



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

2007 Annual Report

"Success Stories"

by

The Hong Kong Institute of
Certified Public Accountants

FADE IN:

MONTAGE - DAY

Mrs. Lee sits silhouetted by a window. Her sad, tense face shows us she is thinking about a frightening problem. Her husband has left the family business in her care and the tax authorities have frozen her assets...

The Institute

The Hong Kong Institute of Certified Public Accountants is Hong Kong's only statutory licensing body of accountants with nearly 27,000 members and 12,000 registered students. Members of the Institute are entitled to the description "certified public accountant" and to the designatory letters CPA.

The Institute evolved from the Hong Kong Society of Accountants, established in 1973 under the Professional Accountants Ordinance.

The Institute works in the public interest and has wide-ranging responsibilities that include offering entry to the profession through its postgraduate qualification programme, promulgating financial reporting, auditing, assurance and ethics standards, and fostering the profession's development. It also regulates accounting practices to safeguard Hong Kong's leadership as an international financial centre.

Cover design

This year the Hong Kong Institute of CPAs has chosen to weave its annual report around the immensely popular series of "success story" advertisements, of which Mrs. Lee is a character.

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About the report

■ This year the Hong Kong Institute of CPAs has chosen to weave its annual report around the immensely popular series of “success story” advertisements that we ran earlier this year, each of which featured a short soliloquy based on the true experiences of our members.

The dramatization made a clear link between our members’ real lives and these reel lives shown on screen. It was an obvious way for us to present these tales, because to start with, all accountants have a story to tell. It can be a tale of creating something valuable from scratch, as with our *Master of Time*. It can be about using our skills to help a friend, as with our *Samaritan*. It can be about putting together pieces of a puzzle, as *The Detective* does, or the classic tale of getting a client out of a tight spot shown in *Profit vs. Penalty*.

While the laudable tales selected for the campaign were those that translated most fluidly for the campaign, there’s nothing unusual about the character they show: there’s something inherently heroic about *all* our members’ work. They work hard to bring strong ethical standards to their organizations. They watch internal controls to make sure that these controls are followed. And they adhere to the highest possible standards of governance, even in the face of tough opposition.

More than ever before, our members are working in a world where borders and boundaries are breaking down. They fulfil a wider range of roles than at any other time in the profession’s history. Their knowledge is the lynchpin connecting the complex world of cross-border business and money flows. The stories throughout the report show the vibrant and diverse working lives of our members.

The report chronicles the Institute group’s activities from 20 September 2006 to 18 September 2007, while the financial year spans from 1 July 2006 to 30 June 2007. The group refers to the Hong Kong Institute of CPAs and its subsidiaries: HKICPA (Beijing) Consulting Limited, the Hong Kong Institute of CPAs Trust Fund, the Hong Kong Institute of CPAs Charitable Fund and the Hong Kong Institute of Accredited Accounting Technicians Limited Group.

A Chinese version of this report and a bilingual summary financial report are available on request.

All of these documents are posted on our website.





President's report

Dear members,

We finish 2007 with a still roaring economy and with our skills and expertise in greater demand than ever before.

Given this demand, many of us have had the ability to stretch ourselves, to do work that is challenging and refreshing – in an environment this buoyant, there is plenty of scope for new experiences.

In the midst of this economic whirlwind, the Institute and its members have accomplished a great deal.

For quality assurance, our new practice review programme, initially met with some resistance, is now being embraced. Even some of the groups opposed to practice review are now advocates. This leap in ensuring high quality levels keeps our credibility intact, which in turn gives us the influence we need to act in the public interest.

Our regulatory structure is now in place, with the Financial Reporting Council looking at the financial statements and audits of listed companies. Your Institute is one of the few to retain its role as a regulator and this year, we have maintained or



deepened our relationships with other regulatory bodies, which include those here in Hong Kong and extend to global regulators and standard setters.

We've deepened our working relationship with officials from the mainland government through visits, including the profession's delegation to meet national leaders in Beijing, and through the convergence project, which so far has required nine different meetings in Beijing, Zhuhai and Hangzhou. We celebrated the 10th anniversary of the handover and national day with an event organized with the Society of Chinese

Accountants and Auditors together with other accounting bodies from Hong Kong and Macau. We also hosted a cross-straits (mainland, Hong Kong, Macau, Taiwan) conference to discuss practice risks and how best to manage these.

Our new office in Beijing is helping us support our members and qualification programme students working in the capital, which in turn is bringing more mainland students to QP.

We've improved the governance of the Institute over the past year, updating council's policies, rules and regulations on election and co-option of

office bearers, appointments of committees, and other council operations and procedures.

We continue to strive to expand the group of our members who can benefit from the mutual examination paper exemption beyond our QP graduates, and in addition, once we have completed the convergence project with the mainland, we are confident we will gain an exemption on the subject of accounting.

The QP set another record this year, and students make it their first choice for a qualification and employers make it their first choice for new hires. The number of supervisors and employers signing up to undertake practical training for our QP students hit record numbers, too.

Our brand is growing stronger. Since we introduced the new name and corporate identity in 2004, more and more members of the public and in the international profession recognize our name and the high quality it represents.

Our main setback this year was losing the judicial review brought against the Institute by the legislative councillor for the accountancy sector. The council decided not to appeal

in order to spare the Institute from being drawn into a political vortex and instead use the Institute's resources for more productive purposes.

In all, it's been a great year and I've been privileged to serve as president. I want to thank my two vice presidents, Albert Au and Paul Winkelmann, and council members for their support and encouragement. I want to thank the Chief Executive, Winnie Cheung, for her energy, commitment and all-round professionalism, and the secretariat staff she so capably leads. I thank the hundreds of members who have donated their time and talent to our committee network.

Sincere regards,



Mark C. Fong
President



Chief Executive's review



Dear members,

It's been an exhilarating year as we have started work on our exciting and ambitious fifth long range plan and I am pleased to report that we've already made advancements in our governance, thought leadership and qualifications in line with the plan.

This year, we reached a record number of enrolments, students and graduates for our qualification programme. From 99 students in 1999 when the QP was launched, we are topping the 12,000 mark, and 916 students graduated from the QP this year making the total number qualified through the QP at 2,392. We expect no diminishment in the

demand for the expertise of accountants and so expect to continue to set records. Our qualification programme is now the preferred qualification for university graduates and key employers in Hong Kong. We've just conducted a major review to ensure our programme is kept up-to-date and relevant to market needs. We have also developed a new qualification framework for accounting technicians, our second-tier qualification, and the exciting new syllabus will be launched in June 2009.

For our qualified members, we have set the course for our first faculty – insolvency. As our economy grows more sophisticated, so must the skills of our members and specialized

qualifications are one way we can help our members meet market demands. More are on the way starting with the inauguration of a new interest group on corporate finance in October 2007.

We have partnered with experts to provide practising members with practice support tools such as the audit practice manual and practice risk control guide.

On the standards front, we are maintaining international convergence while at the same time working closely with the mainland on our respective convergence programmes. This year several IASB submissions we made that are important to Hong Kong and the mainland

succeeded in influencing change, including one on related party disclosures and one on deferred taxation. We devoted major resources into a joint project with the Ministry of Finance to compare Hong Kong and the mainland standards. This project will set the path to greater integration and collaboration in the area of financial reporting and auditing practices in Hong Kong and the mainland.

Our regulatory reform is now up and running. Working with the Financial Reporting Council, your Institute is developing the necessary protocols for effective enforcement. In addition, we are clearing old complaint cases and are steadily building our quality assurance and compliance resources and capacity.

Our international ties with other accounting institutes are growing stronger. Our major role in IFAC (in the professional accountants in business and small and medium size practice committees) and on the CAPA board, and our association with the Global Accounting Alliance are bearing fruit.

This year, our “success story” advertising campaign showed the larger community the many and varied roles played by CPAs. The campaign, from the comments we’ve received, appealed to many of our members regardless of their professional paths. Our large scale community project, “Rich Kid, Poor Kid,” has won us a great deal of recognition for the care we place in educating our younger generation in financial responsibility.

The financial statements will show we’ve been spending to build, and the council has been an excellent steward of membership and student fees.

With our membership and QP enrolments at all time records, and shrewd management of these resources, we are able to proceed with our many ambitious reform and expansion plans without substantial increases in membership fees. In fact, council has decided to keep membership fees at the same level for 2008, while at the same time, reviewing our long-term financial plan for the Institute.

Our wide-ranging roles span from education to regulation; member service; standard setting; quality assurance; local, the mainland and international representation; brand-building; and the running of a 50,000-square-foot office and training centre. We’ll need our members’ support and the commitment of staff and many member volunteers to accomplish all we’ve set out to do.

The Hong Kong flag is flying high. To all, thank you for your continued support and contribution. This small Institute could not have come so far so fast without your commitment and talent.

Sincere regards,



Winnie C.W. Cheung
Chief Executive & Registrar



*CPA success story:
The Samaritan*

"Mrs. Lee's husband left the family business to her and the tax authorities had frozen her assets. She had barely enough to live.

A friend told Jenny about Mrs. Lee and as a friend and not a CPA, Jenny went with her to the Inland Revenue Department.

Within weeks, Mrs. Lee's assets were free and Jenny saved the widow a small fortune. Jenny says it was one of the most fulfilling experiences of her life."

Constitution and governance

As guardians of Hong Kong's treasure house, we are conscious of our position as a governance role model and the responsibilities attached to this position. We have been at the forefront of the corporate governance debate for years, defining the issues and steering the agenda in Hong Kong and the region. Our thinking incorporates the best of international corporate governance while reflecting the realities of Asian public company structures.

We are governance leaders; we recognize the public interest inherent in our operations. As such we hold ourselves to the same high standards that we recommend for others. We are part way through a review of our governance and operational procedures, refining our policies and structure as befits a top-tier accounting body.

Managing the Institute as it grows – and its membership becomes more diverse – reflects the changing nature of the CPA profession. We address these by assessing and developing, as needed, systems and processes to deliver the best quality service to our members and our prospective members.

Corporate governance
The Institute is an acknowledged leader in corporate governance. Our eighth annual Best Corporate Governance Disclosure Awards are Hong Kong's most prestigious and are highly prized by companies. The scope of the awards was extended this year with recognition for achievements in corporate social responsibility, and risk management and internal controls.

We continue to work with the Hong Kong government, regulators and professional bodies locally and internationally, such as the International Federation of Accountants and the Organization for Economic Co-operation and Development, to develop the idea and practice of good corporate governance.

We recently undertook a detailed review of the policies, rules and regulations governing:

- Council elections
- Elections for the president and vice presidents
- Co-option of council members
- Appointment of committee members

- Conflict or duality of interest on council and committees
- Other governance issues

As a result of this review, we are re-defining and rationalizing the definition of practising and non-practising categories of council election candidates. We are working with the Financial Services and the Treasury Bureau to find a timeslot for a bill to make the appropriate changes to the Professional Accountants Ordinance to bring these and other proposals to fruition.

Roles and responsibilities of the president and the chief executive and registrar

We have looked closely at the roles and responsibilities of the president and the chief executive and registrar, taking as reference the statutory powers and duties of both offices specified under the Professional Accountants Ordinance and the powers and duties delegated to these two offices by council since 1 January 2004. We also referred to the roles and responsibilities of the chairman and chief executive of Hong Kong's Securities and Futures Commission and those of other leading

international accountancy bodies while reviewing our own position.

The roles and responsibilities of the president include:

- The president is chairman of the council. Other council members act as non-executive directors of the Institute.
- The president is elected by council and considered to be the leader of the accounting profession in Hong Kong.

- The vice presidents' roles should be clearly defined so that they obtain the training and experience they need to take over after the president's one-year term of office.

The roles and responsibilities of the chief executive and registrar include:

- The chief executive develops and executes strategic plans as agreed by council.

- He or she builds and maintains the Institute's relationship with different stakeholders.
- He or she manages and controls the Institute's business and its properties.
- He or she also makes nominations for appointments to the various Institute committees and coordinates between the committees and council.

Below are additional areas in which both the president and chief executive are involved:

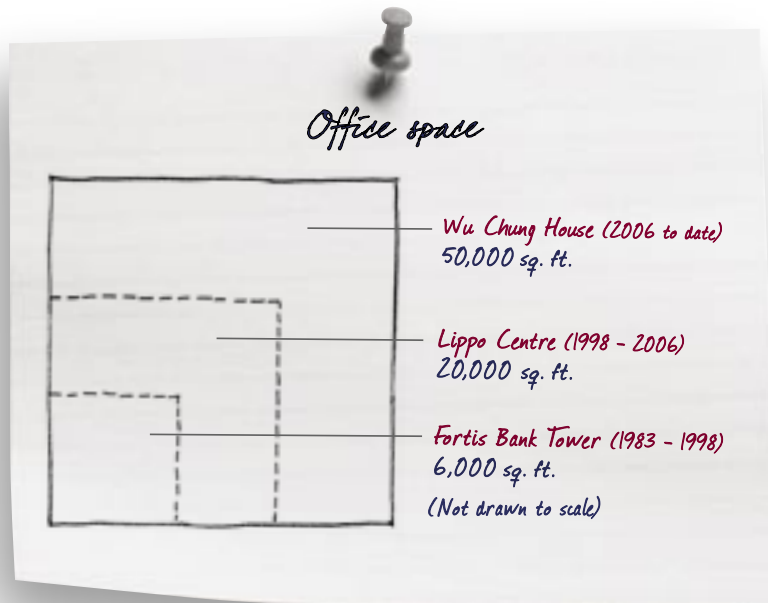
Spokesperson	The president, in his capacity as the head of Hong Kong's accounting profession, is the Institute's main spokesperson, while the chief executive speaks on behalf of the Institute on issues relating to the Institute's brand, profile and policy. Where the Institute's position is presented to the public on specific or technical issues, the chief executive identifies the most appropriate person to speak on the Institute's behalf.
Staff appointments	The chief executive is solely responsible for appointing secretariat staff, within the context of the budget approved by council each year. In addition, the president and vice presidents are involved in appointments of director grade staff and above.
Representing the Institute to third parties	The president and chief executive work together when negotiating with third parties. The chief executive takes the lead in regular, ongoing negotiations and the president takes the lead where protocol requires.
Budgeting and managing the Institute's finances and operations	Council is involved in setting the Institute's budgets and is responsible for final approval of the budget. Day-to-day operations fall under the sole responsibility of the chief executive, with the administration and finance committee assuming an oversight role.



... was something else going on?

CPA success story: The detective

"The more Joe dug into the books, the more he was convinced: If there wasn't skulduggery going on, there was a lot of potential for it. Were these guys just sloppy or was something else going on?"



Roles of council, committees and secretariat

The Institute has historically run a council and committee-led operation where the secretariat runs projects as directed by committees and approved by council. This system's great strength lies in the involvement of member volunteers who bring their valuable cumulative knowledge and experience to bear on the Institute's business.

Historically, however, this has occasionally resulted in responsibility being devolved away from the secretariat. We have therefore refined our policy so that committee chairs and the secretariat staff work together as a team, with the executive branch taking responsibility for implementing committees' conclusions.

Operations

Much of our focus this year was directed to the nuts and bolts of our operations,

reviewing processes in our mid-term task of making our organization more nimble and responsive. These changes are necessary for the Institute to lead the fast growing – and fast changing – accounting profession in Hong Kong.

Office accommodation

With our office area increased to 50,000 sq. ft., we now hold most of our CPD activities, QP workshops, internal meetings and Institute events at our conference and training centre. During the year, we held 160 CPD seminars, 620 QP workshops and 2,970 internal meetings and Institute events in-house.

Library

A total of 467 new titles covering topics such as accounting standards, financial reporting, auditing, taxation, law and corporate governance were added to our library during this reporting period.

Information technology

We now communicate with 86 percent of our members through electronic means.

We have brought in an electronic document management system, which over the next few years, should help us run a paperless office.

The rapid growth in our membership has meant we have needed to increase our data storage. We now have a unified data storage system to cope with our growing data storage requirements. We consolidated our servers onto a single platform by implementing VMWare, which will reduce our costs as we expand our systems.

Human resources

Any leading professional body needs to recruit and reward committed and talented staff. Working with Watson Wyatt, we have reviewed our remuneration package by conducting a market survey of similar jobs. From the results of this review, we have created a pay structure for our staff and properly aligned salaries. In addition, we have conducted leadership training for our executive team and more training for staff.

Finance

A new budget and accounting workflow system went live on 1 July 2007. This new system allows regular monitoring and control of our budget and financial health.



Between meetings, Joanne stopped to think about the client's problem. It was a judgment call, and the QP had taught her to use her judgment.

Qualification and membership

Our qualification programme (QP) is now the first choice for Hong Kong's accounting graduates and its international status lets graduates take their success stories to five continents. This year we completed an independent review which confirmed the prestigious status of our QP while making recommendations for the programme's development, which will help us improve quality while training greater numbers of prospective accountants.

Completing QP is, however, just the first of many steps

on a lifelong road of a professional career. By joining our ranks, members affirm their commitment to the CPA profession and to maintaining its rigorous standards, in whatever direction their careers may take them.

We support members through our continuing professional development (CPD) programmes which are finely tuned to their needs. We constantly review and refine our offerings and delivery to suit our members and help them develop their individual status while contributing to the high regard in which our

whole membership is held. As our membership grows in numbers and diversity, its needs evolve. We keep alert to these changes, adjusting our regulations and policies as appropriate. For example, this year we developed courses for our senior members who serve as non-executive independent directors of listed companies.

Our membership services extend beyond the realm of professional development. Social and sports events act as important health and networking activities while cultivating a sense of identity, fellowship and pride in being

part of this dynamic and influential profession.

■ Admission

Our membership continues to grow and stands at 26,822 (including 4,221 fellow members).

A total of 932 candidates sat the practising certificate examination to meet the licensing requirements to sign statutory audit reports.

Fifty-seven people took the Institute's aptitude tests in Hong Kong law and tax for membership admission.

Our member practice number has grown from 1,351 in 2006 to 1,410 in 2007 (including 232 corporate practices).

■ Student education and training

We commissioned the Institute of Chartered Accountants of Scotland to review QP and our qualifying process. Their recommendations confirm our claim that the QP is a valuable qualification, ensuring Hong Kong has the world-class accounting professionals it needs.

During the reporting period, more than 1,000 Hong Kong accountancy graduates and 580 non-accountancy graduates joined the QP.

We received about 15,000 enrolments for QP modules and the final examination, representing a 22 percent increase from last year.

We are attracting high quality students by emphasizing the brand value of the QP through talks and exhibitions, advertisements, media interviews, university student societies and the QP case analysis competition.

The total number of accredited accountancy programmes operated by universities and institutions to date is 42.

QP in the mainland

We introduced the QP to these audiences: CICPA members, mainland accounting graduates and CPA firms in Beijing, Shanghai and Shenzhen.

Mainland QP graduates are now fully recognized by institutes of chartered accountants in England and Wales, Ireland and Scotland.

During the reporting period, 65 Chinese CPAs joined the QP through our mutual examination paper exemption agreement with the CICPA. Five of them passed the QP final examination in the June 2007 session.

Practical experience

The number of authorized

employers rose from 822 to 931, while the number of authorized supervisors increased from 1,363 to 1,591.

Our students who do not work under an authorized employer or supervisor are assigned mentors. As of September 2007, 131 supervisors and 29 students have joined this programme.

We retained transitional relief for students who gained practical experience under a non-authorized employer or supervisor prior to 1 January 2005. This experience will be recognized for membership admission case by case.

We simplified the practical experience training record form and issued an updated training package for students, authorized employers and supervisors.

■ Member services

Starting from January 2007, members aged 65 and over who have been members for at least 20 years are only required to pay 25 percent of the normal subscription fee.

We have reviewed the rulings on non-personalized names of firms and corporate practices to allow more flexibility in registering CPA practice names.



The authorities wanted answers...



...the company had fallen behind and Margaret found the answers — fast.



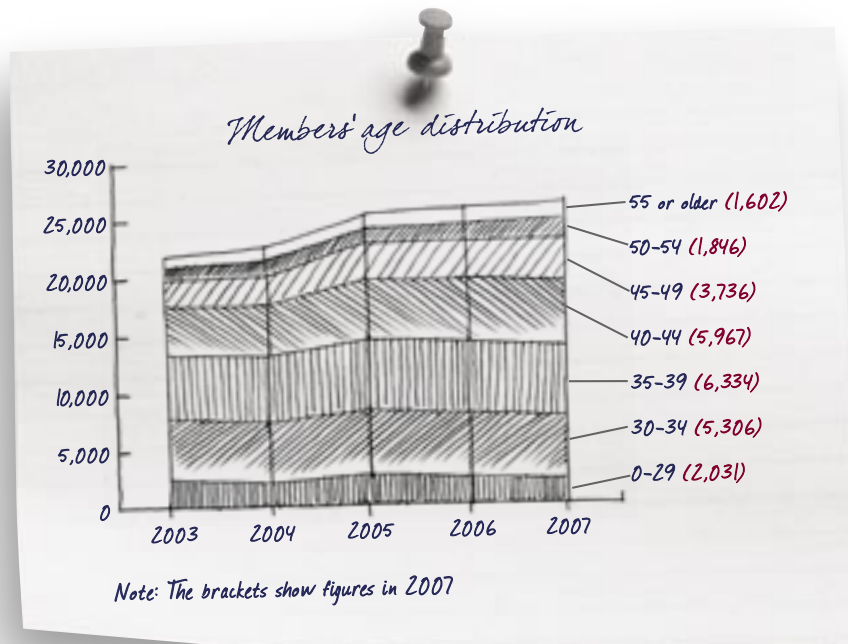
She saved the client some money.

**CPA success story:
Profit vs. penalty**

"It could have been a disaster. For months the tax authorities had been hounding Margaret's client and they wanted answers — now. The client was in a panic, worried about facing fines, or even jail.

The company's taxes were a minefield, especially the overseas subsidiaries. Somehow, the company had fallen behind the new regulations.

There was just enough time: Margaret and her CPA team were completely up to date and on good terms with the tax authorities. Some fast work got the group's tax position on track and more than that, she saved the client some money."



Members and member practices subscribing to the Institute's professional indemnity insurance master policy received a 5 percent reduction in their premiums on renewal.

Professional development

We issued a revised statement on CPD to address member concerns on complying with requirements and introduced more structured training in collaboration with other professional institutes. For senior members who are independent non-executive directors, we created tailor-made CPD.

The demand for the new audit practice manual was overwhelming. It helps small practitioners expand audit skills and make audit engagements more efficient. The guide will be regularly updated.

Professional events

We hosted distinguished conferences during the year with important partners, including the Independent

Commission Against Corruption, Hong Kong Coalition of Professional Services and other regulatory and professional bodies. Members updated their knowledge of Chinese accounting standards and tax laws during two cross-border training sessions in the mainland.

The Global Accounting Alliance bore fruit for our members when the "passport for member services" was announced in November 2006. The passport gives members of all nine institutes access to services such as continuing professional development and the library whenever they are working in a GAA jurisdiction. In June, nearly 200 members of the nine institutes gathered to meet the nine institutes' chief executives in Hong Kong. The event was one of the best attended of the Institute's networking gatherings.

Social and sports events

The Chief Executive of the Hong Kong Special Administrative Region was our guest of honour at the 2006 annual dinner, which broke all records with 1,000 members attending, and with the Society of Chinese Accountants & Auditors, we co-hosted a national day celebration dinner.

More members are participating in sports interest groups, from dragon boat racing and yachting to basketball and football tournaments. Other social activities are in heavy demand.

Members took several field trips this year, including a preview of the KCRC Lok Ma Chow Spur Line train station, an information technology tour of Hong Kong Disneyland and a visit to the police forensic lab at the Commercial Crime Bureau.

A new line of premium products allowed members to

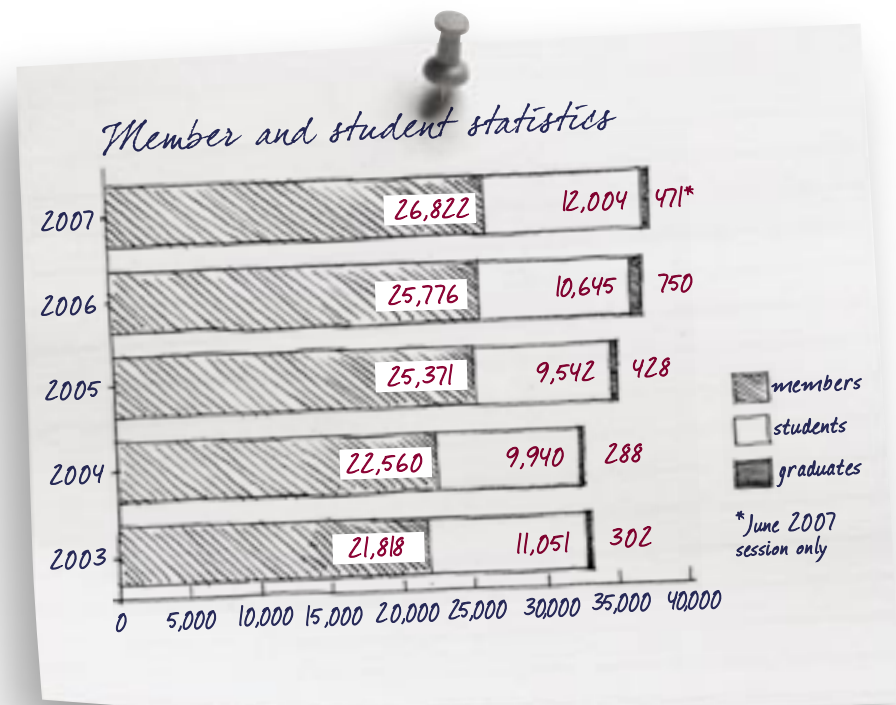
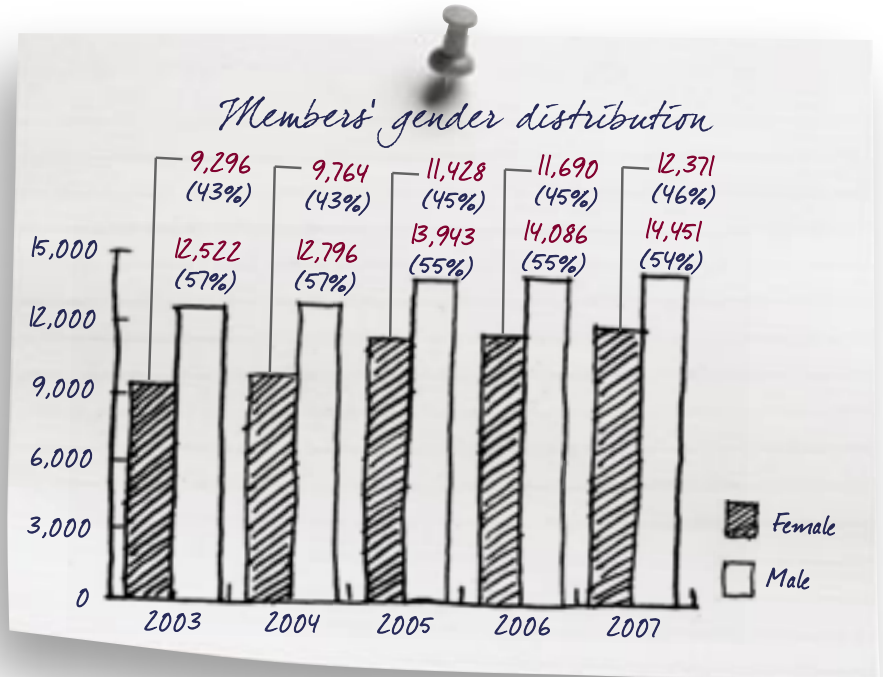
wear CPA designations with pride. The collection includes silver picture frames, travel clocks, leather travel kits, and for women members, scarves and cosmetic bags.

Accounting technicians

The Institute's subsidiary, the Hong Kong Institute of Accredited Accounting Technicians Limited, has more than 1,400 members. This year, HKIAAT issued a consultation paper on its proposed qualification to solicit views on establishing the AAT qualification as a valid and valued attainment in its own right. The new structure will be introduced in 2009.

The HKIAAT is the first and only accounting professional body to offer an applied learning pilot course in Hong Kong schools. During the reporting period it organized a "train-the-trainers" course for secondary school teachers interested in teaching this subject.

The HKIAAT's professional bridging examination has seen a steady increase of students to 913, out of which 164 accredited accounting technicians have become eligible for direct entry to the QP.



Standards, ethics and regulations

CPAs today meet more changes in the course of a year than any earlier generation of accountants had to deal with during their entire working life. We are here to help our members understand and make the most of this change.

At the same time we have a clear duty to the community which translates into a simple goal: to command public trust and confidence in our regulatory regime.

We fulfil these duties in several ways. We shape the world in which our members work to reflect the realities they face. We do this by using our strong representation on international standard setting bodies to influence positions taken by new accounting, assurance and ethical standards. We anticipate trends and, by leveraging on our respected position in local and international regulatory circles, shape trends in ways that are relevant and important to our membership.

We devote substantial effort to guiding our members through changes and making the most of new opportunities these

International convergence requires constant maintenance and to this end we:

Issued over 25 new and revised standards, interpretations and exposure drafts.

Issued more than 15 comment letters on international proposals.

Worked directly with international standard setters, actively raising issues of concern to Hong Kong and the mainland, especially the need to amend the standard on related parties, deferred tax and SME financial reporting.

We continued to cultivate our excellent relationships with international standard setters by:

Hosting the Hong Kong roundtable on measurement for the International Accounting Standards Board and U.S. Financial Accounting Standards Board and holding a forum on developments in International Financial Reporting Standards jointly with the IASB.

Hosting a meeting of national standard setters.

Presenting papers at the International Federation of Accountants meeting on international auditing and assurance standards in Brussels and IFRS regional forums in Beijing and Tokyo.

Participating in the world standard setters meeting in London.

Supporting the Institute's representatives on the IASB standards advisory council and working group on lease accounting and the IFAC international ethics standards board for accountants.

changes bring. We do this by offering directed updates on areas such as new standards and regulations and on new or fast-moving areas of business interest.

While keeping one eye on evolving regulations and business opportunities, we never lose sight of the trust that the public has in us and our members' work. We discharge our quality assurance and enforcement responsibilities through practice review, professional monitoring and compliance – processes manifest to public interest.

■ Standard setting

We achieved full convergence with international standards on financial reporting, auditing and assurance, and professional ethics in 2005, but standards continue to develop and a number of new standards were applied for the first time this year.

■ Quality assurance

Monitoring and improving the quality of audit and assurance work performed by our practising members is addressed in two ways. We carry out direct reviews of procedures and audit engagements (practice

We worked closely with regulatory and government bodies by:

Holding a forum with the Securities and Futures Commission on the audit of licensed corporations.

Assisting the Financial Services and the Treasury Bureau with the review and rewrite of the Companies Ordinance.

Supporting the Hong Kong Monetary Authority in its development of the new disclosure rules for authorized institutions.

Meeting regularly with the SFC, HKEx and the HKMA.

Setting standards is just part of our work; supporting our members with implementation is equally important. This included:

Technical educational activities such as the Technical Update Evening programme.

Providing technical information through TechWatch, our website and *A Plus*.

Answering technical questions sent in by members.

Providing guidance to members on the audit of schools, licensed corporations, charitable activities and owners' corporations of buildings and reporting on gross fee income of the solicitors (professional indemnity) rules.

Issuing a discussion paper on assistance to new listing applicants and their sponsors regarding internal controls over financial reporting.



CPA success story: Lost in translation

"He grew up with the international financial reporting standards and felt comfortable with them, yet suddenly he found himself stuck right in the middle of U.S. GAAP — and rule books the size of bricks. He was gasping under the weight of all he had to learn. Fortunately, under the agreements with the Global Accounting Alliance, he had access to all the training offered by the American Institute of CPAs, and he needed it."

review) and we review a selection of financial statements issued by listed companies in Hong Kong (professional standards monitoring).

Practice review

Our review work concentrates on practices that audit companies listed on the Stock Exchange of Hong Kong. We have completed site visits to all the Big Four firms to understand and assess their quality controls. A second round of reviews, to test the firms' procedures and methodologies, will follow. These firms will be reviewed annually. Other practices that audit listed entities have completed a self-assessment questionnaire and we have started visits to this group of firms.

We developed a web-based questionnaire, which was sent to all practices. To help our members with the questionnaire we held seminars, created an online user manual and manned a hotline to answer questions. Using questionnaire replies, we are producing a risk profile to enable us to allocate resources to higher risk and public interest entities when site visits start in 2008.

We are developing a practice review database to monitor the progress of reviews, manage our workflow and produce reports, which will show us the results and effectiveness of practice review.

Monitoring professional standards

During the period, the professional standards monitoring committee reviewed 128 sets of financial statements of listed entities, with two cases referred to the Institute's council for follow up action.

■ Compliance

A new director of compliance works with our general counsel and this newly configured department enables us to quickly track complaints and investigations through the disciplinary process.

Financial Reporting Council

The Financial Reporting Council, the culmination of the Institute's 2002 reform proposals, commenced operations in July 2007. We have been working closely with the FRC to establish a memorandum of understanding that will define the working relationship between the two

bodies to guarantee a smooth transition of cases between the FRC's investigations and the Institute's disciplinary functions.

Complaints and referrals

We have made substantial progress in resolving the backlog of complaints and referrals and these will continue to receive priority. A total of 68 complaint and referral cases were received during the year and 62 cases were resolved with these results:

- Forty-four were not pursuable due to insufficient evidence to support the allegations.
- Five were not pursuable because the complainee was not a member.
- Three were resolved by the issue of a disapproval letter.
- Ten were sent for investigation or discipline.

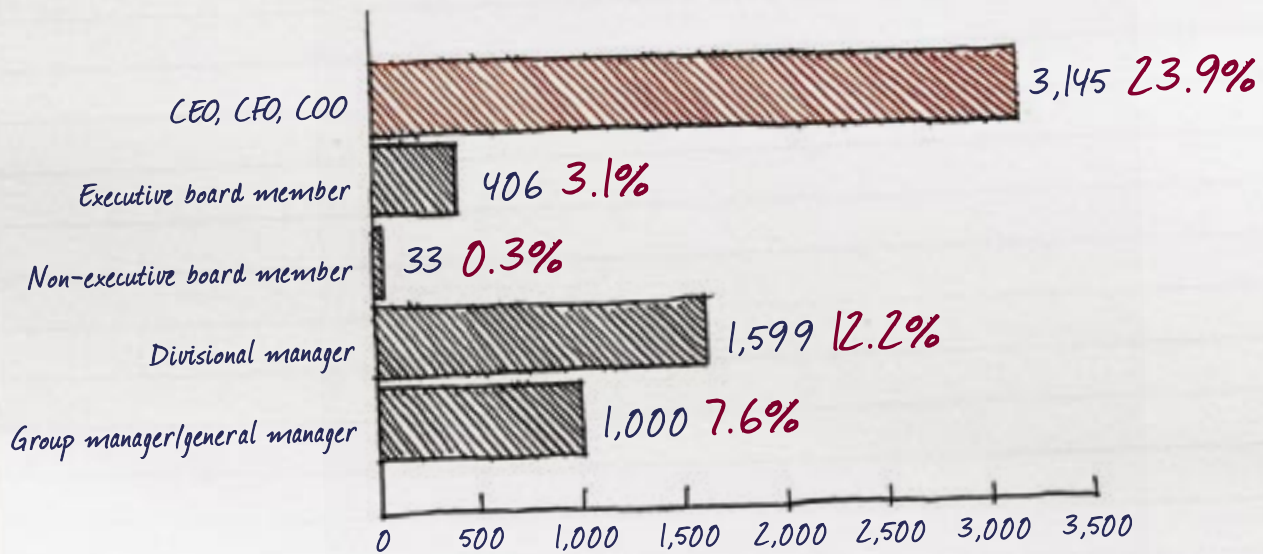
Statutory investigations

The Institute council resolved to constitute two investigation committees. We expect fewer of these committees in the future, as the FRC will be investigating listed company cases.

Disciplinary proceedings

The Institute's council issued revised disciplinary proceedings rules and guidelines to assist the chairmen and members

Members are wielding power as top executives in business



Source: Member census 2007, with 20,295 respondents as of 24 August, including 13,142 members in business.

of disciplinary committees in carrying out their duties. The Institute briefed members of the disciplinary panels on how to apply the new rules.

With the guidelines in place, the 24 cases on hold at the beginning of the year are proceeding and another nine cases including one arising from a practice review were referred to the disciplinary panels.

Specialist practices

Specialist practices has a broad remit to demonstrate the Institute's

professional thought leadership.

Taxation

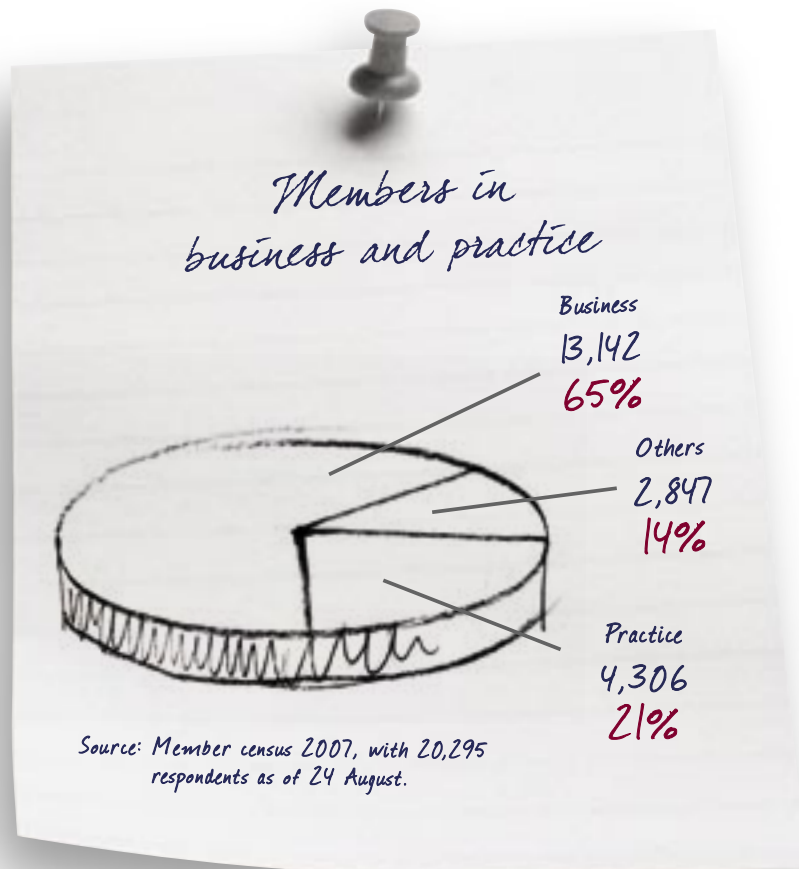
After the government introduced its public consultation on broadening the tax base, we set up a dedicated website for members, held forums (including one with the Financial Secretary) to discuss tax options, and conducted a survey of members through an independent research firm. We then made a comprehensive submission to government, examining a range of options for broadening the tax base,

including a goods and services tax.

We made submissions on the government's budget for 2007-08 and on the budget announcement day we held a media briefing and members' forum to create awareness.

We worked with other parties on tax issues, including:

- Publishing a detailed record of the annual meeting with the Commissioner of Inland Revenue.
- Urging the Inland Revenue Department to clarify



uncertainties in the double taxation agreement between the mainland and Hong Kong.

- Providing comments for a Global Accounting Alliance representation on an Organization for Economic Co-operation and Development tax intermediaries project.

Anti-money laundering

We cooperated with the government on making known the Financial Action Task Force's anti-money laundering and terrorism financing

recommendations by:

- Supporting seminars organized by the government's narcotics division.
- Planning a survey on members' awareness of the issue.
- Preparing for the visit of an FATF mutual evaluation team to Hong Kong.

Corporate finance, insolvency and others

We contributed our expertise to the Securities and Futures Commission's consultation on statutory backing for certain listing rule requirements and we contributed to the

Hong Kong Exchanges and Clearing's discussion paper on the secondary growth enterprise market.

We actively worked with the Official Receiver's Office to strengthen the practice of insolvency and corporate restructuring in Hong Kong through that office's scheme for contracting out insolvency work.

Similarly, we exerted our influence on other issues relating to the accounting profession, including, during



“As the lead manager, Helen had to find a way to explain to the partner that their choices could break the rules of the Hong Kong stock exchange...”

the past year, by:

- Advising the Companies Registry on overseas accountants' qualifications when dealing with constitutional documents of non-Hong Kong companies.
- Making a submission on the future of Hong Kong financial services as part of the city's response to the Central People's Government's five-year plan.
- Giving the profession's views on the rewrite of the Companies Ordinance to various advisory groups.

Specialist faculties

As members' skills become increasingly diverse, we continue to build up specialist services. Work is underway on the development of a basic structure for specialist faculties and associated qualifications and

designations as mapped out in the fifth long range plan.

The first faculty, for insolvency, will be ready in early 2008 and a corporate finance interest group has been introduced.

In the meantime, the insolvency interest group and taxation interest group held full programmes with high turnouts.

Mainland and international

The accounting world speaks a global language and works to global standards. The Institute is a recognized leader in this international accounting community. Through our membership of international accounting and related bodies and our alliances with top-class professional institutes, we work to develop and spread the latest ideas and thinking across the globe. Our efforts are devoted to extending our influence to the benefit of our members, mainland counterparts and strategic partners.

Mainland relations

The mainland profession announced it would converge its accounting and auditing standards with international standards – a revolutionary change. The Institute supports and influences the outcome of this monumental task and has been meeting to compare and discuss the convergence process with mainland regulators and standard setters.

The Institute's first office outside Hong Kong opened in Beijing in October 2006. The office will help us serve members based in the mainland and run our CPA qualification programme for mainland candidates.

During the year, we fostered closer relationships with mainland authorities and regulators:

Organizing the Hong Kong accounting profession delegation meeting with national leaders.

Meeting the Ministry of Finance, Chinese Institute of CPAs and Office of the Government of the HKSAR in Beijing.

Organizing the Hong Kong Coalition of Professional Services forum and dinner to celebrate the 10th anniversary of HKSAR establishment, which was attended by 500 Hong Kong and mainland professionals and government officials.

Starting the first members' network group in Beijing.

Speaking at the 2006 cross-straits, Hong Kong and Macau accounting industry seminar.

Presenting two papers at the IASB/CASC symposium in Beijing on international convergence of accounting in emerging markets and transition economies.

Participating in the HKSAR missions to Hunan and Guizhou.

Taking part in the Financial Services and the Treasury Bureau delegation visit to Beijing.

Receiving nine delegations from Tianjin, Jiangsu, Dalian, Beijing and Yunnan.

Offering a placement programme for secretariat staff of the Guangdong Institute of CPAs.



“Alex’s supervisor wasn’t just teaching him about accounting — he was teaching him about life.”

The other side of this dialogue sees us helping our members develop professionally and extend their businesses onto the mainland. This included organizing the China CPA uniform examination for Hong Kong candidates and holding seminars and workshops on mainland issues, including accounting, auditing, taxation, capital markets, corporate governance, labour law, property rights, intellectual property rights, and mergers and acquisitions.

We brought members up-to-date information in articles in our magazine *A Plus*, a free advisory service from our China Desk in Shenzhen, information on our website and helping members

subscribe to mainland technical publications.

■ International relations

Our influence in the global accounting arena keeps growing. We hosted the board meeting of the Global Accounting Alliance in June, with chief executives of the alliance bodies laying down strategic direction for leading capital markets. This alliance represents more than 700,000 accountants and the Institute’s position as a founding member consolidates our starring role on the global accounting and financial stage.

The Institute punches above its weight in terms of international representation on leading bodies. Our voice is heard and our influence felt in global

standard setting, ensuring we are part of creating the high standards to which the profession worldwide operates, and in other matters with a direct impact on members working in business.

We were actively involved in many international and regional events, including the International Federation of Accountants 17th World Congress and other meetings, and meetings hosted by International Accounting Standards Board, Confederation of Asian and Pacific Accountants, International Association of Restructuring, Insolvency & Bankruptcy Professionals, International Innovation Network, and other overseas professional bodies.

Institute representatives on international and regional bodies

Name	Capacity and committee
International Federation of Accountants (IFAC)	
Paul M.P. Chan	• Member of small and medium practices committee
Edward K.F. Chow	• Chairman of professional accountants in business committee
Judy Tsui	• Member of international accounting education standards board consultative advisory group (on behalf of CAPA)
International Accounting Standards Board (IASB)	
Paul M.P. Chan	• Member of the working group on accounting standards for SMEs
Marvin K.T. Cheung	• Trustee of IASC foundation
P.M. Kam	• Member of standards advisory council
Peter Kilgour	• Member of working group on lease accounting
Confederation of Asian and Pacific Accountants (CAPA)	
Paul M.P. Chan	• Member of executive committee; convener of SME task force
Global Accounting Alliance (GAA)	
Winnie C.W. Cheung	• Board member
International Association of Restructuring, Insolvency & Bankruptcy Professionals (INSOL)	
Johnson Kong	• Director of the board
Institute of Chartered Accountants of England & Wales (ICAEW)	
Peter H.Y. Wong	• Council member
International Innovation Network (IIN)	
Gary Wong	• Member of the practice members task force and CPD task force



“As a CPA, Mia knew she could still get some value for the creditors out of the business. It wasn’t all bad news.”

Communication and branding

Donald Trump got fired by the qualification programme (QP) students from the Hong Kong Institute of CPAs. That is, in the television advertising campaign that ran through September 2006. The Institute sponsored the series to prove the point about our QP being one of the world's leading qualification programmes for new accountants.

Research after the campaign showed that more than half of the respondents recalled the message, "QP is the top qualification for the accounting profession," after viewing the commercials. Respondents also got the message that QP consists of a university education, advanced studies and work experience. After viewing the advertising, nearly one-quarter of the respondents said they would pursue a career in accounting.

"CPA Day" in early September marks the anniversary of when our members got the designation "certified public accountants." To mark the day in 2006 the Institute produced a spoof hip hop video starring mainly CPAs singing and dancing to a song with the memorable chorus line, "I wear a suit. I belong to the 'tute." The spoof contrasted young,

affluent Hong Kong CPAs with the disaffected urban youth of hip hop culture.

Members either loved it – or they didn't.

The video quickly found its way to the popular Internet video site YouTube. From there, it was viewed throughout the world and news coverage of the video ranged from Hong Kong media to one of the world's largest media organizations, the BBC World Service, to *The Guardian* in the United Kingdom and *The Sydney Herald* in Australia.

Research after several months showed the video had an unintended consequence: Young people loved it, saying the video gave the message that accountants could be "young and trendy" and about one-third said accountants could be "fun."

The Institute's next campaign was called "success stories." Based on real stories from our members, the campaign looked at members in practice, in business, tax specialists and smaller practitioners. Running on local Chinese and English television stations, the advertisements reached well over 4.5 million people.

Media and public relations

We had several challenging media relations situations in the past year, including the goods and services tax debate.

The government's goods and services tax proposal was contentious and ultimately dropped, but the debate was a lengthy one, extending over nearly half the year. The communications team supported the Institute's advocacy of this way to broaden the tax base by encouraging media coverage of Hong Kong's financial position, and the role of this tax within it.

When announcing the Institute would no longer distribute materials to members who didn't ask for these for the legislative councillor for the accountancy sector, we faced several challenges, especially getting balanced news coverage for the reasons behind the Institute council's decision. The challenge deepened when the LegCo representative was granted leave for a judicial review in July 2007. We responded by assuring media coverage was balanced, showing both sides of the complicated story.

The healthy public discussions emerging from the judicial review included questions



***CPA success story:
The Hong Kong CPA***

"When he joined, Raymond had no idea his company's internal controls were leakier than an old junk. He knew he had to work fast or the company would sink. He'd staked his career on this. The only thing he knew for sure he had going for him was respect — they knew he was a Hong Kong CPA."

about the role of functional constituencies in Hong Kong's unique form of governance and the role of professional bodies in relation to their legislative councillors.

More positive coverage of the Institute came from research showing more students were joining the profession and demand for accountants continued to surge.

Our comments on the government's budget were widely reported, as were the Best Corporate Governance Disclosure Awards.

The Institute got positive coverage for its role in the Financial Reporting Council and for its new practice review programmes.

The progress of the profession over the past decade was also covered in depth as reporters sought news at the time of the handover anniversary.

On the mainland, we received extensive media coverage when our Beijing office opened in October 2006.

■ **Member communications**
We continued to improve communications to members by introducing news about

Our "success story" campaign showcased the many and varied roles of our members to a wide audience, reaching more than:

- 4,500,000 television viewers
- 190,000 riders on the Airport Express
- 2,000,000 riders on the MTR
- 215,000 readers of major local dailies

Readers rate *A Plus* "very good" or "good" for:

- Trustworthiness
- Authoritativeness
- Relevance
- Writing
- Quality of photos
- Overall appearance

Source: Cimigo independent research, summer 2007

the profession into the weekly electronic newsletter. Members now know what is happening in the profession throughout the world.

Our 2006 annual report again won awards, this time one from the United States called "Magnum Opus." The report won special praise from members and others for the analogy between classical music and the accounting profession.

The help desk, an email inquiry system, processed

more than 4,524 enquiries ranging from how to become a member to how to find the members' handbook online.

The Institute's monthly magazine *A Plus* steadily improved, with more in-depth content especially in areas such as standards and the evolving laws on the mainland. A readership survey done in 2007 showed that most readers give the magazine a score of three out of four points, calling it "trustworthy," "relevant," "up-to-date" and "authoritative."

■ **Community services**

Our "Rich Kid, Poor Kid" programme for teaching families financial responsibility reached out to the youngest Hong Kong people when we introduced storytelling sessions to primary schools in November 2006. Based on the Institute's storybook, *May Moon and the Secrets of the CPAs*, the sessions explain what money is, why it is important, and why it is not too important. These sessions reached over 1,000 primary school children by 1 September 2007. We translated the



CPA success story: Master of time

"George worked like a madman to qualify as an accountant. He claims becoming a CPA was about learning financial management and mastering his time.

Now he's running investment, manufacturing and training companies, but he still has time to practice calligraphy. Qualifying as a CPA was only the beginning for all his life's riches."

Rich Kid, Poor Kid
 More than *80* accountant
 ambassadors visited more
 than *40* secondary schools
 and reached over *8,300*
 Hong Kong teenagers by
 20 July 2007.

Rich Kid, Poor Kid
 Reached over *1,000* primary
 school children by
 1 September 2007.

storybook into Chinese this year to reach a wider audience.

The storytelling sessions are now conducted in Chinese and English.

Our road shows to secondary schools continued apace, with more than 80 accountant ambassadors visiting more than 40 schools and reaching over 8,300 Hong Kong teenagers with messages about getting and spending, and finding some to share.

To test our theories about how kids learn about money, we surveyed 400 parents of children between the ages of eight and 18 on how their

kids learned money habits. Nearly all parents say they are the source of financial education for their children and most say they need help to teach financial habits. We released the survey findings to the news media, with every major daily newspaper covering the story.

We coorganized “PlayStreet” for the third year in December 2006 with the charity Playright to show families the importance of play in a city known for its hard work. More than 12,000 people converged on central Hong Kong to play. Sponsors included CPA firms, the Jockey Club and HSBC.

Our accountant ambassadors participated in mentorship programmes such as “The Smart Way Forward” to show 162 students how to get a start in business. Our ambassadors also mentored students through the millennium entrepreneurship programme in conjunction with the Hong Kong Youth Institute. Other events offered the chance for the Institute to demonstrate its corporate social responsibility, including the “Walk Up Jardine House” for the charity Mindset, the “MTR Race Walk” fund raiser, the “V-Walk” with the Agency for Volunteer Service, and “Green Power Hike.”



CPA success story: The graduate

"She remembered being intimidated by the thought of becoming an accountant. The university course, the qualification programme, the training — it sounded like something impossible to touch — too far out to reach. She could hardly believe she was now on partner track at a respected firm. It seemed to her she'd reached an impossible dream."

Corporate governance statement

Responsibilities of council

The objects of the Institute are stipulated in section 7 of the Professional Accountants Ordinance, which include, *inter alia*, regulation of the practice of the accountancy profession, encouraging the study of accountancy, representing the views of the profession and preserving the profession's integrity and status.

The council is responsible for carrying out the objects of the Institute and for the management and control of the Institute.

The general and particular powers of the council are stipulated in sections 17 and 18 of the Professional Accountants Ordinance.

As a result of the amendments to the Professional Accountants Ordinance in 2004, the council membership grew from 16 to 23; the new members included an expanded representation from outside the accounting profession. The council comprises 14 members who are elected from among the membership, one member who is the immediate past president, four lay members who are appointed by the chief executive of the HKSAR government, two members

who are co-opted by the council from among the membership and two ex-officio members (the financial secretary or his representative and the director of accounting services or her representative).

The council, with a view to discharging its responsibilities, is advised by committees and working groups that it appoints for specific areas and functions. For certain functions, the council may delegate its power to these committees and working groups. Each committee or working group performs its tasks in accordance with prescribed terms of reference. The structure and membership of the committees and working groups are reviewed every year by council. All minutes of the committees and working groups are submitted to the council.

The execution of the council's policies and decisions is vested in the chief executive and registrar, who is appointed by the council under section 21 of the Professional Accountants Ordinance.

The chief executive and registrar serves as the secretary to the council and is responsible to the council for the effective management and operation of the secretariat. The chief

executive and registrar is also charged with providing advice to the council and committees generally.

The council met 10 times during the period from 15 December 2006 to 18 September 2007. The frequency of meetings of each of the committees and working groups is shown elsewhere in this report.

Internal financial control

The council is responsible for the Institute's system of internal financial control. The key elements of the system are:

Budgets

Detailed annual budgets are prepared by the director of operation and finance, reviewed by the administration and finance committee and approved by the council. Actual performances are measured against the budget and reported to the administration and finance committee on a quarterly basis. Revised annual forecasts are also prepared and reported quarterly. These quarterly financial reports include an analysis of the performance of designated functional areas.

Authorization limits

The council delegates its day-to-day administration

The duties of the audit committee are:

- To consider the appointment of the auditor and the audit fee.
- To discuss with the auditor before the commencement of an annual audit the nature and scope of the audit.
- To discuss any problems or matters arising from the audit that the auditor may raise.
- To review the auditor’s management letter and management’s response, and ensure that recommendations made by the auditor are actioned.
- To review the operation and effectiveness of the Institute’s internal control systems and procedures, and make recommendations to the council.
- To review the appropriateness of accounting policies adopted and the adequacy of disclosures made in the Institute’s financial statements, and make recommendations to the council.
- To approve non-audit services performed by the auditor.
- To perform other related duties as deemed appropriate for the betterment of corporate governance.

responsibility to the administration and finance committee and the chief executive and registrar. There are prescribed guidelines referring to the authorization limits of both the committee and the chief executive and registrar with regard to revenue and capital spending. There is also strict control over the bank signatories. Unbudgeted spending has to be approved by the council or

the administration and finance committee depending on the amount. Budgeted spending with particulars is approved by the council, the administration and finance committee or the chief executive and registrar depending on the level and nature.

■ Audit committee

The council set up an audit committee in 1999. The committee consists of six

members, three of whom are past presidents of the Institute, one CPA member and two lay council members.

The committee may request the Institute’s auditor, the chairman of the administration and finance committee and any member of the staff to attend its meetings. The auditor may request a meeting if deemed necessary.

In July 2007, the committee considered the nature and scope of the audit exercise and matters relating to the preparation of the Institute's financial statements for the year ended 30 June 2007. At its September meeting, the committee reviewed the audited financial statements for inclusion in the 2007 annual report.

■ Council members' interests

Council members are not remunerated. A disclosure of financial interests of council members appears in note 27 to the financial statements.

As the governing body of a self-regulatory professional institute, the council has applied strict rules that prohibit a member of the council or of a committee taking part in any discussion and decision of a matter in which that member has an apparent conflict of interest.

■ Staff remuneration

The council commissioned the formation of a remuneration committee to advise the council on, among others, remuneration-related policy matters such as remuneration structure, pay level, yearly pay adjustment and staff performance bonus and other employment terms and conditions.

The remuneration of the general staff is determined by the council upon the recommendation of the remuneration committee, which is in turn advised by the chief executive and registrar who makes a recommendation for individual staff based on documented assessment.

The remuneration of the director grade staff is determined by the council with reference to the recommendation of remuneration committee and an executive performance and remuneration review committee, comprising the chief executive and registrar, the president, the two vice-presidents and chairman of the administration and finance committee. The council is in a good position to make an informed decision of the remuneration of such staff, who are responsible for serving various committees, as their performance is also appraised by the chairs of the respective committees.

The remuneration of the chief executive and registrar is determined by the council.

Remuneration at all levels is determined with reference to market conditions and staff performance. During the year,

the remuneration committee commissioned Watson Wyatt to conduct a survey to benchmark the remuneration of the staff against the market and to establish a pay structure for the Institute based on survey results.

■ Member communications

An electronic newsletter, sent by email to members once a week, keeps members up-to-date on all important developments and council decisions. The newsletter loops readers into the Institute's website where they can find more information on any given topic.

Individual email enquiries and complaints are now handled through an electronic help desk. All information coming into the Institute through its general email address are forwarded to the relevant department of the Institute, which responds within 10 days. Enquiries by telephone or mail are also logged. Complaints are considered priorities and are promptly addressed, usually by the chief executive and registrar.

Past presidents

■ Past presidents

1973 Sir Gordon M. Macwhinnie
1974 Sir Gordon M. Macwhinnie
1975 Peter Poon Wing Cheung
1976 Peter Poon Wing Cheung
1977 Leslie W. Gordon
1978 Richard S. Sheldon
1979 Samuel M.H. Wong
1980 Denys E. Connolly
1981 John C. Chan
1982 Thomas Clydesdale
1983 Denis Evans

1984 Peter H.Y. Wong
1985 Peter H.Y. Wong
1986 Joseph M. Lai
1987 Robert Gaff
1988 David W. Gairns
1989 Anthony K.P. Yung
1990 Marvin K.T. Cheung
1991 Selwyn Mar
1992 Felix Chow
1993 Dudley L. Harding
1994 Li Ka-cheung, Eric
1995 Nicholas P. Etches

1996 T. Brian Stevenson
1997 Tim T.L. Lui
1998 Aloysius H.Y. Tse
1999 P.M. Kam
2000 P.M. Kam
2001 Andy S.C. Lee
2002 Wong Tak Wai, Alvin
2003 David Tak-kei Sun
2004 Roger Best
2005 Edward K.F. Chow
2006 Paul M.P. Chan

■ Obituaries



Sir Gordon Macwhinnie (1922-2007)

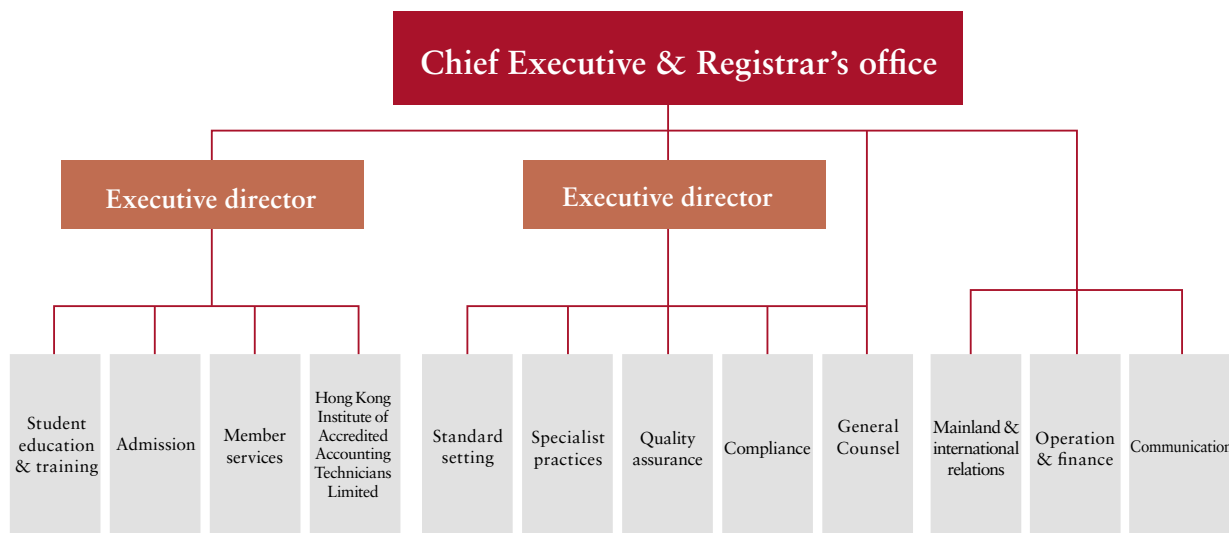
Sir Gordon Macwhinnie died aged 84 on 18 July 2007 in England after nearly 60 years in Hong Kong. He was one of the few who laid the foundations for the Hong Kong Institute of CPAs and for Hong Kong's world class accounting profession. Sir Gordon gave the accounting profession his time, effort and inspiration over the course of his lifetime, for which the profession will always be grateful.



Thomas Clydesdale (1934-2007)

Thomas Clydesdale, who served as president of the Hong Kong Society of Accountants in 1982, died aged 73 on 4 May 2007. During Clydesdale's tenure, membership in the society increased by more than 30 percent and he kept his interest in the Institute even after retirement. He served as a legislator from 1985 to 1988 and was president of the Hong Kong General Chamber of Commerce between 1986 and 1987.

Structure



Council



Front row from left: Wilson Fung, Sir C.K. Chow, Doug Oxley, Winnie C.W. Cheung, Albert S.C. Au, Mark C. Fong, Paul F. Winkelmann, Paul M.P. Chan, Carlson Tong, Cho Lung Pui Lan, Stella and Gordon W.E. Jones

Back row from left: Paul K.K. Cheng, Patrick K.W. Chan, Keith Pogson, Catherine K.C. Leung, Tsai Wing Chung, Philip, Susanna Chiu, Chew Fook Aun, John C. Poon, Lucia Li, Ambrose Cheung Wing Sum, Ronald Kung, Clement Chan and Thomas Y.T. Wong

Composition of the council 2007

Elected members	Attendance	Co-opted members	Attendance
Mark C. Fong (<i>President</i>)	10/10	Paul K.K. Cheng	8/9
Albert S.C. Au (<i>Vice President</i>)	10/10	Thomas Y.T. Wong	9/9
Paul F. Winkelmann (<i>Vice President</i>)	10/10		
Clement Chan	10/10	Ex-officio members	
Patrick K.W. Chan	7/10	Representative of the Financial	8/8
Chew Fook Aun	9/10	Secretary, Government of the	
Susanna Chiu	10/10	HKSAR	
Cho Lung Pui Lan, Stella	10/10	Gordon W.E. Jones*	
Wilson Fung	10/10		
Ronald Kung	10/10	Director of Accounting Services,	10/10
Doug Oxley	10/10	Government of the HKSAR	
Keith Pogson	10/10	Lucia Li	
Carlson Tong	6/10		
Tsai Wing Chung, Philip	10/10	Secretary to council	
		Chief Executive & Registrar	
		Winnie C.W. Cheung	
Immediate past president			
Paul M.P. Chan	7/10		
Government appointed members			
Ambrose Cheung Wing Sum	4/9		
Sir C.K. Chow	6/10		
Catherine K.C. Leung	7/10		
John C. Poon	6/10		

*Gordon W.E. Jones retired as the Registrar of Companies, who represents the Financial Secretary on the council. Jones was replaced by Ada Chung effective 27 August 2007

Secretariat



Front row from left: Mindee Hansen, Patrick Tam, Winnie C.W. Cheung, Peter Tisman and Gary Wong

Back row from left: Jonathan Ng, Patricia McBride, Tony Harrod, Philip Hilliard, Georgina Chan, Edwin Cheung and Chris Joy

Chief Executive & Registrar
Winnie C.W. Cheung

Director, Member Services
Gary Wong

Executive Director
Georgina Chan

Director, Operation & Finance
Edwin Cheung

Executive Director
Patricia McBride

Director, Quality Assurance
Chris Joy

General Counsel
Tony Harrod

Director, Specialist Practices
Peter Tisman

Director, Communications
Mindee Hansen

**Director, Student Education
& Training**
Jonathan Ng

Director, Compliance
Philip Hilliard

**Director, Mainland &
International Relations**
Patrick Tam

Committees

■ Governance

Governance review task force	Attendance
Chow, C.K.* (chairman)	4/4
Best, Roger Thomas	4/4
Chan, Mo Po Paul	2/4
Chew, Fook Aun	3/4
Chow, Kwong Fai Edward	4/4
Fong, Chung Mark	3/4
Jones, Gordon W.E.*	1/4
Kung, Yiu Fai Roland	3/4
Moore, Vernon Francis	1/4
Tong, Carlson	2/4
Yeung, Chun Pong Paul	2/4

Audit committee	
Kam, Pok Man (chairman)	1/1
Cheng, Shee Sing Patrick	1/1
Leung, Catherine K.C.*	0/1
Lui, Tim Leung Tim	1/1
Poon, Cho Ming John*	1/1
Tse, Hau Yin Aloysius	1/1

Remuneration committee	
Poon, Cho Ming John* (chairman)	2/2
Cheung, Wing Sum Ambrose*	1/2
Fung, Ying Wai Wilson	2/2
Ng, David C.W.*	2/2
Wong, Tak Wai Alvin	2/2

■ Communications

Community services committee	Attendance
Cho Lung, Pui Lan Stella (chairman)	3/3
Ho, Man Yee Roger (deputy chairman)	0/3
Macpherson, Ayesha Abbas (deputy chairman)	2/3
Chu, Yun Ming William	2/2
Ho, Hung Wai Ben	3/3
Lam, Chi Yuen Nelson	1/3
Lam, Yuen May Amy	2/3
Lau, Kai Hung Allen	3/3
Lee, Mee Kwan Helena	2/3
Ling, Kit Sum Imma	3/3
Liu, Mei Ling Rhoda	3/3
Lo, Wa Kei Roy	2/2
Ng, Wing Hang Patrick	3/3
Wong, Kin Wai Willy	2/2
Young, So Hung Ann	2/3

Note: William Chu, Roy Lo and Willy Wong joined on 20 March 2007.

Editorial board	
Lin, Ching Yee Daniel (chairman)	6/6
Chiu, Lai Kuen Susanna (deputy chairman)	3/6
Hung, Lo Shan Lusan	5/6
Lo, Chi Chung William	0/1
McGrath, Sarah Linda	5/6
Moore, Vernon Francis	4/6
Wong, Ching Hung Thomas	2/6
Wu, Mao Chin Melissa	3/6

Note: William Lo joined on 30 June 2007.

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

■ Compliance

Complaints oversight committee	Attendance
Li, Kwok Ki Albert (chairman)	5/5
Lees, John Robert (deputy chairman)	4/5
Chan, Shu Kin Albert	3/5
Choi, Chor Ching Humphrey	2/3
Hong, Wing Kwong Wallace*	5/5
Law, Yee Kwan Quinn	5/5
Lee, Hoi Yin Stephen	5/5
Miu, Liong Nelson	4/5
Tang, Chung Wah Alan	2/5
To, Christopher*	0/5
Tse, Sau Ling Nancy	4/5
Young, Chun Man Kenneth	4/5

Note: Humphrey Choi joined on 12 June 2007.

Investigation panel (A)
Lee, Wai Yin Angela* (convenor)
Yuen, Kwok Keung Rimsky* (alternate convenor)
Au, King Lun*
Carver, Anne Rosamunde*
Chow, Wing Shing Vincent*
Chow, Yee Ping Alexa*
Hui, Chiu Chung Stephen*
Hwang, Ngai Lam Elaine*
Kwan, Pak Chung Edward*
Kwok, Chi Piu Bill*
Lam, Po Ling Pearl*
Lam, Yuet Ming*
Lee, Chung Keung Eddie*
Lee, Wai Yan Susanna*
Poon, Chin Hung Almon*
Smart, Philip St. John*
Tsui, Pui Man Winnie*
Wong, Sai Hung Oscar*

Investigation panel (A) (cont'd)
Wong, Tak Lan Mary Teresa*
Woo, Lee Wah Cecilia*
Yih, Lai Tak Dieter*
Young, Ngai Man Simon*

Note: Attendance statistics are not relevant because for each case investigated, an investigation committee is formed consisting of two CPAs from panel B and three lay persons, including the chairperson, from panel A to deal with the case.

Investigation panel (B)
Chan, Kee Sun Tom
Chan, Kin Man Eddie
Chan, Lok Sang
Chin, Ying On Charles
Chow, Chan Lum Charles
Chung, Kenneth Patrick
Davidson, Calum Muir
Fung, Lak Philip
Ho, Kam Wing Richard
Jamieson, Grant Andrew
Kenrick, Robert James
Kong, Chi How Johnson
Kwok, Lam Kwong Larry
Lai, Ming Joseph
Lees, John Robert
Leong, Jonathan Russell
Leung, Chi Ying Kathy
Li, Kwok Ki Albert
Lo, Kin Ching Joseph
Man, Mo Leung
Miu, Liong Nelson
Morrison, Kenneth Graeme
Muk, Chung Wing Jacky
Ng, Chi Keung
Reid, Nigel James Hamilton
Tang, Chung Wah Alan
Wong, Debra
Wong, Sau Ling Shirley

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Investigation panel (B) (cont'd)

Wong, Wing Cheong Dennis

Yung, Hin Man Raymond

Note: Nicholas Kitto and Nicholas Etches retired on 13 July 2007.

Disciplinary panel (A)

Chan, Kin Keung Anthony*

(convenor)

Chow, Ka Ming Anderson*

(alternate convenor)

Bharwaney, Mohan Tarachand*

Chan, Chi Hung*

Chan, Ching Har Eliza*

Chan, Chun Hung Vincent*

Chan, Ka Shun Wilson*

Chan, Tung Ngok Tony*

Chan, Yim Cheong Paul*

Cheng Tang, Ho Kuen Lina*

Cheong, Ying Chew Henry*

Choy, Fung Peng Abril*

Ing, Edwin*

Kwok Li, Yuen Kwan Maxine*

Lau, Ping Kwan Albert*

Lee, Jor Hung Dannis*

Li Lau, Lai Hing Joanna*

Liao, Zi Yin Peggy*

Lui Fung, Mei Yee Mabel*

Shum, Sze Man Erik Ignatius*

Tang, Yat Sun Richard*

Tsang, Link Carl Brian*

Wong, Yuen Fai Stanley*

Yip, Siu Fai Paul*

Yung, Pui Yip Paul*

Note: Attendance statistics are not relevant because for each disciplinary case, a disciplinary committee is formed consisting of two CPAs from panel B and three lay persons, including the chairperson, from panel A to hear the case.

Disciplinary panel (B)

Allen, Nicholas Charles

Azedo, Gabriel Ricardo Dias

Best, Roger Thomas

Chan, Ho Yin Graham

Espina, Anthony Joseph

Fulton, James Taylor

Gazzi, Robert Andrew

Grassick, Alun Clark

Ho, Ka Kui Boniface

Ho, Sik Lan

Knight-Evans, Carlyon John

Kwan, Angelina

Lau, Chi Pong Howard

Law, Yee Kwan Quinn

Lo, Kai Ming Charles

Lui, Tim Leung Tim

Mar, Selwyn

Moore, Vernon Francis

Pattle, Sheila Helen

Tan, Chuen Yan Paul

Tang, Chak Yei

Weir, Andrew Walter Bougourd Ross

Wong, Hak Kun Kan

Wong, Hong Yuen Peter

Wong, Kwok Wai Albert

Wong, Lung Tak Patrick

Wong, Tak Wai Alvin

Yeung, Kai Cheung Patrick

Yu, Hon To David

Note: Bruce Dunlop retired on 17 May 2007. Edward Chow retired on 12 June 2007.

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Financial Reporting Council liaison group	Attendance
Winkelmann, Paul Franz (chairman)	1/1
Best, Roger Thomas	1/1
Fong, Chung Mark	0/1
Mar, Selwyn	1/1
Pogson, Timothy Keith	0/1

■ Mainland relations

Mainland affairs committee	
Chan, Mo Po Paul (chairman)	5/5
Chiu, Lai Kuen Susanna (deputy chairman)	2/5
Kong, Chi How Johnson (deputy chairman)	5/5
Chan, Kam Wing Clement	2/5
Chan, Kwok Wai Patrick	2/5
Chow, Siu Lui Jack	5/5
Kong, Tze Wing James	3/5
Mo, Lai Lan Phyllis	4/5
Sim, Kon Fah Michael	3/5
Tong, Chi Chiu Alec	3/5
Wong, Lung Tak Patrick	1/5
Wong, Siu Kuen*	5/5
Woo, King Hang	3/5
Wu, Chi Keung	3/5
Yeung, Chun Wai Anthony	0/5
Young, Chun Man Kenneth	4/5

■ Member services

Continuing professional development committee	Attendance
Tsai, Wing Chung Philip (chairman)	4/4
Pogson, Timothy Keith (deputy chairman)	2/4
Wong, Yue Ting, Thomas (deputy chairman)	4/4
Chan, Kwok Wai Patrick	3/4
Chan, Wei Min Eileen	3/4
Chiu, Lai Kuen Susanna	2/4
Chow, Ka Leung Louis	2/4
Hung, Lo Shan Lusan	3/4
James, Gary Terence	3/4
Law, Cheuk Kin Stephen	3/4
Look, Guy	2/4
Sze, Tak Chee Sidney	3/4
Tsui, Hong Ping Michael	1/4

Member services committee	
Chiu, Lai Kuen Susanna (chairman)	3/3
Chan, Wing Shing Vincent (deputy chairman)	2/3
Kung, Yiu Fai Ronald (deputy chairman)	2/3
Chan, Mo Po Paul	1/3
Conway, Con*	1/3
Ho, Man Yee Roger	1/3
Lin, Chin Yee Daniel	2/3
Lo, Koon Fai Gregory	2/3
Tam, Gabriel*	3/3
Tan, Geok Hong Victor	2/3
Wu, Shek Chun Wilfred	2/3
Yuen, Kwok Wing Kevin	2/3

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Professional accountants in business committee	Attendance
Fung, Ying Wai Wilson (chairman)	3/3
Chiu, Lai Kuen Susanna (deputy chairman)	2/3
Look, Guy (deputy chairman)	2/3
Au, Yu Chiu Steven	1/3
Bradbury, Adrian*	1/1
Cheng, Kwok Kin Paul	2/3
Chew, Fook Aun	3/3
Fok, Ka Hing Eric	3/3
Ho, Kwai Chin Mark	3/3
Io, Cheok Kei Rudy	1/3
Lo, Chi Chung William	1/1
Mok, Yun Lee Paul	2/3
Ng, Yi Kum Estella	3/3
Tam, Hok Lam Tommy	2/3
Tse, Sau Ling Nancy	2/3
Wardell, James	2/3
Wong, Yeuk Lan Monita	1/1

Note: Adrian Bradbury, William Lo and Monita Wong joined on 12 June 2007. Richard Winter retired on 12 June 2007.

Small and medium practitioners committee	Attendance
Au, Siu Cheung Albert (chairman)	7/7
Fung, Lak Philip (deputy chairman)	7/7
Lam, Chi Yuen Nelson (deputy chairman)	7/7
Chan, Ho Yin Graham	6/7
Chan, Kam Wing Clement	6/7
Chan, Lok Sang	4/7
Chan, Shu Kin Albert	2/7
Cheung, Chun Kwok Simon	4/7
Chua, Suk Lin Ivy	5/7
Fan, Chun Wah Andrew	3/5

Small and medium practitioners committee (cont'd)	Attendance
Fung, Yee Pammy	6/7
Ip, Yu Chak Barry	5/7
Kong, Chi How Johnson	7/7
Kung, Yiu Fai Ronald	4/7
Liu, Mei Ling Rhoda	4/7
Poon, Tsun Wah Gary	5/7
Tam, King Ching Kenny	5/7
Wong, Chun Bong Alex	6/7
Wu, Shek Chun Wilfred	7/7
Young, Chun Man Kenneth	5/7

Note: Andrew Fan joined on 20 March 2007.

■ Operation and finance

Administration and finance committee	Attendance
Fung, Ying Wai Wilson (chairman)	4/4
Oxley, Douglas Charles (deputy chairman)	3/4
Wong, Yue Ting Thomas (deputy chairman)	4/4
Chew, Fook Aun	4/4
Chiu, John	4/4
Chow, Siu Lui Jack	2/4
Fung, Lak Philip	3/4
Lam, Wai Ming Ada	4/4
Law, Kwong Chau	4/4
Lee, Chi Ming Leo	4/4

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

■ Qualification and admission

Registration and practising committee	Attendance
Winkelmann, Paul Franz (chairman)	4/4
Fung, Ying Wai Wilson (deputy chairman)	4/4
Tsai, Wing Chung Philip (deputy chairman)	4/4
Chan, Kam Wing Clement	3/4
Chan, Kwok Wai Patrick	3/4
Cho Lung, Pui Lan Stella	3/4
Fung, Lak Philip	3/4
Makhija, Rajiv	3/4
Neale, Paul Andrew	3/4
Wong, Yue Ting Thomas	4/4

Accountancy accreditation board	Attendance
Tsai, Wing Chung Philip (chairman)	3/3
Cho Lung, Pui Lan Stella (deputy chairman)	3/3
Oxley, Douglas Charles (deputy chairman)	3/3
Biddle, Gary Clark	2/3
Bombaci, Sebastian Antonio	3/3
Chan, Ho Yin Graham	3/3
Chen, Ted T.Y.*	3/3
Cheung, Kwong Tat Terence	3/3
Lam, Chi Yuen Nelson	2/3
Lau, Hing Ling Amy*	3/3
Leung, Felix*	3/3
Liang, Pei Ling Lillian	3/3
Neale, Paul Andrew	2/3
Tsang, Cheong Wai Simon	3/3
Tse, Kin Pang Richard	3/3

Examinations board	Attendance
Oxley, Douglas Charles (chairman)	5/5
Fung, Ying Wai Wilson (deputy chairman)	6/6
Neale, Paul Andrew (deputy chairman)	4/5
Chan, Wei Min Eileen	4/6
Cheng, Kin Chung	4/4
Cho Lung, Pui Lan Stella	2/3
Ip, Kin Fong	3/3
Lau, Hing Ling Amy*	2/4
Ng, Kam Luen Raymond	2/3
Ng, Kwok Hung Edmond	4/6
Olesnicky, Michael*	3/4
Rasheed, John Henley	3/4
So, Wai Han	1/5
Wong, Kuen Fai Richard	5/6
Wong, Lung Tak Patrick	4/6

Note: Members of sub-groups attend a different number of meetings. Raymond Ng joined on 20 March 2007.

International recognition committee	Attendance
Best, Roger Thomas (chairman)	1/1
Chow, Kwong Fai Edward (deputy chairman)	0/1
Winkelmann, Paul Franz (deputy chairman)	1/1
Au, Siu Cheung Albert	1/1
Li, Ka Cheung Eric	1/1
Neale, Paul Andrew	1/1
Oxley, Douglas Charles	1/1
Tsui, Sin Lai Judy	0/1

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

QP support committee	Attendance
Kung, Yiu Fai Ronald (chairman)	2/2
Chiu, Lai Kuen Susanna (deputy chairman)	2/2
Tsang, Cheong Wai Simon (deputy chairman)	1/2
Chan, Kay*	0/2
Chan, Mo Po Paul	1/2
Chan, Wai Man Edmund	2/2
Cheung, Wei Sing	2/2
Chiu, Kai Chiu Edward	2/2
Hsu, Wai Man Helen	2/2
Lai, Chui Pik	1/2
Lam, Chi Yuen Nelson	2/2
Lo, Ting Kwun	2/2
Ng, Wing Yiu Clarence*	2/2

Note: K.F. Lee retired on 16 February 2007.

■ Quality assurance

Practice review oversight board	
Chan, Kwok Wai Patrick (chairman)	2/2
Cheung, Wing Sum Ambrose*	1/2
Grieve, Charles Ramsay	1/2
Jones, Gordon W.E.*	2/2
Morrison, Kenneth Graeme	2/2
Wu, Kwok Keung Andrew	1/2

Practice review committee	Attendance
Au, Siu Cheung Albert (chairman)	7/7
Chan, Kam Wing Clement (deputy chairman)	5/7
Crowe, William Andrew (deputy chairman)	5/7
Cheung, Yuk Ting Mabel	6/7
Chua, Suk Lin Ivy	6/7
Fung, Yee Pammy	6/7
Kwok, Yuen Man	5/7
Lam, Chi Yuen Nelson	6/7
Lam, Oi Yan Fiona	6/7
Mok, Yun Lee Paul	7/7
Tam, King Ching Kenny	7/7
Tam, Kwok Yiu	6/7
Yen, Sau Yin Emily	7/7

Professional standards monitoring committee

Wong, Yue Ting Thomas (chairman)	6/6
Ding, Wai Chuen Raphael (deputy chairman)	5/6
Pogson, Timothy Keith (deputy chairman)	4/6
Cheng, Chung Ching Raymond	5/6
Cheung, Sau Ying Olivia	6/6
Chow, Chan Lum Charles	4/6
Chow, Siu Lui Jack	6/6
Chow, Tak Sing Peter	3/6
Fung, Hon Kwong Tommy	2/6
Hebditch, Paul Donald	4/6
Leong, Jonathan Russell	5/6
Ng, S.B. Paul	4/6
Taylor, Stephen	4/6
Yan, Yiu Kwong Eddy	5/6

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

■ Specialist practices

Corporate finance committee	Attendance	Corporate governance committee	Attendance
Cheng, Kwok Kin Paul (chairman)	4/4	Chew, Fook Aun (chairman)	4/4
Chew, Fook Aun (deputy chairman)	2/4	Cho Lung, Pui Lan Stella (deputy chairman)	2/4
Winter, Richard David (deputy chairman)	3/4	Siu, Kai Lau James (deputy chairman)	3/4
Chan, Ching Chu Rebecca	3/4	Broadley, Derek*	3/4
Chan, Floyd Tsoi Yin	3/4	Chan, Wai Hong Chris*	3/4
Chau, Mo Wah Catherine	2/4	Chau, Mo Wah Catherine	1/4
Hongchoy, Kwok Lung George	4/4	Cheng, Chung Ching Raymond	3/4
Kung, Yiu Fai Ronald	1/4	Cheng, Kwok Kin Paul	2/4
Kwok, Lam Kwong Larry	1/4	Lee, Hoi Yin Stephen	3/4
Law, Cheuk Kin Stephen	4/4	Li, Gregg*	3/4
Maguire, John*	2/4	Lin, Ching Yee Daniel	3/4
Ng, Hing Leung Tony	2/4	Mok, Yun Lee Paul	3/4
Wong, Stephanie	4/4	Pogson, Timothy Keith	3/4
Yan, Man Sing Frankie	4/4	Rozario, Patrick*	3/4
Yen, Charlotte S.F.*	2/4	Tam, Hok Lam Tommy	2/4
		Wan, Ho Yan	3/4
		Wong, Debra	2/4
		Yung, Wen Yee Wendy	3/4

Note: Selwyn Mar retired on 2 February 2007.

Faculty steering group	
Au, Siu Cheung Albert (chairman)	2/2
Chiu, Lai Kuen Susanna	2/2
Leung, K.C. Catherine*	1/2
Tong, Carlson	1/2

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Insolvency practitioners committee	Attendance
Tang, Chung Wah Alan (chairman)	4/4
Cheng, Kwok Kin Paul (deputy chairman)	3/4
Kong, Chi How Johnson (deputy chairman)	4/4
Arboit, Bruno	4/4
Blaauw, Jan Gerard Willemszoon	4/4
Briscoe, Stephen*	3/4
Chua, Suk Lin Ivy	4/4
Haughey, Darach Eoghan	4/4
Ho, Man Kei Keith*	2/4
Kidd, David*	2/4
Lees, John Robert	3/4
Leung, Mun Yee Ruby	3/4
Liu, Yiu Keung Stephen*	4/4
Muk, Chung Wing Jacky	3/4
Tam, King Ching Kenny	4/4
Wardell, James	3/4
Wu, Shek Chun Wilfred	4/4

Taxation committee	Attendance
Law Shing, Mo Han Yvonne (chairman)	6/6
Cho Lung, Pui Lan Stella (deputy chairman)	4/6
Southwood, David Howell (deputy chairman)	2/6
Chan, Koon Hung	4/6
Chan, Yuen Fan Florence	3/6
Chan Ko, Brenda Margaret	6/6
Ho, Yau Hong Alfred	4/6
Kwan, Kar Chun Steven	6/6
Lee, Julian	3/6
Macpherson, Ayesha Abbas	5/6
Mak, Alexander*	3/6
Poon, Tsun Wah Gary	4/6
Wong, Wang Tai Fergus	5/6
Yu, Sai Hung	3/6

Note: Cheung Yuen Cheung retired on 22 March 2007.

Expert panel on legal matters

Collins, Alan*
 Deayton, Kenneth Raymond
 Fung, Lak Philip
 Griffiths, Peter*
 Harford, Chris*
 Kwok, Kai Bun Benny
 Tsang, Yu Hei William
 Yam, Stephen

Note: No meeting held during the year.

Expert panel on banking

Nikzad, Babak	2/2
Picton-Phillipps, Peter Nicholas	2/2
Tsang, Cheong Wai Simon	2/2
Xuereb, Maria	2/2

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Expert panel on insurance	Attendance
Bryce-Borthwick, Lloyd	
Choy, C.F.*	
Donowho, Simon Christopher	
Malatskey, Jeffrey*	
McKelvie, Kenneth Erle	
Pun, Kwok Wing Jimmy	
<i>Note: No meeting held during the year.</i>	

Expert panel on securities	
Cheng, Kwok Kin Paul	
Deffenbaugh, Wade*	
Knight-Evans, Carlyon John	
Kwok, King Wai Alex	
Liu, Yun Bonn	
Shaftesley, Colin Stuart	
Yeung, Kai Cheung Patrick	
<i>Note: During the period, a working group was formed to consider the update of Practice Note 820 "The Audit of Licenced Corporations and Associated Entities of Intermediaries." Members include Colin Shaftesley (4/4), Liu Yun Bonn (3/4), Carlyon Knight-Evans (4/4) and Wade Deffenbaugh (3/4).</i>	

■ Standards setting

Standard-setting oversight board	
Chow, Man Yiu Paul* (chairman)	2/2
Chow, Kwong Fai Edward	2/2
Mao, Chi Dor Johnny	2/2
Topping, Simon*	2/2
Tsai, Wing Chung Philip	2/2
Tsui, Sin Lai Judy	1/2
Wong, Peter, S.H.*	1/2
Wong Chui, Yue Chue Lesley	2/2
<i>Note: Albert Au and Lucia Li retired on 19 March 2007.</i>	

Auditing and assurance standards committee	Attendance
Tong, Carlson (chairman)	6/7
Pogson, Timothy Keith (deputy chairman)	7/7
Wong, Kar Yung Wilfred (deputy chairman)	7/7
Annells, Deborah	6/7
Chan, Tak Shing	7/7
Chau, Yu Nien Colin	7/7
Cheng, Yuk Yin Patrick	2/7
Chow, Chan Lum Charles	5/7
Crowe, William Andrew	6/7
George, Richard John Weir	5/7
Grieve, Charles Ramsay	3/7
Ip, Yu Chak Barry	4/5
Lai, Tak Shing Jonathan	1/7
Law, Fung Ha	4/7
Li, Ka Lai Lucia	7/7
Wong, Kelvin*	4/7
Wong, Yue Ting Thomas	6/7
<i>Note: Barry Ip joined on 20 March 2007.</i>	

Ethics committee	
Pogson, Timothy Keith (chairman)	2/2
Au, Siu Cheung Albert (deputy chairman)	2/2
Chew, Fook Aun (deputy chairman)	1/2
Chan, Ka Shun Wilson*	2/2
Chan, Wei Ting Barbara	1/2
Cheng, Kwok Kin Paul	1/2
Fok, Ka Hing Eric	2/2
Grieve, Charles Ramsay	1/2
Lai, Ting Hong Alex*	2/2
Lam, Yiu Kin Kenneth	1/2
Law, Yee Kwan Quinn	0/2
Li, Ka Lai Lucia	2/2
Morrison, Kenneth Graeme	2/2

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Ethics committee (cont'd)	Attendance
Ng, Kwok Ming Raymond*	2/2
Pattle, Sheila Helen	1/2
Shafer, William E.*	0/2
Tam, King Ching Kenny	2/2

Note: Kenneth Young retired on 27 February 2007.

Financial reporting standards committee	
Winkelmann, Paul Franz (chairman)	5/6
Chan, Kam Wing Clement (deputy chairman)	6/6
Ding, Wai Chuen Raphael (deputy chairman)	6/6
Chau, Yu Nien Colin	5/6
Farrar, Ian Peter	5/6
Fawls, James*	4/6
Fung, Ying Wai Wilson	5/6
Hebditch, Paul Donald	5/6
Kung, Yiu Fai Ronald	5/6
Lau, Wai Yin Susanna	5/6
Li, Kwok Tso	6/6
Lim, Choon Hock*	1/1
Morley, Catherine Susanna	6/6
Ng, Yi Kum Estella	3/4
Tam, Hok Lam Tommy	4/6
Tsang, Hing Hung	6/6
Wong, Tat Che Roland	1/1
Yam, Hoi Yin Cecilia	3/3

Note: Estella Ng joined on 20 March 2007. Cecilia Yam joined on 15 May 2007. C.H. Lim and Roland Wong joined on 17 July 2007. Stephanie Zurmuhlen retired on 17 April 2007. Peter Au Yeung retired on 15 May 2007. Stephen Taylor retired on 17 July 2007.

Representation and advocacy

Hong Kong Institute of CPAs/SFC/HKEx tripartite meeting liaison group	Attendance
Fong, Chung Mark (chairman)	1/2
Pogson, Timothy Keith	2/2
Winkelmann, Paul Franz	2/2

Joint government/HKICPA Companies Ordinance review working group	
Best, Roger Thomas (chairman)	3/3
Fong, Chung Mark	1/3
Fung, Ying Wai Wilson	2/3
Griffiths, Peter*	2/3
Jones, Gordon W.E.*	2/3
Law, Elizabeth	1/3
Pattle, Sheila Helen	1/3
Wilkinson, John Bernard	2/3
Winkelmann, Paul Franz	0/3

Professional liability reform task force	
Winkelmann, Paul Franz (chairman)	
Bennett, Andrew Geoffrey	
Crowe, William Andrew	
Ding, Wai Chuen Raphael	
Law, Elizabeth	
McKelvie, Kenneth Erle	
Ng, Shiu Hong	
Smyth, David*	
Tam, King Ching Kenny	
Tsang, Yu Hei William	
Yip Li, Yuet Fong Jennifer	

Note: No meeting held during the year.

*Non-Institute member

Attendance (x/y)

x = Actual number of meetings attended

y = Number of meetings the member is required to attend between 23 January 2007 and 18 September 2007

■ Non-statutory ■ Statutory

Independent auditor's report

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

■ We have audited the consolidated financial statements of the Hong Kong Institute of Certified Public Accountants (the Institute) set out on pages 55 to 90, which comprise the consolidated and Institute balance sheets as at 30 June 2007, and the consolidated and Institute income statements, the consolidated and Institute statements of changes in members' equity and the consolidated and Institute cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

■ Council's responsibility for the financial statements

The council of the Institute is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Institute and the Professional Accountants Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

■ Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 16 of the Professional Accountants Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical

requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

■ Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Institute as at 30 June 2007 and of the surplus and cash flows of the Group and of the Institute for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Professional Accountants Ordinance.

Wong Brothers & Co.

Certified Public Accountants

Hong Kong, 18 September 2007

Income statements

For the year ended 30 June 2007

	Note	Group		Institute	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Subscriptions and fees	4	93,371	86,044	89,132	82,466
Other revenue	5	<u>70,679</u>	<u>60,867</u>	<u>65,830</u>	<u>54,828</u>
Total revenue		164,050	146,911	154,962	137,294
Other income	6	8,973	2,063	8,590	1,526
Expenses	7	(162,328)	(138,486)	(151,978)	(129,377)
Financing charges		<u>(1,950)</u>	<u>(5,473)</u>	<u>(1,950)</u>	<u>(5,473)</u>
Interest income		<u>1,345</u>	<u>415</u>	<u>520</u>	<u>330</u>
Net financing charges	8	<u>(605)</u>	<u>(5,058)</u>	<u>(1,430)</u>	<u>(5,143)</u>
Operating surplus before tax		10,090	5,430	10,144	4,300
Gain on disposal of leasehold buildings and land lease	9	<u>71,425</u>	<u>--</u>	<u>40,889</u>	<u>--</u>
Surplus before tax		81,515	5,430	51,033	4,300
Tax	10	<u>(4,751)</u>	<u>(1,379)</u>	<u>(4,632)</u>	<u>(1,285)</u>
Surplus after tax	24	<u>76,764</u>	<u>4,051</u>	<u>46,401</u>	<u>3,015</u>

Balance sheets

As at 30 June 2007

	Note	Group		Institute	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Non-current assets					
Property and equipment	11	63,805	65,274	63,284	65,070
Prepaid land lease expense	12	171,476	179,405	171,476	175,874
Investment in subsidiaries	13	--	--	300	--
Deferred tax assets	14	--	728	--	728
		<u>235,281</u>	<u>245,407</u>	<u>235,060</u>	<u>241,672</u>
Current assets					
Inventories		1,574	1,078	1,045	712
Trade and other receivables	15	1,387	2,064	4,540	2,269
Deposits and prepayments	16	7,191	8,235	7,062	8,136
Cash and bank balances	17	<u>76,802</u>	<u>14,740</u>	<u>32,984</u>	<u>8,953</u>
		86,954	26,117	45,631	20,070
Non-current assets classified as held for sale	18	--	84,861	--	84,861
		<u>86,954</u>	<u>110,978</u>	<u>45,631</u>	<u>104,931</u>
Current liabilities					
Subscriptions and fees received in advance	19	(61,136)	(50,885)	(59,544)	(49,451)
Deposits received from disposal of leasehold buildings and land lease	20	--	(14,263)	--	(14,263)
Accounts payable and accruals	21	(21,281)	(26,851)	(20,789)	(26,975)
Provisions	22	(12,474)	(10,512)	(12,240)	(10,244)
Current tax liabilities		(3,688)	(469)	(3,662)	(400)
Short-term bank loans	23	--	(116,000)	--	(116,000)
		<u>(98,579)</u>	<u>(218,980)</u>	<u>(96,235)</u>	<u>(217,333)</u>
Net current liabilities		<u>(11,625)</u>	<u>(108,002)</u>	<u>(50,604)</u>	<u>(112,402)</u>
Non-current liability					
Deferred tax liabilities	14	<u>(185)</u>	<u>--</u>	<u>(185)</u>	<u>--</u>
		<u>223,471</u>	<u>137,405</u>	<u>184,271</u>	<u>129,270</u>
Members' equity					
General fund		142,284	65,520	108,389	61,988
Capital fund		81,157	71,885	75,882	67,282
Exchange reserve		30	--	--	--
	24	<u>223,471</u>	<u>137,405</u>	<u>184,271</u>	<u>129,270</u>

Approved by the Council on 18 September 2007

Mark C. Fong
President

Wilson Fung
Chairman, Administration & Finance Committee

Winnie C.W. Cheung
Chief Executive & Registrar

Cash flow statements

For the year ended 30 June 2007

	Note	Group		Institute	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities					
Surplus before tax		81,515	5,430	51,033	4,300
Adjustments for:					
Gain on disposal of leasehold buildings and land lease	9	(71,425)	--	(40,889)	--
Depreciation	11	4,873	6,103	4,798	5,682
Amortization of prepaid land lease expense	12	4,403	4,710	4,398	4,682
Impairment loss on leasehold improvements, furniture, fixtures and equipment	7	105	598	--	598
Impairment loss on receivables	7	--	97	--	97
Interest income	8	(1,345)	(415)	(520)	(330)
Financing charges	8	<u>1,950</u>	<u>5,473</u>	<u>1,950</u>	<u>5,473</u>
Operating cash flows before working capital changes		20,076	21,996	20,770	20,502
Increase in inventories		(496)	(447)	(333)	(338)
Decrease/(increase) in trade and other receivables		677	649	(2,271)	678
Decrease/(increase) in deposits and prepayments		1,084	(2,401)	1,088	(2,423)
Increase in deposits received from disposal of leasehold buildings and land lease		--	14,263	--	14,263
Increase in subscriptions and fees received in advance		10,251	2,355	10,093	2,414
(Decrease)/increase in accounts payable, accruals and provisions		(3,608)	10,197	(4,190)	10,798
Tax paid		<u>(619)</u>	<u>(843)</u>	<u>(457)</u>	<u>(689)</u>
Net cash generated by operating activities		<u>27,365</u>	<u>45,769</u>	<u>24,700</u>	<u>45,205</u>

Cash flow statements (cont'd)

For the year ended 30 June 2007

	Note	Group		Institute	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash flows from investing activities					
Purchase of property, equipment and prepaid land lease expense		(3,479)	(231,919)	(3,012)	(231,847)
Further proceeds from disposal of leasehold buildings and land lease		145,578	--	111,487	--
Investment in subsidiaries	13	--	--	(300)	--
Interest received		1,276	415	506	330
Net cash generated by/(used in) investing activities		<u>143,375</u>	<u>(231,504)</u>	<u>108,681</u>	<u>(231,517)</u>
Cash flows from financing activities					
Capital levy received		9,272	9,115	8,600	8,572
Proceeds from short-term bank loans		--	149,000	--	149,000
Repayment of short-term bank loans		(116,000)	(33,000)	(116,000)	(33,000)
Financing charges paid		(1,950)	(5,473)	(1,950)	(5,473)
Net cash (used in)/generated by financing activities		<u>(108,678)</u>	<u>119,642</u>	<u>(109,350)</u>	<u>119,099</u>
Net increase/(decrease) in cash and cash equivalents		62,062	(66,093)	24,031	(67,213)
Cash and cash equivalents at beginning of the year		14,740	80,833	8,953	76,166
Cash and cash equivalents at end of the year	17	<u>76,802</u>	<u>14,740</u>	<u>32,984</u>	<u>8,953</u>

Statements of changes in members' equity

For the year ended 30 June 2007

	Group					Institute			
	Retained surplus	General fund	Capital fund	Exchange reserve	Total	Retained surplus	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007									
At 1 July 2006	--	65,520	71,885	--	137,405	--	61,988	67,282	129,270
Capital levy from members	--	--	7,920	--	7,920	--	--	7,920	7,920
Capital levy from students	--	--	1,352	--	1,352	--	--	680	680
Currency translation difference	--	--	--	30	30	--	--	--	--
Surplus after tax for the year	76,764	--	--	--	76,764	46,401	--	--	46,401
Transfers	(76,764)	76,764	--	--	--	(46,401)	46,401	--	--
At 30 June 2007	--	<u>142,284</u>	<u>81,157</u>	<u>30</u>	<u>223,471</u>	--	<u>108,389</u>	<u>75,882</u>	<u>184,271</u>

	Group					Institute			
	Retained surplus	General fund	Capital fund	Exchange reserve	Total	Retained surplus	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2006									
At 1 July 2005	--	61,469	62,770	--	124,239	--	58,973	58,710	117,683
Capital levy from members	--	--	7,989	--	7,989	--	--	7,984	7,984
Capital levy from students	--	--	1,126	--	1,126	--	--	588	588
Surplus after tax for the year	4,051	--	--	--	4,051	3,015	--	--	3,015
Transfers	(4,051)	4,051	--	--	--	(3,015)	3,015	--	--
At 30 June 2006	--	<u>65,520</u>	<u>71,885</u>	--	<u>137,405</u>	--	<u>61,988</u>	<u>67,282</u>	<u>129,270</u>

Notes to the financial statements

1. Principal activities and registered office

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

The Institute is a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance Chapter 50 with the registered office located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. Its principal activities include, *inter alia*, the registration of certified public accountants, firms of certified public accountants (practising) and corporate practices; the development and promulgation of financial reporting, auditing and assurance, and ethical standards and guidelines; the regulation of the practice of the accountancy profession; the operation and promotion of the Institute's qualification programme and professional examinations; representing the views of the profession; and preserving the profession's integrity and status.

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

The HKICPA Trust Fund was formed under a trust deed dated 21 January 1998 together with an initial sum of HK\$345,000 donated by the Institute. The fund was set up for the relief of poverty of members of the Institute and is held in trust by the president, the immediate past president and the chairman of the administration and finance committee of the Institute as trustees. The fund, being a charitable trust, is exempt from tax under Section 88 of the Inland Revenue Ordinance.

The HKICPA Charitable Fund was set up under a trust deed dated 2 December 2001 for general charitable purposes. Its trustees are the president, the immediate past president and the chairman of the community services committee of the Institute. The fund, being a charitable trust, is exempt from tax under Section 88 of the Inland Revenue Ordinance.

HKIAAT is incorporated under the Companies Ordinance as a company limited by guarantee. Its principal activities are the promotion of the study of accountancy among secondary schools and sub-degree students and the award of the "Accredited Accounting Technician" qualification through conducting professional examinations. HKIAAT has three members at present who are the current president and the two vice-presidents of the Institute. The liability of the three members is limited to contributing to the assets of HKIAAT to the extent of HK\$10 each in the event that HKIAAT is wound up. Under the Articles of Association of HKIAAT, the power to appoint members of the board of HKIAAT is vested with the Institute. Accordingly, the Institute has the power to govern the financial and operating policies of HKIAAT.

2. Principal accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

Notes to the financial statements

b. Changes in accounting policies

In preparing the financial statements, the Group has assessed and adopted in advance all issued HKFRSs. The standards and the interpretations issued during the year and relevant to the activities of the Group are:

Effective date: Accounting periods beginning 1 January 2007

HKFRS 7 “Financial Instruments: Disclosures”
Amendment to HKAS 1 “Capital Disclosures”

Effective date: Accounting periods beginning 1 January 2009

HKFRS 8 “Operating Segments”
HKAS 23 (Revised) “Borrowing Costs”

The adoption of the relevant HKFRSs does not have any significant effect on the results or the financial position of the Group, other than those changes in operating segments.

c. Basis of consolidation and subsidiaries

The consolidated financial statements include the financial statements of the Institute and entities controlled by the Institute (its subsidiaries). All inter-company balances, transactions and unrealized surpluses and deficits are eliminated on consolidation. A subsidiary is an entity over which the Institute has control, which is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

In the Institute’s balance sheet the investment in subsidiaries is stated at cost less provision for impairment losses.

d. Revenue recognition

Annual subscription fees are recognized on a straight-line basis over the subscription period.

First registration fees are recognized on entitlement.

Revenue from examinations, seminars, courses and advertisements is recognized upon completion of services provided.

Revenue from sale of publications and other sundry items is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyers.

Commission received from affinity credit cards is recognized based on confirmed credit card charges reported by the card issuing bank.

Interest income from bank deposits is recognized on a time basis by reference to the principal outstanding and the interest rate applicable.

Notes to the financial statements

Operating lease income is recognized on a straight-line basis over the lease terms.

e. Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Government grants related to income are recognized as income over the periods necessary to match them with the related costs.

Grants related to assets are deducted from the cost of the assets in arriving at their carrying amounts to the extent of the grants received and receivable as at the date of the balance sheet.

Where a refund is required under the terms of the agreement and a refund is probable, a liability is recognized for the expected amount of the refund. The provision represents the present value of the best estimate of the future outflow of economic benefits that will be required under the terms of the agreement.

f. Capital levy

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

g. Tax

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

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from surplus as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilized.

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

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

Notes to the financial statements

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to general or capital funds, in which case the deferred tax is also dealt with in general or capital funds.

h. Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

i. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of any cost of dismantling and removing the items and restoring the site on which it is located. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance cost, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future benefits expected to be obtained from the use of the assets, the expenditure is capitalized as an additional cost to the assets. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

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

Notes to the financial statements

The annual depreciation rates adopted are as follows:

Leasehold buildings	5%
Leasehold improvements	10%
Furniture, fixtures and equipment	10-33⅓%

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

j. Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease expense is an up-front payment to acquire a long or medium-term interest in lessee occupied land. This payment is stated at cost and amortized over the remaining term of the lease to the income statement.

k. Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

l. Financial instruments

Accounts payable and accruals are measured at amortized cost using the effective interest rate method. Trade and other receivables are measured at amortized cost using the effective interest rate method, less impairment.

m. Inventories

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

n. Foreign currency translation

i. Functional and presentation currency

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

Notes to the financial statements

ii. Transactions and balances

Foreign currency transactions are recognized in the functional currency at the exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated into Hong Kong dollars at the closing rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recognized in the income statement.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Institute at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates arising, if any, are classified as equity. Such exchange differences are recognized in the consolidated income statement in the period which the foreign operation is disposed of.

o. Employee benefits

i. Retirement benefits costs

The Group operates two approved defined contribution retirement benefits schemes for employees: a Mandatory Provident Fund (MPF) Exempted Occupational Retirement Scheme and an MPF Scheme under the Mandatory Provident Fund Schemes Ordinance.

The contributions payable to the Group's defined contribution retirement benefits schemes are charged to the income statement as incurred.

Employees on fixed-term contracts are paid gratuity calculated at 10 percent or 15 percent (if completed 10 years of service or more) of their paid basic salary less mandatory contributions made to the MPF scheme by the Institute during the contract period. Gratuity is payable upon completion of the contract term and a provision is charged to the income statement on an accrual basis using the projected unit credit method.

Employees are entitled to an *ex-gratia* payment equal to one month of their last basic salary for each 10 years of service provided to the Institute. Ex-gratia payment is payable upon termination of employment and a provision is charged to the income statement on an accrual basis using the projected unit credit method.

ii. Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees.

A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Notes to the financial statements

Employee entitlements to sick leave are recognized when a sick leave entitlement is accrued, to the extent that future sick leave taken is expected to be greater than entitlements to sick leave earned after the balance sheet date.

p. Cash equivalents

For the purpose of the cash flow statements, cash equivalents represent short-term highly liquid investments, which are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

q. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects an outflow of resources to be reimbursed, the reimbursement is recognized as a separate asset when the reimbursement is virtually certain.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

r. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums on borrowings, and amortization of ancillary costs incurred in the arrangement of borrowing. Borrowing costs are expensed when incurred, unless relating to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

s. Equity

For the purpose of capital disclosure, the council regards the capital fund as capital of the Group.

3. Segment information

The Group is organized into seven operating segments: student education & training, membership & member services, regulatory, mainland & international relations, communications, operation & finance and HKIAAT Group. Each operating segment is deemed to be a reportable segment. The structure has been revised from 2006 and the comparative information has been restated.

Student education & training refers to the registration of students; the accreditation of university programmes and overseas qualifications; the operation of the Institute's qualification programme and professional examinations; and provision of student services.

Membership & member services refers to the registration of certified public accountants, firms of certified public accountants (practising) and corporate practices, and the issuance of practising certificates to members to perform statutory audits in Hong Kong. It is also responsible for implementing the practical experience framework for membership, maintaining membership records and processing members'

Notes to the financial statements

applications for Institute of Chartered Accountants in England & Wales membership. It also refers to technical development and support in the specialist disciplines of tax, insolvency, financial management, corporate governance, risk management, information technology, and specialized industries such as banking, insurance, listing and securities. It also refers to providing technical services to members, including professional interest groups and technical publications; the provision of membership services; participation in the development of global products and services; organization of the continuing professional development training; membership networking events; social and sports activities and affinity programmes.

Regulatory refers to regulatory activities in monitoring members' observation, maintenance and application of ethics, financial reporting, auditing as well as other assurance and related services' professional standards through the statutory practice review programme and continuous reviews of published listed entity financial statements. It also refers to the conduct of formal investigations, handling of complaints and conduct of disciplinary proceedings as well as working with the government and other regulatory bodies on issues relating to, and arising from, legislative changes enhancing the regulation of the accountancy profession in Hong Kong. It also refers to the development and promulgation of financial reporting, auditing and assurance, and ethical standards and guidelines. Under the international convergence programme, this includes commenting on draft standards and interpretations. For Hong Kong specific matters, this includes commenting on relevant legislation and regulatory issues. It also supports the implementation of standards through activities such as developing forums and seminars, writing technical articles and answering members' technical enquires.

Mainland & international relations is responsible for liaising with authorities and accountancy bodies in mainland China and overseas to promote the Hong Kong accounting profession, enhance members' understanding of the accounting profession in the mainland and overseas, and help members extend their career and businesses onto the mainland.

Communications refers to official and formal communications with stakeholders (members, Institute staff, students, the government, regulators, accounting bodies, the business community, the news media, the international accounting community and the general public) about the activities and views of the Institute. It refers to regular exchanges between stakeholders and the Institute through our official channels, mainly our email address, website, magazine and press releases. It also refers to information gathering from our members, including formal and informal surveys of members' opinions, needs and concerns.

Operation & finance refers to managing the Institute's overall operations in the areas of finance and accounting, office and training centre administration, human resources and information technology. It also provides library and front office counter services including providing initial responses to queries raised by the stakeholders (both on spot and through telephone), sales of publications and souvenirs, and administering the HKICPA Trust Fund and HKICPA Charitable Fund.

HKIAAT Group's principal activities are the promotion of the study of accountancy among secondary school and sub-degree students, and the award of the "Accredited Accounting Technician" qualification through conducting professional examinations.

The Group's income is derived principally from business activities in Hong Kong. An analysis of the Group's results for the year, assets and liabilities at the balance sheet date by operating segment is set out overleaf:

Notes to the financial statements

	Student education & training HK\$'000	Membership & member services HK\$'000	Regulatory HK\$'000	Mainland & international relations HK\$'000
2007				
Subscriptions and fees	6,685	82,447	--	--
Other revenue				
- External	41,472	16,387	423	1,490
- Internal	363	--	--	--
Total revenue	48,520	98,834	423	1,490
Other income	--	1,000	7,500	--
Expenses	(35,327)	(24,448)	(36,894)	(10,181)
Financing charges	--	--	--	--
Interest income	--	--	--	--
Net financing (charges)/income	--	--	--	--
Operating surplus/(deficit) before tax	13,193	75,386	(28,971)	(8,691)
Gain on disposal of leasehold buildings and land lease	--	--	--	--
Surplus/(deficit) before tax	13,193	75,386	(28,971)	(8,691)
Tax	--	--	--	--
Surplus/(deficit) after tax	13,193	75,386	(28,971)	(8,691)

Non-current assets

Current assets

Total assets

Non-current liability

Current liabilities

Total liabilities

Additions of leasehold improvements and equipment

Depreciation and amortization

Impairment loss on leasehold

improvements, furniture,

fixtures and equipment

Communications HK\$'000	Operation & finance HK\$'000	HKIAAT Group HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
--	--	4,239	--	--	93,371
1,018	3,206	6,683	--	--	70,679
<u>--</u>	<u>1,846</u>	<u>--</u>	<u>--</u>	<u>(2,209)</u>	<u>--</u>
1,018	5,052	10,922	--	(2,209)	164,050
--	90	383	--	--	8,973
(11,783)	(30,558)	(11,720)	(3,716)	2,299	(162,328)
<u>--</u>	<u>(1,950)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,950)</u>
<u>--</u>	<u>523</u>	<u>822</u>	<u>--</u>	<u>--</u>	<u>1,345</u>
<u>--</u>	<u>(1,427)</u>	<u>822</u>	<u>--</u>	<u>--</u>	<u>(605)</u>
<u>(10,765)</u>	<u>(26,843)</u>	<u>407</u>	<u>(3,716)</u>	<u>90</u>	<u>10,090</u>
<u>--</u>	<u>40,889</u>	<u>17,298</u>	<u>--</u>	<u>13,238</u>	<u>71,425</u>
(10,765)	14,046	17,705	(3,716)	13,328	81,515
--	(4,632)	(119)	--	--	(4,751)
<u>(10,765)</u>	<u>9,414</u>	<u>17,586</u>	<u>(3,716)</u>	<u>13,328</u>	<u>76,764</u>
	236,596	77	--	(1,392)	235,281
	<u>47,760</u>	<u>43,651</u>	<u>--</u>	<u>(4,457)</u>	<u>86,954</u>
	<u>284,356</u>	<u>43,728</u>	<u>--</u>	<u>(5,849)</u>	<u>322,235</u>
	185	--	--	--	185
	<u>97,790</u>	<u>6,368</u>	<u>--</u>	<u>(5,579)</u>	<u>98,579</u>
	<u>97,975</u>	<u>6,368</u>	<u>--</u>	<u>(5,579)</u>	<u>98,764</u>
	3,429	50	--	--	3,479
	9,196	170	--	(90)	9,276
	--	105	--	--	105

Notes to the financial statements

	Student education & training HK\$'000	Membership & member services HK\$'000	Regulatory HK\$'000	Mainland & international relations HK\$'000
2006				
Subscriptions and fees	4,707	77,759	--	--
Other revenue				
- External	32,847	13,437	1,525	1,389
- Internal	<u>216</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total revenue	37,770	91,196	1,525	1,389
Other income	--	--	1,526	--
Expenses	(25,898)	(18,976)	(21,396)	(8,946)
Financing charges	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Interest income	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net financing (charges)/income	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Surplus/(deficit) before tax	<u>11,872</u>	<u>72,220</u>	<u>(18,345)</u>	<u>(7,557)</u>
Tax	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Surplus/(deficit) after tax	<u>11,872</u>	<u>72,220</u>	<u>(18,345)</u>	<u>(7,557)</u>

Non-current assets

Current assets

Total assets

Current and total liabilities

Additions of property, equipment

and prepaid land lease expense

Depreciation and amortization

Impairment loss on leasehold

improvements, furniture,

fixtures and equipment

Communications HK\$'000	Operation & finance HK\$'000	HKIAAT Group HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
--	--	3,578	--	--	86,044
993	4,181	6,495	--	--	60,867
<u>--</u>	<u>1,240</u>	<u>--</u>	<u>--</u>	<u>(1,456)</u>	<u>--</u>
993	5,421	10,073	--	(1,456)	146,911
--	534	3	--	--	2,063
(16,518)	(34,908)	(10,311)	(3,344)	1,811	(138,486)
<u>--</u>	<u>(5,473)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,473)</u>
--	334	81	--	--	415
<u>--</u>	<u>(5,139)</u>	<u>81</u>	<u>--</u>	<u>--</u>	<u>(5,058)</u>
(15,525)	(34,092)	(154)	(3,344)	355	5,430
<u>--</u>	<u>(1,285)</u>	<u>(94)</u>	<u>--</u>	<u>--</u>	<u>(1,379)</u>
<u>(15,525)</u>	<u>(35,377)</u>	<u>(248)</u>	<u>(3,344)</u>	<u>355</u>	<u>4,051</u>
	241,672	16,983	--	(13,248)	245,407
	<u>105,569</u>	<u>5,980</u>	<u>--</u>	<u>(571)</u>	<u>110,978</u>
	<u>347,241</u>	<u>22,963</u>	<u>--</u>	<u>(13,819)</u>	<u>356,385</u>
	<u>217,845</u>	<u>3,861</u>	<u>--</u>	<u>(2,726)</u>	<u>218,980</u>
	252,585	72	--	--	252,657
	<u>10,364</u>	<u>804</u>	<u>--</u>	<u>(355)</u>	<u>10,813</u>
	598	--	--	--	598

Notes to the financial statements

4. Subscriptions and fees

	<u>Group</u>		<u>Institute</u>	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Annual subscription fees				
Members	50,361	46,688	50,361	46,688
Practising certificates	17,007	16,199	17,007	16,199
Students	8,065	6,732	4,812	3,725
Firms	8,477	8,163	8,477	8,163
Corporate practices	2,966	2,755	2,966	2,755
Others	95	60	95	60
First registration fees				
Members	2,248	2,251	2,248	2,251
Practising certificates	408	258	408	258
Students	1,956	1,553	1,020	982
Firms	160	78	160	78
Corporate practices	133	77	133	77
Other fees				
Member practices' changes in particulars	244	215	244	215
Advancement to fellowship	308	291	308	291
Assessment for overseas students	943	724	893	724
	<u>93,371</u>	<u>86,044</u>	<u>89,132</u>	<u>82,466</u>

Notes to the financial statements

5. Other revenue

	Group		Institute	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income from examinations	44,791	34,593	41,437	30,560
Income from seminars, courses and other activities	20,280	19,567	20,217	19,085
Sale of goods	2,474	2,286	857	1,109
Income from advertisements placed in the journals	1,286	1,340	990	993
Operating lease income	1,848	3,081	2,329	3,081
	<u>70,679</u>	<u>60,867</u>	<u>65,830</u>	<u>54,828</u>

6. Other income

	Group		Institute	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Government grants (a)	1,000	1,526	1,000	1,526
Special levy (b)	7,500	--	7,500	--
Donations received	418	537	35	--
Exchange differences	55	--	55	--
	<u>8,973</u>	<u>2,063</u>	<u>8,590</u>	<u>1,526</u>

Notes to the financial statements

a. Government grants

The Institute had signed the following agreements with the Government of the Hong Kong Special Administrative Region (HKSAR) under the Professional Services Development Assistance Scheme:

- i. On 23 December 2004, the Institute signed an agreement for a project entitled “Revision of the Practice Review Programme.” The objective of the project was to revise the Institute’s practice review programme to make it more effective and efficient which will enhance the image and competitiveness of Hong Kong accountancy professionals working in Hong Kong, the mainland and overseas. The practice review programme serves as a quality assurance review mechanism on the work of practice units. The original estimated project cost was HK\$4,940,000 and the Government of the HKSAR would contribute not more than HK\$1,665,000 to the project cost. In the year ended 30 June 2006, HK\$1,526,000 was recognized as income to match with the related costs. During the year, the estimated project cost was revised to HK\$3,080,000 with a probable refund of HK\$500,000 to the Government of the HKSAR. A provision of HK\$500,000 (2006: nil) has been made in the current year’s financial statements. The project’s target completion date is October 2007.
- ii. On 31 August 2005, the Institute signed an agreement for a project entitled “HKICPA Audit Practice Manual Development.” The objective of the project was to provide a reference guide for certified public accountants in public practice with the best practice in audit approach and methodology, and documenting the work in small and medium-sized enterprises audit engagements. The estimated project cost was HK\$3,314,000. The Government of the HKSAR would contribute not more than HK\$1,545,000 to the project cost. During the year, HK\$1,000,000 (2006: nil) was recognized as income to match with the related costs. The manual has been available since June 2007 with the related training courses to be launched in July 2007.

b. Special levy

The Institute representing the accounting profession is one of the four funding parties of the Financial Reporting Council (FRC) along with the Government of the HKSAR’s Companies Registry Trading Fund, Hong Kong Exchanges and Clearing Limited and the Securities and Futures Commission. Under the existing funding arrangements, the Institute will contribute HK\$2,500,000 per annum as the recurrent funding of the FRC for the first three years and a maximum amount of HK\$5,000,000 as the contingency funding for the FRC for the first three-year period. The Institute’s share of the funding is met by a special annual levy on member practices which are auditors of listed entities. During the year, the Institute received HK\$7,500,000 comprising HK\$2,500,000 as the first year’s funding and HK\$5,000,000 as contingency funding (2006: nil) from such member practices and contributed the same amount to the FRC (note 7).

Notes to the financial statements

7. Expenses

	Note	Group		Institute	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Employee benefits	25	67,512	60,304	64,169	57,794
Seminars, courses and other activities		13,798	17,307	13,332	15,307
Examinations		17,620	14,466	15,268	12,835
Cost of goods sold		1,283	1,164	408	511
Publication of journals		6,059	5,732	5,565	5,288
Postage, printing and stationery		3,468	2,550	3,074	2,136
Depreciation	11	4,873	6,103	4,798	5,682
Amortization of prepaid land lease expense	12	4,403	4,710	4,398	4,682
Communications and public relations		8,470	8,101	8,408	7,880
Building related expenses		5,949	3,900	5,228	3,609
Legal and professional fees		7,575	2,245	7,560	2,138
Reversal of legal fee provision		--	(500)	--	(500)
Impairment loss on leasehold improvements, furniture, fixtures and equipment	11	105	598	--	598
Refund of government grant	6a	500	18	500	18
Auditor's remuneration		94	89	78	73
Cost of development of examination syllabus and course materials for professional programme		2,550	1,260	2,550	1,260
Operating lease expenses		536	488	164	488
Impairment loss on receivables		--	97	--	97
Contribution to FRC	6b	7,500	--	7,500	--
Other general administration and office expenses		10,033	9,854	8,978	9,481
		<u>162,328</u>	<u>138,486</u>	<u>151,978</u>	<u>129,377</u>

8. Net financing charges

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on bank loans and overdrafts	1,950	5,473	1,950	5,473
Interest income	(1,345)	(415)	(520)	(330)
	<u>605</u>	<u>5,058</u>	<u>1,430</u>	<u>5,143</u>

Notes to the financial statements

9. Gain on disposal of leasehold buildings and land lease

On 13 March 2006, the Institute entered into a contract to sell the 4th floor of Lippo Centre, Tower Two at a consideration of HK\$95,800,000. The sale was completed on 25 October 2006.

On 16 March 2006, the Institute entered into a contract to sell room 803 of Lippo Centre, Tower Two at a consideration of HK\$31,221,600. The sale was completed on 31 July 2006.

On 3 November 2006, HKIAAT entered into a contract to sell 17th floor and a parking space of Fortis Bank Tower at a consideration of HK\$34,480,000. The sale was completed on 8 December 2006.

10. Tax

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Current tax				
Provision for Hong Kong profits tax for the year	3,968	494	3,848	400
Over-provision in previous year	(130)	(54)	(129)	(54)
	<u>3,838</u>	<u>440</u>	<u>3,719</u>	<u>346</u>
Deferred tax				
Deferred tax charge relating to the origination and reversal of temporary differences	<u>913</u>	<u>939</u>	<u>913</u>	<u>939</u>
Tax expense	<u>4,751</u>	<u>1,379</u>	<u>4,632</u>	<u>1,285</u>

Hong Kong profits tax is provided at 17.5 percent (2006: 17.5%) on the estimated taxable surplus arising in Hong Kong during the year.

The reconciliation of tax charge at the applicable rate (i.e. the statutory tax rate) to tax expense at the effective tax rate is as follows:

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Surplus before tax	<u>81,515</u>	<u>5,430</u>	<u>51,033</u>	<u>4,300</u>
Tax at the applicable rate of 17.5% (2006: 17.5%)	14,265	950	8,931	753
Tax effect of expenses that are not deductible in determining taxable surplus	1,167	649	817	644
Tax effect on income that is not assessable in determining taxable surplus	(10,551)	(166)	(4,987)	(58)
Over-provision in previous year	(130)	(54)	(129)	(54)
Tax expense	<u>4,751</u>	<u>1,379</u>	<u>4,632</u>	<u>1,285</u>

Notes to the financial statements

11. Property and equipment

2007	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Group				
Net book value at 1 July 2006	41,091	15,278	8,905	65,274
Currency translation difference	--	--	30	30
Additions	--	369	3,110	3,479
Impairment loss	--	(15)	(90)	(105)
Depreciation	<u>(2,153)</u>	<u>(1,462)</u>	<u>(1,258)</u>	<u>(4,873)</u>
Net book value at 30 June 2007	<u>38,938</u>	<u>14,170</u>	<u>10,697</u>	<u>63,805</u>
At cost	43,255	17,323	19,833	80,411
Accumulated depreciation and impairment	<u>(4,317)</u>	<u>(3,153)</u>	<u>(9,136)</u>	<u>(16,606)</u>
	<u>38,938</u>	<u>14,170</u>	<u>10,697</u>	<u>63,805</u>
Institute				
Net book value at 1 July 2006	41,091	15,235	8,744	65,070
Additions	--	144	2,868	3,012
Depreciation	<u>(2,153)</u>	<u>(1,434)</u>	<u>(1,211)</u>	<u>(4,798)</u>
Net book value at 30 June 2007	<u>38,938</u>	<u>13,945</u>	<u>10,401</u>	<u>63,284</u>
At cost	43,255	17,098	19,513	79,866
Accumulated depreciation and impairment	<u>(4,317)</u>	<u>(3,153)</u>	<u>(9,112)</u>	<u>(16,582)</u>
	<u>38,938</u>	<u>13,945</u>	<u>10,401</u>	<u>63,284</u>

Notes to the financial statements

2006	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Group				
Net book value at 1 July 2005	17,399	840	2,441	20,680
Additions	43,255	16,954	7,778	67,987
Depreciation	(2,871)	(2,018)	(1,214)	(6,103)
Classified as non-current assets held for sale	(16,692)	--	--	(16,692)
Impairment loss	--	(498)	(100)	(598)
Net book value at 30 June 2006	<u>41,091</u>	<u>15,278</u>	<u>8,905</u>	<u>65,274</u>
At cost	43,255	25,888	21,134	90,277
Accumulated depreciation and impairment	<u>(2,164)</u>	<u>(10,610)</u>	<u>(12,229)</u>	<u>(25,003)</u>
	<u>41,091</u>	<u>15,278</u>	<u>8,905</u>	<u>65,274</u>
Institute				
Net book value at 1 July 2005	17,399	498	2,230	20,127
Additions	43,255	16,954	7,706	67,915
Depreciation	(2,871)	(1,719)	(1,092)	(5,682)
Classified as non-current assets held for sale	(16,692)	--	--	(16,692)
Impairment loss	--	(498)	(100)	(598)
Net book value at 30 June 2006	<u>41,091</u>	<u>15,235</u>	<u>8,744</u>	<u>65,070</u>
At cost	43,255	24,393	19,453	87,101
Accumulated depreciation and impairment	<u>(2,164)</u>	<u>(9,158)</u>	<u>(10,709)</u>	<u>(22,031)</u>
	<u>41,091</u>	<u>15,235</u>	<u>8,744</u>	<u>65,070</u>

- a. The Group's leasehold properties, which are held on medium-term leases, comprise the 37th floor and 27th floor of Wu Chung House located at 213 Queen's Road East, Wanchai, Hong Kong with a gross area of 49,722 sq. ft. acquired on 8 July 2005 and 28 February 2006 respectively.
- b. Rooms 3701 and 3708 on the 37th floor of Wu Chung House with a gross area of 7,018 sq. ft. are being leased to a tenant for three years starting from 5 April 2006 pursuant to an option exercised by the tenant to renew the lease agreement previously signed between the tenant and the ex-landlord.

Notes to the financial statements

The total future minimum lease payments under the non-cancellable operating lease are receivable as follows:

	2007 HK\$'000	2006 HK\$'000
Group and Institute		
Within one year	1,500	1,500
Between one and five years	<u>1,125</u>	<u>2,625</u>
	<u>2,625</u>	<u>4,125</u>

c. The properties on 37th floor and 27th floor of Wu Chung House were charged as a security for bank overdraft and short-term loan facilities granted to the Institute.

12. Prepaid land lease expense

	Note	<u>Group</u>		<u>Institute</u>	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Carrying amount at beginning of year		183,832	72,041	180,272	68,453
Additions		--	184,670	--	184,670
Classified as non-current assets held for sale		--	(68,169)	--	(68,169)
Disposals		(3,555)	--	--	--
Amortization		<u>(4,403)</u>	<u>(4,710)</u>	<u>(4,398)</u>	<u>(4,682)</u>
Carrying amount at end of year		<u>175,874</u>	<u>183,832</u>	<u>175,874</u>	<u>180,272</u>
Current portion	16	4,398	4,427	4,398	4,398
Non-current portion		<u>171,476</u>	<u>179,405</u>	<u>171,476</u>	<u>175,874</u>
Carrying amount at end of year		<u>175,874</u>	<u>183,832</u>	<u>175,874</u>	<u>180,272</u>

The prepaid land lease expense represents leases of land situated in Hong Kong. The carrying amounts are analyzed as follows:

	<u>Group</u>		<u>Institute</u>	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Lease of over 50 years	--	3,560	--	--
Leases between 10 to 50 years	<u>175,874</u>	<u>180,272</u>	<u>175,874</u>	<u>180,272</u>
	<u>175,874</u>	<u>183,832</u>	<u>175,874</u>	<u>180,272</u>

Notes to the financial statements

13. Investment in subsidiaries

2007 2006
HK\$'000 HK\$'000

The Institute

Registered and paid-up share capital	300	--
--------------------------------------	-----	----

The subsidiaries of the Institute are HKICPA Beijing, the HKICPA Trust Fund, the HKICPA Charitable Fund, and HKIAAT Group.

HKICPA Beijing is a wholly owned subsidiary of the Institute incorporated as a foreign enterprise in the mainland. Its registered and paid-up share capital is HK\$300,000.

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

HKIAAT was founded by some then council members of the Institute at no cost to the Institute.

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

14. Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognized in the balance sheet and their movements are as follows:

	Group			Institute		
	Accelerated accounting depreciation/ (accelerated tax depreciation) HK\$'000	Other temporary differences HK\$'000	Total HK\$'000	Accelerated accounting depreciation/ (accelerated tax depreciation) HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1 July 2005	533	1,134	1,667	533	1,134	1,667
(Charged)/credited to the income statement	(1,027)	88	(939)	(1,027)	88	(939)
At 30 June 2006	(494)	1,222	728	(494)	1,222	728
(Charged)/credited to the income statement	(1,018)	105	(913)	(1,018)	105	(913)
At 30 June 2007	(1,512)	1,327	(185)	(1,512)	1,327	(185)

Notes to the financial statements

15. Trade and other receivables

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivables	967	444	814	291
Amounts due from subsidiaries	--	--	3,437	432
Other receivables	699	1,899	568	1,825
	<u>1,666</u>	<u>2,343</u>	<u>4,819</u>	<u>2,548</u>
Impairment loss	(279)	(279)	(279)	(279)
	<u>1,387</u>	<u>2,064</u>	<u>4,540</u>	<u>2,269</u>

- a. Subscriptions, fees, income from examinations, seminars, courses, other activities and rental income are collected in advance. Sale of goods is made in cash or via major credit cards. Income from advertisements placed in the journals is normally on open credit within 30 days.
- b. The provision for impairment of receivables relating to other receivables represents the difference between the carrying amount of the other receivables and their amortized value.
- c. The fair value of the Group's and the Institute's trade and other receivables at the balance sheet date approximates their carrying value.

The following is the aging analysis of trade and other receivables at the balance sheet date:

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within 30 days	385	466	2,704	805
Between 31 and 60 days	154	93	1,018	41
Between 61 and 90 days	64	28	202	22
Over 90 days	1,063	1,756	895	1,680
	<u>1,666</u>	<u>2,343</u>	<u>4,819</u>	<u>2,548</u>

Notes to the financial statements

16. Deposits and prepayments

	Note	Group		Institute	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepaid land lease expense	12	4,398	4,427	4,398	4,398
Others		<u>2,793</u>	<u>3,808</u>	<u>2,664</u>	<u>3,738</u>
		<u>7,191</u>	<u>8,235</u>	<u>7,062</u>	<u>8,136</u>

17. Cash and bank balances

	Note	Group		Institute	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits	28a	53,868	2,056	18,128	--
Savings accounts	28a	15,408	7,784	9,942	6,716
Current accounts		7,406	4,824	4,805	2,170
Cash on hand		<u>120</u>	<u>76</u>	<u>109</u>	<u>67</u>
		<u>76,802</u>	<u>14,740</u>	<u>32,984</u>	<u>8,953</u>

Time deposits are deposits with maturity dates of three months or less from dates of deposit. The effective interest rates on time deposits and savings accounts are 3.9 percent (2006: 3.7%) and 2.6 percent (2006: 3.0%) respectively. Included in the Group's cash and bank balances is an amount of HK\$825,000 (2006: HK\$751,000), which has been designated for relief of poverty of members of the Institute and their dependants under the HKICPA Trust Fund, for general charitable purposes under the HKICPA Charitable Fund and for the provision of scholarships to students studying for the examinations organized by HKIAAT under the HKIAAT Scholarship Trust Fund.

Notes to the financial statements

18. Non-current assets classified as held for sale

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Leasehold buildings	--	16,692	--	16,692
Prepaid land lease expense	--	68,169	--	68,169
	<u>--</u>	<u>84,861</u>	<u>--</u>	<u>84,861</u>

Following the completion of the acquisition of the 37th floor and 27th floor of Wu Chung House on 8 July 2005 and 28 February 2006 respectively, the council of the Institute decided to sell the 4th floor and room 803 of Lippo Centre, Tower Two to partially finance the purchase of the Institute's new office premises.

The 4th floor of Lippo Centre, Tower Two was occupied by the secretariat until 31 December 2005 and was classified as properties held for sale on 1 January 2006. On 13 March 2006, the Institute entered into a contract to sell this floor at a consideration of HK\$95,800,000. The sale was completed on 25 October 2006.

Room 803 of Lippo Centre, Tower Two was classified as properties held for sale on 16 March 2006 when the Institute entered into a contract to sell this room at a consideration of HK\$31,221,600. The sale was completed on 31 July 2006.

19. Subscriptions and fees received in advance

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Subscriptions received in advance	45,353	39,634	43,829	38,476
Other fees received in advance	15,783	11,251	15,715	10,975
	<u>61,136</u>	<u>50,885</u>	<u>59,544</u>	<u>49,451</u>

The Group charges its members and students an annual subscription fee for renewal of membership based on a calendar year (i.e. from 1 January to 31 December), which is recognized on a straight-line basis over the subscription period. Subscriptions received in advance represent the unearned subscription income for the period from 1 July to 31 December.

Other fees received in advance relate to examinations and examination revision courses yet to be conducted at the balance sheet date.

Notes to the financial statements

20. Deposits received from disposal of leasehold buildings and land lease

The deposits received represented the initial deposits received for sale of 4th floor and room 803 of Lippo Centre, Tower Two, which were completed on 25 October 2006 and 31 July 2006 respectively.

21. Accounts payable and accruals

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Accounts payable	4,855	11,224	4,119	10,504
Amounts due to subsidiaries	--	--	2,142	2,164
Litigation costs	5,618	--	5,618	--
Other payables and accruals	<u>10,808</u>	<u>15,627</u>	<u>8,910</u>	<u>14,307</u>
	<u>21,281</u>	<u>26,851</u>	<u>20,789</u>	<u>26,975</u>

The fair value of the Group's and the Institute's accounts payable and accruals at the balance sheet date approximates their carrying value.

Litigation costs represent unpaid costs, for which the Institute had a current obligation at 30 June 2007, related to two judicial review proceedings challenging certain decisions made by the Institute. One case is scheduled to be heard in July 2007 and the other in November 2007.

The following is the aging analysis of accounts payable and accruals at the balance sheet date:

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within 30 days	18,136	18,345	16,448	18,024
Between 31 and 60 days	86	2,826	6	2,826
Between 61 and 90 days	285	36	286	37
Over 90 days	<u>2,774</u>	<u>5,644</u>	<u>4,049</u>	<u>6,088</u>
	<u>21,281</u>	<u>26,851</u>	<u>20,789</u>	<u>26,975</u>

Notes to the financial statements

22. Provisions

	Group		Institute	
	2007	2006	2007	2006
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	10,512	9,410	10,244	9,203
Payments made during the year	(5,720)	(4,683)	(5,446)	(4,455)
Provisions for the year	<u>7,682</u>	<u>5,785</u>	<u>7,442</u>	<u>5,496</u>
At end of year	<u>12,474</u>	<u>10,512</u>	<u>12,240</u>	<u>10,244</u>
Represented by				
Staff benefits	11,974	10,512	11,740	10,244
Refund of government grant	6a <u>500</u>	<u>--</u>	<u>500</u>	<u>--</u>
	<u>12,474</u>	<u>10,512</u>	<u>12,240</u>	<u>10,244</u>

23. Short-term bank loans

The short-term bank loans represented revolving term loans to the extent of HK\$120,000,000 for financing the purchase of the two floors of properties on the 37th floor and 27th floor in Wu Chung House. The loans were secured by a charge over these two properties and bear variable rates at HIBOR plus 0.45 percent per annum. The loans were fully repaid in December 2006.

24. Members' equity

	Group		Institute	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	137,405	124,239	129,270	117,683
Capital levy from members	7,920	7,989	7,920	7,984
Capital levy from students	1,352	1,126	680	588
Exchange reserve	30	--	--	--
Surplus for the year	<u>76,764</u>	<u>4,051</u>	<u>46,401</u>	<u>3,015</u>
At end of year	<u>223,471</u>	<u>137,405</u>	<u>184,271</u>	<u>129,270</u>

Details of changes in general and capital funds are set out in the statements of changes in members' equity on page 59.

Notes to the financial statements

The Group has two capital funds:

- a. The capital fund of the Institute represents a capital levy from its members and students for the purpose of financing the purchase, improvement and/or expansion of the Institute's office premises. The rates of levy for the current and immediate prior years were HK\$300, HK\$75 and HK\$50 from each member, retired member and student respectively. The rates of levy are decided annually by the council.
- b. The capital fund of the HKIAAT represents a capital levy from its members and students to meet further improvement and/or expansion of its office premises. The rates of levy for the current and immediate prior years were HK\$100 and HK\$80 for each member and student respectively. The rates of levy are decided annually by the board of HKIAAT.

25. Employee benefits

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Salaries, wages and allowances	63,568	56,300	60,382	53,940
Provident fund contributions	3,811	3,782	3,654	3,632
Ex-gratia payments to long-service staff	133	222	133	222
	<u>67,512</u>	<u>60,304</u>	<u>64,169</u>	<u>57,794</u>
Number of staff				
At beginning of year	129	122	117	111
At end of year	149	129	134	117

26. Key management personnel's remuneration

	Performance		Retirement	Total 2007 HK\$'000	Total 2006 HK\$'000
	Salary 2007 HK\$'000	bonus 2007 HK\$'000	benefits 2007 HK\$'000		
Group and Institute					
Chief Executive & Registrar	<u>2,580</u>	<u>300</u>	<u>387</u>	<u>3,267</u>	<u>2,927</u>

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

Notes to the financial statements

27. Related party transactions

During the year, the Group had the following material transactions with its related parties:

	2007 HK\$'000	2006 HK\$'000
Members of the Institute's council	<u>1,633</u>	<u>1,666</u>

a. Members of the Institute's council

Members of the council do not receive any fees or other remuneration for serving as a member of the council.

Details of material transactions between the Group and council members or parties related to council members were:

- i. An amount of HK\$825,000 (2006: HK\$860,000) was paid to Deloitte Touche Tohmatsu pursuant to contracts awarded for development of the Institute's professional programme;
- ii. An amount of HK\$673,000 (2006: HK\$802,000) was paid to KPMG for carrying out various systems reviews, reviewing of listed companies' annual reports and giving lectures and acting as workshop facilitators for the Institute's qualification programme;
- iii. An amount of HK\$135,000 (2006: HK\$4,000) was paid to Ernst & Young for reviewing of listed companies' annual reports, giving lectures and acting as workshop facilitators for the Institute's qualification programme;

In both the current and prior years, certain council members were partners of Deloitte Touche Tohmatsu, KPMG and Ernst & Young.

In addition, the Group received income in the ordinary course of business, such as subscriptions and fees from the council members or parties related to council members. The Group also paid honoraria to recipients, some of whom are council members or parties related to council members, for various services provided to the Group such as giving lectures and providing venues for training courses, marking of examination scripts, contributing articles to the Group's publications and reviewing of listed companies' annual reports. The total amount paid to council members or parties related to council members in this relation was not significant.

Notes to the financial statements

b. HKICPA Beijing

HKICPA Beijing was established in October 2006. During the period, the Institute advanced cash to HKICPA Beijing to finance its operations. Included in “trade and other receivables” of the Institute is an amount of HK\$1,122,000 due from HKICPA Beijing arising from the advances. The amount is unsecured, interest-free and repayable on demand.

c. The HKICPA Trust Fund

Included in “accounts payable and accruals” of the Institute is an amount of HK\$1,142,000 (2006: HK\$1,164,000) due to the HKICPA Trust Fund. The amount is unsecured, interest-free and payable on demand.

d. The HKICPA Charitable Fund

Included in “accounts payable and accruals” of the Institute is an amount of HK\$1,000,000 (2006: HK\$1,000,000) due to the HKICPA Charitable Fund. The amount is unsecured, interest-free and payable on demand.

e. HKIAAT

During the current and prior years, the Institute charged HK\$2,209,000 (2006: HK\$456,000) to HKIAAT for payroll and other management services provided to HKIAAT on a cost recovery basis. Included in “trade and other receivables” of the Institute is an amount of HK\$2,315,000 (2006: HK\$432,000) due from HKIAAT arising from the services provided. The amount due is unsecured, interest-free and repayable on demand.

28. Financial risk management

Financial instruments consist of “trade and other receivables,” “accounts payable and accruals,” “short-term bank loans” and “cash and bank balances.” Being member-based organizations, the Group carries as little risks from financial instruments as practicable. The Group is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is subject to the risk due to fluctuations in the prevailing levels of market interest rates on its cash and bank balances.

Notes to the financial statements

The interest rate risk exposure of the Group is set out below:

	Note	2007 HK\$'000	2006 HK\$'000
Time deposits	17	53,868	2,056
Savings accounts	17	15,408	7,784
		<u>69,276</u>	<u>9,840</u>
Short-term bank loans		<u>--</u>	<u>116,000</u>
		percent p.a.	percent p.a.
Effective interest rate of time deposits		3.9%	3.7%
Effective interest rate of savings accounts		2.6%	3.0%
Effective interest rate of short-term bank loans		4.6%	4.6%

b. Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The Group's "trade and other receivables" are very short term in nature and the associated risk is minimal. Subscriptions, fees, income from examinations, seminars, courses, rental income and other activities are collected in advance. Sale of goods is made in cash or via major credit cards. Income from advertisements placed in the journals is derived from vendors with an appropriate credit history.

c. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty settling its liabilities or selling a financial asset quickly at close to its fair value.

The Group exercises prudent investment policy by only investing in short-term deposits held with major banks and considers that liquidity risk is immaterial.

Notes to the financial statements

29. Operating lease commitments

The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Within one year	718	261	354	261
Between one and five years	355	166	264	166
	<u>1,073</u>	<u>427</u>	<u>618</u>	<u>427</u>

30. Litigation

The Institute is involved in litigation arising in the ordinary course of business. The total amount of legal costs and claims of the outstanding cases cannot be determined at this stage. Having considered the outstanding cases and with the Institute's past experience in similar types of litigation, the council is of the opinion that except as disclosed under notes 31 and 32, the possibility of an outflow of resources in settlement is remote and accordingly no provision has been made.

31. Contingent liabilities

As mentioned in note 21, the Institute is a party to two judicial review proceedings. At the balance sheet date the Group and the Institute have a contingent liability for the costs of the other parties to these cases in the event that the proceedings are not resolved in the favour of the Institute. It is not possible to make a reasonable estimate of such costs at the date of approval of these financial statements.

32. Events after the balance sheet date

As mentioned in notes 21 and 31, the Institute is a party to two judicial review proceedings. The judgment handed down in respect of one case in August 2007 was not favourable to the Institute. The council has decided not to appeal and it is not possible to make a reasonable estimate of the costs to be awarded against the Institute at this stage. No provision has been made in this regard in 2007 as it is a non-adjusting event.

Independent auditor's report

To the trustees of the HKICPA Trust Fund

We have audited the financial statements of the HKICPA Trust Fund (the Trust Fund) set out on pages 92 to 94, which comprise the balance sheet as at 30 June 2007, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibility for the financial statements

The trustees are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the Institute). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform

the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust Fund's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Trust Fund's affairs as at 30 June 2007 and of its deficit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Wong Brothers & Co.
Certified Public Accountants
Hong Kong, 18 September 2007

Income statement

For the year ended 30 June 2007

	Note	2007 HK\$	2006 HK\$
Expenditure			
Grants to members	4	21,300	12,600
Bank charges		<u>355</u>	<u>305</u>
		<u>21,655</u>	<u>12,905</u>
Deficit for the year		<u>(21,655)</u>	<u>(12,905)</u>

Balance sheet

As at 30 June 2007

	Note	2007 HK\$	2006 HK\$
Current assets			
Amount due from the Institute	5	1,142,244	1,163,544
Short-term loans to members	6	66,670	71,670
Bank balance	7	<u>54,434</u>	<u>49,789</u>
		<u>1,263,348</u>	<u>1,285,003</u>
Accumulated funds			
Balance brought forward		1,285,003	1,297,908
Deficit for the year		<u>(21,655)</u>	<u>(12,905)</u>
Balance carried forward		<u>1,263,348</u>	<u>1,285,003</u>

Approved by the trustees on 18 September 2007

Mark C. Fong
President

Paul M.P. Chan
Immediate Past President

Wilson Fung
Chairman, Administration & Finance Committee

Cash flow statement

For the year ended 30 June 2007

	2007	2006
	HK\$	HK\$
Cash flows from operating activities		
Deficit for the year	(21,655)	(12,905)
Decrease in amount due from the Institute	21,300	12,600
Decrease in short-term loans to members	5,000	12,500
Net increase in cash and cash equivalents	4,645	12,195
Cash and cash equivalents at beginning of year	49,789	37,594
Cash and cash equivalents at end of year	<u>54,434</u>	<u>49,789</u>

Notes to the financial statements

1. Principal activities

The HKICPA Trust Fund (the Trust Fund) was formed under a trust deed dated 21 January 1998 together with an initial sum of HK\$345,000 donated by the Hong Kong Institute of Certified Public Accountants (the Institute), a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance Chapter 50 with the registered office located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Trust Fund was set up for the relief of poverty of members of the Institute and is held in trust by the president, the immediate past president and the chairman of the administration and finance committee of the Institute as trustees. The Trust Fund, being a charitable trust, is exempt from tax under Section 88 of the Inland Revenue Ordinance.

2. Holding company

The Trust Fund regards the Institute as its holding company.

3. Principal accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

b. Changes in accounting policies

In preparing the financial statements, the Trust Fund has assessed and adopted in advance all issued HKFRSs. The standards and the interpretations issued during the year and relevant to the activities of the Trust Fund are:

Effective date: Accounting periods beginning
1 January 2007

HKFRS 7 "Financial Instruments: Disclosures"
Amendment to HKAS 1 "Capital Disclosures"

c. Financial instruments

Accounts payable are measured at amortized cost using the effective interest rate method. Accounts receivable are measured at amortized cost using the effective interest rate method, less impairment.

Notes to the financial statements

d. Cash equivalents

For the purpose of the cash flow statements, cash equivalents represent short-term highly liquid investments, which are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

4. Grants to members

During the year, grants totalling HK\$21,300 (2006: HK\$12,600) were paid to help alleviate members facing financial hardship in the following manner:

	2007	2006
	HK\$	HK\$
For payment of the annual subscriptions to the Institute	21,150	12,600
For payment of hardcopy surcharge	<u>150</u>	<u>--</u>
	<u>21,300</u>	<u>12,600</u>

5. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand.

6. Short-term loans to members

Included in the loans are balances of HK\$66,670 due by two members. Due to financial difficulty, these members failed to make the agreed monthly repayments to the Trust Fund in the aggregate of HK\$66,670 as at 30 June 2007 (2006: HK\$71,670). They have promised to continue making repayments to the Trust Fund when their financial resources have improved.

7. Bank balance

	2007	2006
	HK\$	HK\$
Current account	<u>54,434</u>	<u>49,789</u>

8. Related party transactions

The Institute

The amount due from the Institute HK\$1,142,244 (2006: HK\$1,163,544) is unsecured, interest-free and repayable on demand.

9. Financial risk management

Financial instruments consist of “amount due from the Institute,” “bank balance” and “short-term loans to members.” The Trust Fund carries as little risks from financial instruments as practicable.

Independent auditor's report

To the trustees of the HKICPA Charitable Fund

We have audited the financial statements of the HKICPA Charitable Fund (the Charitable Fund) set out on pages 96 to 100, which comprise the balance sheet as at 30 June 2007, and the income statement, statement of changes in accumulated funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Trustees' responsibility for the financial statements

The trustees are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the Institute). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with trust deed, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Institute. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to

whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charitable Fund's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charitable Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Charitable Fund's affairs as at 30 June 2007 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

Wong Brothers & Co.

Certified Public Accountants

Hong Kong, 18 September 2007

Income statement

For the year ended 30 June 2007

	Note	2007 HK\$	2006 HK\$
Income			
Donations received	4	376,292	1,533,458
Interest income		<u>1,865</u>	<u>4,380</u>
		<u>378,157</u>	<u>1,537,838</u>
Expenditure			
Charitable event	5	308,649	287,020
Charitable donations	6	<u>--</u>	<u>308,618</u>
		<u>308,649</u>	<u>595,638</u>
Surplus for the year		<u>69,508</u>	<u>942,200</u>

Balance sheet

As at 30 June 2007

	Note	2007 HK\$	2006 HK\$
Current assets			
Amount due from the Institute	7	1,000,000	1,000,000
Bank balance	8	<u>578,622</u>	<u>458,450</u>
		<u>1,578,622</u>	<u>1,458,450</u>
Current liability			
Accounts payable	9	<u>433,259</u>	<u>382,595</u>
		<u>1,145,363</u>	<u>1,075,855</u>
Accumulated funds			
General fund		1,100,426	1,030,918
Specific fund		<u>44,937</u>	<u>44,937</u>
	10	<u>1,145,363</u>	<u>1,075,855</u>

Approved by the trustees on 18 September 2007

Mark C. Fong
President

Paul M.P. Chan
Immediate Past President

Dr. Cho Lung Pui Lan, Stella
Chairperson, Community Services Committee

Cash flow statement

For the year ended 30 June 2007

	2007	2006
	HK\$	HK\$
Cash flows from operating activities		
Surplus for the year	69,508	942,200
Increase in amount due from the Institute	--	(1,000,000)
Increase in accounts payable	50,664	102,014
Net increase in cash and cash equivalents	120,172	44,214
Cash and cash equivalents at beginning of year	458,450	414,236
Cash and cash equivalents at end of year	<u>578,622</u>	<u>458,450</u>

Statement of changes in accumulated funds

For the year ended 30 June 2007

	2007			2006		
	General fund HK\$	Specific fund HK\$	Total HK\$	General fund HK\$	Specific fund HK\$	Total HK\$
At beginning of year	1,030,918	44,937	1,075,855	88,718	44,937	133,655
Surplus for the year	69,508	--	69,508	942,200	--	942,200
At end of year	<u>1,100,426</u>	<u>44,937</u>	<u>1,145,363</u>	<u>1,030,918</u>	<u>44,937</u>	<u>1,075,855</u>

Notes to the financial statements**1. Principal activities**

The HKICPA Charitable Fund (the Charitable Fund) was set up under a trust deed dated 2 December 2001 for general charitable purposes. Its trustees are the president, the immediate past president and the chairperson of the community services committee of the Hong Kong Institute of Certified Public Accountants (the Institute), a body corporate incorporated in Hong Kong on 1 January 1973 under the Professional Accountants Ordinance Chapter 50 with the registered office located at 37th floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong. The Charitable Fund, being a charitable trust, is exempt from tax under Section 88 of the Inland Revenue Ordinance.

2. Holding company

The Charitable Fund regards the Institute as its holding company.

Notes to the financial statements

3. Principal accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

b. Changes in accounting policies

In preparing the financial statements, the Charitable Fund has assessed and adopted in advance all issued HKFRSs. The standards and the interpretations issued during the year and relevant to the activities of the Charitable Fund are:

Effective date: Accounting periods beginning 1 January 2007

HKFRS 7 “Financial Instruments: Disclosures”
Amendment to HKAS 1 “Capital Disclosures”

c. Revenue recognition

Donations are recognized on a receipt basis.

Interest income from bank deposits is recognized on a time basis by reference to the principal outstanding and the interest rate applicable.

d. Financial instruments

Accounts payable are measured at amortized cost using the effective interest rate method. Accounts receivable are measured at amortized cost using the effective interest rate method, less impairment.

e. Cash equivalents

For the purpose of the cash flow statements, cash equivalents represent short-term highly liquid investments, which are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

4. Donations received

	2007	2006
	HK\$	HK\$
PlayStreet	353,322	309,880
Aids for earthquake survivors	--	208,618
Donation from the Institute	--	1,000,000
Others	22,970	14,960
	<u>376,292</u>	<u>1,533,458</u>

Notes to the financial statements

a. PlayStreet

The Charitable Fund co-organized PlayStreet 2006 and 2005 with Playright Children's Play Association (Playright) on 10 December 2006 and 4 December 2005 respectively. The aims were to promote the value and importance of play across generations to foster family relations and enrich the family lives of Hong Kong people. The net proceeds raised at this event went partly to Playright to support its play development projects and partly to the Charitable Fund to help the needy in the community. The income and expenditure of the event were dealt with in the income statement.

b. Aid for earthquake survivors

The aim was to support the relief works of the South Asian earthquake. The Charitable Fund matched dollar for dollar, all donations from members with a cap of HK\$100,000. All donations went to the Hong Kong Red Cross South Asia Relief Fund.

There was no donation received for this purpose in the current year (2006: HK\$208,618).

5. Charitable event

	2007 HK\$	2006 HK\$
PlayStreet		
Event management	224,044	196,918
Event set up	84,000	87,210
Bank charges	605	2,492
Printing and stationery	--	400
	<u>308,649</u>	<u>287,020</u>

6. Charitable donations

	2007 HK\$	2006 HK\$
Hong Kong Red Cross South Asia Relief Fund		
	<u>--</u>	<u>308,618</u>

7. Amount due from the Institute

The amount due is unsecured, interest-free and repayable on demand.

Notes to the financial statements

8. Bank balance

	2007	2006
	HK\$	HK\$
Savings account	32,848	10,771
Current account	<u>545,774</u>	<u>447,679</u>
	<u>578,622</u>	<u>458,450</u>

9. Accounts payable

The accounts payable for the current and prior years aged over 90 days at the balance sheet date.

10. Accumulated funds

	2007	2006
	HK\$	HK\$
At beginning of year	1,075,855	133,655
Surplus for the year	<u>69,508</u>	<u>942,200</u>
At end of year	<u>1,145,363</u>	<u>1,075,855</u>

The specific fund relates to the “Accountants Care Campaign” held during the period from 2 May 2003 to 15 July 2003 in cooperation with the Hong Kong offices of two international accounting bodies. The funds raised from the campaign were applied to contain atypical pneumonia and to pay tribute to those who were directly involved for their selfless work.

11. Related party transactions

The Institute

The amount due from the Institute related to a donation of HK\$1,000,000 (2006: HK\$1,000,000) made to the Charitable Fund by the Institute last year. The amount is unsecured, interest-free and repayable on demand.

12. Financial risk management

Financial instruments consist of “accounts payable,” “bank balance” and “amount due from the Institute.” The Charitable Fund carries as little risks from financial instruments as practicable.

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