

Charting Success

**Annual Report and
Financial Summary 2010**



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



Introduction

Hong Kong's deep and sheltered harbour is one of the reasons for the territory's stunning economic rise; around it grew our maritime industry, now one of the world's most important.

The accounting profession is another reason for the territory's success; the members of the Hong Kong Institute of CPAs are the anchors of our financial markets.

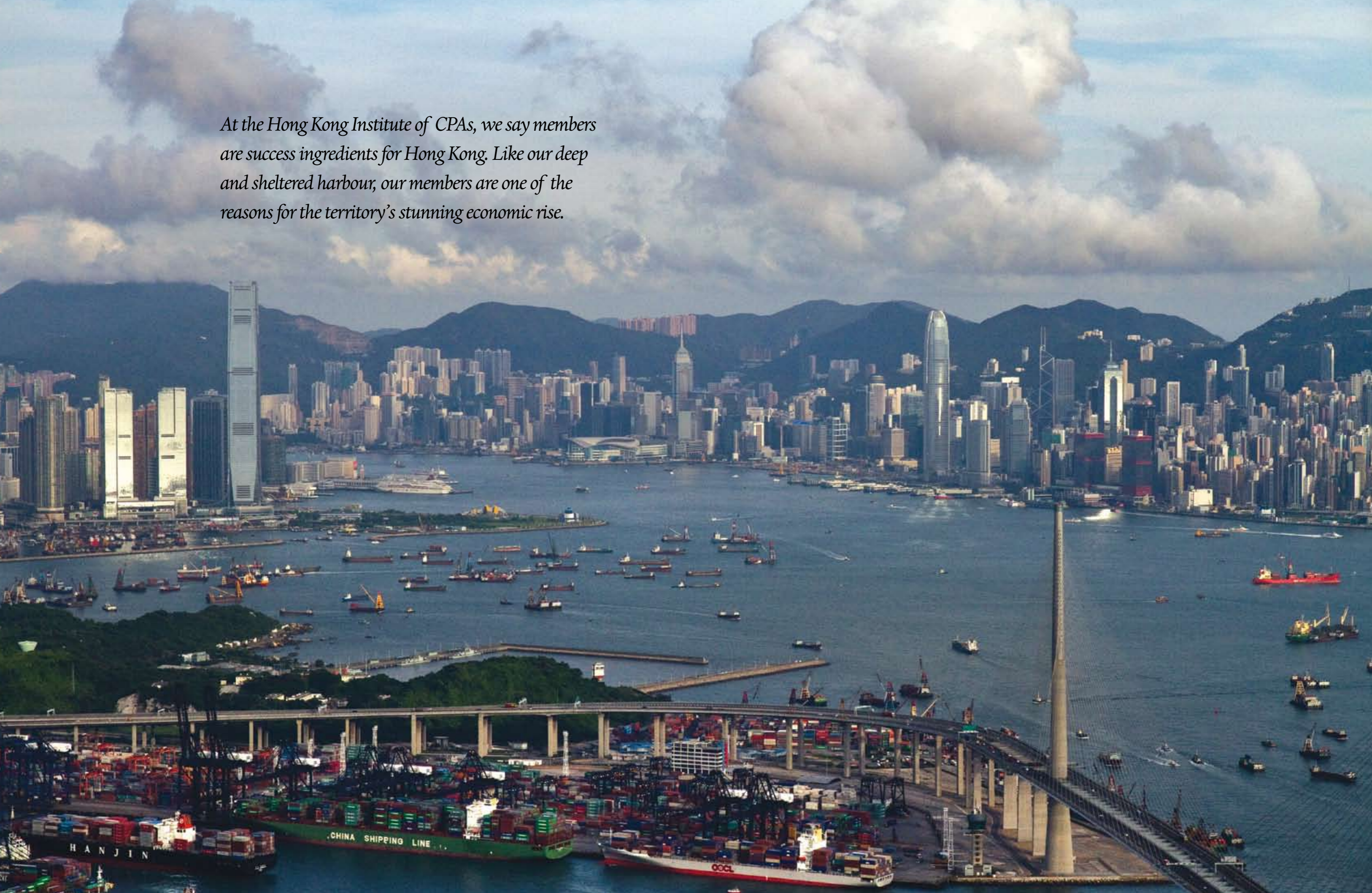
In this report, we point out some of the

parallels between the maritime industry and the accounting profession while we explain our activities for the year.

In addition, our members serve as senior executives in global maritime businesses and we highlight some of their stories here.

We would like to extend our appreciation to Modern Terminals, Hongkong United Dockyards and Williamson Marine Service for allowing us to photograph their facilities and people.

At the Hong Kong Institute of CPAs, we say members are success ingredients for Hong Kong. Like our deep and sheltered harbour, our members are one of the reasons for the territory's stunning economic rise.



President's report



Having HKFRS for Private Entities as a reporting option makes doing business in Hong Kong easier.

— Wilson Fung
President

Dear members,

It has been a very active year for our profession, with the Institute achieving several goals it set for itself early on in my presidency.

These include the issuance of HKFRS for Private Entities, which give relief to some private companies, which before were using the full HKFRS, a sometimes burdensome process. Having this as a reporting option, along with SME-FRF/FRS, makes doing business in Hong Kong easier and on par with other jurisdictions that also have adopted the International Accounting Standards Board's IFRS for SMEs.

Also on the standards front, we have adopted the revised Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants in July 2009. This will come into force in January 2011. The Institute ran seminars this summer and winter to help members prepare. By and large, the revisions are quite sensible and should be natural for members to assimilate. They include additional requirements for public interest entities and fresh guidance on fees.

We have also adopted the clarified International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC. The clarity project was an enormous undertaking for the IAASB and resulted in improvements in the standards, which took effect for all audits of financial statements for periods beginning on or after 15 December 2009.

We continue to be well represented internationally, especially with the International Federation of Accountants.

We have attended several meetings of the board, the professional accountants in business committee and the small- and medium-sized practices committee, and a large delegation from the Institute will attend the World Congress of Accountants in November. It is important for Hong Kong that our members are well represented and respected in the international professional and business community.

In the mainland, we are strengthening our ties with our members working there and with our counterparts the Chinese Institute of CPAs and the Ministry of Finance. As our economies are more deeply intertwined and as more of our members take up significant posts over the border, both sides have much to gain from closer ties. We have worked with the supervision and inspection bureau of the MoF and the China Securities Regulatory Commission to rationalize some cross-border regulatory matters and we are continuing to work out the framework for auditing of H share companies listed in Hong Kong by their mainland auditors. Offering QP to CICPA members in the mainland is another way we are drawing closer to our mainland counterparts.

In addition, we have this year reinforced our strong bonds with overseas institutes, renewing the mutual recognition agreements with the Canadian Institute of Chartered Accountants, ACCA and CPA Australia. Our mutual recognition agreement with the American Institute of CPAs is still under discussion but we are confident we will achieve this. Our relationships with those outstanding bodies in the world's

developed capital markets through the Global Accounting Alliance allow us to tap into the ideas and experience of larger and older institutes. From us, they gain insight into the invigorating experience of working with the world's fastest growing economy.

Regulatory reform took on new urgency this year and the discussion of professional liability reform continued within this context. We formed an audit profession reform committee, with two working groups under it: the new regulatory reform working group and the existing professional liability reform working group.

The word "reform" means that we must take a look at the way the profession is regulated in order to keep our regime strong and in line with international benchmarks for regulation to maintain our premier position as a listings destination.

At the same time, we as a profession are responsible for audit quality and the consultation on the registration of audit practices was part of this. We have conducted two rounds of consultations with members and other stakeholders and we are in the process of forming final proposals.

Another significant undertaking that affected the profession was our proposal to the government on the Companies Ordinance rewrite. Our main focus was on small- and medium-sized enterprise reporting and auditors' rights to information, with the goal of reducing the grey zones within these two areas.

For our small- and medium-sized practitioners, we introduced a public education campaign on radio and in

newspapers warning small businesses about using unlicensed accountants for their audits. The campaign, humorous and serious at the same time, reached millions of readers and listeners. We bolstered technical support to this group of members, too, through the SMP resource centre and an increase in continuing professional development courses.

I would like to thank my two vice presidents, Philip Tsai and Fook Aun Chew, and our council members for their help and advice this year.

My appreciation also goes to the volunteers who gave their time and expertise to the accountability boards, committees, leadership panels, working groups and panels.

Thanks is also due to Winnie Cheung, our chief executive, and her team for their dedication and enthusiasm.

I will end this report with the good news that the profession is in good shape, with demand for our expertise surging. Executive recruiters report that jobs and salaries are returning to pre-crisis levels and in Asia, particularly, the prospects for the profession are very good.

Sincere regards,

Wilson Fung
President

Chief Executive's review



Asia is powering the world's growth and our profession must support that growth.

— Winnie C.W. Cheung
Chief Executive

Dear members,

Capacity building

We spent this year building the Institute's capacity, allowing us to offer better and deeper training and support to our members and students, so that they are in turn better equipped. This is the right time to do this; demands are pressing on the profession, especially in Hong Kong. The world's largest initial public offering took place here this year and we are now the world's favoured listing destination. Asia is powering the world's growth and our profession must support that growth.

Last year I explained in my review that the Institute was starting four large investment projects providing comprehensive training and advisory support so that members can keep up with the fast-changing market and the new and revised professional standards evolving along with it, building our research capabilities for thought leadership, bolstering our technology infrastructure and facilities to deliver training, and investing in our qualification programme to keep up its premier status. We also added two related projects this year to build specialization and expand QP in mainland China.

Students

The enhanced qualification programme with fresh learning packs, new workshop structure and better online tools is now in place. We have invested in retaining people who make the QP great, who have outstanding skills in testing, conducting workshops, and writing and producing our QP materials.

We are in the process of improving our mutual recognition agreements with the Chinese Institute of CPAs with an additional examination paper exemption

from the PRC CPA Uniform Examination and we've signed a letter of intent with the U.S. International Qualifications Appraisal Board to enter into an MRA. Work is progressing on finalizing the terms.

We've embarked on a major investment plan for QP in China. This is important for the next generation as our two economies become more closely intertwined.

We've also progressed a plan to create a new membership category for QP graduates who are not yet CPAs but who are no longer students.

Members

For our members, we have hired people to expand technical training in line with our investment goals. Comprehensive training focused on professional standards in financial reporting, auditing and ethics was introduced this year and will continue. An expanded technical enquiry system, web resources for SMPs and PAIBs, regular financial reporting and auditing alerts and newsletters on the specialist areas of insolvency, tax, corporate finance and PAIBs were also introduced. We have thoroughly updated the audit practice manual for small- and medium-sized practitioners, which will be introduced with a series of workshops.

We are working in a knowledge economy that demands highly tuned skills and to back this up, we are developing specialties. We've structured a two tier approach that will allow our members to get specialist training first for a qualification – and second, to achieve a designation. The first specialization is for insolvency, introduced this year. Coming next will be qualification and designation for tax and fields under consideration are

corporate finance, business valuation, and forensic accounting.

As a first product of our technology infrastructure development plan, we introduced an online "competency development tool" for career planning and training, allowing members to set career goals and steering them to the types of training they'll need to achieve those goals.

Other projects to build technology for training are moving along and a variety of web-based learning tools are in the pipeline.

We have devoted significant time this year to professional reform and thought-leadership. Reforming the registration and licensing regime for auditors, auditors' liability, and regulatory oversight of the audit profession have been central topics of debate in finding a fair and equitable proposal to present to the government. These issues are of special importance for the next generation of auditors. Other thought leadership projects we have embarked on include audit quality, audit fees, sustainability and fraud reporting.

We registered major successes in our efforts to resolve IFRS application issues for Hong Kong, specifically the resolutions achieved with revised IAS 24 *Related Party Disclosures* in November 2009 and amendments to IFRS 1 *First Time Adoption of IFRS* in May 2010 that enable the use of revaluation basis for IPO purposes as deemed cost and resolving a major long-time difference between the accounts of A and H shares. Another successful outcome was persuading the IASB to amend its standards on income taxes that removes an anomaly in the need to provide for deferred taxation relating to revaluation of investment properties. These standards have long been difficult for Hong Kong

businesses and if the proposals in the recent ED to amend IAS12 are accepted, they end a thorny standards application issue for Hong Kong.

Balance

To give members a way to relax in each other's company, we're offering more opportunities for sporting events, dance and lifestyle classes and casual get-togethers. This year we started the 25:35 group for our young members to have their own events. Our sports teams grew in strength and won many coveted prizes this year.

Throughout this year, we offered courses in stress management and wellbeing to our members free-of-charge and will do so next year. In addition, we earmarked 5 percent of our CPD courses as free-of-charge for members who were out of work and we will continue this.

Accolades in social responsibility

Our community project "Rich Kid, Poor Kid" won another top prize. A documentary about the programme won "Best of Show" in an international competition for visual excellence in corporate communications. It also captured the "Best Documentary Prize" and the grand award among non-profit organizations. Our second children's book in the May Moon series, *May Moon Rescues the World Economy*, was published this year to wide acclaim for its teaching values.

Finances

Our main sources of income are stable from membership fees, QP fees, and CPD courses. We prudently manage our resources to support members and students without raising annual and event fees, although we are paying

higher fees to our speakers and other service providers. We have made use of our accumulated reserves to finance the initial investment and increased direct costs of the enhanced QP, which has allowed us to keep student fees level. In the face of higher on-going cost and ever increasing demand for our service, we will be conducting an exercise to rationalize our sources of funds and their application.

We will be applying the same care with our capacity building investment projects. While the projects are moving along nicely, the preparatory work has taken longer than anticipated, especially in recruiting the right people. We expect these projects will be in full swing next year and the surplus from this year's delayed spending will go into the pot to finance this.

I'd like to thank all the volunteers who give their time and expertise to the work of the Institute. Our profession shines because of it. I'd like to thank this year's council for their strategy and vision and my team at the Institute for their hard work and dedication. And finally, to our generous members who donated their 2009 fee rebates to the HKICPA Trust Fund, which this year helped a member suffering from a major illness and hardship, we express our deep appreciation.

Sincere regards,

Winnie C.W. Cheung
Chief Executive



From keel to mast, the Institute's finance and operations are constantly reviewed so that we manage our resources to meet the growing expectations of our members and the public.

■ Finance and operations

We continue to manage our resources under prudent and conservative principles – and always in the best interest of the public and our members. At the financial year end on 30 June 2010, the group had a surplus of HK\$17.4 million before tax.

The group's total operating income increased by HK\$11 million or 5.4 percent from HK\$204 million in 2008-09 to HK\$215 million in 2009-10 due to an increase in members and students and one-off rebates in 2008-09 not repeated in 2009-10.

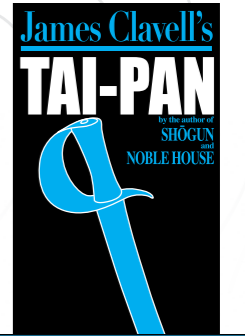
The group's operating expenses increased by HK\$12 million or 6.5 percent from HK\$186 million in 2008-09 to HK\$198 million in 2009-10. The increase was mainly due to the increase of staff costs, increased expenses for QP and examinations. The increased expenses are in line with our investment strategy which will benefit members and students by raising our service quality and support to them over the next few years. Some of the investment projects have been delayed due to delays in staff recruitment. The respective project costs will be deferred to next year and this is part of the reason for the surplus for the year end in June 2010.

At the financial year end on 30 June 2010, the group had a net assets balance of HK\$306 million and had HK\$182 million cash and bank deposits. Careful stewardship of our

finances has created a healthy financial position for the Institute to embark on major investments in the future of our members and students.

This year, our staff has grown from 190 to 201. The additional people are supporting the business growth and the investment projects.

Our Wu Chung House headquarters are improving, with the 27th floor library expanding its physical collection and adding more electronic resources. Members and students can now access the e-publications of other professional bodies from all over the world. Last year we took back part of the 37th floor that we once leased to the Chinese Medicine Council, and this year we expanded our office space to accommodate new staff.

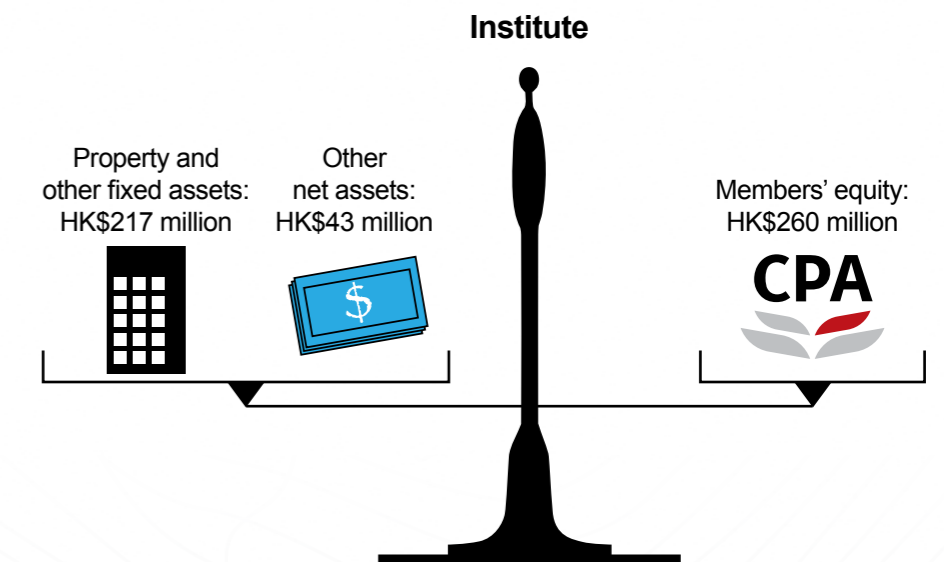


Our novel hong's history

Swire Pacific, one of Hong Kong's venerable hong's, is famous for being the model for one of the feuding businesses in James Clavell's novel, *Tai-Pan*, the second book in his Asian saga. In the story, the companies vie for trading dominance in Hong Kong and the China coast in the days of swashbuckling clipper ships. In fact, Swire opened its first office in Hong Kong in 1870, although it began trading with China as early as 1862.

Now a publicly quoted company with interests ranging from airlines to sports retailing, Swire's marine services division operates a fleet of 11 tugboats in Hong Kong's harbour, which tow huge container ships safely into berth. A subsidiary, Swire Salvage, gives emergency service to sick ships, including salvage, ocean towage, wreck removal, fire fighting and diving.

Executive director Peter Alan Kilgour has been finance director of Swire Pacific since 2009 and is an active member of the Hong Kong Institute of CPAs.



The Institute's ties with the world's top-tier accountancy bodies guarantee that members who qualify through our qualification programme are recognized and can operate around the globe.



Qualification and membership

Now students will take part in two full-day workshops, which give more emphasis on developing the special mindset it takes to be a CPA.

The Institute is committed to providing the best training, continuing professional development, advocacy and member services to help our members flourish.

At the end of this reporting period, our membership numbers stood at 30,417 – yet another year-to-year increase.

This year, 375 candidates sat our stringent practising certificate examination to meet the licensing requirements to sign statutory audits. We now have 3,747 practising members, up from 3,705 in 2009.

We consulted members twice on proposals to strengthen our regulation of auditors and uplift their quality. The proposed changes to the way we register audit practices received majority support.

QP – qualification programme

Our qualification programme for accountancy graduates is getting stronger as it passed its 10th year. At the end of June 2010, the QP had 12,045 students, making it the most popular way to qualify as a professional accountant in Hong Kong. This year 1,888 people graduated from the QP. So far, nearly 4,000 CPAs have qualified through the programme since it began in 1999.

In 2009 we completed a top to bottom review of the QP, and this year we developed a fresh set of study materials in preparation for the introduction of the updated programme in September 2010.

The workshop component of the QP has also been redesigned. Now students will take part in two full-day workshops, which give more emphasis on developing

the special mindset it takes to be a CPA.

During the year, we renewed our recognition agreements with the Canadian Institute of Chartered Accountants, CPA Australia and ACCA.

We also added addendums to our existing agreements with the chartered institutes of New Zealand, Ireland, Scotland and South Africa. Our members who joined the Institute by passing module D and final examination of the QP under our recognition agreement with the Chinese Institute of CPAs are now eligible for membership into those four overseas bodies.

We signed a letter of intent with the International Qualifications Appraisal Board of the United States for entering into a mutual recognition agreement with our American counterpart, which will give our members even more mobility.

Support for students

An important part of a student's CPA training is practical experience. The number of authorized employers and authorized supervisors who students can work under to gain the required experience has risen from 1,129 to 1,156 and from 1,785 to 1,857 respectively.

This reporting period, we accredited another two accountancy programmes offered by Hong Kong universities. In an exciting move, we accredited one offered by the Central University of Finance and Economics in Beijing, the third university we have accredited on the mainland and an outstanding programme. Graduates from accredited programmes are automatically eligible to enrol in the

QP without having to take a conversion course. To date, we have accredited 51 accountancy programmes, including, by and large, all accountancy courses offered by Hong Kong institutions.

This year, we awarded QP scholarships to 19 graduates in Hong Kong and the mainland. We also joined with the Chinese Institute of CPAs to offer five scholarships to its members.

We have extended the QP to Zhuhai, in addition to Beijing, Shanghai, Guangzhou and Xiamen, so that mainland students can study through the QP without coming to Hong Kong.

A total of 328 CICPA members have joined the QP since 2004.

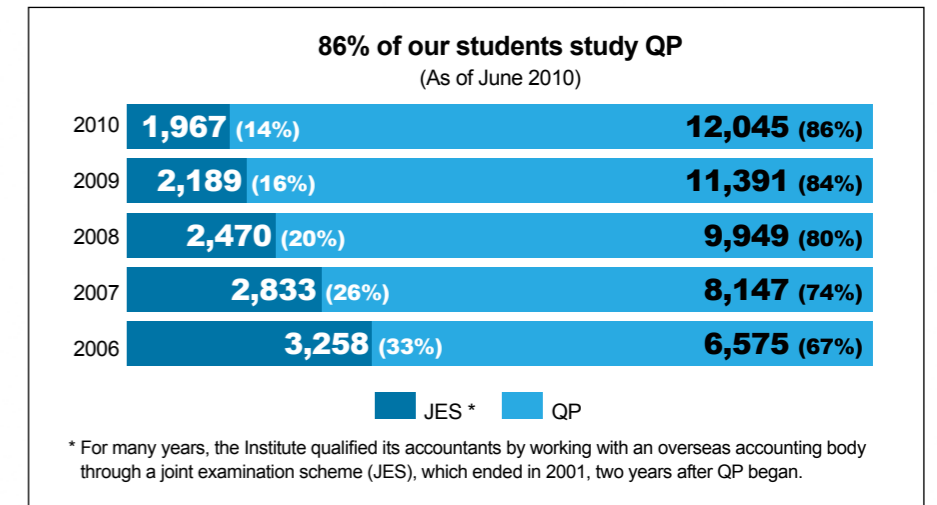
One of the reasons why the QP stands above other accountancy training in Hong Kong is its focus on practice as well as theory. We showcased this for the first time in Beijing with a case analysis competition, drawing the participation of more than 180 teams of students.

To inspire prospective accountants in Hong Kong, we staged a career forum, where prominent speakers shared insights with more than 700 university students.

Accounting technicians

Since introducing its new framework in 2009, the Institute's subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered more than 2,100 new students to its AAT examination.

Students must now also undergo the new professional assessment to test their knowledge and understanding of ethics before they can become HKIAAT



members. The first programme was held in May.

The professional bridging examination to the QP continues to be popular and attracted more than 900 AAT members and students. To date, 686 accredited accounting technicians have become eligible for entry to the QP.

Continuing professional development

At the end of 2009, we carried out a survey to seek members' views on the Institute's CPD events. A total of 1,282 (about 4 percent of members) responded, with members saying they had the greatest interest in learning about technical topics and they wanted more e-learning.

This view was reflected in the demand for CPD events this year. Although the Institute anticipated a drop in attendance because of the financial crisis, statistics show that, while numbers for non-technical CPD events did indeed decrease, demand for technical events held steady.

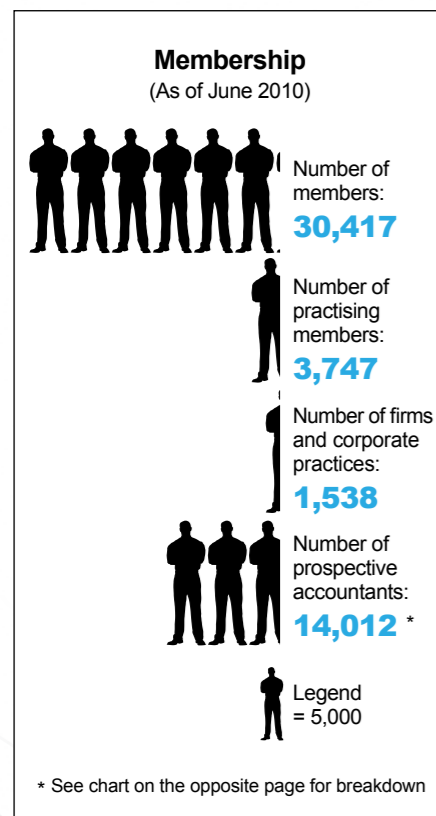
To boost the e-learning available to

members, in January we introduced the online competency development tool, which helps members plan their careers. It identifies the skills they need to reach the top of their chosen career path and links them to the relevant training resources. The Hong Kong government sponsored 1,000 free subscriptions for our members.

Another way the Institute is investing in e-learning is by video recording CPD events and making these available online. We also plan to offer live virtual classroom events.

To support our members who were seeking to return to work during the financial crisis, we offered free places at selected CPD events, up to 5 percent of total seats. More than 1,100 free places were taken up.

Another programme from the economic downturn was the stress management training courses offered with the Chartered Accountants' Benevolent Association. The programme received positive feedback and will continue in 2010 and 2011 free-of-charge.



We brought back our special diploma in insolvency in September 2009 – well timed considering the economic climate.

Specialization and interest groups

An increasing number of our members want to specialize to rise to the ever-demanding responsibilities that a CPA faces, whether working in practice, business or government. As well as supporting the formation of faculty and interest groups for members to learn from experts and each other, we brought back our special diploma in insolvency in September 2009 – well timed considering the economic climate.

Passing the programme is recognized by the Official Receiver's Office as 50 hours of insolvency experience for some of its schemes.

An independent external review of the diploma confirmed that the diploma had achieved the required standard, enabling us to offer the Institute's first specialist

qualification and develop a specialist designation in insolvency.

The restructuring and insolvency faculty, established in 2008, is an important step towards strengthening specialist support. The faculty organized its first elections for an executive committee this year and held monthly seminars and a networking cocktail party for its members. It publishes the *IP's Voice* e-newsletter and is updating an ethical guidance for members who are involved in insolvency work.

Members of the taxation interest group took part in regular forums to discuss Hong Kong and cross-border taxation issues, including transfer pricing, double taxation agreements and taxation of non-residents. A social event was held with the commissioner of Inland Revenue attending as a guest speaker. The membership of this interest group expanded to nearly 500.

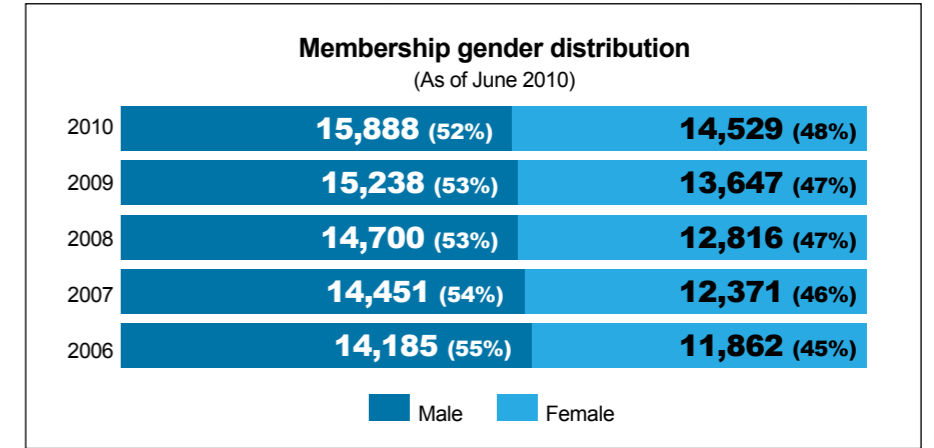
Corporate finance interest group members participated in regular forums to talk about issues including requirements for disclosure of price sensitive information, privatizations and takeovers as well as listing in the mainland. Members attended a networking cocktail party at which the senior vice president of the HKEx's listing division was guest speaker.

The Institute organized forums for professional accountants in business on a range of issues, such as the IASB proposals for management commentary, financing business in a volatile economic climate, fraud prevention and valuation; other events included informal "fireside conversations" with senior business executives.

Advocacy

As in previous years, we submitted our budget proposals for 2010-11 to the financial secretary and held a media briefing to share them with the public. On budget day, we held a members' forum at which the secretary for Financial Services and the Treasury spoke.

In addition to making a full submission on the reactivated proposals for a statutory framework for corporate rescue and insolvent trading, we are identifying reform areas in the legislative provisions for insolvency in preparation for when the Companies Ordinance rewrite project turns to this area. We also articulated practical issues faced by insolvency practitioners in performing cross-border restructuring and insolvency work.



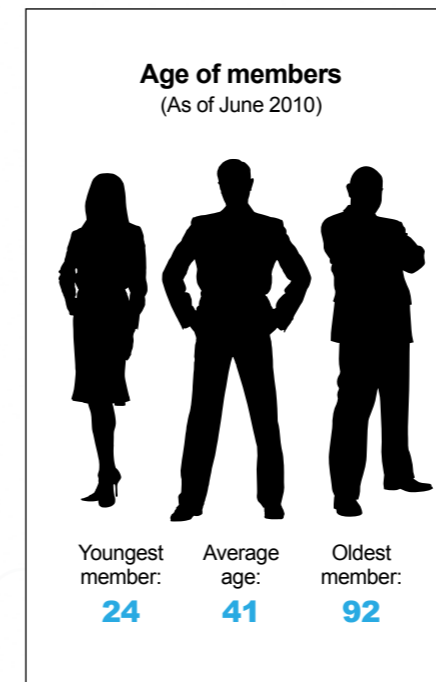
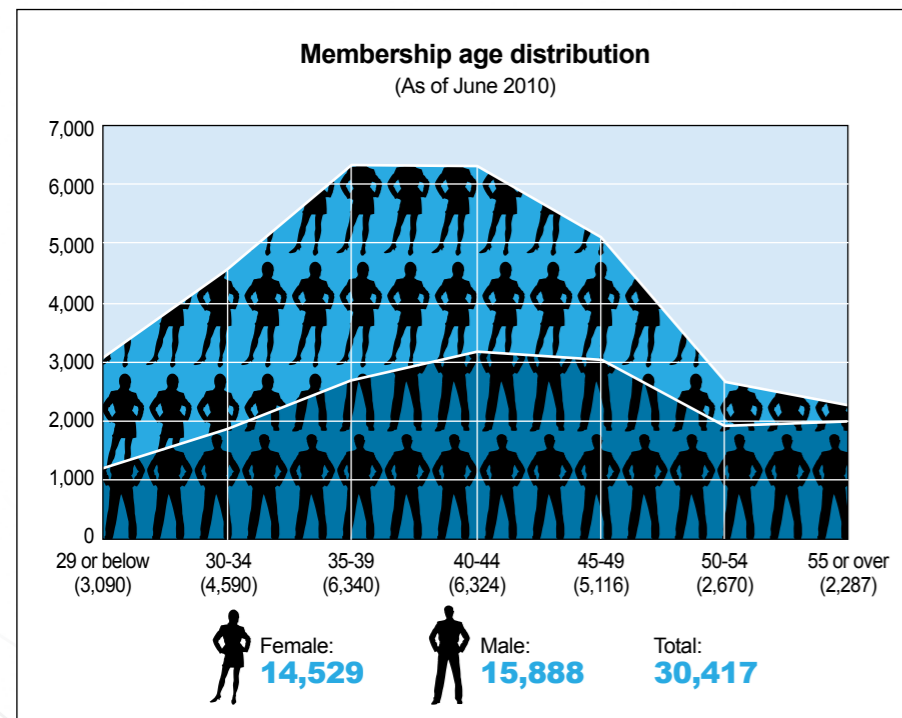
In the area of auditor liability reform, we engaged many stakeholder groups in a series of meetings to explain the Institute's proposed way forward and the importance of reform to the long-term stability of our capital market and to a high quality accountancy profession.

Our members have responsibilities when it comes to combating money laundering and terrorist financing. Speakers from the narcotics division of the Security Bureau, the Joint Financial Intelligence Unit and the Institute teamed up to raise awareness of these responsibilities at a joint seminar. We are also developing basic guidance to advise our members on suspicious transaction reporting.

The Institute put across the profession's point of view on several proposals, including:

- Tax legislation on the exchange of information in double tax agreements and proposals on capital allowances for plant and machinery used by Hong Kong manufacturers in mainland China

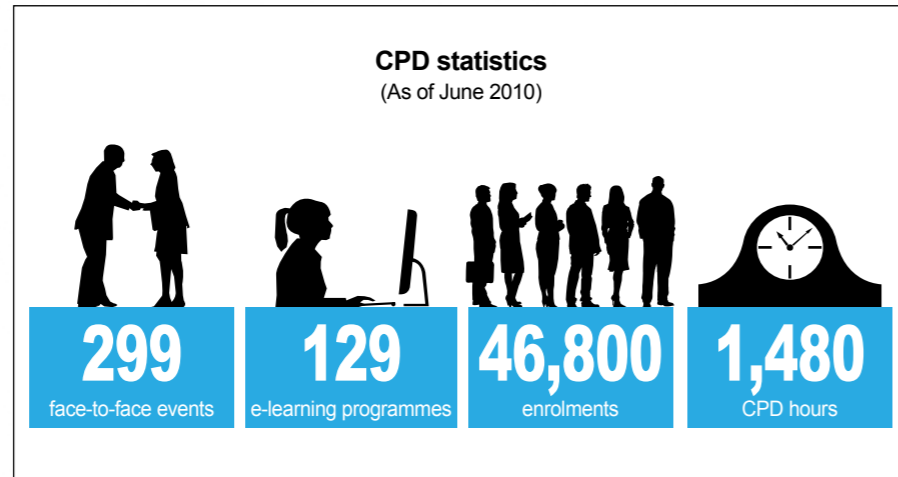
- The first and second phases of the Draft Companies Bill in the Companies Ordinance rewrite project
- The consultation on deposit protection schemes
- The review of the Trustee Ordinance
- The Law Reform Commission consultation on class actions
- The FSTB and Securities and Futures Commission consultation on statutory requirements for disclosure of price sensitive information
- The Hong Kong Exchange and Clearing consultations on requirements for circulars and listing documents and changes to connected transaction rules
- The proposed legislation on customer due diligence and record-keeping requirements for financial institutions
- Model memorandum and articles of association for private companies
- Various IFAC professional accountants in business papers, including the strategy and work plan for IFAC services to PAIBs and on the role of PAIBs in creating sustainable organizations



Our members are the anchor of Hong Kong's ascendance to the ranks of the world's leading financial centres. They provide stability to the market by assuring investors that they can rely on our members' professional expertise.



We provide a wide range of recreational activities to help our members balance their lifestyles and build team spirit.



Our members are business leaders
(among 18,626 PAIBs)

CEO, CFO, COO:
4,335

Divisional, group or general manager:
3,673

Work type

Professional accountants in practice:
6,481

Professional accountants in business:
18,626

Other:
4,566

Source: Member census as of June 2010 with 29,673 respondents

Legend = 5,000

Member activities

We held many important events for our small- and medium-sized practitioners, a core group of our membership. These events included a forum on clarified pronouncements on auditing, the annual SMP symposium, an IFAC SMP forum held in Beijing, a seminar on building financial management organized with the Independent Commission Against Corruption, an SMP evening and a conference on suspicious transaction reporting and compliance culture.

The Institute's main fellowship events were a great success as usual, such as the national day celebration, which had Hong Kong's chief executive as one of the guests of honour. The annual dinner was changed this year to a less formal event, with the emphasis on members instead of guests.

In other flagship events, the spring gathering this year took on a dinner format, and the cocktail event we held for new members saw a record-breaking turnout.

We continue to provide a wide range of recreational activities to help our members balance their lifestyles and build team spirit with fellow members.

This year, our teams took prizes at competitions ranging from basketball to dragon boat racing. The year's sporting highlight was the Standard Chartered Marathon, in which a record high of more than 300 members ran. The Institute was named "most supportive group" by the organizer.

Twelve sports interest groups are now under the sports and recreation club, which has 650 members.

The information technology interest group held a conference and made two site visits to the Applied Science and Technology Research Institute and MTR to learn more about their IT systems.

Merry Monday, a happy hour gathering for CPAs, was held each month with topics ranging from wine tasting to cooking.

Standards and regulation

Our members, their profession and their work are held in high regard by business and society. To keep it that way, the Institute is committed to maintaining a reputation that commands public trust and confidence.

Standard setting

We maintain full convergence with international standards on financial reporting, auditing, assurance and professional ethics. During the year, we issued:

- More than 15 updates to the members' handbook on revised standards and interpretations, including those regarding the Hong Kong Clarified Pronouncements on Auditing
- Sixteen comment letters on international proposals

International standard setters respect and welcome our views on issues affecting Hong Kong and the mainland. Our activities this year included participating in world standard setters' meeting in London, national standard setters meetings in Frankfurt and Seoul, Asian-Oceanian Standards Setter Group as a full member, bi-annual tripartite meetings with the IASB and China's Ministry of Finance, and supporting the Institute's representative on the IFRS advisory council.

Locally, we relieved the burden of applying the full set of HKFRS on smaller firms and companies by issuing the HKFRS for Private Entities. Smaller companies without public accountability will no longer have to report under the full HKFRS.

We also continued to hold forums with the Securities and Futures Commission, the Law Society of Hong

Kong and the ICAC on areas of mutual interest in relation to financial reporting, auditing and professional ethics.

The Institute has a duty to help members understand and apply the ever demanding professional standards that affect their work. As part of our significant investment projects, this year we added to our technical staff and started our programme for expanding our training events for the technical areas of audit, ethics and accounting. The following types of events were held: technical update evenings, HKFRS for Private Entities workshops, seminar on the revised Code of Ethics for Professional Accountants, and auditing and financial reporting forums. We also do this through the technical enquiry system, staff summaries of newly released standards, explanatory material published monthly in *Tech Watch*, in our weekly e-circular and in our magazine *A Plus*, our SMP and SME resource centre, and financial reporting and auditing alerts.

Our 2010 training is expanded with intensive programmes on HKFRS and the clarified auditing standards, and having IASB, IAASB and IFRS Interpretations Committee chairmen as speakers. Given we are the first jurisdiction in the region to adopt international standards, we aim to position Hong Kong as the regional hub of excellence on IFRS, auditing and assurance standards, and professional ethics.

Quality assurance

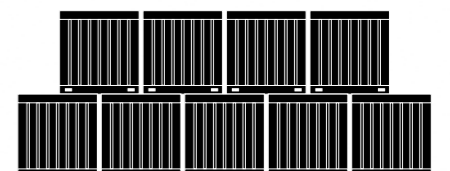
We monitor our members' audit and assurance work through two tracks – practice review and professional standards monitoring.

We use findings from these reviews to develop content for the Institute's professional development programmes. In addition, we issued a number of articles and member alerts, and hosted three member forums, drawing more than 900 attendees.

Practice review

Our practice review programme is based on risk, so our priority every year is reviewing auditors of listed companies and other entities of public interest.

During the reporting period, we started more than 120 site visits and the Practice Review Committee considered 142 first time reports. In most cases where problems were identified, the committee asked the firm to prepare remedial plans of action. These plans are confirmed by follow-up reports or further site visits.



World's top three

Hong Kong placed third in the world after Singapore and Shanghai in 2009 for handling more than 21 million twenty-foot equivalent units of containers, a feat that could not be achieved without our super-competitive port operators. At Modern Terminals, the second largest container terminal operator, the CFO is Jackson Ng, a Hong Kong CPA. At COSCO-HIT (HIT is a subsidiary of Hutchison Whampoa, a member of Li Ka-shing's conglomerate), our member Kenneth Ying is the director and general manager. Hutchison's group managing director, Canning Fok, was our member for 27 years.



When standardized containers were introduced in 1970s, port handling efficiency was vastly improved, costs lowered and more goods were traded around the globe. Similarly, International Financial Reporting Standards, of which Hong Kong is one of the earliest adopters, is boosting capital flow around the world.



Longest ship ever made – Knock Nevis

Orient Overseas Container Line was founded by the late C.Y. Tung, king of shipping and father of Tung Chee-hwa, the first chief executive of the HKSAR. The company once owned the *Seawise Giant*, the longest ship ever built, even longer than the height of Two International Finance Centre, one of Hong Kong's tallest buildings. The ship sank during the Iran-Iraq war but was later salvaged and renamed *Knock Nevis*. Today, Hong Kong's OOCL is one of the world's biggest container transport and logistics companies. Its financial controller, Andrew Lam, and the group financial controller of its parent company, Orient Overseas (International) Limited, Paul Mok, are members of the Hong Kong Institute of CPAs.

Professional standards monitoring

During the period, we reviewed 131 new sets of financial statements of listed entities, handled 71 replies from auditors and sent 131 letters to auditors.

Compliance

This year, we increased the efficiency of our disciplinary process while maintaining the transparency and impartiality that is important for retaining public trust.

Professional conduct committee

In its second year of operation, the professional conduct committee has proved its effectiveness as the first point of complaint handling.

The committee adjudicates minor complaints before referring serious cases to the council, which in turn determines whether a case warrants referral to the investigation or disciplinary panels.

The Institute deals promptly with all complaints against our members. This year, 66 complaints (including 45 received during the period) were dealt with by the

Institute. Twelve could not be pursued as the subjects of the complaints were not members.

The committee considered 54 complaints:

- Thirty-four were closed as no *prima facie* case was established
- Ten disapproval letters were issued
- Ten more serious matters were recommended to the council for referral to the investigation or disciplinary panels

Three investigation committees concluded their work and presented their reports to the council during the year. All except one of the remaining investigations are expected to be concluded by 2011.

The Institute has made progress to reduce the backlog of old disciplinary cases.

At the beginning of the reporting period, there was a caseload of 29 proceedings. Twelve were received and 27 were concluded during the period. Most of the remaining cases in progress are expected to be concluded by the end of this calendar year.

China and international

As China continues the process of converging with international accounting standards, the Institute is maintaining its role as comrador. At the working meeting on convergence held in Beijing, attended by China's Ministry of Finance, the IASB and the Institute, we discussed new standards initiatives in the areas of revenue recognition, leases, insurance contracts and consolidation.

We maintained our efforts to foster closer ties with our colleagues – and authorities and regulators – in the mainland. We continued our regular trips to meet with policymakers such as the Ministry of Finance and the China Securities Regulatory Commission, to share our views and hear theirs.

Many of our members are keen to learn new skills to help them take their talent to the mainland. In August and September 2009, 1,050 members applied to take the PRC CPA uniform exam, while in November 2009 and June 2010, 14 members took China's accounting

qualification exam. Reciprocal agreements signed over the years between the Institute and our Chinese counterpart make it easier and faster for members to qualify as mainland CPAs because they are exempt from certain papers.

Meanwhile, 70 members signed up for a seminar on mainland property market development, 352 took part in workshops on China's tax and technical issues and 34 attended a study mission and networking lunch held in Shenzhen, which was jointly organized with the Hong Kong Trade Development Council.

The Institute continues to keep all members up to date with the latest news, developments and regulations from the mainland, through articles in our *A Plus* magazine, a free China desk information service and frequent updates on our website.

International

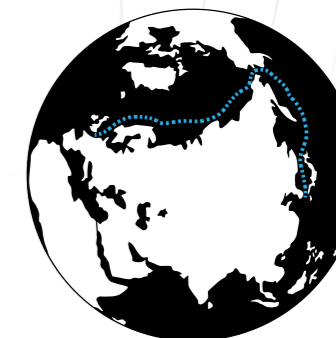
To ensure our views are taken into account in global standard setting, we maintained our representation at meetings held by the IASB, including roundtables held in Tokyo in October and November 2009 to discuss the International Accounting Standards Committee Foundation's constitutional review and fair value measurement. We also attended the National Standard Setters meeting in Seoul, three IASB IFRS advisory council meetings in London and three IFRS Foundation meetings in New York, Rio de Janeiro and London. And we put our opinions across at the first Asian-Oceanian Standard-Setters Group meeting in Kuala Lumpur.

Throughout the year, we also asserted our views at IFAC, INSOL and the Asia-Oceania Tax Consultants' Association meetings around the world, from New York to Mumbai to Beijing.

Other significant activities the Institute took part in were the Chartered Accountants Group of Executives Education Directors' meeting in Brussels, a Hong Kong business delegation to Heilongjiang in China led by the Financial Secretary and a Russian trip led by the HKSAR Chief Executive.

Our members' qualification is recognized and respected in most of the world's capital markets, as a result of the Institute's partnership in the Global Accounting Alliance.

This year, we joined the discussions at the GAA board meetings in Washington D.C., New York and Vancouver, and the International Innovation Network conference in London.



Charting history

The international shipping industry made history in September 2010 when *Nordic Barents*, a cargo ship flying Hong Kong's Bauhinia flag and carrying 41,000 tonnes of iron ore sailed from Norway to China via Arctic waters, escorted by Russian nuclear-powered icebreakers. The challenging trip is one-third shorter than the traditional passage between Europe and Asia. Managing the ship's operation is Wallem Group, a Hong Kong headquartered Norwegian shipping company founded in 1903. At its subsidiary Wallem Shipmanagement, the financial controller, Tseng Wai-yeung, is our member.

Institute representatives on international, regional and other professional bodies

GAA – Global Accounting Alliance

- **Winnie Cheung**, member of the board

IASB – International Accounting Standards Board

- **Marvin Cheung**, trustee of IFRS foundation
- **P.M. Kam**, member of IFRS advisory council
- **Peter Kilgour**, member of lease accounting working group

IFAC – International Federation of Accountants

- **Winnie Cheung**, member of working group on constitutional review
- **Albert Au**, member of small and medium practices committee
- **Susanna Chiu**, member of professional accountants in business committee

IIN – International Innovation Network

- **Alison Wilde**, representative and coordinator

INSOL – International Association of Restructuring, Insolvency & Bankruptcy Professionals

- **Bruno Arboit**, director of the board, and editorial board member of the global insolvency website

CAGE Education Directors' Reciprocity Project

- **Jonathan Ng**, member

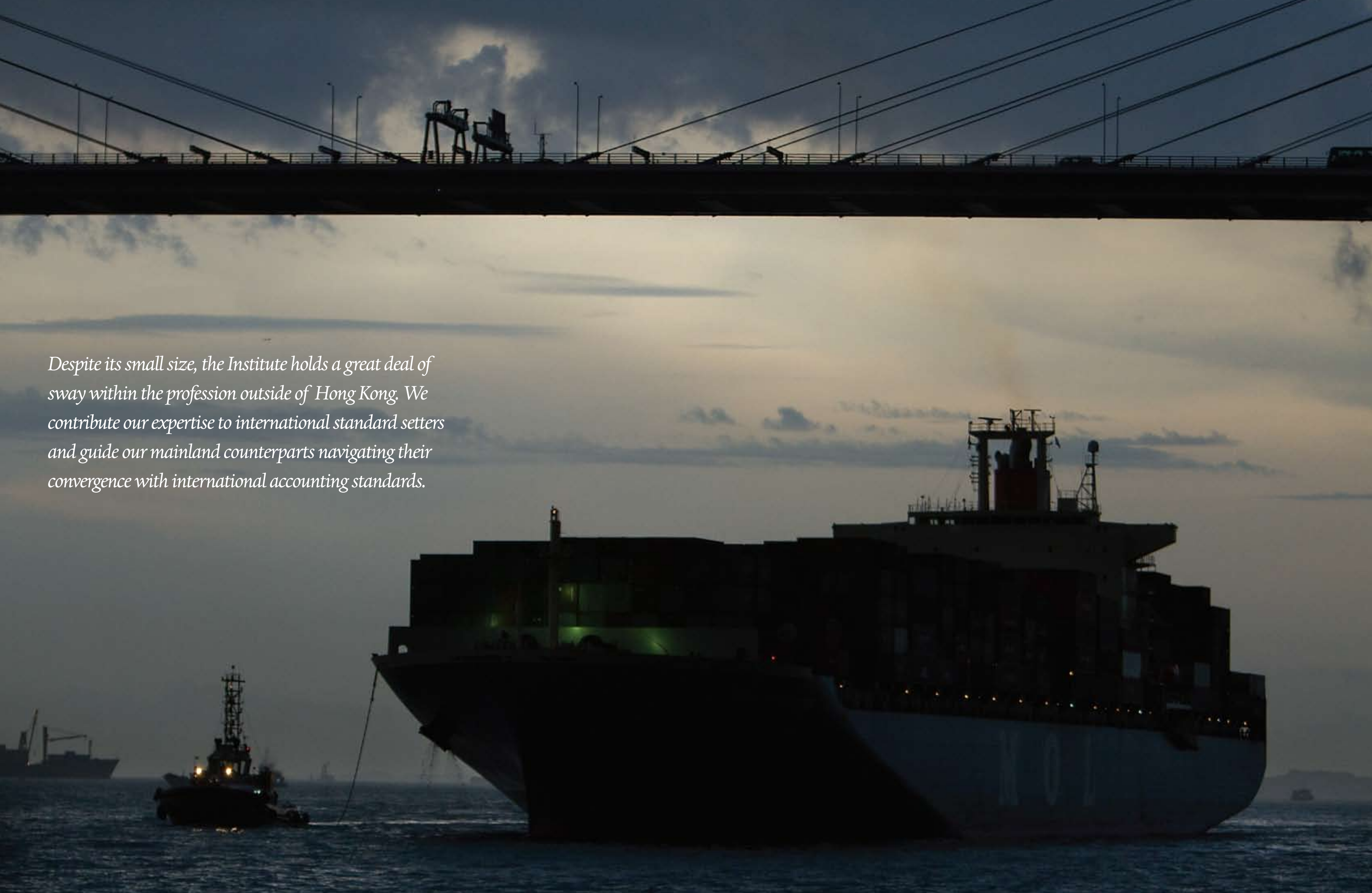
ICAEW – Institute of Chartered Accountants in England and Wales

- **Peter Wong**, member of the council (retired in May 2010)



Smooth sailing

For over 150 years, Jardine Shipping Services has made sure vessels enter and exit a port smoothly. Ship owners and ship operators value this service because of the extreme capital costs and hectic schedules of the shipping business. The company's expertise extends to handling all types of vessels, from sophisticated gas and chemical carriers to dry bulk carriers. Jardine Shipping Services, whose financial controller, Yip Wai-wan, is our member, is owned by Jardine Matheson Group, whose group financial controller, Wilson Fung, is the president of the Hong Kong Institute of CPAs.

A large cargo ship is shown at sea during dusk or dawn. The ship is dark, with some lights visible on its deck and superstructure. In the background, a bridge structure is visible against a cloudy sky. The overall scene is dimly lit, with a mix of dark blues and greys.

Despite its small size, the Institute holds a great deal of sway within the profession outside of Hong Kong. We contribute our expertise to international standard setters and guide our mainland counterparts navigating their convergence with international accounting standards.

■ Communications and branding

The Institute continued to positively influence and change the way the public views our profession and our members.

Regulation of the auditing profession was a big news story this year, and our chief executive added our voice to the debate, explaining the Institute's stance to the public through media briefings.

Corporate scandals involving accountants cropped up, such as the Akai and Hontex cases, and we helped reporters make sense of the puzzle, reassuring the public that, as the profession's overseer, we were investigating according to protocol.

The Hong Kong stock exchange's consultation on allowing mainland companies listed in Hong Kong to use mainland auditors and accounting standards caused a stir. We addressed this complex story by explaining the opportunities and challenges for Hong Kong, the mainland and the profession.

We also talked to the media about the government budget, the consultation on corporate rescue and developments in the international financial reporting standards sphere.

Media coverage of our annual Best Corporate Governance Disclosure Awards was extensive, showing that this rigorous award maintains its prestige and is coveted by businesses in all sectors.

We initiated a public education campaign to urge small businesses to use genuine CPAs for their audits rather than accounting agents, who are not licensed. Through radio, newspapers, leaflets and our member

communication channels, we helped raise public awareness of the dangers of using unqualified accountants.

A Plus

Starting from this year's January issue, our magazine *A Plus* was given a new masthead, typeface and book size, as well as an injection of colour to brighten the pages. Since its inception five years ago, the magazine has grown into an authoritative source for business media, who regularly quote from its pages and point out its features – such as our exclusive interview with Liu Yuting, the director-general of the accounting regulatory department at China's Ministry of Finance, in the June issue.

On the web

A new website debuted in September 2009, with a bolder design, clearer navigation, more intuitive archiving and a new polling feature.

In July 2009, we introduced *A List* – our online recruitment tool for accounting, banking and finance professionals in greater China. The name *A List* reflects how sought-after our members are, in both professional and social situations.

Firm Directory, a companion to *A List*, was introduced in February. It is an up-to-date searchable database of accounting firms in Hong Kong.

Community service

The Money Secrets of Children, a documentary produced to showcase our "Rich Kid, Poor Kid" programme,



Commodity leader

Pacific Basin Shipping, Hong Kong's largest commodity vessel operator, ships cement, logs, fertilizers, steels, concentrates and other agricultural and forestry products to countries around the world. China's voracious demand for raw materials means it is the destination for many of the company's vessels. Pacific Basin Shipping has 125 dry bulk ships fitted with cranes that allow them to load and discharge cargo at any port. The company also owns "ro-ro" ships (roll-on and roll-off) to haul wheeled cargo such as cars and trucks. Headquartered in Hong Kong, Pacific Basin's executive director and chief financial officer, Andrew Broomhead, is a Hong Kong CPA.

took the "Best of Show" (the best among all grand award winners) at the 2010 Questar Awards – the awards for excellence in video communications from around the world. More importantly, "Rich Kid, Poor Kid" has now reached more than 40,000 pupils with messages about saving, spending and sharing money.

Nearly every family in Hong Kong felt the effects of the global financial crisis, so we published a new storybook, *May Moon Rescues the World Economy*, to explain some basic economic concepts to kids (and perhaps to some parents, too).

■ Corporate governance statement

On behalf of our members, we ensure our governance adheres to the highest standards and supports an ethical and responsible culture at all levels of the Institute, attributes imperative for a body acting in the public interest and as a regulator.

As a statutory organization, our corporate governance sets an example and raises expectations of what good corporate governance can achieve. This governance boosts the confidence of our members, the users of their services, and the public in whose interest we work.

This corporate governance is achieved through council and committee oversight of the Institute's operations, which helps us meet or exceed the targets we set for ourselves.

This year we have put in place several measures to strengthen our governance. We introduced a position for an internal auditor to strengthen our internal controls. We appointed a head of information technology to enhance the efficiency, security and accountability in our internal operation. We introduced a new post of head of human resources to help us attract and keep the best and most talented people for the Institute in order to deliver the highest quality services to our members.

Along these lines, this year we continued change management training to our directorate and middle management staff in order to make the most of our human capital and more closely weave together our work.

Working with council, we also

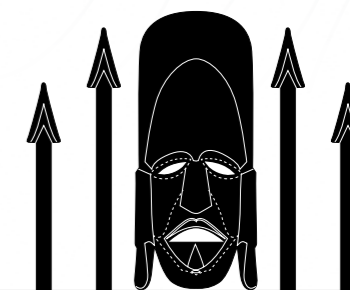
introduced change management training so that the council and the management could align strategies and expectations. Together with the staff training, we are working to make the Institute a more flexible organization where many diverse opinions and agendas can be incorporated in order to achieve our goals.

The governing council

The council is the governing body of the Institute and consists wholly of volunteers, non-executive members who are not compensated. Council makes decisions on overall strategy, policy and direction and oversees the Institute's operations and governance. It is also the decision-making body on matters stipulated in the Professional Accountants Ordinance.

Council consists of 23 members, 14 are CPAs elected by the membership and two are ex-officio members from the government. The immediate past president is also a member to allow for continuity. Council members have the opportunity to co-opt an additional two CPAs to round out the skills of the council. There are four lay members appointed by the government who are prominent in the business community. These lay members provide independent views and advice.

The combination of members from within and outside the accounting profession, an innovation introduced in 2004, gives the council a balanced perspective from which to debate the issues it faces. Council applies strict rules to prohibit members of the council or of committees taking part in any discussions or decisions on matters in which a member



CPAs in exotic locales

Hong Kong CPAs take their expertise to exotic locales. Our member Eng Wai-pun works in Nigeria as the financial controller (West Africa) of GMT Shipping Line. With abundant resources and plenty of potential, the African coastal region is important to GMT, which specializes in shipping steel products and raw materials. The company has its headquarters in Hong Kong and operates in 13 countries, chartering around 420 vessels.

has a real or apparent conflict of interest. Council meetings are held monthly, with a break in August. Individual member attendance can be viewed on our website.

Supervisory: checks and balances

The supervisory arm consists of the audit committee and four accountability boards to ensure management is doing its job in accordance with strategies and policies determined by council and in the public interest. Each accountability board reviews plans, budgets and progress reports from management and advises council about performance and operations. The four boards look after these broad functions of the Institute: regulation, standards and quality, qualifications and member services.

The audit committee oversees the Institute's financial reporting, internal control and risk management. It is comprised of two former presidents, a retired member and a lay council member.



Leader in carbon credits trade market

Noble Group, a Hong Kong-headquartered supply chain manager, is a leader in the carbon credits trade market. To balance emissions from the company's five ships that transport soybeans, coal and other agricultural and energy products, Noble buys carbon credits to fund a power plant in India that uses rice husks and other biomass waste products to provide clean energy. The company's group finance director, David Beringer, and chief accounting officer, Louis Tang, are members of the Hong Kong Institute of CPAs.

Execution

Execution of the council's policies and decisions is vested in the chief executive, who is appointed by council. The chief executive is responsible for overseeing the Institute's activities and for its day-to-day operations, while at the same time acting as secretary and policy advisor to the council. The chief executive works with a management team of two executive directors, a general counsel and seven directors, and together they manage more than 200 staff and a network of statutory, decision-making and advisory committees and panels.

An executive committee comprising the chief executive, executive directors and the heads of legal, finance and communications meet monthly to make management decisions, and consider reports and recommendations to the council. The president and two vice presidents are ex-officio members.

Statutory committees

As part of its regulatory role, the Institute has five statutory committees. These are the Registration and Practising Committee, the Qualification and Examinations Board, the Practice Review

Committee, and the Investigation Panels and Disciplinary Panels.

Remuneration

The remuneration committee provides oversight for staff and executive compensation. This year it recommended and oversaw an in-depth position-pay restructuring, conducted by an outside consultant, to rationalize the way the Institute remunerates its staff and executives.

The committee also recommends to council annual pay adjustments, performance bonuses, and other employment terms and conditions.

The remuneration of general staff is determined by the council upon the recommendation of the remuneration committee, which in turn is advised by the chief executive, who makes decisions for individual staff based on documented assessment. The remuneration of directorate staff is determined by the council with reference to the recommendation of the leadership team (the president, vice presidents and chief executive) within the parameters of the remuneration policy set by the remuneration committee. The council is in a good position to make

an informed decision about these staff, who are responsible for serving various committees, and their performance is known to at least some council members who also sit on these committees. Input is also obtained from committee chairs.

The remuneration of the chief executive is determined by the council. Remuneration at all levels is determined with reference to market conditions and staff performance.

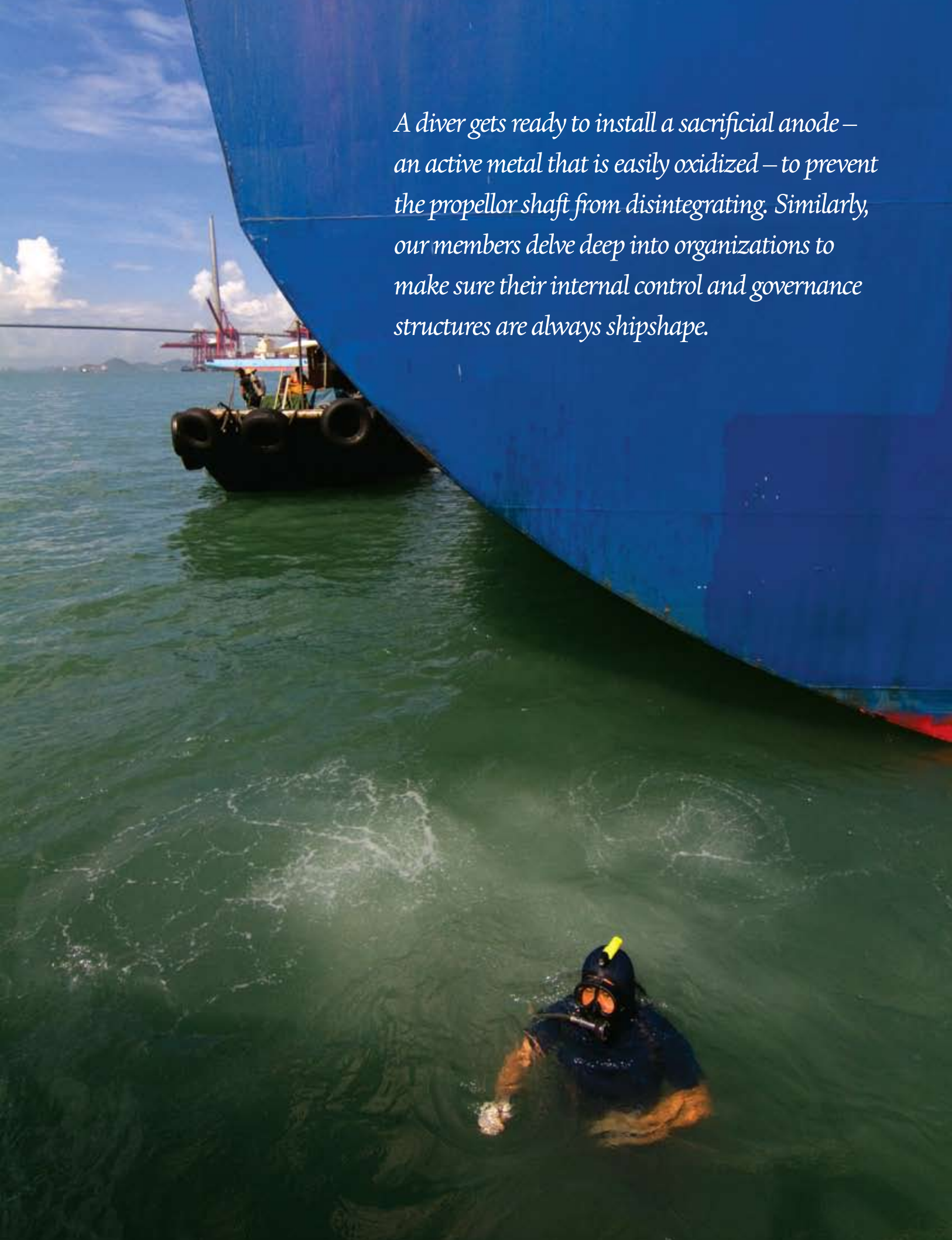
Corporate social responsibility

The Institute and its members are responsible corporate citizens who use their accounting knowledge to contribute to Hong Kong. Our main programme, developed by the Institute, is called "Rich Kid, Poor Kid," which teaches primary and secondary school children money skills and values. The Institute and its members contribute to many other charitable and community services.

Accountability to members

The Institute has two formal channels to report to members on its performance: the annual report and the annual general meeting. The council considers the AGM one of its most important meetings of the year and believes this opportunity to meet face-to-face with members and answer questions is a valuable one. All senior management of the Institute attend when possible and the event is open to the news media.

The second formal channel is the annual report and summary financial statements, which is mailed to all members according to the Professional Accountants Ordinance. The full annual report and financial statements are available on the Institute's website.



A diver gets ready to install a sacrificial anode – an active metal that is easily oxidized – to prevent the propeller shaft from disintegrating. Similarly, our members delve deep into organizations to make sure their internal control and governance structures are always shipshape.

Council



Elected members

1. Wilson Fung (*President*)
2. Chew Fook Aun (*Vice President*)
3. Tsai Wing Chung, Philip (*Vice President*)
4. Paul F. Winkelmann (*Immediate Past President*)
5. Clement Chan
6. Mabel M.B. Chan
7. Susanna Chiu
8. Cho Lung Pui Lan, Stella
9. Jack S.L. Chow
10. Ding Wai Chuen, Raphael
11. Ronald Kung
12. Ma Chun Fung, Horace
13. Doug Oxley
14. Keith Pogson

Government appointed lay members

15. Ambrose Cheung Wing Sum
16. Catherine K.C. Leung
17. John C. Poon
18. Edith Shih

Co-opted members

19. Stephen Law
20. Nancy S.L. Tse

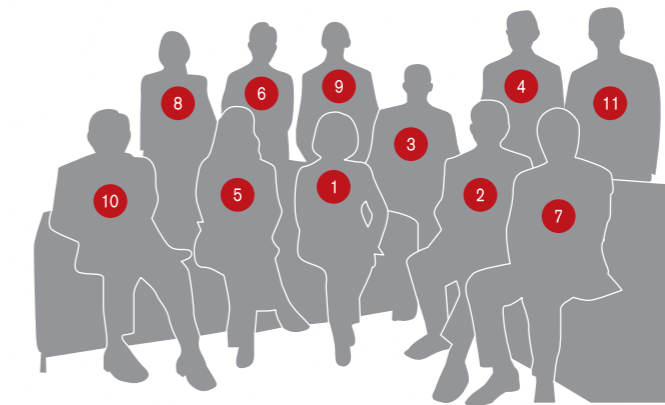
Ex-officio members

21. Ada Chung, *Representative of the Financial Secretary, Government of the HKSAR*
22. K.T. Li, *Director of Accounting Services Government of the HKSAR*

Chief Executive & Registrar

23. Winnie C.W. Cheung

Management team



Chief Executive & Registrar

1. Winnie C.W. Cheung

Executive Directors

2. Tommy Wong, *Qualification and education*
3. Chris Joy, *Standards and regulation*

General Counsel

4. Johnny Chan

Directors

5. Mindee Hansen, *Communications*
6. Perry Pang, *Finance and operations*
7. Patrick Tam, *Member and corporate services*
8. Alison Wilde, *Professional development*
9. Peter Tisman, *Specialist practices*
10. Steve Ong, *Standard setting*
11. Jonathan Ng, *Student education and training*

Committees and working groups

Statutory boards and committees	Chairmen and convenors
Registration and Practising Committee	Tsai Wing Chung, Philip
Qualification and Examinations Board	Simon Tsang
Practice Review Committee	William Crowe
Investigation Panels	Lee Wai Yin, Angela, J.P.
Disciplinary Panels	Anthony Chan, S.C.
Non-statutory boards and committees	Chairmen and convenors
Audit profession reform committee	Charles Lee
Audit committee	Aloysius H.Y. Tse
Professional qualifications accountability board	John C. Poon
Member services accountability board	Susanna Chiu
Standards and quality accountability board	Paul M.Y. Chow
Regulatory accountability board	Gordon W.E. Jones
Financial reporting standards committee	Clement Chan
Auditing and assurance standards committee	Jack S.L. Chow
Ethics committee	Ding Wai Chuen, Raphael
Restructuring and insolvency faculty executive committee	Johnson Kong
Taxation committee	Ayesha Macpherson
Corporate finance committee	Richard Winter
Professional conduct committee	Keith Pogson
Nomination committee	Wilson Fung
Remuneration committee	Ambrose Cheung Wing Sum
HKIAAT board	Johnson Kong
Advisory working groups	Chairmen and convenors
Regulatory reform working group	Clement Chan
Professional liability reform working group	Paul F. Winkelmann
Continuing professional development advisory panel	Ronald Kung
Professional accountants in business leadership panel	Chew Fook Aun
Small and medium practitioners leadership panel	Mabel M.B. Chan
Professional standards monitoring expert panel	Chris Joy
Banking expert panel	Martin Wardle
Insurance expert panel	Lloyd Bryce-Borthwick
Securities and investment funds expert panel	Marie-Anne Kong/Liu Yun Bonn

Independent auditor's statement

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

We have examined the summary financial report of Hong Kong Institute of Certified Public Accountants ("the Institute") set out on pages 34 to 40, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as "the Group") and the Institute at 30 June 2010 and the statements of comprehensive income, the statements of changes in members' equity and the statements of cash flows of the Group and the Institute for the year then ended and other explanatory notes.

Council's responsibility for the summary financial report

The Council of the Institute is responsible for preparing the summary financial report in accordance with section 16(4A) of the Professional Accountants Ordinance. The summary financial report is derived from the Group's annual consolidated financial statements and the independent auditor's report thereon for the year ended 30 June 2010, and is in such form and contains such information and particulars approved by the Council.

Auditor's responsibility

As agreed with the Council, it is our responsibility to form an independent opinion on the summary financial report, based on our examination, and to report our opinion solely to you, as a body, and we are also required to state whether the independent auditor's report on the Group's annual consolidated financial statements for the year ended 30 June 2010 is qualified or otherwise modified, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this statement.

We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements and with reference to Practice Note 710 *The Auditor's Statement on the Summary Financial Report* issued by the Institute. Our examination includes examining evidence supporting the consistency of the summary financial report with the Group's annual consolidated financial statements and the independent auditor's report thereon for the year ended 30 June 2010 and performing such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion.

Opinion

Based on the foregoing, in our opinion the summary financial report on pages 34 to 40 is consistent with the Group's annual consolidated financial statements and the independent auditor's report thereon for the year ended 30 June 2010 from which it is derived.

We have audited the Group's annual consolidated financial statements for the year ended 30 June 2010 and have issued an independent auditor's report thereon dated 21 September 2010 which is unqualified or otherwise unmodified.

Mazars CPA Limited

Certified Public Accountants
42nd floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
21 September 2010

Yip Ngai Shing

Practising Certificate number: P05163

Statements of financial position

At 30 June 2010

	Group		Institute	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Non-current assets				
Fixed assets	217,037	228,945	216,787	228,662
Investments in subsidiaries	–	–	–	–
Deferred tax assets	65	64	–	–
	217,102	229,009	216,787	228,662
Current assets				
Inventories	631	875	582	857
Receivables	1,198	1,934	1,999	2,558
Deposits and prepayments	4,378	3,871	4,208	3,689
Tax recoverable	–	48	–	–
Time deposits with original maturities over three months	76,745	83,786	59,019	56,658
Cash and cash equivalents	105,738	91,350	71,783	72,880
	188,690	181,864	137,591	136,642
Current liabilities				
Subscriptions and fees received in advance	(64,126)	(70,259)	(62,585)	(68,551)
Payables and accruals	(34,104)	(52,200)	(30,499)	(53,219)
Current tax liabilities	(1,199)	(5,140)	(670)	(5,087)
	(99,429)	(127,599)	(93,754)	(126,857)
Net current assets	89,261	54,265	43,837	9,785
Non-current liabilities				
Deferred tax liabilities	(282)	(631)	(282)	(631)
	306,081	282,643	260,342	237,816
Members' equity				
General fund	195,979	182,409	156,120	143,501
Capital fund	110,232	100,325	104,222	94,315
Exchange reserve	(130)	(91)	–	–
	306,081	282,643	260,342	237,816

Approved by the Council on 21 September 2010

Wilson Fung
President

Winnie C.W. Cheung
Chief Executive & Registrar

Statements of comprehensive income

For the year ended 30 June 2010

	Note	Group		Institute	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Subscriptions and fees	2	114,077	98,076	108,928	92,821
Other revenue	3	86,399	83,358	78,577	76,137
Total revenue		200,476	181,434	187,505	168,958
Other income	4	14,645	22,445	15,791	23,175
Expenses		(197,725)	(185,588)	(187,371)	(181,043)
Surplus before tax	5	17,396	18,291	15,925	11,090
Income tax		(3,826)	(3,062)	(3,306)	(3,098)
Surplus after tax		13,570	15,229	12,619	7,992
Other comprehensive income		(39)	(7)	–	–
Total comprehensive income		13,531	15,222	12,619	7,992

Approved by the Council on 21 September 2010

Wilson Fung
President

Winnie C.W. Cheung
Chief Executive & Registrar

Statements of changes in members' equity

For the year ended 30 June 2010

	2010						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	182,409	100,325	(91)	282,643	143,501	94,315	237,816
Capital levy from members and students	–	9,907	–	9,907	–	9,907	9,907
Total comprehensive income	13,570	–	(39)	13,531	12,619	–	12,619
At the end of the reporting period	195,979	110,232	(130)	306,081	156,120	104,222	260,342
	2009						
	Group				Institute		
	General fund HK\$'000	Capital fund HK\$'000	Exchange reserve HK\$'000	Total HK\$'000	General fund HK\$'000	Capital fund HK\$'000	Total HK\$'000
At the beginning of the reporting period	167,180	90,949	(84)	258,045	135,509	84,939	220,448
Capital levy from members and students	–	9,376	–	9,376	–	9,376	9,376
Total comprehensive income	15,229	–	(7)	15,222	7,992	–	7,992
At the end of the reporting period	182,409	100,325	(91)	282,643	143,501	94,315	237,816

Statements of cash flows

For the year ended 30 June 2010

	Group		Institute	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash flows from operating activities				
Surplus before tax	17,396	18,291	15,925	11,090
Adjustments for:				
Allowance for obsolete inventories	138	–	138	–
Depreciation	12,401	11,641	12,311	11,539
Impairment of fixed assets	478	–	478	–
Impairment of investments in a subsidiary	–	–	–	300
Impairment of receivables	156	227	156	4,472
Loss on disposal of fixed assets	32	49	28	3
Obsolete inventories written off	137	406	137	112
Uncollectible amounts written off	2	15	2	15
Operating cash flows before working capital changes	30,740	30,629	29,175	27,531
(Increase)/Decrease in inventories	(31)	215	–	(13)
Decrease/(Increase) in receivables	578	(1,351)	401	(3,563)
Increase in deposits and prepayments	(507)	(293)	(519)	(249)
Decrease/(Increase) in time deposits with original maturities over three months	7,041	(83,786)	(2,361)	(56,658)
(Decrease)/Increase in subscriptions and fees received in advance	(6,133)	4,864	(5,966)	4,967
(Decrease)/Increase in payables and accruals	(17,529)	18,344	(22,153)	22,352
Cash generated from/(utilized in) operations	14,159	(31,378)	(1,423)	(5,633)
Tax paid	(8,072)	(7,113)	(8,072)	(7,064)
Net cash generated by/(utilized in) operating activities	6,087	(38,491)	(9,495)	(12,697)
Cash flows utilized in investing activities				
Purchase of fixed assets	(1,568)	(7,969)	(1,509)	(7,842)
Cash flows from financing activities				
Capital levy received	9,907	9,376	9,907	9,376
Net increase/(decrease) in cash and cash equivalents	14,426	(37,084)	(1,097)	(11,163)
Cash and cash equivalents at the beginning of the reporting period	91,350	128,434	72,880	84,043
Exchange difference in respect of cash and cash equivalents	(38)	–	–	–
Cash and cash equivalents at the end of the reporting period	105,738	91,350	71,783	72,880

Notes to the summary financial report

For the year ended 30 June 2010

1. General information

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

This summary financial report has been prepared from the audited financial statements of the Group. It does not contain sufficient information to allow as full understanding of the results and state of affairs of the Group as would be provided by the full financial statements. A copy of the full financial statements in electronic form is available on the Institute’s website.

2. Subscriptions and fees

	Group		Institute	
	2010 HK\$’000	2009 HK\$’000	2010 HK\$’000	2009 HK\$’000
Annual subscription fees				
Members (a)	61,730	47,708	61,730	47,708
Practising certificates	18,036	17,902	18,036	17,902
Students	8,792	9,094	6,445	6,200
Firms	9,623	9,522	9,623	9,522
Corporate practices	4,152	3,602	4,152	3,602
Others	1,088	1,189	104	141
First registration fees				
Members	5,419	4,082	5,419	4,082
Practising certificates	390	426	390	426
Students	3,163	2,587	1,459	1,533
Firms	144	163	144	163
Corporate practices	269	139	269	139
Others	137	287	23	28
Other fees				
Member practices’ changes in particulars	6	251	6	251
Advancement to fellowship	450	259	450	259
Assessment for overseas students	678	865	678	865
	114,077	98,076	108,928	92,821

- a. During the year ended 30 June 2009, the Institute approved a one-off rebate of HK\$380 to each qualifying member at 30 June 2009. The rebate amounted to approximately HK\$11 million and was charged against the annual subscription fees received from members during the year ended 30 June 2009.

Notes to the summary financial report

For the year ended 30 June 2010

3. Other revenue

	Group		Institute	
	2010 HK\$’000	2009 HK\$’000	2010 HK\$’000	2009 HK\$’000
Income from examinations	68,220	65,283	61,377	60,262
Income from seminars and courses	15,786	13,858	15,083	12,958
Income from member and student activities	1,723	2,501	1,722	2,487
Accreditation income	670	1,716	395	430
	86,399	83,358	78,577	76,137

4. Other income

	Group		Institute	
	2010 HK\$’000	2009 HK\$’000	2010 HK\$’000	2009 HK\$’000
Qualification				
Royalty income	197	144	–	–
Conducts				
Case settlements	–	7,500	–	7,500
Disciplinary fines and costs recovery	3,331	1,274	3,331	1,274
Financial Reporting Council special levy	3,962	2,536	3,962	2,536
Corporate functions				
Commission from affinity credit card programme	668	702	668	702
Commission from professional indemnity insurance master policy	376	377	376	377
Exchange differences	–	182	–	181
Government grants	496	232	496	232
Income from advertisements placed in the journals	1,348	1,226	1,118	1,037
Interest income	473	1,047	354	704
Income from hardcopy surcharge	590	631	590	631
Operating lease income	129	948	129	948
Professional indemnity insurance recovery	–	2,850	–	2,850
Recovery of impaired receivables	–	236	–	218
Sales of goods	900	1,661	815	1,011
Service fees from HKIAAT	–	–	2,308	2,272
Others				
Donations	456	40	25	20
Events sponsorship	1,344	489	1,344	489
Miscellaneous	375	370	275	193
	14,645	22,445	15,791	23,175

Notes to the summary financial report

For the year ended 30 June 2010

5. Surplus before tax

	Group		Institute	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	99,093	91,820	92,458	85,936
Depreciation	12,401	11,641	12,311	11,539
Contribution to Financial Reporting Council	4,000	2,500	4,000	2,500
Auditor's remuneration	323	295	258	232
Allowance for obsolete inventories	138	–	138	–
Cost of goods sold	623	850	574	648
Donations (a)	88	61	60	3,416
Exchange loss/(gain)	17	(182)	81	(181)
Impairment of fixed assets	478	–	478	–
Impairment of investments in a subsidiary	–	–	–	300
Impairment of receivables	156	227	156	4,472
Loss on disposal of fixed assets	32	49	28	3
Obsolete inventories written off	137	406	137	112
Operating lease expenses	838	829	415	417
Recovery of obsolete inventories written off	(14)	–	–	–
Recovery of impaired receivables	–	(236)	–	(218)
Uncollectible amounts written off	2	15	2	15

- a. During the current year, the Institute made no donation (2009: HK\$3,000,000) to The HKICPA Trust Fund and donated HK\$50,000 (2009: HK\$416,000) to The HKICPA Charitable Fund.

The publisher

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A Chinese version of this annual report and financial summary, and the full financial statements are available on request, and can also be downloaded from the Institute's website.

Established in 1973, the Institute is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 30,000 members and 14,000 students. Members of the Institute are entitled to the description certified public accountant and to the designation CPA.



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