maximum exposure to credit risk. The Council has policies in place to ensure the credit risk is within an acceptable level and monitored on an ongoing basis. At the reporting date, the Group has no concentration of credit risk.

The Council reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Council considers that the Group's exposure credit risk have been significantly reduced.

b. Currency risk

The Group is exposed to foreign currency risk arising from translating bank balances, deposits and other receivables, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and lease liabilities which are denominated in Great British Pounds ("GBP"),

26. FINANCIAL RISK MANAGEMENT – continued

b. Currency risk – continued

United States dollars ("USD") or Renminbi ("RMB"). Such exposure arise from the balance of assets and liabilities in currencies other than the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy. However, the Council monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

Exposure to foreign currency (expressed in HK$)			
At 30 June 2022	USD	GBP	RMB
Assets			
Cash and cash equivalents	3,023,270	4,147	495,038
Deposits and other receivables	-	-	61,583
Financial assets at fair value through profit or loss	5,325,677	-	-
Financial assets at fair value through other comprehensive income	1,210,577	-	-
	9,559,524	4,147	556,621
Liabilities			
Lease liabilities	-	-	239,310

Exposure to foreign currency (expressed in HK$)			
At 30 June 2021	USD	GBP	RMB
Assets			
Cash and cash equivalents	5,397,432	4,866	177,502
Deposits and other receivables	-	-	180,690
Financial assets at fair value through profit or loss	8,455,967	-	-
Financial assets at fair value through other comprehensive income	2,682,977	-	-
	16,536,376	4,866	358,192
Liabilities			
Lease liabilities	-	-	509,784

Sensitivity analysis on foreign exchange risk management

The Council considers the main foreign currency risk the Group was exposed to at the reporting date were GBP and RMB. If Hong Kong dollars strengthened against these currencies by 5%, the Group's deficit (2021: surplus) would be increased by approximately HK$207 (2021: decreased by HK$243) and HK$15,866 (2021: increased by HK$7,500), respectively. If Hong Kong dollars had weakened against these currencies by 5%, the Group's deficit (2021: surplus) would be decreased (2021: increased and decreased, respectively) by the same amounts.

The Group's exposure to currency risk arising from financial assets denominated in USD is insignificant, as HK$ is pegged to USD.

26. FINANCIAL RISK MANAGEMENT – *continued*

c. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Council to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand HK$	1-2 years HK$	2-3 years HK$	Total contractual undiscounted cash flow HK$	Total carrying amount HK$
As at 30 June 2022					
Accounts and other payables	2,322,661	-	-	2,322,661	2,322,661
Lease liabilities	1,015,726	761,794	-	1,777,520	1,724,370
	3,338,387	761,794	-	4,100,181	4,047,031

	Within 1 year or on demand HK$	1-2 years HK$	2-3 years HK$	Total contractual undiscounted cash flow HK$	Total carrying amount HK$
As at 30 June 2021					
Accounts and other payables	1,796,051	-	-	1,796,051	1,796,051
Lease liabilities	731,816	731,816	214,035	1,677,667	1,611,046
	2,527,867	731,816	214,035	3,473,718	3,407,097

d. Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Other price risk

The Group is exposed to price risk through financial assets at fair value through profit or loss which are run and operated by fund managers. The Council of the Institute manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on the dealing price of listed and unlisted fund investments derived from the net asset values of the investments, with reference to observable quoted prices of underlying investment portfolio in active markets.

26. FINANCIAL RISK MANAGEMENT – *continued*

d. Market risk – continued

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting date.

If the prices of the financial assets at fair value through profit or loss had been 5% (2021: 5%) higher/lower, the Group's deficit for the year would decrease/increase by approximately HK$466,000 (2021: surplus for the year would increase/decrease by approximately HK$659,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

e. Fair value measurement

The Group's financial assets and liabilities measured at fair value are categorised into the three-level fair value hierarchy below. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations:	Fair value measured using only unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

At 30 June 2022	Level 1 HK$	Level 2 HK$	Total HK$
Financial assets at fair value through profit or loss:			
- Funds - unlisted (Note ii)	-	9,326,427	9,326,427
Financial assets at fair value through other comprehensive income:			
- Equity securities - listed (Note i)	4,505,397	-	4,505,397
	4,505,397	9,326,427	13,831,824

At 30 June 2021	Level 1 HK$	Level 2 HK$	Total HK$
Financial assets at fair value through profit or loss:			
- Funds - unlisted (Note ii)	-	13,197,962	13,197,962
Financial assets at fair value through other comprehensive income:			
- Equity securities - listed (Note i)	6,859,931	-	6,859,931
	6,859,931	13,197,962	20,057,893

26. FINANCIAL RISK MANAGEMENT – continued

e. Fair value measurement – continued

Note:

i. Fair values of the listed equity securities are determined by reference to their quoted bid prices at the reporting date in active markets.

ii. Dealing price of unlisted fund investments derived from the net asset values of the investments, with reference to observable quoted prices of underlying investment portfolio in active markets.

During the current and prior reporting periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

27. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern to enable its obligations under the Hong Kong Companies Ordinance 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 operational efficiency.

The Group regularly reviews and manages its capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the general fund for future operational needs.

The Council regularly reviews the need to increase membership/studentship subscriptions to ensure operational needs are fully covered.

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

28. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$ (Note 23)
At 1 July 2020	202,067
Changes from cash flows:	
Repayment of principal portion of the lease liabilities	(660,369)
Repayment of interest portion of the lease liabilities	(45,759)
Total changes from financing cash flow	(706,128)
Other non-cash movements:	
Interest on lease liabilities	45,759
Addition of a new lease	176,136
Lease modification	1,836,900
Exchange alignment	56,312
Total other non-cash movements	2,115,107
At 30 June 2021 and 1 July 2021	1,611,046
Changes from cash flows:	
Repayment of principal portion of the lease liabilities	(758,146)
Repayment of interest portion of the lease liabilities	(52,887)
Total changes from financing cash flow	(811,033)
Other non-cash movements:	
Interest on lease liabilities	52,887
Addition of a new lease	1,875,888
Derecognition of a lease	(968,367)
Exchange alignment	(36,051)
Total other non-cash movements	924,357
At 30 June 2022	1,724,370

29. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE

	Note	2022 HK$	2021 HK$
Non-current assets			
Property, plant and equipment		**113,012,829**	119,108,003
Interests in subsidiaries		**24**	24
Intangible assets		**3,125,754**	3,213,060
Financial assets at fair value through other comprehensive income		**4,505,397**	6,859,931
		120,644,004	129,181,018
Current assets			
Inventories		**4,557**	4,557
Financial assets at fair value through profit or loss		**9,326,427**	13,197,962
Accounts and other receivables		**2,022,407**	2,094,396
Amounts due from subsidiaries		**1,062,999**	1,062,999
Cash and cash equivalents		**21,788,841**	16,330,559
		34,205,231	32,690,473
Total assets		**154,849,235**	161,871,491
Current liabilities			
Accounts and other payables		**1,603,082**	1,385,587
Amounts due to subsidiaries		**13**	13
Lease liabilities		**194,141**	278,385
Contract liabilities		**3,067,895**	1,336,373
		4,865,131	3,000,358
Net current assets		**29,340,100**	29,690,115
Total assets less current liabilities		**149,984,104**	158,871,133
Non-current liabilities			
Lease liabilities		**150,444**	393,641
NET ASSETS		**149,833,660**	158,477,492
Reserves and funds			
General fund	30	**49,001,485**	49,985,996
Financial assets at fair value through other comprehensive income reserve	30	**189,305**	2,068,621
Property revaluation reserve	30	**97,774,515**	103,582,040
Building maintenance sinking fund	30	**886,008**	886,008
Education development fund	30	**982,347**	954,827
IT maintenance fund	30	**1,000,000**	1,000,000
TOTAL RESERVES AND FUNDS		**149,833,660**	158,477,492

The financial statements were approved and authorised for issue by the Council on 3 November 2022 and are signed on its behalf by:

Ernest CH Lee
President

Daniel WS Chow
Treasurer

30. SUMMARY OF THE INSTITUTE'S RESERVES AND FUNDS

	General fund HK$	Property revaluation reserve HK$	Financial assets at fair value through other comprehensive income reserve HK$	Building maintenance sinking fund HK$	Education development fund HK$	IT maintenance fund HK$	Total HK$
Balance as at 1 July 2020	49,857,228	97,377,697	773,333	870,397	786,978	1,000,000	150,665,633
Surplus for the year	312,228	-	-	-	-	-	312,228
Other comprehensive income for the year	-	6,204,343	1,295,288	-	-	-	7,499,631
Total comprehensive income for the year	312,228	6,204,343	1,295,288	-	-	-	7,811,859
Transfer to general fund	9,000	-	-	-	(9,000)	-	-
Transfer from general fund	(192,460)	-	-	15,611	176,849	-	-
Balance as at 30 June 2021 and 1 July 2021	49,985,996	103,582,040	2,068,621	886,008	954,827	1,000,000	158,477,492
Deficit for the year	(956,991)	-	-	-	-	-	(956,991)
Other comprehensive loss for the year	-	(5,807,525)	(1,879,316)	-	-	-	(7,686,841)
Total comprehensive loss for the year	(956,991)	(5,807,525)	(1,879,316)	-	-	-	(8,643,832)
Transfer to general fund	147,596	-	-	-	(147,596)	-	-
Transfer from general fund	(175,116)	-	-	-	175,116	-	-
Balance as at 30 June 2022	49,001,485	97,774,515	189,305	886,008	982,347	1,000,000	149,833,660

We welcome any feedback you may have on our report.
Please tell us what you think by email: ask@hkcgi.org.hk.

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