

Annual Report 2008



Leaping to success



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

Leaping to success

On the cover

Hickstead, a stallion born in the Netherlands, won a gold medal in the individual show jumping event and a silver medal in the team event at the 2008 Beijing Olympics held in Hong Kong's Shatin Equestrian venue. Hickstead is 12 years old, dark brown, and according to people who know him, he is a feisty horse who knows how to win.

Contents

Foreword	3
President's report	4
Chief Executive's review	6
Operation and finance	10
Qualification and membership	14
Standards and regulation	24
China and international	28
Communications and branding	32
Corporate governance	36
Council	41
Vision and mission	42
Management team	43
Committees	44
Committee members	45
Past presidents.....	56
Financial statements	57
The HKICPA Trust Fund	93
The HKICPA Charitable Fund	100
Epilogue	107
Publisher.....	108

Note: This annual report covers the Institute's financial year (1 July 2007 – 30 June 2008) in the financial statements and the reporting year (19 September 2007 – 18 September 2008) in the text.

Leaping to success

At the Hong Kong Institute of CPAs, we say a CPA is a “success ingredient” in a career, in the business world and in society as a whole. There is no question a strong accounting profession welded Hong Kong’s reputation as a world-class financial centre.

In another dimension, the territory’s delightful horse tradition has soldered social and economic bonds and created a reputation for equine excellence. This is why Hong Kong hosted the equestrian events for the 2008 Beijing Olympics; our long history with these noble animals dates back to the first meet in Happy Valley in 1846, almost when the city itself was founded.

Some of Hong Kong’s best accomplishments — like our horse heritage and accounting profession — are not as obvious as our skyscrapers and harbour, but they are worth noting, as we do in this report.

Incidentally, horses have inspired many famous luxury brands and in this report, we feature many short brand cameos showing this lineage.

We’d like to extend a special acknowledgement to the staff of Hong Kong’s world famous Jockey Club for their kind patience and help in allowing us access to their facilities, horses and people. To them our deepest thanks for making possible this photo essay by Colin Beere.



President's report



Dear members,

This year, a subtle shift took place in that the Institute matured, growing and evolving into its many roles as a regulator, standard setter, membership body and educator.

The role of the president changed with it, giving me the opportunity to serve a more ambassadorial role, seeing to relationships with other regulators, the government, market participants and standard setters, and allowing the Institute to advocate and lead on many issues important to the profession.

Some concrete examples of this ambassadorship include two trips taken with the Chief Executive of the HKSAR and the Financial Secretary to China and to Central Europe to talk about how Hong Kong's accounting profession bolsters its strength as a place to invest. Showcasing Hong Kong in this way has far reaching benefits well beyond the borders of the places we visit.

To strengthen our relationship with China, as president I attended meetings with the Ministry of Finance and the Chinese Institute of CPAs this year, advocating the Institute's position on several important standard setting issues. We met several times with central government officials, in Beijing and in Hong Kong, and joined the discussions on CEPA V, convergence and other issues concerning the future of the Institute. We also met with provincial institutes from Shanghai and Guangzhou, discussing shared interests.

Our engagement with China remains ever important. During the reporting period, we established city network groups for our members stationed in Beijing and Shanghai and these networking opportunities allowed our members to stay in touch and to get services and support from the Institute.

We networked extensively with other international bodies, including the Financial Action Task Force, the OECD, IOSCO, IFAC, the IASB and GAA.

Our relationship building was maintained with other professional bodies in Hong Kong, including the Hong Kong branches of overseas accounting bodies and local bodies such as the Society of Chinese Accountants and Auditors and the Hong Kong Coalition of Professional Services.

We lead this year too by establishing our first faculty, for restructuring and insolvency, which includes our fellow legal and insolvency professionals. It is the largest group of these specialist practitioners in Hong Kong and allows members to develop and build on specialized knowledge and skills.

Part of my role this year was to work through several contentious issues with other market participants, particularly the Hong Kong Exchange and Clearing Limited, as they sought to introduce quarterly reporting requirements and to remove the requirement for qualified accountants to be appointed to senior positions within listed companies.

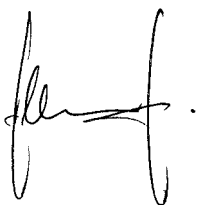
In response to HKEx's proposals, the Institute put forward proposals for quarterly management statements to provide more useful and relevant information to investors on significant developments affecting the company and its performance, rather than detailed quarterly financial information.

The Institute emphasized its view that retaining the requirement for qualified accountants in listed companies was a vital element in ensuring the integrity of financial information produced by the company and in its overall corporate governance.

Through joint meetings and shared events with many of our stakeholders, we secured our position as one of the leaders in an area Hong Kong is famed for — excellence in professional services.

The Institute was well suited to facing the issues and cementing relationships this year in part because of the strength of the leadership team and I thank my vice presidents, Paul F. Winkelmann and Wilson Fung for their unerring support. I thank the Institute's strong chief executive, Winnie C.W. Cheung, for as I noted in the beginning of this review, the Institute could not have reached its level of executive maturity without her commitment and talent. I thank also the Institute's committed staff. Thank you to all the council and committee members whose time and talent benefited the Institute and all members whose commitment to the profession gathers to us our reputation as Hong Kong's "success ingredient."

Sincere regards,



Albert S.C. Au
President

Chief Executive's review



Dear members,

It's been another exhilarating year with plenty of achievements to report in all our major businesses — qualification, member services, standards and regulation.

Our qualification programme has broken another record this year with the highest number of graduates (over 1,200) qualified in the year 2007-08. Student numbers reached 12,419 and graduates reached 3,615 by 30 June 2008. The QP now takes in 80 percent of all accounting graduates in Hong Kong.

One of the reasons QP is preferred in Hong Kong is its quality and portability to the world's most important and dynamic international markets. This year, we completed a mutual review between QP and the U.S. CPA qualification and are now negotiating a mutual recognition agreement that will open the huge U.S. market to our members who qualify under QP. The mainland, of course, is our biggest market and our qualification is breaking new ground there with an extension to our mutual examination exemption agreements signed in July under CEPA V. This saw the scope of exemption widened to all members and the number of exempted papers increased to three out of five.

Our CEPA V negotiation also brought other benefits to other members, including extension of temporary audit licence for Hong Kong firms.

This year we have come a long way in providing member services: We have expanded our CPD training and introduced our first specialist faculty (in restructuring and insolvency) and a new interest group in corporate finance and we are working on developing the associated qualification programmes. We've expanded our social and professional groups, including more activities for our younger and more senior members. We've supported our members as they adopt new and complicated standards by holding forums and inviting speakers from the international bodies and from China while hosting international meetings in Hong Kong.

This year we hosted more than 350 CPD events comprising about 1,000 hours, and we're delivering more electronically to make training more convenient. November 2008 marks the end of the first three-year cycle for our members to fulfil the rolling 120 CPD hour requirements. In polls we take at CPD events, nearly 90 percent of our members indicate they are on track to meet the deadline.

We have expanded our advocacy and thought leadership for our members. We led commentary on the government's proposals for healthcare reform, the Companies Ordinance rewrite, proposals to counter drug trafficking, the role of professionals in reporting on money laundering and we have kept track of developments in liability reform in our jurisdiction and in others. We led comments on the Hong Kong stock exchange's proposals for quarterly reporting and changes to the listing rules for qualified accountants.

In standard-setting we completed a historic exercise and signed a joint declaration with our counterparts in the mainland for convergence of mainland and Hong Kong financial reporting standards and auditing standards.

In quality assurance, we introduced an electronic self-assessment questionnaire for approximately 3,000 audit firms and the completion rate was nearly 100 percent. The practice review visits of firms are progressing at an excellent pace.

In our regulatory role, after investing significant time and effort, we have nearly eliminated the backlog in complaint handling that has existed for some years. Along with the progress on practice review and significant improvements in our disciplinary processes, we are confident about fulfilling our regulatory obligations in a way that inspires the public confidence and trust essential for Hong Kong's standing in the international arena. Members' support has been vital here: My thanks go to you for your continued confidence in your Institute, and your contribution to keeping our high professional standing.

We were taken through the judicial review process in July 2007 by the legislative councillor, who questioned the council's decision not to distribute her newsletter to members who had not requested it. The legislative councillor won the suit and the council made the difficult decision not to appeal the decision. The Institute spent \$5 million in its defense, the bulk of which was absorbed in the 2006-07 budget, with little impact on this year's financial results.

On a happier note, we take pride in being recognized for practicing what we preach with outstanding awards this year: Our 2007 annual report was awarded the prestigious international ARC Awards in four categories, winning a Gold Award for overall excellence. The Hong Kong Management Association also gave the 2007 report an award for "Citation for Corporate Governance Disclosure." Our "Rich Kid, Poor Kid" campaign, our biggest community project, bested 335 others to win first prize in the Corporate Social Responsibility Campaign of the Year award at the Asia Pacific PR Awards 2007. In 2007 the campaign reached more than 8,000 school students. The effort and dedication of our communications team and our Accountant Ambassadors have made us a major "success ingredient" in our community.

One creative part of "Rich Kid, Poor Kid" is the story book, *May Moon and the Secrets of the CPAs*, about a little Hong Kong girl whose fame and tips on money have now extended into royal palaces. The latest translation of the Institute's *May Moon Money Wise Box Set* was done by the Dutch accounting institute, NIVRA, who presented the books to the Dutch queen in the spring.

Financial health

The Institute finished the 2007-08 financial year in excellent financial health with a post-tax surplus of \$25 million, which we achieved through a substantial increase in membership and QP enrolment along with prudent fiscal stewardship. We are keeping on track with our fifth long range plan and accomplishing goals within our financial parameters and without raising members' fees in 2008. Council again decided to maintain the current fee level for 2009.

It was a great year for the Institute, full of meaningful accomplishments. Our role and reputation as a top-tier accounting body leading and serving Hong Kong and its businesses took significant steps forward this year.

Sincere regards,



Winnie C.W. Cheung
Chief Executive & Registrar

Annual Report

2008



Silent Witness was a source of pride and joy for Hong Kong. He won a record 17 consecutive sprint races and for three years from 2003 to 2005 was ranked the world's fastest sprinter, despite a middling pedigree. Before he retired, Silent Witness could increase attendance at the Shatin track by 50 percent — people just wanted to see him. During the frightening days of the SARS epidemic, he gave people a reason to hope and when he retired, people cried. That horse was a hero.

Operation and finance



This maker of luxury leather goods takes its name from a famous Parisian race track.

Our financial reporting must be at the highest level. As befits a body acting in the public interest, our operations are open, our finances are clear and fully open to public scrutiny. Corporate governance in relation to our finances is of prime importance and in this regard our finance team is continually working to meet the highest standards.

A great deal of work is undertaken behind the scenes at the Institute to ensure all facilities — including the library, training rooms, members' lounge and offices — are well managed. Facilities are constantly being reviewed to ensure that as the Institute grows, sufficient space and facilities are available.

The Institute has commenced a revamp of its website, which will be undertaken in phases with the first stage nearing completion. The Institute's information technology is a vital part of our organization and as the Institute grows, improvements are necessary to increase all aspects of efficiency and membership communications. New initiatives include a virtual private network, electronic data management systems and additional new modules to improve the membership management systems. Future improvements are a web based payment gateway for subscriptions and CPD payments and a new enterprise reporting system to enable all our divisional reporting to be standardized on a single platform.

Our library facilities are constantly being improved to ensure relevant articles are available for members and students and approximately 500 titles have been added to our existing portfolio.

Human resources are the foundation stone upon which the Institute is built. Our staffing numbers have grown from 149 (July 2007) to 164 (July 2008) and show our commitment to the provision of quality services to the Institute and its members.

Staff training and well being are aspects the Institute shall continue to develop and this will have a positive effect on our service delivery. The Institute is training staff in management, language skills (English and Putonghua) and customer service. All these are designed to improve the quality of staff service to members and students.

The financial results for the year ended 30 June 2008 report an increase in the Institute's net asset position to \$258 million from \$223.5 million, an increase of \$34.5 million. Financial reporting through our annual report to our membership is taken very seriously and we take every effort to ensure not only compliance with all accounting standards but also early adoption of new standards which are applicable to the Institute. We have early adopted HKAS 1 (revised) and HKAS 27 (revised) for the accounting period ended 30 June 2008. The financial management of the group's resources is prudent and financial decisions are based on preserving the Institute's resources to invest for the benefit of our membership.

The Institute has made significant progress on strengthening its finances since the acquisition of space in Wu Chung House and with the present available resources is able to plan ahead both in our Hong Kong and China initiatives.



Straight out of the gate, accountants who qualify with the Hong Kong Institute of CPAs have an advantage: Their qualification is recognized by the leading institutes in the world's important capital markets, giving them mobility no other qualification available in Hong Kong can match.



Hong Kong's splendid racing complexes set amid its skyscrapers are, like its accounting profession, part of its economic and social success. In both spheres, Hong Kong shows its famous, indomitable "can-do" spirit.

Qualification and membership

Our members start their connection with us as they seek to qualify as a professional accountant and they retain their association with their Institute throughout their professional lives, tapping into services such as continuing professional development and specialist groups. We also created this year, in accordance with our fifth long range plan, our first specialist faculty, in insolvency.

We also advocate on our members behalf so that on matters important to the profession, their views are made known, whether it be to government or professional leaders.

Qualification

In the horse world, a good trainer can make all the difference between winning or losing a race, a medal or a cup.

By choosing to qualify with us, students benefit from the best education and guidance available. By committing to our demanding programme, they aim to join the top ranks of the accounting profession with a leading postgraduate qualification recognized by the world's foremost accountancy bodies. In addition, our qualification has been recognized in the mainland and members are getting better access to that market.

Internationally, members get the benefit of reciprocal membership agreements with member institutes of the prestigious Global Accounting Alliance (see China and international section for more about GAA). A mutual review of the American CPA qualification was completed, and we are negotiating a recognition agreement which will give members a foothold in the United States market.

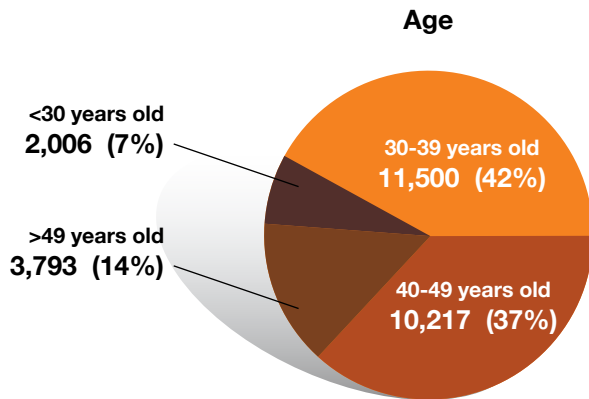
The qualification programme (QP) was designed by us in collaboration with international experts based on the most up-to-date educational philosophies and the highest standards of accounting education. As the programme approaches its tenth year, a review of its curriculum to ensure its premier status, which started in 2006, is now in the final stages.

Admission

The demand for accounting services in Hong Kong and the mainland continued unabated and we admitted our 30,000th member in September 2008. At the end of June 2008, our membership stood at 27,516. A total of 78 members passed the practising certificate examination to meet the licensing requirements to sign statutory audit reports.

27,516
members
(as of 30 June 2008)

22% increase
in five years



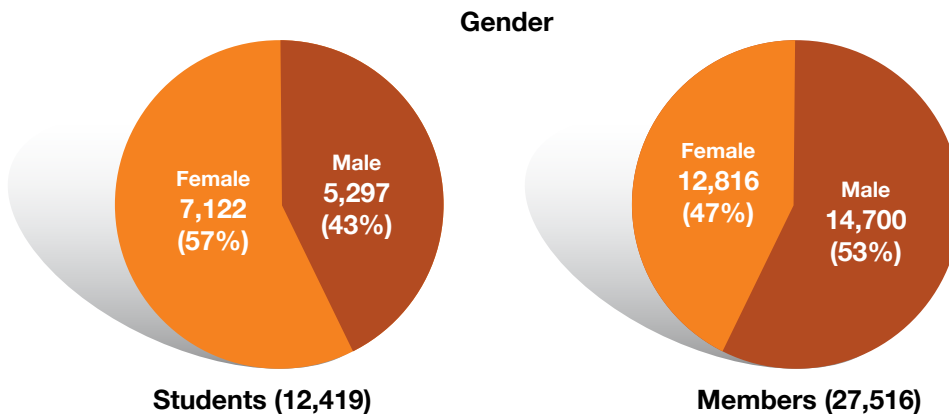
The number of member practices grew from 1,410 in 2007 to 1,424 in 2008, and includes 251 corporate practices.

Student education and training

We achieved another record for the number of QP graduates during the reporting period, exceeding 1,200-mark to reach 1,223 (including 653 in December 2007 session and 570 in June 2008 session). The number of registered students now stands at 12,419.

1,223
QP graduates
 (December 2007 to
 June 2008)

Over five-fold
 increase in five years



Since QP was introduced in 1999, we have graduated 3,615 students. The QP workshop approach is being refined and we held important refresher courses for workshop facilitators to update their techniques and help them learn from one another. We have accredited a total of 45 accountancy programmes (since 1997) operated by universities and institutions and for the first time, included a conversion programme offered in the mainland.



Students of the qualification programme “strive to shine” as they work to become members. During and after their course work, workshops and exams of the QP, they study with a qualified accountant to get their practical experience.

High-quality students were attracted to QP through talks and exhibitions in Hong Kong, Beijing, Shanghai, Shenzhen and Guangzhou. Other channels included advertisements, media interviews, student societies, QP case analysis competition and campaigns to overseas students.

QP in the mainland

As noted elsewhere, the Hong Kong and mainland professions are drawing closer together and more evidence of this is that 46 Chinese Institute of CPAs members joined QP through our mutual examination paper exemption agreement during the reporting period. A total of 154 CICPA members have joined the programme since 2004.

In partnership with the CICPA, we awarded our first joint scholarships to five CICPA members.

Our offering of QP in the mainland has extended to Guangzhou since May 2008, after we offered it in Beijing in 2006.

We encouraged more mainland universities to apply for QP accreditation by setting up an education fund to waive the fees. Graduates of accredited programmes can directly enrol in QP.

Practical experience

This year we have taken advantage of the tremendous demand for accounting skills to partner with more authorized employers and supervisors to train prospective CPAs. The number of authorized employers rose from 931 to 1,066, while the number of authorized supervisors grew from 1,591 to 1,669.

Students who do not work under an authorized employer or supervisor are assigned supervisors. At the end of the reporting period, 128 supervisors and 46 students had joined this scheme.

Accounting technicians

The Institute's subsidiary, the Hong Kong Institute of Accredited Accounting Technicians Limited, now has more than 1,700 members. This year the HKIAAT announced its new qualification framework, which will take effect from June 2009. The new syllabus and qualification will establish HKIAAT membership as a valid and valued attainment in its own right.

The HKIAAT professional bridging examination has maintained a steady increase in students to 1,007, out of which 394 accredited accounting technicians have become eligible for entry to the QP.

**1,066
employers**
(as of 30 June 2008)
and 1,669 supervisors
have joined to train
prospective CPAs

CPD and specialization

Our members know they need to keep their knowledge and skills on the right track. The Institute offers a selection of high quality programmes covering technical, leadership, management and communication skills.

The market for CPAs is evolving and so the Institute is developing specialist qualifications for members in such areas as insolvency and corporate finance.

CPD

A decade ago, we held nearly 100 continuing professional development events per year, which offered about 250 CPD hours and attracted a total enrolment of 11,000. Last year, we offered more than triple that amount, with 350 CPD events comprising about 1,000 CPD hours, and attracting more than 35,000 enrolments.

35,000

CPD enrolments
during the year

We offer these courses in the collegiate atmosphere of the Wanchai training centre. More are available over the Internet where we ran 108 programmes in 2007. Another delivery mode is CD-ROM, whereby members can follow the programmes at their own convenience and broadcast them to a group for in-house training.

We surveyed our members to identify their progress with the application of International Financial Reporting Standards for planning future training to support adoption. Two technical courses registered with the government's Continuing Education Fund for the reimbursement of fees to members were developed to meet members' needs.

In recognition that members are spending more time on the mainland, we created a popular China series.

Specializations

In an important breakthrough for the profession, we unveiled our first specialist faculty during this reporting period. Created for restructuring and insolvency practitioners, the faculty takes over from the long-running insolvency interest group and is the largest forum of insolvency practitioners in Hong Kong with 430 members. This faculty holds monthly seminars on technical issues and other events and it has recently started publishing an e-newsletter. These members represent the basis of the Institute's membership of INSOL, the international body of restructuring and insolvency professionals.



The Hong Kong Institute of CPAs qualifies and licenses accountants, and certifies their fitness throughout their careers. Our members dedicate themselves to a lifetime of professional training to keep their skills relevant to their profession and the businesses they serve.

Interest groups are the first stage in specializations and in a reflection of the increasing sophistication of our members’ practices, we have started a corporate finance interest group.

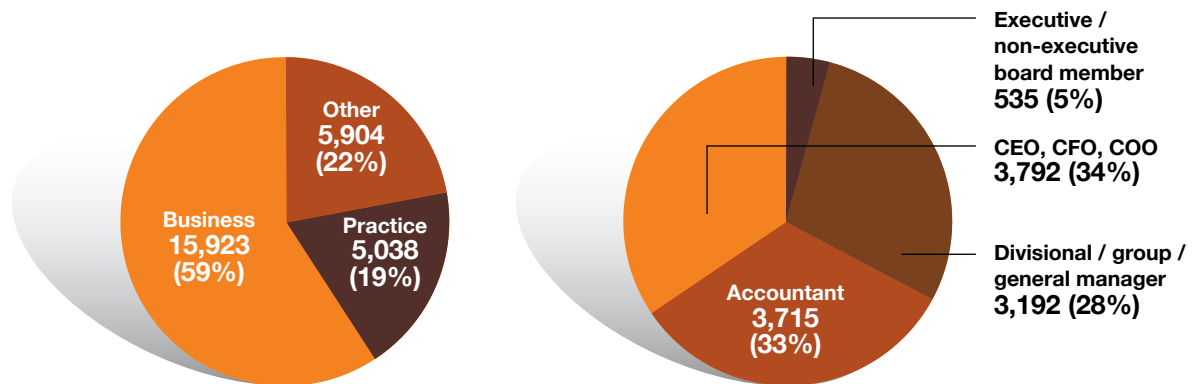
The long-standing taxation interest group organized six discussion forums, which were addressed by high ranking Inland Revenue Department representatives and tax experts.

Other interest groups with active schedules of popular events are those for financial services; property, infrastructure and construction; IT; mainland business and the young practitioners.

Membership of specialist groups

Name	Number of members
Restructuring and insolvency faculty	430
Corporate finance interest group	270
Taxation interest group	300
Financial services interest group	840
Mainland business interest group	875
Property, infrastructure and construction interest group	360
IT interest group	1,020
Young practitioners’ interest group	61

Members are wielding power as top executives in business



Source: Member census as of June 2008 with 26,865 responses

Advocacy and member services

Our members make a life-long commitment to professionalism and high standards when they join our ranks. We, in turn, have an obligation to endow them with superior support and advocacy so that they may excel in their careers.

We discharge this responsibility by operating in a respected circle of influence, interacting with the worlds of business, government and regulators. We advocate the profession's view at the highest levels and shape important issues.

Advocacy

We set up the current issues task force to deliberate public matters and during this period, the task force studied competition policy and healthcare reform. In the latter case, our members exchanged views with the Secretary for Food and Health in a forum held specifically for them.

When Paris-based Financial Action Task Force (FATF) turned its attention to Hong Kong to investigate progress in anti money-laundering measures, the Institute was an active participant in the discussions, organizing meetings with FATF, the Security Bureau, the Hong Kong Police Force and the Hong Kong Customs and Excise Department's Joint Financial Intelligence Unit (JFIU) to talk about what the profession can do to stop money laundering.

We submitted our proposals on the government's 2008-09 budget, met with the Financial Secretary, and held a media briefing to share our views with the public. The briefing garnered wide coverage and the next day, a forum for members with the Secretary for Financial Services and the Treasury Bureau (FSTB) showed our members' views are important to the government.

Our meetings and regular liaison with the Commissioner of Inland Revenue and the Official Receiver cover a wide range of issues and concerns, and ensure the views of the profession are well-represented.

The Institute presented the profession's point of view to specific proposals, including:

- The HKEx and Securities and Futures Commission's proposals for changes to Hong Kong financial markets, including periodic reporting, the Growth Enterprise Market development, proposed changes to the Listing Rules and the introduction of electronic prospectuses.
- The lifting of the rule for qualified accountants for main board listed companies.
- Our views to the Inland Revenue Department on the implications of the ING Baring Securities case and to the China State Administration of Taxation on the revised double taxation agreement between the mainland and Hong Kong and the new mainland enterprise income tax law.
- Healthcare reform; Companies Ordinance rewrite; Companies Registry's new forms.
- FATF risk-based guidance for accountants aimed at stopping money laundering and terrorist financing.

By working with other professional and regulatory bodies, we aimed to magnify our impact on policy issues. The activities include:

- Co-hosting the OECD Asian roundtable on corporate governance in Hong Kong.
- Judging for the Hong Kong Institute of Directors' annual awards.
- Participating in the FSTB working group on corporate governance.
- Serving on the Companies Ordinance rewrite advisory groups.
- Serving on the Companies Registry users' committee.
- Serving on the suspicious transaction reporting working group convened by the police and the JFIU.

Events and services

One of our best-attended events during this period was a series of practitioners' forums on documenting small audit engagements, with 1,400 participants. Other preferred events included our annual small and medium-sized practitioners' symposium, and a practitioners' forum for challenges in the workplace.

The demand for our audit practice manual quickly outstripped supply and went to reprint during the year.

Members are taking advantage of the exclusive bank arrangements we have created through the membership card and affinity membership credit card, with half holding one or the other of these exclusive cards.

We set up our CPA e-shop, enabling members to buy our books, CDs and premium products online.

Wang Jun, vice minister of the PRC's Ministry of Finance, was the guest of honour at our annual dinner in 2007 and in his speech, he lauded the Institute's work with our mainland counterparts.

Many members attended the national day celebration dinner, spring cocktail reception and new members' cocktail reception, which are the main fellowship events of the year.

Many members are keen to prove their prowess in the sports arena and to this end, we formed three new groups: badminton interest group, dragon boat interest group and sailing interest group. Our members took part — and took prizes — in many sporting events, including the Hong Kong Indoor Rowing Championships, the inter-professional golf competition with the Hong Kong Medical Golfers Association, dragon boat races at Stanley, and the around-the-island sailing race.

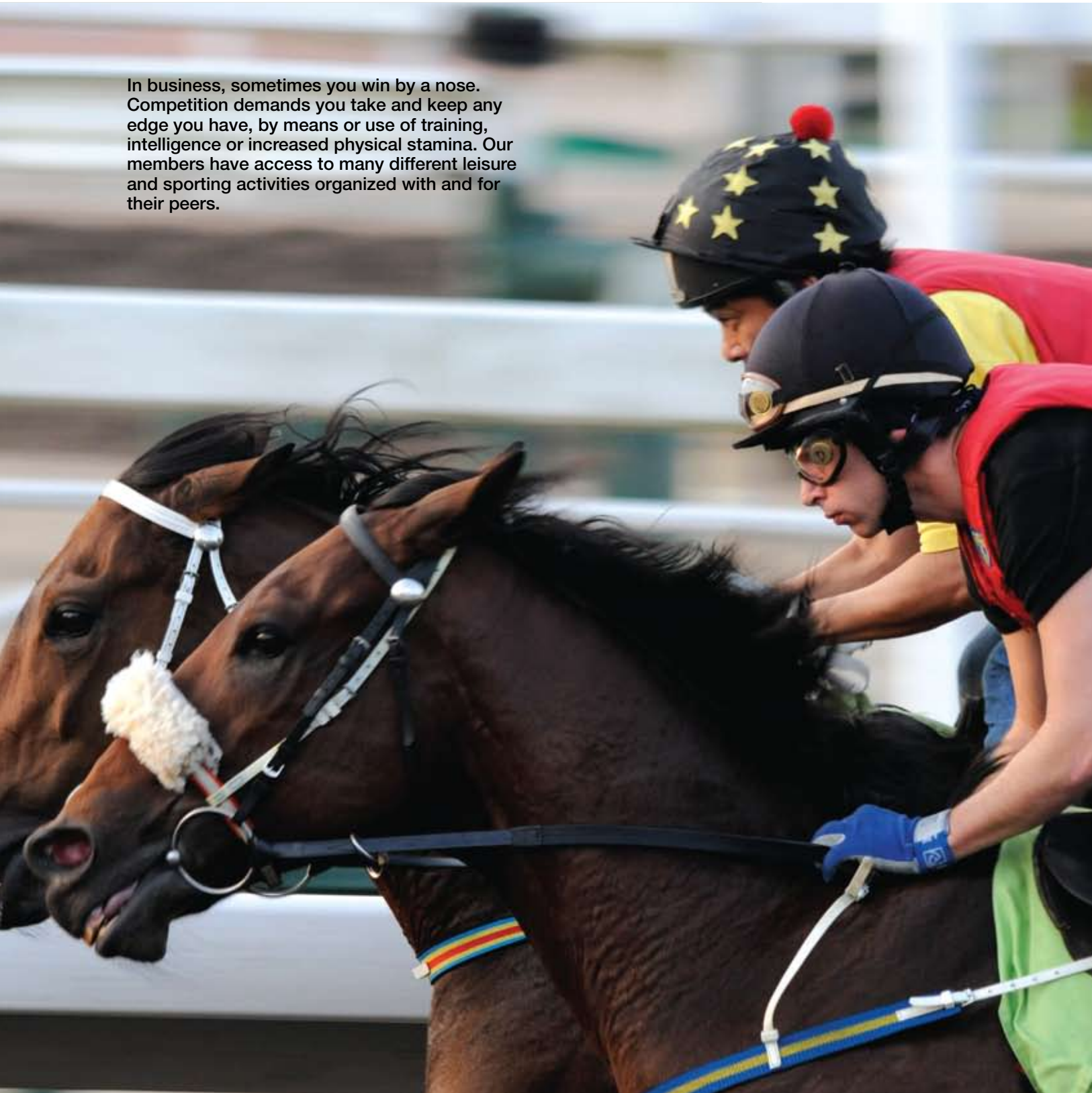
We added to our events for younger members, with two celebrity talks during the period and our monthly happy hours for young CPAs.

For our seasoned members, we started our "Goldies" forums to meet and talk about timely topics.



Horses have always inspired the brands most known for performance, like Italian sports car manufacturer Ferrari. Fans of these racing cars are known as the "Prancing Horses."

In business, sometimes you win by a nose. Competition demands you take and keep any edge you have, by means or use of training, intelligence or increased physical stamina. Our members have access to many different leisure and sporting activities organized with and for their peers.



Standards and regulation

We participate through our nominees and our many direct contacts with international standard setters in accounting, audit and assurance, and ethical standards by which the Hong Kong profession operates, giving our members influence in these processes. This involves issuing guidance that is tailored for our members and meant to help them apply these complex standards to their work. These are international standards and our work is judged in this light.

As the only statutory licensing body of CPAs in Hong Kong, we have responsibility for quality assurance and regulation of our members and our job is to reinforce a regime that commands public trust and confidence.

More than one a day

We responded to 478 technical enquiries on auditing, ethics and financial reporting during the financial year

Standard setting

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

- Over 20 new and revised standards, interpretations and exposure drafts.
- More than 15 comment letters on international proposals.

We are respected by international standard setters and represent to them issues of concern to Hong Kong and the mainland, to the benefit of the accounting profession and business community in both jurisdictions. Our standard setting activities during this period included:

- Presenting papers at the IFAC 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.

Within Hong Kong's professional and business regulatory regime, we met and debated issues with the Securities and Futures Commission, Hong Kong Exchanges and Clearing Ltd. and the Hong Kong Monetary Authority on areas of overlapping interest. During this period we co-hosted forums with the SFC and HKEx on auditing and financial reporting topics.

We are keenly aware of our responsibility to our members to help them apply complex professional standards. We do this through:

- Weekly technical update evenings.
- An improved, faster technical enquiry system.
- Staff summaries of newly released standards, posted promptly on the Institute's website.
- Additional explanatory material published monthly in TechWatch and our weekly e-circular.

Quality assurance

We follow a twin track approach to monitoring the quality of our members' audit and assurance work: practice review and professional standards monitoring. These give us two ways of viewing their work while at the same time, it allows our members' concerns to surface. This in turn gives us solid information to use for professional development programmes.

Practice review

Our practice review programme is based on risk and our reviewers visit audit firms, review the firms' quality controls and sample completed audit engagements. The priority now is reviewing auditors of listed companies and other public interest entities.

From 1 July 2007 to 30 June 2008, we have completed 22 visits and where our visits have revealed problems, we have asked for explanations or remedial action to improve compliance with professional standards and the quality of audit work. The effectiveness of follow up and remedial action will be one measure to prove that our practice review is on a par with comparable monitoring regimes in other top-tier accounting jurisdictions.

This year we introduced an electronic self-assessment questionnaire which was sent to approximately 3,000 audit firms. The commitment of our members and firms to quality audits is demonstrated by the fact that nearly 100 percent of our members completed this questionnaire.

Professional standards monitoring

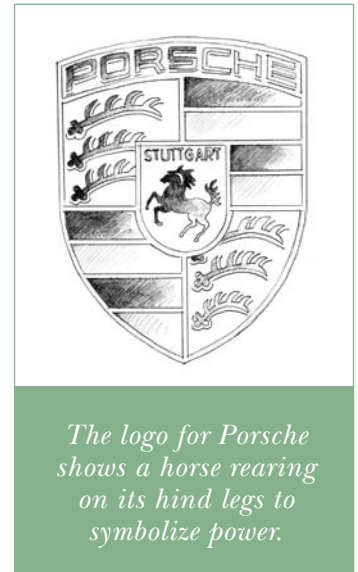
From 1 July 2007 to 30 June 2008, the professional standards monitoring committee reviewed 121 sets of financial statements of listed entities and issued 73 letters of enquiry to auditors.

Compliance

We are committed to increasing the efficiency of our disciplinary process while ensuring that there is no reduction in transparency or impartiality of the process.

Professional conduct committee

A significant development for compliance during the period was the reconstitution of the complaints oversight committee as the professional conduct committee. The professional conduct committee is now the first filtering point for all complaints regarding allegations of improper conduct by members, member practices and registered students. Its terms of reference allow it to adjudicate minor complaints while referring those it considers more serious to the council to determine whether to refer the matter to the disciplinary or investigation panels.





Our members take quality control seriously and believe that each of them is responsible for the reputation of the profession as a whole. All practices undergo a practice review and published financial statements of listed entities are reviewed by a committee of professionals.

Case handling

We recognize that prompt action on complaints is part of our public trust. The backlog in complaint handling that has existed for several years has largely been eliminated.

There are only a very small number of complaints on hand that were received prior to 1 January 2008. These will be resolved by 31 December 2008.

Ninety complaints (including 67 received in the current year) were resolved as follows:

- Fifty-three were closed as no prima facie case was established.
- Eight could not be pursued as the subjects of the complaints were not members.
- Nine related to listed entities that were within the jurisdiction of the Financial Reporting Council.
- Twelve disapproval letters were issued.
- Seven more serious matters were recommended to council to refer to the investigation or disciplinary panels.
- One was recommended to quality assurance for practice review.

The council established one new investigation committee and two concluded their work and presented their reports to the council. Remaining investigations are expected to be finalized by the end of 2009.

Twenty disciplinary proceedings commenced during the year. Fourteen of these are expected to be concluded in the 2009 financial year and the balance by 31 December 2009.

Financial Reporting Council

A memorandum of understanding setting out the working relationship between the Institute and the Financial Reporting Council was signed in February 2008. When appropriate, we held discussions with the FRC regarding ongoing investigations or enquiries in which the Institute may have a regulatory interest.

China and international

Convergence

China's mammoth task of converging with international standards took place in 2007, with full support from the Institute

Accountancy is a global undertaking operating without borders. Our bilingual and trilingual CPAs have one of the most international outlooks of any professional accountants anywhere. This is one of the ways our members shape our profession and extend their influence beyond our boundaries.

The Institute's position as a recognized leader in global accounting affairs is particularly important to our mainland colleagues as they step into the world's accounting community — and as our members' careers extend to this vibrant market.

China

The Hong Kong and mainland accounting professions are moving in steps towards mutual recognition as examination exemption agreements signed over the years make it faster and easier for accountants to qualify, or become licensed, in each market.

The agreements are possible in part due to China's progress in convergence with international and Hong Kong standards: In December 2007, China's mammoth task of converging with international auditing and accounting standards took an astonishing step forward, which helped break down barriers for mainland companies wishing to access global capital markets.

We supported this project from beginning to end and served as the *compradore* between the international and mainland standard setters.

As the two professions grow closer, the Institute's priority is to help members access the mainland market.

We started a new project with the Chinese Institute of CPAs and Beijing National Accounting Institute this year to teach our members about the new enterprise income tax law and the mainland accounting and auditing standards.

Members are kept up-to-date on mainland tax, accounting and regulatory issues via *A Plus*, the Institute's website and China desk advisory service in Shenzhen. We organize a subscription service for members to premium mainland technical publications, where they get first-hand, quality information.

We continue to foster closer relations with mainland authorities and regulators by organizing joint events like the cross-straits, Hong Kong and Macau accounting conference, receiving delegations from Beijing, Shanghai, Fuzhou and Shenyang, and visiting Beijing to exchange views with national leaders and regulators.

International

Our international influence is strong. We participated in national and world standard setters' meetings during the reporting period, and our knowledge and expertise were in demand at the China/Japan/Korea standard setters meeting.

We asserted our views at international and regional meetings hosted by the IASB, IFAC, CAPA, INSOL and the Asia-Oceania Tax Consultants' Association.

Members gained unparalleled access to most of the world's significant capital markets through the Institute's partnership in the Global Accounting Alliance and International Innovation Network. We continue to work with our GAA and IIN partners to improve the services our members can enjoy in other jurisdictions. We organized a well-attended and thought-provoking conference in Hong Kong with the ICAEW, one of our GAA partners.

Global Accounting Alliance

GAA was formed in 2006 by nine accounting institutes representing 700,000 professional accountants working in the world's capital markets. Members include:

The Institute of Chartered Accountants in Australia

The Canadian Institute of Chartered Accountants

The Institute of Chartered Accountants in England & Wales

The Hong Kong Institute of Certified Public Accountants

The Institute of Chartered Accountants in Ireland

The New Zealand Institute of Chartered Accountants

The Institute of Chartered Accountants of Scotland

The South African Institute of Chartered Accountants

The American Institute of Certified Public Accountants

Other significant events participated in or organized by the Institute during the year were the International Organisation of Securities Commissions (IOSCO) technical committee meeting, the OECD 2008 Asian roundtable on corporate governance, and the Hong Kong business delegation to Central Europe led by the Financial Secretary.

Institute representatives on international, regional and other professional bodies:*International Federation of Accountants (IFAC)*

Paul M.P. Chan	Member of small and medium size practices committee
Edward K.F. Chow	Chairman of professional accountants in business committee

International Accounting Standards Board (IASB)

Paul M.P. Chan	Member of 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; member of strategic committee; chairman of governance task force; member of fees review task force
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Global Accounting Alliance (GAA)

Winnie C.W. Cheung	Board member
Georgina Chan	Member of education directors' reciprocity project

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

Johnson Kong	Board director
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Chinese Institute of Certified Public Accountants (CICPA)

Georgina Chan	Chairman of expert advisory group on Chinese CPA examination system reform
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International Innovation Network (IIN)

Georgina Chan	Member
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Institute of Chartered Accountants in England & Wales (ICAEW)

Peter H.Y. Wong	Council member
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* The Institute resigned as CAPA member on 26 June 2008



The most important tool for the profession is its accounting, auditing and ethics standards, which are set and maintained with the international accounting, auditing and ethics standard setting bodies.

Communications and branding

4.5m TV viewers

Our success story campaign reached more than 4.5 million TV viewers, 2.2 million MTR and Airport Express passengers, and 200,000 newspaper readers

Our members are “success ingredients” in business and in Hong Kong life because they are part of success stories — human dramas where their specialized skills make a difference in the lives of other people.

In our advertising campaign starting in June last year we used real life stories from our members to explain how CPAs helped an elderly widow with a tax problem, a small company with a compliance problem and a regulator with a mystery to solve. The campaign also featured a fictionalized portrait of one member who is a businessman, investment advisor and calligrapher.

These campaigns are a necessary part of bringing our brand message to businesses, government, regulators and the public. By proper targeting, we can show the professionalism and integrity that are the values behind the CPA designation.

Media and public relations

Mainland standards convergence was a big story but a complex one: There was wide coverage of the signing of joint statements by the Hong Kong, mainland and international news media. This complicated story was also featured by the international media, particularly the *Financial Times*.

Several proposals for changes to Hong Kong’s securities market were introduced this year, some of them controversial. We arranged for in-depth media interviews on our position on quarterly financial reporting for listed companies and our stand on the need to make sure listed firms continue to appoint qualified accountants.

The decision not to pursue an appeal in the judicial review case brought against the Institute by the legislative councillor for the accountancy sector was a news event and one in which we ensured there was balanced coverage that included our reasons for not proceeding with the case. This drew a line under the incident and let us turn to other issues pressing the profession.

Our consultation on simplified financial reporting for private companies was issued in June, and we ensured significant media coverage of the proposals.

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

Media coverage is extensive on these professional issues:

Date	Issues
June 2008	Consulted on simplified financial reporting for private companies
April 2008	Opposed the proposal to scrap requirement for listed companies to appoint qualified accountants
February 2008	Commented on government budget
February 2008	Published Chinese version of May Moon book set to help Hong Kong families on money management
December 2007	Submitted budget proposals to the government
December 2007	Signed joint declaration with mainland on standards convergence
November 2007	Presented Best Corporate Governance Disclosure Awards
November 2007	Argued that it is not the right time for quarterly financial reporting
September 2007	Dropped appeal to judicial review to focus on profession issues

Member communications

Our 2007 annual report used our advertising campaign “Success Stories” and a movie script to tell members’ stories, with a cover that opened like a screenplay. It won four international awards in the MerComm ARC Awards in the U.S., a highly prestigious event with more than 20 years of history. Locally, the Hong Kong Management Association cited the report for excellence in corporate governance disclosure, and it was praised in the *Hong Kong Economic Times* for using an excellent concept.

Our weekly electronic newsletter keeps our members informed about the latest news and changes in the local and global accounting profession while giving members a quick way to get information from technical updates to CPD training.

Our monthly magazine *A Plus* has become a respected source for the mainstream news media, which often quotes the magazine. The magazine features analysis of timely accounting matters, economic and financial issues relevant to members’ work.



POLO
RALPH LAUREN

Ralph Lauren appropriated the glamour and wealth associated with the sport of polo when he created his Polo brand. His company is also a sponsor of the Black Watch polo team.

Our email enquiry system, manned by the communications department, processed almost 4,000 questions or comments. The email queries are an excellent way to monitor the sensibilities of our members, especially during times of controversy, and are a good way to spot weaknesses we can address by making adjustments in how we work. Complaints are considered priorities and are promptly addressed, usually by the chief executive and registrar.

17,000 school children
(as of 30 June 2008)

Accountant ambassadors have visited 82 schools since 2005 to teach more than 17,000 students financial management

Community services

Cited as an example of a programme that creates sustainable benefits for the community while being great for brand image, our “Rich Kid, Poor Kid” programme beat more than 335 competing campaigns from the Asia Pacific region for “Corporate Social Responsibility Campaign of the Year” given by the Asia Pacific PR Awards. It won this top award in the social education and philanthropy category and second place for non-profit campaign of the year. These regional awards are hotly contested by creative agencies and are seldom won by accounting institutes.

The programme has been teaching the basics of money management to schoolchildren since 2005. This year the programme boomed, more than quadrupling in scope, and reached 8,000 primary and secondary school students.

The May Moon Money-Wise Box Set received royal treatment this year when it was translated into Dutch and presented to the Dutch queen and minister of finance at the office opening ceremony of NIVRA, the Dutch accounting institute.

The Hong Kong Economic Times ran a series of articles featuring our members’ experience in teaching children financial management, including tips from the book we created for parents - *How to Raise a Money-Wise Child*, which together with the storybook *May Moon and the Secrets of the CPAs* form *The May Moon Money-Wise Box Set*.

Our members showed their generosity to those facing adversity. In less than one week, we raised over \$2 million (\$310,000 from the Institute’s Charitable Fund) for victims of the Sichuan earthquake. We donated \$1.5 million to the Red Cross to aid relief efforts. We donated \$50,000 to help snowstorm victims in the mainland in February. These contributions were in addition to supporting other charitable events, including MTR race walk, Walk Up Jardine House, the Smart Way Forward and the fundraising bazaar by Caritas, and accountant ambassador mentorship for the Hong Kong Youth Institute’s millennium entrepreneurship programme.



Experience, as they say, is the best teacher. More than 2,700 certified public accountants lend what they've learned by training accounting graduates who aspire to join our membership. Outside the profession, the Institute's accountant ambassadors have taught financial management to more than 17,000 students from 82 primary and secondary schools.

Corporate governance

As guardians of Hong Kong's treasure house, we are conscious of our position as a governance role model and the responsibilities this entails. We have been at the forefront of corporate governance for years and have defined what it means for Hong Kong and the region.

Responsibilities of council

The Institute is responsible for regulation of the accountancy profession, encouraging the study of accountancy, representing the profession's views and preserving the profession's integrity and status.

The council is responsible for carrying out these objects, and for the oversight of the Institute's operational management. The council comprises 23 members, including 14 members elected from among the membership, one member who is the immediate past president, four lay members appointed by the chief executive of the HKSAR government, two members 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). During 2007-08, council appointed Jack S.L. Chow to fill a casual vacancy due to the resignation, for personal reasons, of Carlson Tong.

The council is advised by committees and working groups that it appoints for specific functions and to whom it may delegate its power. The structure and membership of these bodies are reviewed every year by council.

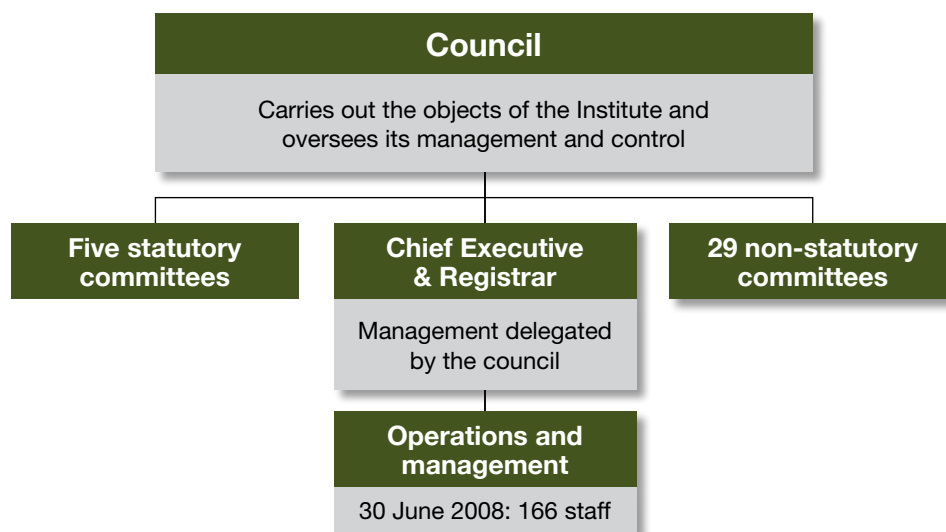
The execution of council's policies and decisions is vested in the chief executive and registrar, who is appointed by the council. The chief executive and registrar is responsible for the day-to-day operations of the Institute and overseeing all of its activities. She acts as secretary and policy advisor to the Institute's council, recommends nominations of appointments to committees and coordinates between committees and council.

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 council met 13 times during the period from 19 September 2007 to 18 September 2008.



Horses are frequently featured in women's scarves by the French company, Hermès, which began as a saddlery business. You can buy handmade saddles in Hermès boutiques.



Council members' interests

Council members are not remunerated. A disclosure of financial interests of council members appears in note 25 to the financial statements.

As a matter of good corporate governance, 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 any matter in which that member has an apparent conflict of interest.

Internal financial control — budgets

The council is responsible for the Institute's internal financial control. Detailed annual budgets are prepared by the director of operation and finance in consultation with all departments and the chief executive and registrar, 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 quarterly. These quarterly financial reports include an analysis of the performance of designated functional areas.

Authorization limits

There are prescribed guidelines referring to the authorization limits with regard to capital and unbudgeted spending. There is also strict control over bank signatories.

Staff remuneration

The remuneration committee advises the council on 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 general staff is determined by the council upon 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.

Representing 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.

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.



Good corporate governance in practice sheds light on companies and how they do business, allowing investors to make informed decisions. For years, the Hong Kong Institute of CPAs has defined what good corporate governance means, explaining and setting an example for all to follow.

Audit committee

Approved by council in 1999, the audit committee consists of six members, three of whom are past presidents of the Institute, one CPA 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.

The committee considers the nature and scope of the audit exercise and matters relating to the preparation of the Institute's financial statements and reviews the audited financial statements for inclusion in annual report.

Audit committee's duties:

- To consider the appointment of auditor and audit fee.
- To discuss with auditor the nature and scope of audit.
- To discuss any problems or matters arising from audit that the auditor may raise.
- To review auditor's management letter and management's response, and ensure that recommendations made by the auditor are acted upon.
- To review operation and effectiveness of the Institute's internal control, and make recommendations to the council.
- To review appropriateness of the adopted accounting policies and adequacy of disclosures made in the Institute's financial statements, and make recommendations to the council.
- To approve non-audit services performed by auditor.

Council



At the 35th AGM, Albert Au was elected president, with Paul F. Winkelmann and Wilson Fung as vice presidents. Pictured from left are: Wilson Fung, Chew Fook Aun, Doug Oxley, Winnie C.W. Cheung (*Chief Executive & Registrar*), Albert S.C. Au, Cho Lung Pui Lan, Stella, Paul F. Winkelmann and Mark C. Fong (*immediate past president*).



Pictured from left, back to front, are: Keith Pogson, Ding Wai Chuen, Raphael, Tsai Wing Chung, Phillip, Mabel M.B. Chan, Clement Chan, Jack S.L. Chow, Ronald Kung and Susanna Chiu.



The government appointed four lay members, Ambrose Cheung, Catherine Leung, John Poon and Edith Shih, and two ex-officio members, Ada Chung (*Financial Secretary's representative*) and Lucia Li (*Director of Accounting Services*). Pictured from left, back to front, are: Edith Shih, George Kwok Lung Hongchoy (*co-opted*), Ada Chung, Catherine K.C. Leung, Lucia Li, Ambrose Cheung Wing Sum, John C. Poon and Thomas Y.T. Wong (*co-opted*).

Vision and mission

■ Vision

The Institute is recognized globally as the pre-eminent body of top-tier accountants that leads and serves businesses and the public interest of Hong Kong.

■ Mission

The Institute will contribute to and influence the future of the global profession. It will contribute to the development of the profession on the mainland. The Institute will give clear, decisive and innovative leadership to Hong Kong's accountancy profession. It will support Hong Kong's role as one of the world's leading financial centres and will uphold the core values and public spirit of accountancy.

■ Values

Professionalism, integrity, expertise, quality, thought leadership.

■ Strategic goals

1. Our governance structure befits a top-tier accounting body.
2. Our qualification is a premier designation internationally recognized by all stakeholders.
3. Our self-regulatory regime commands public trust and confidence.
4. Our ideas, products and services provide clear, decisive and innovative leadership to serve the needs of our members and the wider community.
5. Our presence in the mainland and global forums enhances Hong Kong's unique role as the international gateway to China.
6. Our statutory roles, missions, values and distinctive brand of "The Success Ingredient" are effectively communicated to a broad audience.

■ Our logo

The Institute's logo signifies a bold optimism and readiness to embrace change. The four distinctive wings provide balance and symbolize reaching for new heights. One of the wings of the logo is coloured the red of Hong Kong's bauhinia flag, representing our vital role as the guardian of Hong Kong's financial system.



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

Management team



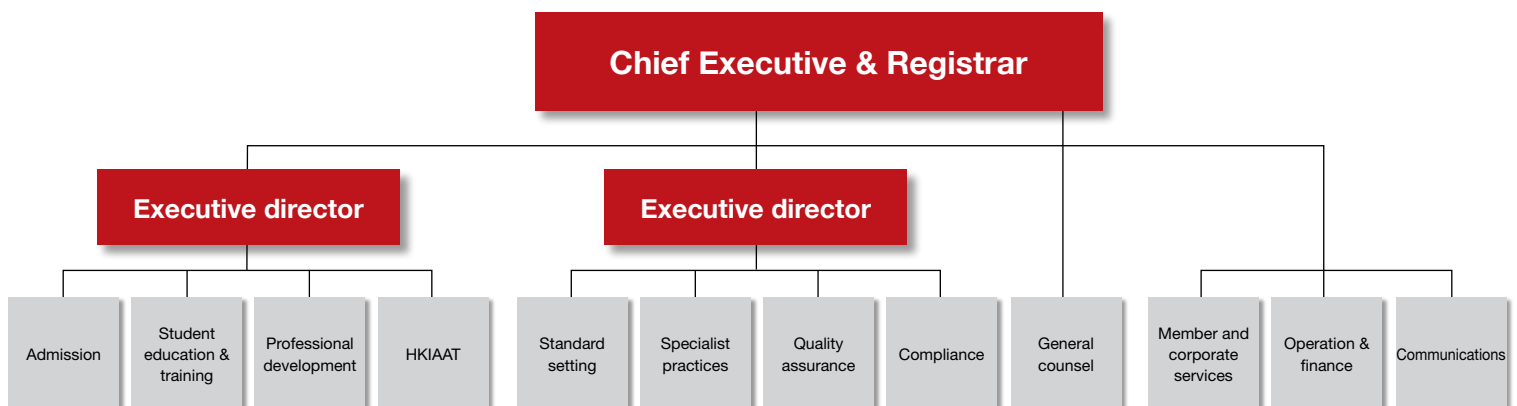
Standing from left:

Patricia McBride (*Executive Director*) left in May 2008
 Jonathan Ng (*Director, Student Education & Training*)
 Winnie C.W. Cheung (*Chief Executive & Registrar*)
 Georgina Chan (*Executive Director*)
 John Chiu (*Director, Operation & Finance*)
 Peter Tisman (*Director, Specialist Practices*)

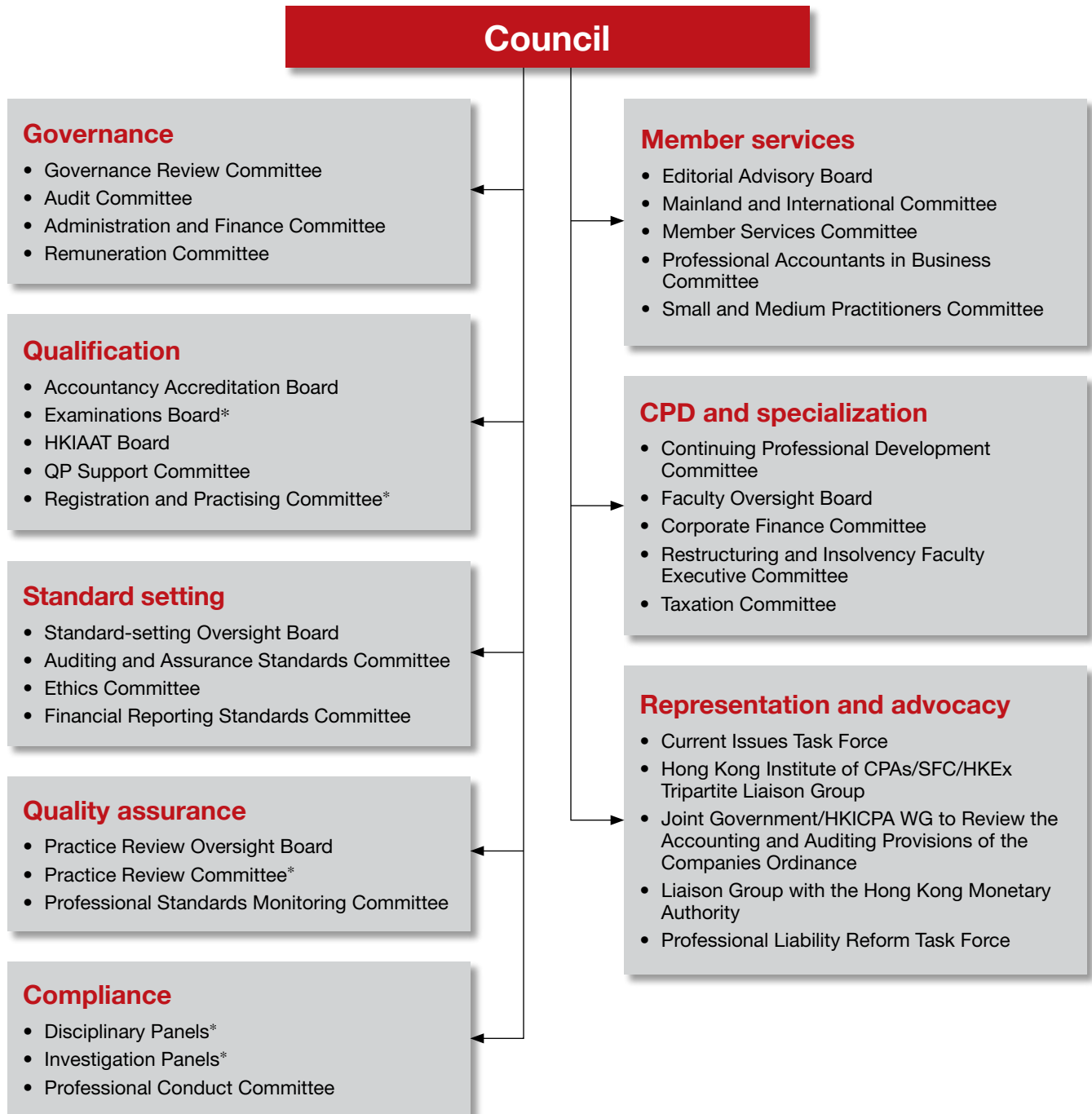
Sitting from left:

Mindee Hansen (*Director, Communications*)
 Patrick Tam (*Director, Member & Corporate Services*)
 Philip Hilliard (*Director, Compliance*)
 Chris Joy (*Director, Quality Assurance*)

Johnny Chan (General Counsel) and Alison Wilde (Director, Professional Development) joined in July 2008



Committees



* Statutory

Committee members

(up to 30 June 2008)

Surname	First name	Committees
ARBOIT	Bruno	Restructuring and Insolvency Faculty Executive Committee (b)
AU (*)	King Lun	Investigation Panel (Panel A)
AU	Siu Cheung, Albert (President)	Council, Governance Review Committee, Hong Kong Institute of CPAs/SFC/HKEx Tripartite Liaison Group (a), Mainland and International Committee (a)
AZEDO	Gabriel Ricardo Dias	Disciplinary Panel (Panel B)
BENNETT	Andrew Geoffrey	Professional Liability Reform Task Force
BEST	Roger Thomas	Disciplinary Panel (Panel B), Governance Review Committee (b), Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance (a)
BHARWANNEY (*)	Mohan Tarachand	Disciplinary Panel (Panel A)
BLAAUW	Jan Gerard Willemszoon	Restructuring and Insolvency Faculty Executive Committee
BOMBACI	Sebastian Antonio	Accountancy Accreditation Board
BRISCOE (*)	Stephen	Restructuring and Insolvency Faculty Executive Committee (c)
BROADLEY (*)	Derek	Auditing and Assurance Standards Committee, Professional Accountants in Business Committee
CARVER (*)	Anne Rosamunde	Investigation Panel (Panel A)
CHAN (*)	Cheuk Hay	HKIAAT Board
CHAN	Cheuk Tong, Gilbert	Member Services Committee
CHAN (*)	Chi-hung	Disciplinary Panel (Panel A)
CHAN	Ching Chu, Rebecca	Corporate Finance Committee
CHAN (*)	Ching Har, Eliza, J.P.	Disciplinary Panel (Panel A)
CHAN (*)	Chun-hung, Vincent	Disciplinary Panel (Panel A)
CHAN	Floyd Tsoi Yin	Corporate Finance Committee
CHAN	Ho Yin, Graham	Disciplinary Panel (Panel B), Ethics Committee, Small and Medium Practitioners Committee
CHAN (*)	Ka Shun, Wilson	Disciplinary Panel (Panel A), Ethics Committee
CHAN	Kam Wing, Clement	Council, Continuing Professional Development Committee (a), Financial Reporting Standards Committee (b), Mainland and International Committee, Member Services Committee (b), Practice Review Committee (b), Registration and Practising Committee
CHAN (*)	Kay	QP Support Committee
CHAN	Kee Sun, Tom	Investigation Panel (Panel B)
CHAN (*)	Kin Keung, Anthony, S.C.	Disciplinary Panel (Panel A) (a)
CHAN	Kin Lok, Paul	Editorial Advisory Board
CHAN	Kin Man, Eddie	Investigation Panel (Panel B)
CHAN	Koon Hung	Accountancy Accreditation Board, Investigation Panel (Panel B)
CHAN	Lok Sang	Investigation Panel (Panel B), Small and Medium Practitioners Committee
CHAN	Mei Bo, Mabel	Council, Continuing Professional Development Committee (b), Editorial Advisory Board (b), Registration and Practising Committee, Small and Medium Practitioners Committee

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
CHAN (*)	Miu Fan	QP Support Committee
CHAN	Mo Po, Paul	Current Issues Task Force (a), Mainland and International Committee (b), Member Services Committee (c)
CHAN	Sau Wai, Sylvia	Disciplinary Panel (Panel B)
CHAN	Shu Kin, Albert	Professional Conduct Committee
CHAN	Stephen	Auditing and Assurance Standards Committee, Disciplinary Panel (Panel B)
CHAN	Tak Shing	Financial Reporting Standards Committee, Professional Standards Monitoring Committee
CHAN (*)	Tung-ngok, Tony	Disciplinary Panel (Panel A)
CHAN (*)	Wai Hong, Chris	Professional Accountants in Business Committee
CHAN	Wai Man, Edmund	QP Support Committee
CHAN	Wai Tong, Christopher	Disciplinary Panel (Panel B)
CHAN	Wei Min, Eileen	Examinations Board
CHAN	Wei Ting, Barbara	Ethics Committee
CHAN	Wing Shing, Vincent	Member Services Committee (b)
CHAN (*)	Yim Cheong, Paul	Disciplinary Panel (Panel A)
CHAN	Yuen Fan, Florence	Taxation Committee
CHAN KO	Brenda Margaret	Taxation Committee
CHAU	Mo Wah, Catherine	Corporate Finance Committee
CHAU	Yu Nien, Colin	Auditing and Assurance Standards Committee, Financial Reporting Standards Committee
CHEN (*)	C. W. Kevin	Accountancy Accreditation Board
CHENG	Chung Ching, Raymond	Professional Standards Monitoring Committee
CHENG (*)	Cindy	Investigation Panel (Panel A)
CHENG	Kin Chung	Examinations Board
CHENG	Kwok Kin, Paul	Corporate Finance Committee, Ethics Committee
CHENG	Kwok Wai, David	Standard-setting Oversight Board
CHENG	Shee Sing, Patrick	Audit Committee
CHEONG (*)	Ying Chew, Henry	Disciplinary Panel (Panel A)
CHEUNG	Chun Kwok, Simon	Small and Medium Practitioners Committee
CHEUNG	Kin Tung, Marvin	Mainland and International Committee
CHEUNG (*)	Kwok Kwan, Horace	Investigation Panel (Panel A)
CHEUNG	Kwong Tat, Terence	Accountancy Accreditation Board
CHEUNG	Sau Ying, Olivia	Professional Standards Monitoring Committee
CHEUNG (*)	Wing-sum, Ambrose	Council, Audit Committee, Remuneration Committee (a)
CHEUNG	Yat Ming	Disciplinary Panel (Panel B)
CHEUNG	Yuk Ting, Mabel	Practice Review Committee

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
CHEW	Fook Aun	Council, Administration and Finance Committee (a), Corporate Finance Committee (b), Governance Review Committee, Professional Accountants in Business Committee (b), Remuneration Committee (b)
CHIU	Kai Chiu, Edward	QP Support Committee
CHIU	Lai Kuen, Susanna	Council, Faculty Oversight Board, Mainland and International Committee, Member Services Committee (a), Professional Accountants in Business Committee (b), QP Support Committee (b)
CHO LUNG	Pui Lan, Stella	Council, Examinations Board (a), HKIAAT Board (b), Mainland and International Committee, Registration and Practising Committee, Taxation Committee (b)
CHOI	Chor Ching Humphrey	Professional Conduct Committee
CHOI	Man On, Andy	Professional Conduct Committee
CHONG	Kwok Shing	Auditing and Assurance Standards Committee
CHOW	Ka Leung, Louis	Continuing Professional Development Committee
CHOW (*)	Ka Ming, Anderson, S.C.	Disciplinary Panel (Panel A) (b)
CHOW	Kai Cheong, Isaac	Continuing Professional Development Committee
CHOW	Kwong Fai, Edward	Governance Review Committee, Mainland and International Committee (b), Standard-setting Oversight Board
CHOW (*)	Man-yiu, Paul	Standard-setting Oversight Board (a)
CHOW	Siu Lui, Jack	Council, Administration and Finance Committee (b), Professional Standards Monitoring Committee (b), Standard-setting Oversight Board
CHOW	Tak Sing, Peter	Disciplinary Panel (Panel B)
CHOW (*)	Wing Shing, Vincent, J.P.	Investigation Panel (Panel A)
CHOW (*)	Yee-ping, Alexa	Investigation Panel (Panel A)
CHOY (*)	Fung-peng, Abril	Disciplinary Panel (Panel A)
CHU	Yau Wing, Jason	Disciplinary Panel (Panel B)
CHUA	Suk Lin, Ivy	Disciplinary Panel (Panel B), Restructuring and Insolvency Faculty Executive Committee, Small and Medium Practitioners Committee
CHUI (*)	P. L. Alice	Accountancy Accreditation Board
CHUNG	Lai Ling, Ada	Council, Continuing Professional Development Committee, Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance
CLEMENTSON	Rex Alexander	Disciplinary Panel (Panel B)
CONWAY (*)	Con	Member Services Committee
COPLEY	Simon Charles	Disciplinary Panel (Panel B)
CROWE	William Andrew	Auditing and Assurance Standards Committee (b), Practice Review Committee (b), Professional Liability Reform Task Force

Surname	First name	Committees
DING	Wai Chuen, Raphael	Council, Faculty Oversight Board, Financial Reporting Standards Committee (b), Professional Standards Monitoring Committee (a), Restructuring and Insolvency Faculty Executive Committee (b)
DONOWHO	Simon Christopher	Disciplinary Panel (Panel B)
ESPINA	Anthony Joseph	Disciplinary Panel (Panel B)
FAN	Chun Wah, Andrew	Administration and Finance Committee, Mainland and International Committee, Small and Medium Practitioners Committee
FAN	Winnie Chui Wah	Continuing Professional Development Committee
FARRAR	Ian Peter	Financial Reporting Standards Committee
FAWLS (*)	James	Financial Reporting Standards Committee
FOK	Ka Hing, Eric	Ethics Committee, Professional Accountants in Business Committee
FONG	Chung, Mark	Council, Governance Review Committee (b), Mainland and International Committee, Professional Liability Reform Task Force
FULTON	James Taylor	Disciplinary Panel (Panel B)
FUNG	Hon Kwong, Tommy	Professional Standards Monitoring Committee (c)
FUNG	Lak, Philip	Administration and Finance Committee, Examinations Board, Investigation Panel (Panel B), Registration and Practising Committee, Small and Medium Practitioners Committee (b)
FUNG	Suet Ngan, Gladys	Disciplinary Panel (Panel B)
FUNG	Yee, Pammy	Practice Review Committee, Small and Medium Practitioners Committee (c)
FUNG	Ying Wai, Wilson (Vice-President)	Council, Current Issues Task Force (b), Financial Reporting Standards Committee, Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance, Practice Review Committee, Professional Accountants in Business Committee (a)
GEE	Sui Wah, William	Member Services Committee
GEORGE	Richard John Weir	Practice Review Committee
GRAHAM (*)	David	Disciplinary Panel (Panel A)
GRASSICK	Alun Clark	Disciplinary Panel (Panel B)
GRIEVE	Charles Ramsay	Auditing and Assurance Standards Committee, Ethics Committee, Practice Review Oversight Board
GRIFFITHS (*)	Peter	Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance
HAUGHEY	Darach Eoghan	Restructuring and Insolvency Faculty Executive Committee
HEBDITCH	Paul Donald	Financial Reporting Standards Committee
HILLS	Martin Stuart	Disciplinary Panel (Panel B)
HO	Alfred Yau Hong	Taxation Committee
HO	Che Kong, John	Practice Review Committee, Professional Standards Monitoring Committee
HO	Chi Keung	Disciplinary Panel (Panel B)
HO	Ka Kui, Boniface	Disciplinary Panel (Panel B)
HO	Kam Wing, Richard	Investigation Panel (Panel B)
HO (*)	Man Kei, Keith	Restructuring and Insolvency Faculty Executive Committee

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
HO	Wing Suen, Piera	Ethics Committee
HONG	Wing Kwong, Wallace	Professional Conduct Committee
HONGCHOY	George Kwok Lung	Council, Corporate Finance Committee(a), Professional Accountants in Business Committee
HSIANG	Yuet Ming, Fanny	Auditing and Assurance Standards Committee
HSU	Wai Man, Helen	QP Support Committee
HUGHES (*)	Caron	Financial Reporting Standards Committee
HUI (*)	Chiu Chung, Stephen	Investigation Panel (Panel A)
HUNG	Lo Shan Lusan	Continuing Professional Development Committee, Editorial Advisory Board
HWANG (*)	Ngai Lam, Elaine	Investigation Panel (Panel A)
ING (*)	Edwin	Disciplinary Panel (Panel A)
IP	Chiu Yin, Eddie	Disciplinary Panel (Panel B)
IP	Kin Fong	Examinations Board
IP	Yu Chak, Barry	Auditing and Assurance Standards Committee, Small and Medium Practitioners Committee
JAMES	Gary Terence	Continuing Professional Development Committee
JAMIESON	Grant Andrew	Investigation Panel (Panel B)
JONES (*)	Gordon W.E.	Practice Review Oversight Board(a)
KAM	Pok Man	Audit Committee(a), Mainland and International Committee
KAN (*)	Siu Lun, Philip	Investigation Panel (Panel A)
KEMP (*)	Karen	Standard-setting Oversight Board
KIDD (*)	David	Restructuring and Insolvency Faculty Executive Committee
KNIGHT-EVANS	Carlyon John	Disciplinary Panel (Panel B)
KONG	Chi How, Johnson	HKIAAT Board(b), Mainland and International Committee, Restructuring and Insolvency Faculty Executive Committee(a), Small and Medium Practitioners Committee
KONG	Ling Yin, Raymond	Ethics Committee
KOO CHEUNG (*)	Man Kok, Christine	Investigation Panel (Panel A)
KUNG	Yiu Fai, Ronald	Council, Corporate Finance Committee, Current Issues Task Force, Governance Review Committee, Professional Accountants in Business Committee, QP Support Committee(a), Registration and Practising Committee
KWAN	Angelina	Disciplinary Panel (Panel B)
KWAN	Kar Chun, Steven	Taxation Committee
KWAN (*)	Pak Chung, Edward	Investigation Panel (Panel A)
KWOK (*)	Chi Piu, Bill	Investigation Panel (Panel A)
KWOK	Lam Kwong, Larry	Corporate Finance Committee, Investigation Panel (Panel B)
KWOK	Yuen Man, Eunice	Practice Review Committee
KWOK (*)	Yuen Man, Marisa	Disciplinary Panel (Panel A)
KWOK LI (*)	Yuen Kwan, Maxine, J.P.	Disciplinary Panel (Panel A)

Surname	First name	Committees
LAI	Kar Yan, Derek	Corporate Finance Committee
LAI (*)	Ting Hong, Alex	Ethics Committee
LAM	Chi Kuen	Disciplinary Panel (Panel B)
LAM	Chi Yuen, Nelson	Disciplinary Panel (Panel B), Financial Reporting Standards Committee, QP Support Committee (b), Small and Medium Practitioners Committee (b)
LAM	Nga Lai, Alice	Taxation Committee
LAM (*)	Po Ling, Pearl	Investigation Panel (Panel A)
LAM	Wai Ming, Ada	Administration and Finance Committee
LAM	Wai Ming, Ada	Disciplinary Panel (Panel B)
LAM	Yiu Kin, Kenneth	Disciplinary Panel (Panel B)
LAM (*)	Yuet-ming	Investigation Panel (Panel A)
LAU	Chi Pong, Howard	Disciplinary Panel (Panel B)
LAU (*)	Hing Ling, Amy	Accountancy Accreditation Board, Current Issues Task Force (b)
LAU	Kwok Hung, Kenneth	Practice Review Committee
LAU (*)	Ping Kwan, Albert	Disciplinary Panel (Panel A)
LAU	Wai Leung, Anders	Disciplinary Panel (Panel B)
LAU	Wai Yin, Susanna	Financial Reporting Standards Committee
LAW	Cheuk Kin, Stephen	Continuing Professional Development Committee, Corporate Finance Committee, Professional Accountants in Business Committee
LAW	Elizabeth	Disciplinary Panel (Panel B), Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance, Professional Liability Reform Task Force
LAW	Kwong Chau	Administration and Finance Committee
LAW	Yee Kwan, Quinn	Ethics Committee, Professional Conduct Committee
LAW SHING	Mo Han, Yvonne	Taxation Committee
LEE	Alfred	Practice Review Committee
LEE	Chi Ming, Leo	Administration and Finance Committee
LEE (*)	Chung Keung, Eddie, J.P.	Investigation Panel (Panel A)
LEE	Hoi Yin, Stephen	Professional Conduct Committee
LEE (*)	Jor Hung, Dannis, B.B.S.	Disciplinary Panel (Panel A)
LEE	Julian	Taxation Committee
LEE	Lo Lai Yee, Dora	Accountancy Accreditation Board
LEE (*)	Wai Yan, Susanna	Investigation Panel (Panel A)
LEE (*)	Wai Yin, Angela, J.P.	Investigation Panel (Panel A) (a)
LEE	Yuen Ching, Edith	Small and Medium Practitioners Committee
LEES	John Robert	Investigation Panel (Panel B), Professional Conduct Committee (b)
LEONG	Jonathan Russell	Ethics Committee, Investigation Panel (Panel B), Practice Review Committee
LEUNG (*)	Catherine K.C.	Council, Faculty Oversight Board (a), Governance Review Committee
LEUNG	Chi Ying, Kathy	Investigation Panel (Panel B)

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
LEUNG	Mun Yee, Ruby	Restructuring and Insolvency Faculty Executive Committee
LEUNG	Wo Ping	Disciplinary Panel (Panel B)
LI (*)	Gregg	Professional Accountants in Business Committee(c)
LI	Ka Cheung, Eric	Mainland and International Committee
LI	Ka Fai, David	Disciplinary Panel (Panel B)
LI	Ka Lai, Lucia	Council, Auditing and Assurance Standards Committee, Ethics Committee(b)
LI	Kwok Tso	Financial Reporting Standards Committee
LI	Tak Ming, Andy	HKIAAT Board
LI	Yin Fan, Fanny	Disciplinary Panel (Panel B)
LI LAU (*)	Lai-hing, Joanna	Disciplinary Panel (Panel A)
LIAO (*)	Zi Yin, Peggy	Disciplinary Panel (Panel A)
LIM (*)	Choon Hock	Financial Reporting Standards Committee
LIN	Ching Yee, Daniel	Editorial Advisory Board(a)
LIN (*)	Mark	Disciplinary Panel (Panel A)
LIU (*)	Ling Hong, Stephen	Investigation Panel (Panel A)
LIU	Mei Ling, Rhoda	Current Issues Task Force, Small and Medium Practitioners Committee
LIU (*)	Yiu Keung, Stephen	Restructuring and Insolvency Faculty Executive Committee
LIU	Yun Bonn	Disciplinary Panel (Panel B)
LO	Chi Chung, William	Editorial Advisory Board
LO (*)	Jane Curzon	Disciplinary Panel (Panel A)
LO	Kai Ming, Charles	Disciplinary Panel (Panel B)
LO	Kin Ching, Joseph	Investigation Panel (Panel B)
LO	Koon Fai, Gregory	Member Services Committee
LO	Ting Kwun, Chris	QP Support Committee
LOOK	Guy	Continuing Professional Development Committee(b)(c)
LUI	Man Ching, Gladie	Financial Reporting Standards Committee
LUI FUNG (*)	Mei-yee, Mabel	Disciplinary Panel (Panel A)
MA	Yuet Kwan, Eugenia	QP Support Committee
MACPHERSON	Ayesha Abbas	Current Issues Task Force, Taxation Committee(b)
MAGUIRE (*)	John	Corporate Finance Committee
MAK (*)	Alexander	Taxation Committee
MAKHIJA	Rajiv	Disciplinary Panel (Panel B)
MAN	Mo Leung	Investigation Panel (Panel B)
MAO	Chi Dor, Johnny	Standard-setting Oversight Board
MAR	Selwyn	Disciplinary Panel (Panel B), Ethics Committee
MCBRAYER (*)	Kim	Accountancy Accreditation Board(c)
MCBRIDE (*)	Patricia	Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance

Surname	First name	Committees
MCGRATH	Sarah Linda	Editorial Advisory Board
McKELVIE	Kenneth Erle	Professional Liability Reform Task Force
MIDDLETON	Edward Simon	Disciplinary Panel (Panel B), Restructuring and Insolvency Faculty Executive Committee
MIU	Liong, Nelson	Investigation Panel (Panel B), Professional Conduct Committee (b)
MOK	Yun Lee, Paul	Practice Review Committee, Professional Accountants in Business Committee, Professional Standards Monitoring Committee
MOORE	Vernon Francis	Disciplinary Panel (Panel B), Editorial Advisory Board
MORLEY	Catherine Susanna	Financial Reporting Standards Committee
MORRISON	Kenneth Graeme	Ethics Committee, Investigation Panel (Panel B), Practice Review Oversight Board
MUK	Chung Wing, Jacky	Investigation Panel (Panel B)
NEALE	Paul Andrew	Examinations Board (b) , Registration and Practising Committee
NG	Chi Keung	Disciplinary Panel (Panel B)
NG ^(*)	David C.W.	Remuneration Committee
NG ^(*)	Kwok Ming, Raymond	Ethics Committee
NG	Shiu Hong	Professional Liability Reform Task Force
NG	Tze Kin, David Henry	Small and Medium Practitioners Committee
NG	Yeuk Mei, Christina	Taxation Committee
NIKZAD	Babak	Liaison Group with the Hong Kong Monetary Authority (a)
OLESNICKY ^(*)	Michael	Examinations Board
ONG	Wei Shie	Examinations Board
OXLEY	Douglas Charles	Council, Accountancy Accreditation Board (b) , Editorial Advisory Board (b) , HKIAAT Board (a)
PAK	Chi Hoi, Dick	Disciplinary Panel (Panel B)
PANG	Allen Yuk Leung	Registration and Practising Committee
PANG	Wai Hang, Arthur	Continuing Professional Development Committee, Disciplinary Panel (Panel B)
PATTLE	Sheila Helen	Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance (c)
PHILLIPS	Warren Peter	Disciplinary Panel (Panel B)
PICTON-PHILLIPPS	Peter Nicholas	Liaison Group with the Hong Kong Monetary Authority
POGSON	Timothy Keith	Council, Auditing and Assurance Standards Committee (a) , Continuing Professional Development Committee, Ethics Committee (b) , Hong Kong Institute of CPAs/SFC/HKEx Tripartite Liaison Group, Professional Conduct Committee (a) , Professional Standards Monitoring Committee (b)
POON ^(*)	Chin-hung, Almon	Investigation Panel (Panel A)
POON ^(*)	Cho-ming, John	Council, Governance Review Committee (a)
POON ^(*)	Chong Ching, Margaret	Current Issues Task Force, Member Services Committee
POON	Tsun Wah, Gary	Mainland and International Committee, Small and Medium Practitioners Committee, Taxation Committee

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
POWELL (*)	Simon	Restructuring and Insolvency Faculty Executive Committee
RASHEED	John Henley	Examinations Board
ROBERTS	Donald Jeffrey	Professional Accountants in Business Committee
ROZARIO (*)	Patrick	Professional Accountants in Business Committee
SCOTT (*)	John Alston	Disciplinary Panel (Panel A)
SHAFFER (*)	William E.	Ethics Committee
SHEN	Ka Yip, Timothy	Administration and Finance Committee
SHIH	Edith	Council, Audit Committee, Practice Review Oversight Board (b)
SHUM (*)	Sze Man, Erik Ignatius	Disciplinary Panel (Panel A)
SMYTH (*)	David	Professional Liability Reform Task Force
SOUTHWOOD	David Howell	Taxation Committee (a)
SUM	Yuk Fan, Sharon	Disciplinary Panel (Panel B), Small and Medium Practitioners Committee
SUN	Kwai Yu, Vivian	Editorial Advisory Board
SUN	Po Yuen, Richard	Disciplinary Panel (Panel B)
SUN	Tak-kei, David	Mainland and International Committee
SZE	Tak Chee, Sidney	Continuing Professional Development Committee
TAM (*)	Gabriel	Member Services Committee
TAM	Hok Lam, Tommy	Financial Reporting Standards Committee
TAM	King Ching, Kenny	Ethics Committee, Practice Review Committee, Professional Liability Reform Task Force, Small and Medium Practitioners Committee (c)
TAN	Chuen Yan, Paul	Disciplinary Panel (Panel B)
TAN	Geok Hong, Victor	Member Services Committee
TANG	Chak Yei	Disciplinary Panel (Panel B)
TANG	Chung Wah, Alan	Disciplinary Panel (Panel B), Restructuring and Insolvency Faculty Executive Committee
TANG	Kwai Chang	Disciplinary Panel (Panel B)
TANG (*)	Yat-sun, Richard	Disciplinary Panel (Panel A)
TANG	Yuen Yee, Loren Gertrud	Corporate Finance Committee
TAYLOR	Stephen	Professional Standards Monitoring Committee
TONG	Carlson	Council (c), Governance Review Committee
TONG	Chi Chiu, Alec	Accountancy Accreditation Board
TSAI	Wing Chung, Philip	Council, Accountancy Accreditation Board (a), Continuing Professional Development Committee (b), Ethics Committee (a), Faculty Oversight Board (b), Registration and Practising Committee (b)
TSANG	Cheong Wai, Simon	Examinations Board (b), Liaison Group with the Hong Kong Monetary Authority
TSANG	Chi Wai	Disciplinary Panel (Panel B)
TSANG	Hing Hung	Financial Reporting Standards Committee
TSANG (*)	Link-carl, Brian	Disciplinary Panel (Panel A)
TSANG	Siu Mei, Shirley	QP Support Committee

Surname	First name	Committees
TSANG	Tin For	Disciplinary Panel (Panel B)
TSANG	Yu Hei, William	Professional Liability Reform Task Force
TSE	Hau Yin, Aloysius	Audit Committee
TSE	Kin Pang, Richard	Accountancy Accreditation Board (b)
TSE (*)	Lai Leung, Jimmy	Disciplinary Panel (Panel A)
TSE	Sau Ling, Nancy	Professional Accountants in Business Committee, Professional Conduct Committee
TSE (*)	Wai Chuen, Tony	Disciplinary Panel (Panel A)
TSUI	Hon Man	Disciplinary Panel (Panel B)
TSUI (*)	Pui Man, Winnie	Investigation Panel (Panel A)
WARDELL	James	Disciplinary Panel (Panel B), Restructuring and Insolvency Faculty Executive Committee
WILKINSON	John Bernard	Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance
WILSON (*)	Thomas	Member Services Committee
WINKELMANN	Paul Franz (<i>Vice-President</i>)	Council, Financial Reporting Standards Committee (a), Hong Kong Institute of CPAs/SFC/HKEx Tripartite Liaison Group, Joint Government/HKICPA WG to Review the Accounting and Auditing Provisions of the Companies Ordinance, Professional Liability Reform Task Force (a), Registration and Practising Committee (a)
WINTER	Richard David	Corporate Finance Committee (b)
WONG	Chun Bong, Alex	Disciplinary Panel (Panel B), Professional Liability Reform Task Force, Small and Medium Practitioners Committee
WONG	Debra	Disciplinary Panel (Panel B)
WONG	Hak Kun, Kan	Disciplinary Panel (Panel B)
WONG	Hong Yuen, Peter	Current Issues Task Force, Disciplinary Panel (Panel B), Mainland and International Committee
WONG (*)	Julianne	Accountancy Accreditation Board
WONG	Kar Yung, Wilfred	Auditing and Assurance Standards Committee (b)
WONG (*)	Kelvin	Auditing and Assurance Standards Committee
WONG	Kuen Fai, Richard	Examinations Board
WONG	Kwok Wai, Albert	Disciplinary Panel (Panel B)
WONG	Lung Tak, Patrick	Disciplinary Panel (Panel B)
WONG (*)	Man Kong, Raymond	Auditing and Assurance Standards Committee, Examinations Board
WONG	Park Yun, Lawrence	Small and Medium Practitioners Committee
WONG (*)	Peter S.H.	Standard-setting Oversight Board
WONG (*)	Sai Hung, Oscar	Investigation Panel (Panel A)
WONG	Sau Ling, Shirley	Investigation Panel (Panel B)
WONG	Sau Pik	Disciplinary Panel (Panel B)
WONG	Stephanie	Corporate Finance Committee
WONG	Suet Fan, Josephine	QP Support Committee

(*) Non Institute member

(a) Chairman/Convenor

(b) Deputy Chairman/Alternate Convenor

(c) Retired in 2008

Surname	First name	Committees
WONG	Tak Wai, Alvin	Audit Committee(b), Remuneration Committee
WONG (*)	Tak-lan, Mary Teresa	Investigation Panel (Panel A)
WONG	Tat Che, Roland	Financial Reporting Standards Committee
WONG	Wang Tai, Fergus	Taxation Committee
WONG	Wing Cheong, Dennis	Investigation Panel (Panel B)
WONG	Yue Ting, Thomas	Council, Registration and Practising Committee(b), HKIAAT Board, Small and Medium Practitioners Committee(a), Auditing and Assurance Standards Committee, Administration and Finance Committee(b)
WONG (*)	Yuen Fai, Stanley	Disciplinary Panel (Panel A)
WONG CHUI	Yue Chue, Lesley	Standard-setting Oversight Board
WOO (*)	Lee Wah, Cecilia	Investigation Panel (Panel A)
WU	Kwok Keung, Andrew	Practice Review Oversight Board
WU	Shek Chun, Wilfred	Member Services Committee, Restructuring and Insolvency Faculty Executive Committee, Small and Medium Practitioners Committee
XUEREB	Maria	Liaison Group with the Hong Kong Monetary Authority
YAM	Hoi Yin, Cecilia	Auditing and Assurance Standards Committee, Ethics Committee
YAN	Man Sing, Frankie	Corporate Finance Committee
YAN	Yiu Kwong, Eddy	Professional Standards Monitoring Committee
YAU (*)	Henry	Corporate Finance Committee
YAU	Wan Wah, Lindy	HKIAAT Board
YEN (*)	Charlotte S.F.	Corporate Finance Committee(c)
YEUNG	Chi Wai, Edwin	Disciplinary Panel (Panel B)
YEUNG	Kai Cheung, Patrick	Disciplinary Panel (Panel B)
YEUNG	Kit Kam, Lesley	Disciplinary Panel (Panel B)
YEUNG	Man Chung, Charles	Current Issues Task Force
YIH (*)	Lai Tak, Dieter	Investigation Panel (Panel A)
YIP	Sai On, David	Examinations Board
YIP (*)	Siu-fai, Paul	Disciplinary Panel (Panel A)
YIP LI	Yuet Fong, Jennifer	Professional Liability Reform Task Force
YOUNG	Chun Man, Kenneth	Professional Conduct Committee, Small and Medium Practitioners Committee
YOUNG (*)	Ngai Man, Simon	Investigation Panel (Panel A)
YU	Hon To, David	Disciplinary Panel (Panel B)
YU	Kwok Kuen, Harry	Disciplinary Panel (Panel B)
YU	Sai Hung	Taxation Committee
YUEN (*)	Kwok Keung, Rimsky, S.C.	Investigation Panel (Panel A)(b)
YUEN	Kwok Wing, Kevin	Member Services Committee
YUEN	Siu Bun, Edward	Current Issues Task Force
YUNG (*)	Pui Yip, Paul	Disciplinary Panel (Panel A)
YUNG	Wen Yee, Wendy	Professional Accountants in Business Committee

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
2007	Mark C. Fong

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 financial statements of Hong Kong Institute of Certified Public Accountants ("the Institute") set out on pages 58 to 92, which comprise the consolidated and Institute statement of financial position as at 30 June 2008 and the consolidated and Institute statement of comprehensive income, the consolidated and Institute statement of changes in members' equity and the consolidated and Institute statement of cash flows 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 maintaining proper accounts and the preparation of annual financial statements pursuant to the Professional Accountants Ordinance, and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Institute. These responsibilities include 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 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 the 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 financial statements give a true and fair view of the state of affairs of the Group and of the Institute as at 30 June 2008 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, 16 September 2008

Statement of comprehensive income

For the year ended 30 June 2008

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Subscriptions and fees	4	104,171	93,371	99,248	89,132
Other revenue	5	87,150	70,679	86,100	65,830
Total revenue		191,321	164,050	185,348	154,962
Other income	6	5,879	8,973	3,444	8,590
Expenses	7	(168,182)	(162,328)	(156,559)	(151,978)
Financing charges		(1)	(1,950)	(1)	(1,950)
Interest income		1,918	1,345	927	520
Net financing income/(charges)	8	1,917	(605)	926	(1,430)
Operating surplus before tax		30,935	10,090	33,159	10,144
Gain on disposal of leasehold buildings and land lease	9	—	71,425	—	40,889
Surplus before tax		30,935	81,515	33,159	51,033
Tax	10	(6,039)	(4,751)	(6,039)	(4,632)
Surplus after tax		24,896	76,764	27,120	46,401
Other comprehensive (expense)/income	11	(114)	30	—	—
Total comprehensive income		24,782	76,794	27,120	46,401

	2008 HK\$'000	2007 HK\$'000
Surplus after tax are attributed to:		
Institute	27,120	46,401
The HKICPA Trust Fund	(92)	(22)
The HKICPA Charitable Fund	(361)	70
HKICPA Beijing	(1,487)	(599)
HKIAAT	(301)	30,958
The HKIAAT Scholarship Trust Fund	17	(44)
	24,896	76,764

Statement of changes in members' equity

For the year ended 30 June 2008

	Group					Institute			
	Retained surplus	General fund	Capital fund	Exchange reserve	Total	Retained surplus	General fund	Capital fund	Total
2008	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	—	142,284	81,157	30	223,471	—	108,389	75,882	184,271
Capital levy from members and students	—	—	9,792	—	9,792	—	—	9,057	9,057
Total comprehensive income	24,896	—	—	(114)	24,782	27,120	—	—	27,120
Transfers	(24,896)	24,896	—	—	—	(27,120)	27,120	—	—
At 30 June 2008	—	167,180	90,949	(84)	258,045	—	135,509	84,939	220,448

	Group					Institute			
	Retained surplus	General fund	Capital fund	Exchange reserve	Total	Retained surplus	General fund	Capital fund	Total
2007	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	—	65,520	71,885	—	137,405	—	61,988	67,282	129,270
Capital levy from members and students	—	—	9,272	—	9,272	—	—	8,600	8,600
Total comprehensive income	76,764	—	—	30	76,794	46,401	—	—	46,401
Transfers	(76,764)	76,764	—	—	—	(46,401)	46,401	—	—
At 30 June 2007	—	142,284	81,157	30	223,471	—	108,389	75,882	184,271

Statement of financial position

As at 30 June 2008

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Non-current assets					
Property and equipment	13	61,189	63,805	60,883	63,284
Prepaid land lease expense	14	167,078	171,476	167,078	171,476
Investments in subsidiaries	15	—	—	300	300
		<u>228,267</u>	<u>235,281</u>	<u>228,261</u>	<u>235,060</u>
Current assets					
Inventories		1,496	1,574	956	1,045
Trade and other receivables	17	833	1,387	3,485	4,540
Deposits and prepayments	18	7,976	7,191	7,838	7,062
Cash and bank balances	19	128,434	76,802	84,043	32,984
		<u>138,739</u>	<u>86,954</u>	<u>96,322</u>	<u>45,631</u>
Current liabilities					
Subscriptions and fees received in advance	20	(65,395)	(61,136)	(63,584)	(59,544)
Accounts payable, accruals and other payables	21	(33,856)	(33,755)	(30,867)	(33,029)
Current tax liabilities		(9,376)	(3,688)	(9,350)	(3,662)
		<u>(108,627)</u>	<u>(98,579)</u>	<u>(103,801)</u>	<u>(96,235)</u>
Net current assets/(liabilities)		<u>30,112</u>	<u>(11,625)</u>	<u>(7,479)</u>	<u>(50,604)</u>
Non-current liability					
Deferred tax liabilities	16	(334)	(185)	(334)	(185)
		<u>258,045</u>	<u>223,471</u>	<u>220,448</u>	<u>184,271</u>
Members' equity					
General fund		167,180	142,284	135,509	108,389
Capital fund		90,949	81,157	84,939	75,882
Exchange reserve		(84)	30	—	—
	22	<u>258,045</u>	<u>223,471</u>	<u>220,448</u>	<u>184,271</u>

Approved by the Council on 16 September 2008

Albert S.C. Au
President

Chew Fook Aun
Chairman, Administration & Finance Committee

Winnie C.W. Cheung
Chief Executive & Registrar

Statement of cash flows

For the year ended 30 June 2008

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities					
Surplus before tax		30,935	81,515	33,159	51,033
Adjustments for:					
Gain on disposal of leasehold buildings and land lease	9	—	(71,425)	—	(40,889)
Provision for impairment loss on trade and other receivables	7	209	—	142	—
Depreciation	7	6,429	4,873	6,168	4,798
Amortization of prepaid land lease expense	7	4,398	4,403	4,398	4,398
Impairment loss on leasehold improvements, furniture, fixtures and equipment	7	—	105	—	—
Interest income	8	(1,918)	(1,345)	(927)	(520)
Financing charges	8	1	1,950	1	1,950
Operating cash flows before working capital changes		40,054	20,076	42,941	20,770
Decrease/(increase) in inventories		78	(496)	89	(333)
Decrease/(increase) in trade and other receivables		345	677	913	(2,271)
(Increase)/decrease in deposits and prepayments		(785)	1,084	(776)	1,088
Increase in subscriptions and fees received in advance		4,259	10,251	4,040	10,093
Increase/(decrease) in accounts payable, accruals and other payables		101	(3,608)	(2,162)	(4,190)
Cash generated from operations		44,052	27,984	45,045	25,157
Tax paid		(202)	(619)	(202)	(457)
Net cash generated by operating activities		43,850	27,365	44,843	24,700

Statement of cash flows (cont'd)

For the year ended 30 June 2008

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash flows from investing activities					
Purchase of property, equipment and prepaid land lease expense		(3,804)	(3,479)	(3,767)	(3,012)
Further proceeds from disposal of leasehold buildings and land lease		—	145,578	—	111,487
Investment in subsidiaries	15	—	—	—	(300)
Interest received		1,767	1,276	927	506
Net cash (utilized)/ generated by investing activities		(2,037)	143,375	(2,840)	108,681
Cash flows from financing activities					
Capital levy received		9,792	9,272	9,057	8,600
Repayment of short-term bank loans		—	(116,000)	—	(116,000)
Financing charges paid		(1)	(1,950)	(1)	(1,950)
Net cash generated/(utilized) by financing activities		9,791	(108,678)	9,056	(109,350)
Net increase in cash and cash equivalents		51,604	62,062	51,059	24,031
Cash and cash equivalents at beginning of financial year		76,802	14,740	32,984	8,953
Exchange difference in respect of cash and cash equivalents		28	—	—	—
Cash and cash equivalents at end of financial year	19	128,434	76,802	84,043	32,984

Notes to the financial statements

For the year ended 30 June 2008

1. Principal activities and registered office

The Group refers to Hong Kong Institute of Certified Public Accountants (“the Institute”) and its subsidiaries: HKICPA (Beijing) Consulting Co., Ltd (“HKICPA Beijing”), The HKICPA Trust Fund, The HKICPA Charitable Fund and Hong Kong Institute of Accredited Accounting Technicians Limited (“HKIAAT”) and its subsidiary, The HKIAAT 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 HKICPA Trust 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 at the date of approval of the financial statements are the president, the immediate past president and the chief executive and registrar of the Institute. The HKICPA Charitable 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 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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and Interpretations issued by the Institute. These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. All values are rounded to the nearest thousand except when otherwise indicated.

Notes to the financial statements

For the year ended 30 June 2008

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

b. Early adoption of new/revised HKFRSs

The Group has early adopted all new/revised HKFRSs issued up to 30 June 2008 which were pertinent to its operations where early adoption was permitted. The applicable HKFRSs are set out below:

HKAS 1 (Revised) "Presentation of Financial Statements"

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

HKFRS 3 (Revised) "Business Combinations"

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

HKAS 1 (Revised) affects certain disclosures of the financial statements. Under the revised standard, the Income Statement is renamed as the "Statement of Comprehensive Income", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". Furthermore, all income and expenses arising from transactions are presented under the "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Members' Equity", while the changes in equity are presented in the "Statement of Changes in Equity".

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change has no impact on goodwill, nor give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The HKAS 27 (Revised) and HKFRS 3 (Revised) have had no effect on these financial statements.

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 statement of financial position the investments in subsidiaries are stated at cost less any impairment losses.

d. Revenue recognition

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

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

First registration fees are recognized on entitlement.

Income 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 provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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-proportion basis using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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 statement of financial position.

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 statement of comprehensive income 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 date of the statement of financial position.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus, and is accounted for using the liability method. 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.

Notes to the financial statements

For the year ended 30 June 2008

Deferred tax liabilities are not recognized for taxable temporary differences arising on investments 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 date of the statement of financial position 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.

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 statement of comprehensive income, 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. Financial instruments

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

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of

financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each date of the statement of financial position subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Financial liabilities include accounts payable and other monetary liabilities. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

i. Impairment of financial assets

The Group recognizes losses for impaired receivables promptly where there is objective evidence that impairment of a receivable or portfolio of receivables has occurred. Impairment allowances are assessed either individually for individually significant receivables or collectively for receivable portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by reducing the receivable impairment allowance account. The amount of any reversal is recognized in the statement of comprehensive income.

j. Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

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

k. Impairment of non-financial assets

Internal and external sources of information are reviewed at each date of the statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income in the year in which the reversals are recognized.

l. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment 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 items of property and equipment 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 item of property and equipment have been put into operation, such as repairs and maintenance cost, is normally charged to the statement of comprehensive income 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 item of property and equipment and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost to that assets or as a replacement. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of comprehensive income in the period the item is derecognized, is the difference between the net disposal proceeds and the carrying amount of the item.

Notes to the financial statements

For the year ended 30 June 2008

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 and the depreciation method 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.

The annual depreciation rates adopted are as follows:

Leasehold buildings	5%
Leasehold improvements	10%
Furniture, fixtures and equipment	10%-33 $\frac{1}{3}$ %

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

m. Leases

Leases where substantially all the rewards and the 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 statement of comprehensive income 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 statement of comprehensive income 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 on the straight-line basis over the remaining term of the lease to the statement of comprehensive income.

n. 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.

o. 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 presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated 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 date of the statement of financial position. 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 statement of comprehensive income.

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 date of the statement of financial position, and their income and expenses are translated at the average exchange rates for the year, the resulting exchange difference arising are included in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognized in other comprehensive income and accumulated in a separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling the dates of the cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

p. 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 a 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 statement of comprehensive income as incurred.

ii. Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by the employees up to the date of the statement of financial position.

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 date of the statement of financial position.

q. Cash equivalents

For the purpose of the statement of cash flows, 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. They have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to the financial statements

For the year ended 30 June 2008

r. Related parties

Parties are considered to be related to the Group if the Group has the ability to control, directly or indirectly, the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, and/or their close family members) or entities and include entities which are controlled or under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

s. 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 the acquisition, construction of and production of a qualifying asset where they are capitalized as part of cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

t. 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 eight operating segments: admission, qualification, member services, standards, regulatory, corporate functions, HKIAAT Group and The HKICPA Trust Fund and The HKICPA Charitable Fund as one segment. Each operating segment is deemed to be a reportable segment. The Group determines its operating segments based on the reports reviewed by the Institute's key management personnel for allocating resources and the segments are managed separately as they are performing different functions.

Admission refers to the registration of certified public accountants, firms of certified public accountants (practising) and corporate practices (collectively "member firms"), the issuance of practising certificates to members to perform statutory audits in Hong Kong and maintaining membership records.

Qualification refers to the registration of students, the accreditation of university programmes and overseas qualifications, the operation of the Institute's qualification programme, the practising certificate examinations, the provision of student services and maintaining student records. It also encompasses the administration of the practical experience framework for membership qualification.

Member services refers to organization of the continuing professional development training, membership networking events, social and sports activities, community services programmes and affinity programmes. It also refers to organization of professional interest groups and publications, technical development and support in core areas as well as the specialist disciplines of tax, insolvency, financial management,

corporate governance, risk management, information technology and specialized industries such as banking, insurance, listing and securities. Member services also provides forums for small and medium sized practices, professional accountants in business and is active in areas of representation and advocacy.

Standards encompasses standard setting and quality assurance. Standard setting refers to the issue of financial reporting, auditing and ethical standards and guidelines, supporting the implementation of standards through activities such as developing the content of forums and seminars, issuing technical releases and articles and responding to technical enquiries. Under the international convergence programme, the work includes contributing views on the drafting of international standards and interpretations. For Hong Kong specific matters, this includes drafting local guidance and representing views on relevant legislation and regulatory issues. Quality assurance refers to monitoring members' observation, maintenance and application of ethics, financial reporting, auditing as well as other assurance and related services standards through the statutory practice review programme and continuous reviews of published listed entity financial statements.

Regulation refers to complaints, investigation and disciplinary matters. The Institute regulates its members and member firms in accordance with the Professional Accountants Ordinance and by-laws. This ensures that the Institute fulfils its public interest mandate by holding members and member firms to account for departure from professional standards and ethics.

Corporate functions encompasses constitution and governance, operation and finance, communications and China and international relations. Operations and finance refers to all support facilities to include office accommodation, finance, human resources and information technology, as well as the activities of the training facilities, library and members' lounge. Communications refers to those activities such as branding, advertising, corporate marketing, surveys, public relations and media relations. China and international relations refers to the liaison functions with relevant international organizations and bodies which the Institute considers necessary to promote and enhance the reputation of the Institute and its members.

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" and "Certified Accounts Clerk" qualification through conducting professional examinations.

The HKICPA Trust Fund and The HKICPA Charitable Fund are considered subsidiaries and for the purposes of this note are grouped together. The HKICPA Trust Fund makes donations to members who have fallen on hard times and The HKICPA Charitable Fund collects and donates funds for charitable purposes.

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 date of the statement of financial position by operating segments is set out overleaf:

Notes to the financial statements

For the year ended 30 June 2008

2008	Admission HK\$'000	Qualification HK\$'000	Member services HK\$'000	Standards HK\$'000
Subscriptions and fees	90,269	8,136	313	—
Other revenue-				
External	1,586	52,962	20,902	—
Internal	—	381	—	—
Total revenue	<u>91,855</u>	<u>61,479</u>	<u>21,215</u>	<u>—</u>
Other income	—	—	991	8
Expenses	(6,430)	(37,043)	(35,209)	(15,177)
Financing charges	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Interest income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net financing income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Surplus/(deficit) before tax	85,425	24,436	(13,003)	(15,169)
Tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Surplus/(deficit) after tax	<u>85,425</u>	<u>24,436</u>	<u>(13,003)</u>	<u>(15,169)</u>
Non-current assets				
Current assets				
Total assets				
Non-current liability				
Current liabilities				
Total liabilities				
Additions of property and equipment				
Depreciation and amortization				
Impairment loss on leasehold improvements, furniture, fixtures and equipment				

Regulatory HK\$'000	Corporate functions HK\$'000	The HKICPA Charitable Fund and The HKICPA			Elimination HK\$'000	Consolidated HK\$'000
		HKIAAT Group HK\$'000	Trust Fund HK\$'000			
—	530	4,923	—	—	104,171	
361	3,784	7,555	—	—	87,150	
—	6,373	—	—	(6,754)	—	
<u>361</u>	<u>10,687</u>	<u>12,478</u>	<u>—</u>	<u>(6,754)</u>	<u>191,321</u>	
2,622	(1)	100	2,159	—	5,879	
(17,908)	(46,711)	(13,846)	(2,612)	6,754	(168,182)	
<u>—</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	
<u>—</u>	<u>934</u>	<u>984</u>	<u>—</u>	<u>—</u>	<u>1,918</u>	
<u>—</u>	<u>933</u>	<u>984</u>	<u>—</u>	<u>—</u>	<u>1,917</u>	
(14,925)	(35,092)	(284)	(453)	—	30,935	
<u>—</u>	<u>(6,039)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,039)</u>	
<u>(14,925)</u>	<u>(41,131)</u>	<u>(284)</u>	<u>(453)</u>	<u>—</u>	<u>24,896</u>	
	228,469	68	—	(270)	228,267	
	99,786	44,166	—	(5,213)	138,739	
	<u>328,255</u>	<u>44,234</u>	<u>—</u>	<u>(5,483)</u>	<u>367,006</u>	
	(334)	—	—	—	(334)	
	<u>(107,417)</u>	<u>(6,423)</u>	<u>—</u>	<u>5,213</u>	<u>(108,627)</u>	
	<u>(107,751)</u>	<u>(6,423)</u>	<u>—</u>	<u>5,213</u>	<u>(108,961)</u>	
	3,788	16	—	—	3,804	
	10,802	25	—	—	10,827	
	—	—	—	—	—	

Notes to the financial statements

For the year ended 30 June 2008

2007	Admission HK\$'000	Qualification HK\$'000	Member services HK\$'000	Standards HK\$'000
Subscriptions and fees	82,998	5,842	—	—
Other revenue-				
External	2,491	41,698	16,470	(614)
Internal	—	363	—	—
Total revenue	85,489	47,903	16,470	(614)
Other income	—	12	11	11
Expenses	(5,199)	(34,226)	(31,276)	(11,019)
Financing charges	—	—	—	—
Interest income	—	—	—	—
Net financing income	—	—	—	—
Gain on disposal of leasehold buildings and land lease	—	—	—	—
Surplus/(deficit) before tax	80,290	13,689	(14,795)	(11,622)
Tax	—	—	—	—
Surplus/(deficit) after tax	80,290	13,689	(14,795)	(11,622)
Non-current assets				
Current assets				
Total assets				
Non-current liability				
Current liabilities				
Total liabilities				
Additions of property and equipment				
Depreciation and amortization				
Impairment loss on leasehold improvements, furniture, fixtures and equipment				

Regulatory HK\$'000	Corporate functions HK\$'000	The HKICPA Charitable Fund and The HKICPA			Elimination HK\$'000	Consolidated HK\$'000
		HKIAAT Group HK\$'000	Trust Fund HK\$'000			
—	292	4,239	—	—	93,371	
—	3,568	7,066	—	—	70,679	
—	1,846	—	—	(2,209)	—	
—	5,706	11,305	—	(2,209)	164,050	
8,500	61	—	378	—	8,973	
(23,895)	(46,962)	(11,720)	(330)	2,299	(162,328)	
—	(1,950)	—	—	—	(1,950)	
—	523	822	—	—	1,345	
—	(1,427)	822	—	—	(605)	
—	40,889	17,298	—	13,238	71,425	
(15,395)	(1,733)	17,705	48	13,328	81,515	
—	(4,632)	(119)	—	—	(4,751)	
(15,395)	(6,365)	17,586	48	13,328	76,764	
	236,596	77	—	(1,392)	235,281	
	47,760	43,651	—	(4,457)	86,954	
	<u>284,356</u>	<u>43,728</u>	—	<u>(5,849)</u>	<u>322,235</u>	
	(185)	—	—	—	(185)	
	(97,790)	(6,368)	—	5,579	(98,579)	
	<u>(97,975)</u>	<u>(6,368)</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

For the year ended 30 June 2008

4. Subscriptions and fees

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Annual subscription fees				
Members	55,940	50,361	55,940	50,361
Practising certificates	17,556	17,007	17,556	17,007
Students	9,759	8,065	5,985	4,812
Firms	8,945	8,477	8,945	8,477
Corporate practices	3,458	2,966	3,458	2,966
Others	95	95	95	95
First registration fees				
Members	3,931	2,248	3,931	2,248
Practising certificates	419	408	419	408
Students	2,481	1,956	1,332	1,020
Firms	106	160	106	160
Corporate practices	158	133	158	133
Other fees				
Member practices' changes in particulars	266	244	266	244
Advancement to fellowship	282	308	282	308
Assessment for overseas students	775	943	775	893
	104,171	93,371	99,248	89,132

5. Other revenue

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Income from examinations	57,046	44,791	51,800	41,437
Income from seminars, courses and other activities	20,522	20,280	26,602	20,217
Sale of goods	6,273	2,474	4,703	857
Income from advertisements placed in the journals	1,461	1,286	1,161	990
Operating lease income	1,848	1,848	1,834	2,329
	87,150	70,679	86,100	65,830

6. Other income

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Government grants (a)	764	1,000	764	1,000
Special levy (b)	2,623	7,500	2,623	7,500
Donations received (c)	2,228	418	72	35
Service income (d)	98	—	—	—
Exchange differences	166	55	(15)	55
	5,879	8,973	3,444	8,590

a. Government grants

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

- i. 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 entity audit engagements. The estimated project cost was HK\$3,314,000. The government of the HKSAR would contribute no more than HK\$1,545,000 to the project cost. During the year, HK\$545,000 (2007: HK\$1,000,000) was recognized as income to match with the related costs. All contractual obligations under the funding arrangement with the government of the HKSAR have been completed and fully accounted for during the year. The audit practice manual developed under this agreement has been available since July 2007 with the related training courses also launched in July 2007.
- ii. On 31 July 2007, the Institute signed an agreement for a project entitled “The Cross-straits, Hong Kong and Macau Accounting Profession Conference 2007”. The objective of the project was to promote the exchanges among accountants from the mainland, Taiwan, Hong Kong and Macau on industry practices and issues. The project cost was HK\$462,000 subject to finalization by the government of the HKSAR. The government of the HKSAR would contribute no more than HK\$219,000 to the project cost. During the year, HK\$219,000 was recognized as income to match with the related costs. The project is expected to complete in December 2008.

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 the sum of HK\$2,500,000 per annum as the recurrent funding of the FRC for the first three years. 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\$2,623,000 (2007: HK\$7,500,000) from such member practices and contributed HK\$2,500,000 (2007: HK\$7,500,000 which included an amount of HK\$5,000,000 of contingency funding contributed by member practices) to the FRC (note 7).

- c. Donations received by the Charitable Fund included the sum of HK\$2,154,000 to aid victims of the Sichuan earthquake. In addition to the funds raised, the Charitable Fund contributed the sum of HK\$300,000 to enhance the total aid allocated to the relief organizations to HK\$2,454,000, of which HK\$1,500,000 has been passed to the Hong Kong Red Cross China Relief Fund prior to the year end. The remaining donations were allocated to the Sichuan earthquake relief organizations. In prior year, the majority of donations was received from the PlayStreet event activity.

- d. Service income was received from the Education and Manpower Bureau of the government of the HKSAR for organizing the professional development programme for applied learning related to accountancy in the area of business, management and law during the period of July to August 2007.

Notes to the financial statements

For the year ended 30 June 2008

7. Expenses

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Employee benefits	23	79,877	68,548	78,289	65,205
Seminars, courses and other activities		8,844	8,040	8,406	7,742
Examinations		16,820	15,283	14,482	13,434
Cost of goods sold		1,222	1,270	568	402
Publication of journals		7,009	6,381	6,390	5,887
Postage, printing and stationery		7,323	7,079	6,409	6,304
Depreciation	13	6,429	4,873	6,168	4,798
Amortization of prepaid land lease expense	14	4,398	4,403	4,398	4,398
Communications and public relations		4,729	8,225	3,727	8,262
Building related expenses		4,433	5,031	4,301	4,517
Legal and professional fees		8,101	9,529	8,008	9,493
Impairment loss on leasehold improvements, furniture, fixtures and equipment	13	—	105	—	—
Refund of government grant	21	—	500	—	500
Auditor's remuneration		226	94	164	78
Cost of development of examination syllabus and course materials for professional programme		1,888	2,646	1,888	2,646
Operating lease expenses		753	536	377	164
Impairment loss on trade and other receivables	17	209	—	142	—
Contribution to FRC	6b	2,500	7,500	2,500	7,500
Overseas conferences and visits		2,856	3,254	2,782	3,094
Subscriptions to international organizations		2,096	1,477	2,096	1,477
Donation expenses		2,504	308	—	—
Information technology expenses		810	1,327	755	1,314
Other general administration and office expenses		5,155	5,919	4,709	4,763
		168,182	162,328	156,559	151,978

8. Net financing income/(charges)

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest on bank loans and overdrafts	(1)	(1,950)	(1)	(1,950)
Interest income	1,918	1,345	927	520
	1,917	(605)	926	(1,430)

9. Gain on disposal of leasehold buildings and land lease

Gain on disposal of leasehold buildings and land lease in 2007 related to the disposal of properties at Lippo Centre and Fortis Bank Tower by the Institute and HKIAAT respectively.

10. Tax

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current tax				
Provision for Hong Kong profits tax for the year	5,905	3,968	5,905	3,848
Over-provision in prior year	(15)	(130)	(15)	(129)
	<u>5,890</u>	<u>3,838</u>	<u>5,890</u>	<u>3,719</u>
Deferred tax				
Effect on opening deferred tax of decrease in tax rate	(10)	—	(10)	—
Deferred tax charge relating to the origination and reversal of temporary differences	159	913	159	913
Tax expense	6,039	4,751	6,039	4,632

Hong Kong profits tax is provided at 16.5% (2007: 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 for the jurisdictions in which the Institute and the majority of its subsidiaries are domiciled) to tax expense at the effective tax rate is as follows:

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Surplus before tax	30,935	81,515	33,159	51,033
Tax at the applicable rate of 16.5% (2007: 17.5%)	5,104	14,265	5,471	8,931
Higher tax rate for subsidiary operating in the mainland China	(127)	—	—	—
Tax effect of expenses that are not deductible in determining taxable surplus	1,296	1,167	746	817
Tax effect on income that is not assessable in determining taxable surplus	(712)	(10,551)	(153)	(4,987)
Effect on opening deferred tax of decrease in tax rate	(10)	—	(10)	—
Tax losses not recognized	503	—	—	—
Over-provision in prior year	(15)	(130)	(15)	(129)
Tax expense	6,039	4,751	6,039	4,632

Notes to the financial statements

For the year ended 30 June 2008

10. Tax (continued)

The Group has tax losses of RMB1,381,000 (approximate to HK\$1,487,000) (2007: Nil) arising in mainland China and HK\$794,000 (2007: Nil) arising from HKIAAT in Hong Kong. For the tax losses arising in mainland China, that are available to offset against future taxable profits of the company in which the losses arose with a time limit of five years from

the year the losses were incurred. The tax losses arising in HKIAAT can offset against future taxable profits of the company in which the losses have unrestricted time limit from the year the losses were incurred. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

11. Other comprehensive (expenses)/income

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Exchange (loss)/gain on translating the financial statements of the subsidiary in mainland China	(114)	30	—	—

12. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the date of the statement of financial position are as follows:

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Financial assets categorized as loans and receivables					
Trade receivables	17	472	967	258	814
Amounts due from subsidiaries	17	—	—	2,888	3,437
Other receivables	17	849	699	760	568
Cash and bank balances	19	128,434	76,802	84,043	32,984
Total		129,755	78,468	87,949	37,803
Financial liabilities at amortized cost					
Accounts payable	21	4,282	4,855	3,690	4,119
Amounts due to subsidiaries	21	—	—	2,116	2,142
Litigation costs	21	877	5,618	877	5,618
Accruals and others payable	21	23,845	18,682	19,526	16,550
Total		29,004	29,155	26,209	28,429

13. Property and equipment

2008	Leasehold buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Group				
Net book value at 1 July 2007	38,938	14,170	10,697	63,805
Currency translation difference	—	21	(12)	9
Additions	—	1,118	2,686	3,804
Depreciation	(2,154)	(1,903)	(2,372)	(6,429)
Net book value at 30 June 2008	<u>36,784</u>	<u>13,406</u>	<u>10,999</u>	<u>61,189</u>
At cost	43,255	18,462	22,507	84,224
Accumulated depreciation and impairment	(6,471)	(5,056)	(11,508)	(23,035)
	<u>36,784</u>	<u>13,406</u>	<u>10,999</u>	<u>61,189</u>
Institute				
Net book value at 1 July 2007	38,938	13,945	10,401	63,284
Additions	—	1,115	2,652	3,767
Depreciation	(2,154)	(1,697)	(2,317)	(6,168)
Net book value at 30 June 2008	<u>36,784</u>	<u>13,363</u>	<u>10,736</u>	<u>60,883</u>
At cost	43,255	18,213	22,165	83,633
Accumulated depreciation and impairment	(6,471)	(4,850)	(11,429)	(22,750)
	<u>36,784</u>	<u>13,363</u>	<u>10,736</u>	<u>60,883</u>

Notes to the financial statements

For the year ended 30 June 2008

13. Property and equipment (continued)

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	(2,153)	(1,462)	(1,258)	(4,873)
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	(4,317)	(3,153)	(9,136)	(16,606)
	<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	(2,153)	(1,434)	(1,211)	(4,798)
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	(4,317)	(3,153)	(9,112)	(16,582)
	<u>38,938</u>	<u>13,945</u>	<u>10,401</u>	<u>63,284</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 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.

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

	Group and Institute	
	2008 HK\$'000	2007 HK\$'000
Within one year	1,125	1,500
Between one and five years	—	1,125
	<u>1,125</u>	<u>2,625</u>

Upon expiry of the lease, the Institute will occupy the area as its own offices.

- c. The properties on 37th floor and 27th floor of Wu Chung House with carrying amount of HK\$38,938,000 (2007: HK\$41,091,000) are charged as a security for a currently unutilized bank overdraft facility of HK\$35,000,000 (2007: HK\$35,000,000) granted to the Institute.

14. Prepaid land lease expense

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Carrying amount at beginning of financial year		175,874	183,832	175,874	180,272
Disposals		—	(3,555)	—	—
Amortization		(4,398)	(4,403)	(4,398)	(4,398)
Carrying amount at end of financial year		171,476	175,874	171,476	175,874
Current portion	18	4,398	4,398	4,398	4,398
Non-current portion		167,078	171,476	167,078	171,476
Carrying amount at end of financial year		171,476	175,874	171,476	175,874

The prepaid land lease expense is in relation to Wu Chung House (note 13a) and will expire on 30 June 2047, and is charged as a security for a currently unutilized bank overdraft facility of HK\$35,000,000 (2007: HK\$35,000,000) granted to the Institute.

15. Investments in subsidiaries

	Institute	
	2008 HK\$'000	2007 HK\$'000
Registered and paid-up share capital	300	300

The subsidiaries of the Institute are HKICPA Beijing, The HKICPA Trust Fund, The HKICPA Charitable Fund, and the 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 past council members on behalf of the Institute at no cost.

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

The HKICPA Trust Fund, The HKICPA Charitable Fund and the HKIAAT Group are accounted for as subsidiaries by virtue of the Institute's control over them.

Notes to the financial statements

For the year ended 30 June 2008

16. Deferred tax liabilities

The components of deferred tax liabilities recognized in the statement of financial position and their movements are as follows:

	Group			Institute		
	Accelerated tax depreciation	Other temporary differences	Total	Accelerated tax depreciation	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	(494)	1,222	728	(494)	1,222	728
(Charged)/credited to the statement of comprehensive income	(1,018)	105	(913)	(1,018)	105	(913)
At 30 June 2007	(1,512)	1,327	(185)	(1,512)	1,327	(185)
Charged to the statement of comprehensive income	(84)	(65)	(149)	(84)	(65)	(149)
At 30 June 2008	(1,596)	1,262	(334)	(1,596)	1,262	(334)

17. Trade and other receivables

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade receivables		472	967	258	814
Amounts due from subsidiaries		—	—	2,888	3,437
Other receivables		849	699	760	568
		1,321	1,666	3,906	4,819
Impairment loss		(488)	(279)	(421)	(279)
		833	1,387	3,485	4,540

Movements on the provision for impairment loss of trade and other receivables are as follows:

At beginning of financial year		279	279	279	279
Impairment loss on trade and other receivables	7	209	—	142	—
At end of financial year		488	279	421	279

At 30 June 2008, the Group's and Institute's trade and other receivables of HK\$488,000 (2007: HK\$279,000) and HK\$421,000 (2007: HK\$279,000) respectively were impaired and full provision made. The individually impaired trade and other receivables related to members' default in payments. The Group and the Institute do not hold any collateral or other credit enhancements over these balances. The maximum exposure to credit risk at the date of the statement of financial position is the fair value of each class of receivable mentioned above.

- 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 fair value of the Group's and the Institute's trade and other receivables at the date of the statement of financial position approximates their carrying values.

The aging analysis of trade and other receivables at the date of the statement of financial position that are not considered to be impaired is as follows:

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
1 to 3 months past due	833	1,387	3,485	4,540

Receivables that were past due but not impaired relate to a number of independent parties that have a good track record with the Group and the Institute. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Institute do not hold any collateral or other credit enhancements over these balances.

18. Deposits and prepayments

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Prepaid land lease expense	14	4,398	4,398	4,398	4,398
Others		3,578	2,793	3,440	2,664
		7,976	7,191	7,838	7,062

Notes to the financial statements

For the year ended 30 June 2008

19. Cash and bank balances

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Time deposits	26a	101,514	53,868	64,802	18,128
Savings accounts	26a	18,487	15,408	12,955	9,942
Current accounts		8,240	7,406	6,111	4,805
Cash on hand		193	120	175	109
		128,434	76,802	84,043	32,984

The Group's cash and bank balances are attributed to:

Institute	84,043	32,984
The HKICPA Trust Fund	55	55
The HKICPA Charitable Fund	739	579
HKICPA Beijing	228	300
HKIAAT	43,171	42,692
The HKIAAT Scholarship Trust Fund	198	192
	128,434	76,802

The cash and bank balances held by The HKICPA Trust Fund, The HKICPA Charitable Fund and The HKIAAT Scholarship Trust Fund are designated for relief of poverty of members of the Institute and their dependants, for general charitable purposes and for the provision of scholarships to students studying for the examinations organized by HKIAAT respectively.

20. Subscriptions and fees received in advance

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Subscription fees received in advance	47,363	45,353	45,599	43,829
Other fees received in advance	18,032	15,783	17,985	15,715
	65,395	61,136	63,584	59,544

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 date of the statement of financial position.

21. Accounts payable, accruals and other payables

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Accounts payable	4,282	4,855	3,690	4,119
Amounts due to subsidiaries	—	—	2,116	2,142
Litigation costs	877	5,618	877	5,618
Accruals and other payables	28,697	23,282	24,184	21,150
	33,856	33,755	30,867	33,029

Included in the balance of accruals and other payables is a provision of HK\$500,000 (2007: HK\$500,000) in respect of a probable refund to the government of the HKSAR in relation to a government contract entitled "Revision of the Practice Review Programme" as a result of reduction of project costs as compared to the estimated amount on inception of the project.

The fair value of the Group's and the Institute's accounts payable, accruals and other payables at the date of the statement of financial position approximate their carrying values.

The maturity profile of the Group's and the Institute's financial liabilities as at the date of statement of financial position, based on the contracted undiscounted payments, was as follows

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within 30 days	13,982	18,136	13,308	16,448
Between 31 and 90 days	4,223	371	3,754	292
Between 91 and 180 days	1,900	2,805	786	2,805
Between 181 and 270 days	8,053	7,343	7,515	8,384
Over 270 days	846	500	846	500
	29,004	29,155	26,209	28,429

22. Members' equity

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At beginning of financial year	223,471	137,405	184,271	129,270
Capital levy from members and students	9,792	9,272	9,057	8,600
Total comprehensive income	24,782	76,794	27,120	46,401
At end of financial year	258,045	223,471	220,448	184,271

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

Notes to the financial statements

For the year ended 30 June 2008

22. Members' equity (continued)

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 for 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 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.

23. Employee benefits

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Salaries, wages and allowances	75,159	64,737	73,655	61,551
Provident fund contributions	4,718	3,811	4,634	3,654
	79,877	68,548	78,289	65,205
Number of staff				
At beginning of financial year	149	129	134	117
At end of financial year	167	149	147	134

24. Key management personnel's remuneration

	Group and Institute				
	Performance		Retirement	Total	Total
	Salary	bonus	benefits	2008	2007
	2008	2008	2008	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chief Executive and Registrar	2,850	278	416	3,544	3,267

Key management personnel comprise members of the council and the chief executive and registrar. Council members are not remunerated.

25. Related party transactions

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

	2008 HK\$'000	2007 HK\$'000
Members of the Institute's council	645	1,633

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\$550,000 (2007: HK\$825,000) was paid to Deloitte Touche Tohmatsu pursuant to contracts awarded for development of the Institute's professional programme;
- ii. An amount of HK\$95,000 (2007: Nil) was paid to PricewaterhouseCoopers for staff secondment fee;
- iii. An amount of HK\$673,000 was paid to KPMG for carrying out various system reviews, reviewing of listed companies' annual reports and giving lectures and acting as workshop facilitators for the Institute's qualification programme for the year ended 30 June 2007.
- iv. An amount of HK\$135,000 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 for the year ended 30 June 2007.

In both the current and prior years, certain council members were partners of Deloitte Touche Tohmatsu, PricewaterhouseCoopers, 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.

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\$2,286,000 (2007: HK\$1,122,000) due from HKICPA Beijing arising from the advances. The amount is unsecured, interest-free and repayable on demand.

Notes to the financial statements

For the year ended 30 June 2008

25. Related party transactions (continued)

c. The HKICPA Trust Fund

Included in “Accounts payable, accruals and other payables” of the Institute is an amount of HK\$1,116,000 (2007: HK\$1,142,000) 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, accruals and other payables” of the Institute is an amount of HK\$1,000,000 (2007: 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\$2,272,000 (2007: HK\$2,209,000) to HKIAAT for management, rental and other services provided to HKIAAT on a cost recovery basis. A total staff employment costs of HK\$4,101,000 (2007: Nil) was also recharged to HKIAAT on a cost recovery basis. Included in “Trade and other receivables” of the Institute is an amount of HK\$602,000 (2007: HK\$2,315,000) due from HKIAAT arising from the services provided. The amount due is unsecured, interest-free and repayable on demand.

26. Financial risk management

Financial instruments consist of trade and other receivables, accounts payable, accruals and other payables and cash and bank balances. Being member-based organizations, the Group and the Institute carry as little risk from financial instruments as practicable. The Group and the Institute are exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group’s and the Institute’s exposure to interest rate fluctuations is limited to interest receivable on its short term deposits and savings accounts as at the date of the statement of financial position. Any fluctuation in the prevailing levels of market interest rates will have impact on the interest income alone as the Group does not carry any loans as at the date of statement of financial position. The Group and the Institute manage the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on net interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group’s and the Institute’s surplus before tax and equity.

	Note	Group		Institute	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Time deposits	19	101,514	53,868	64,802	18,128
Savings accounts	19	18,487	15,408	12,955	9,942
		120,001	69,276	77,757	28,070
		% p.a.	% p.a.	% p.a.	% p.a.
Effective interest rate of time deposits		2.8%	3.9%	2.8%	3.9%
Effective interest rate of savings accounts		0.9%	2.6%	0.9%	2.6%
<u>Impact of interest rate deviation</u>					
Increase in interest rate by 1%					
Increase in surplus before tax and equity		1,200	693	778	281

b. Credit risk

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

The Group and the Institute have designed their credit policies with an objective to minimize its exposure to credit risk. The Group's and the Institute'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. Further quantitative data in respect of the exposure to credit risk arising from trade and other receivables are disclosed in note 17 to the financial statements.

For cash and bank balances, the Group's surplus cash has been deposited with a number of reputable and creditworthy banks. The term deposits usually have maturities of two months or less. Management considers that credit risk associated with the cash and bank balance is immaterial.

c. Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. The Group and the Institute manage liquidity risk by maintaining adequate reserves and banking facility. The Group and the Institute perform periodically cash flow forecasts to monitor future cash flows. The subscription fees and registration fees from members are growing steadily and provide a stable source of funds to the Group and the Institute. As at 30 June 2008, the Group has unutilized overdraft facility of HK\$35,000,000 (2007: HK\$35,000,000). The current financial strength of the Group and the Institute pose no threat of liquidity to the Group and the Institute.

d. Foreign currency risk

The Group and the Institute are not exposed to any material foreign currency risk as majority of the transactions, monetary assets and monetary liabilities are denominated in respective entities' functional currencies.

Notes to the financial statements

For the year ended 30 June 2008

27. Capital management

The Group's and the Institute's objectives when managing capital are:

- to safeguard the Group's and the Institute's ability to continue as a going concern to enable its statutory obligations under the Professional Accountants Ordinance are fulfilled;
- to develop and maintain the qualification programme and continued professional training programme for students and members; and
- to provide capital for the purpose of strengthening the Group's and the Institute's operational efficiency.

The Group regularly reviews and manages its capital to ensure adequacy for both the operational and capital needs. The Institute

operates a zero distribution policy with regard to surpluses generated. All surpluses are transferred to the general fund for future operational needs which are non-property related. The Institute charges an annual capital levy on its members and students, which is transferred directly to the capital fund as per note 22. The capital fund is maintained to ensure efficient resources are available to finance the purchase, improvement and/or expansion of the Institute's office facilities.

The council regularly reviews the need to increase membership subscriptions and the capital levy to ensure operational and property needs are fully covered. The Institute's capital levy policy is therefore based on a need basis and the council has the discretion to alter the capital levy policy on an annual basis, if required.

28. Operating lease commitments

The Group and Institute have operating leases on two industrial and one office building as at 30 June 2008. The total future minimum lease payments under the non-cancellable operating leases are payable as follows:

	Group		Institute	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Within one year	340	718	237	354
Between one and five years	27	355	27	264
	367	1,073	264	618

29. Contingent liabilities

As at 30 June 2007, the Institute was a party to two judicial review proceedings. The Group and the Institute could not make a reasonable estimate as to the contingent liabilities in respect of the claims and the other costs arising from these proceedings. During the current

year, the two judicial review proceedings have either been determined or discontinued and no contingent liability arise from the two judicial review cases. All legal costs and related claims have been fully expensed and reflected in legal and professional fees.

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 94 to 99, which comprise the statement of financial position as at 30 June 2008, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows 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 the 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 2008 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, 16 September 2008

Statement of comprehensive income

For the year ended 30 June 2008

	Note	2008 HK\$	2007 HK\$
Revenue			
Donations received		564	—
Expenditure			
Grants to members	4	(25,850)	(21,300)
Bank charges		(355)	(355)
Impairment loss on short-term loans to members	7	(66,670)	—
		<u>(92,875)</u>	<u>(21,655)</u>
Deficit for the year and total comprehensive deficit		<u>(92,311)</u>	<u>(21,655)</u>

Statement of changes in accumulated funds

For the year ended 30 June 2008

	2008 HK\$	2007 HK\$
Accumulated funds		
At beginning of financial year	1,263,348	1,285,003
Total comprehensive deficit	(92,311)	(21,655)
At end of financial year	<u>1,171,037</u>	<u>1,263,348</u>

Statement of financial position

As at 30 June 2008

	Note	2008 HK\$	2007 HK\$
Current assets			
Amount due from the Institute	6	1,116,394	1,142,244
Short-term loans to members	7	—	66,670
Bank balance	8	54,643	54,434
		<u>1,171,037</u>	<u>1,263,348</u>
Accumulated funds		<u>1,171,037</u>	<u>1,263,348</u>

Approved by the Council on 16 September 2008

Albert S.C. Au
President

Mark C. Fong
Immediate Past President

Chew Fook Aun
Chairman, Administration & Finance Committee

Statement of cash flows

For the year ended 30 June 2008

	Note	2008 HK\$	2007 HK\$
Cash flows from operating activities			
Deficit for the year		(92,311)	(21,655)
Adjustment for:			
Impairment loss on short-term loans to members	7	66,670	—
		(25,641)	(21,655)
Decrease in amount due from the Institute		25,850	21,300
Decrease in short-term loans to members		—	5,000
Net cash generated by operating activities and net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of financial year		54,434	49,789
Cash and cash equivalents at end of financial year	8	54,643	54,434

Notes to the financial statements

For the year ended 30 June 2008

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

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and Interpretations issued by the Institute. These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. All values are rounded to the nearest dollar except when otherwise indicated.

Notes to the financial statements

For the year ended 30 June 2008

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

b. Early adoption of new/revised HKFRSs

The Trust Fund has early adopted all new/revised HKFRSs issued up to 30 June 2008 which were pertinent to its operations where early adoption was permitted. The applicable HKFRS is set out below:

HKAS 1 (Revised) "Presentation of Financial Statements"

The early adoption of HKAS 1 (Revised) does not have any significant effect on the results or financial position of the Trust Fund, other than those changes in presentation of the financial statements.

HKAS 1 (Revised) affects certain disclosures of the financial statements. Under the revised standard, the Income Statement is renamed as the "Statement of Comprehensive Income", the Balance Sheet is renamed as the "Statement of Financial Position" and the Cash Flow Statement is renamed as the "Statement of Cash Flows". Furthermore, all income and expenses arising from transactions are presented under the "Statement of Comprehensive Income", and the total carried to the "Statement of Changes in Accumulated Funds", while the changes in accumulated funds are presented in the "Statement of Changes in Accumulated Funds".

c. Revenue recognition

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

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

d. Financial instruments

The Trust Fund classifies its financial instruments into loans and receivables at inception, depending on the purpose for which the assets were acquired. Purchases and sales of the financial assets are recognized using trade date accounting.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus any directly attributable transaction cost and are subsequently measured at amortized cost using the effective interest method, less impairment allowances.

e. Impairment of financial assets

The Trust Fund recognizes losses for impaired receivables promptly where there is objective evidence that impairment of a receivable or portfolio of receivables has occurred. Impairment allowances are assessed either individually for individually significant receivables or collectively for receivable portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by reducing the receivable impairment allowance account. The amount of any reversal is recognized in the statement of comprehensive income.

f. Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the assets have been expired; or where the Trust Fund has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

g. Related parties

Parties are considered to be related to the Trust Fund if the Trust Fund has the ability to control, directly or indirectly, the party or

exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust Fund and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or entities and include entities which are controlled or under the significant influence of related parties of the Trust Fund where those parties are individuals.

h. Cash equivalents

For the purpose of the statement of cash flows, 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. They have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Trust Fund's cash management.

4. Grants to members

During the year, grants totaling HK\$25,850 (2007: HK\$21,300) were paid to help alleviate members facing financial hardship in the following manner:

	2008	2007
	HK\$	HK\$
For payment of the annual subscriptions to the Institute	25,850	21,150
For payment of hardcopy surcharge	—	150
	25,850	21,300

Notes to the financial statements

For the year ended 30 June 2008

5. Financial instruments by category

The carrying amounts of loans and receivables as at the date of the statement of financial position are as follows:

	Note	2008 HK\$	2007 HK\$
Amount due from the Institute	6	1,116,394	1,142,244
Short-term loans to members	7	—	66,670
Bank balance	8	54,643	54,434
Total		1,171,037	1,263,348

The fair values of the Trust Fund's financial assets at the date of the statement of financial position approximate their carrying values.

6. Amount due from the Institute

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

7. Short-term loans to members

	2008 HK\$	2007 HK\$
Short-term loans to members	66,670	66,670
Impairment loss	(66,670)	—
	—	66,670
Movements on the provision for impairment of short-term loans to members are as follows:		
At beginning of financial year	—	—
Impairment loss on short-term loans to members	66,670	—
At end of financial year	66,670	—

At 30 June 2008, the Trust Fund's short-term loans to members of HK\$66,670 were impaired. (2007: Nil). Due to financial difficulty, these members failed to make the agreed monthly repayments to the Trust Fund and full provision was made. The Trust Fund does not hold any collateral or other credit enhancements over these balances. The maximum exposure to credit risk at the date of the statement of financial position is the fair value of these short-term loans to members mentioned above.

The aging analysis of the short-terms to members at the date of the statement of financial position that are not considered to be impaired is as follows:

	2008 HK\$	2007 HK\$
Over 365 days past due	—	66,670

8. Bank balance

	2008 HK\$	2007 HK\$
Current account	54,643	54,434

9. Related party transactions

The amount due from the Institute HK\$1,116,394 (2007: HK\$1,142,244) is unsecured, interest-free and repayable on demand.

10. Financial risk management

Financial instruments consist of amount due from the Institute, short-term loans to members and bank balance. The Trust Fund carries as little risks from financial instruments as practicable. The Trust Fund is exposed to various financial risks which are discussed below:

a. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Trust Fund is not exposed to interest rate risk as only a minimal fund balance is held in the current account which does not generate interest income.

b. Credit risk

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

The Trust Fund has designed its credit policy with an objective to minimize its exposure to credit risk. The Trust fund has policy in place to evaluate credit risk when loan is granted to the member and the repayment of short-term loans to members are closely monitored. Further quantitative data in respect of the exposure to credit risk arising from short-term loans to members are disclosed in note 7 to the financial statements.

11. Capital management

The Trust Fund was set up in year 1998 and acts as a tax exempt medium by which the funds from the Institute can be allocated for the relief of poverty of members of the Institute. The Trust Fund operates by allocating its receipts and therefore is not exposed to any capital deficiency risk. In the unlikely event of capital needs, the Institute will make donations to the Trust Fund to ensure capital adequacy.

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 101 to 106, which comprise the statement of financial position as at 30 June 2008, and the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows 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 the 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 2008 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, 16 September 2008

Statement of comprehensive income

For the year ended 30 June 2008

	Note	2008 HK\$	2007 HK\$
Revenue			
Donations received	4	2,155,132	376,292
Interest income		3,200	1,865
Others		490	—
		<u>2,158,822</u>	<u>378,157</u>
Expenditure			
Charitable event expenditure	5	(15,543)	(308,649)
Charitable donations	6	(2,504,082)	—
		<u>(2,519,625)</u>	<u>(308,649)</u>
(Deficit)/surplus for the year and total comprehensive (deficit)/income		<u>(360,803)</u>	<u>69,508</u>

Statement of changes in accumulated funds

For the year ended 30 June 2008

	2008			2007		
	General fund HK\$	Specific fund HK\$	Total HK\$	General fund HK\$	Specific fund HK\$	Total HK\$
At beginning of financial year	1,100,426	44,937	1,145,363	1,030,918	44,937	1,075,855
Total comprehensive (deficit)/income	(360,803)	—	(360,803)	69,508	—	69,508
At end of financial year	<u>739,623</u>	<u>44,937</u>	<u>784,560</u>	<u>1,100,426</u>	<u>44,937</u>	<u>1,145,363</u>

Statement of financial position

As at 30 June 2008

	Note	2008 HK\$	2007 HK\$
Current assets			
Amount due from the Institute	7	1,000,000	1,000,000
Bank balance	9	738,642	578,622
		<u>1,738,642</u>	<u>1,578,622</u>
Current liability			
Accounts payable	10	(954,082)	(433,259)
		<u>784,560</u>	<u>1,145,363</u>
Accumulated funds			
General fund		739,623	1,100,426
Specific fund		44,937	44,937
	11	<u>784,560</u>	<u>1,145,363</u>

Approved by the Council on 16 September 2008

Albert S.C. Au
President

Mark C. Fong
Immediate Past President

Winnie C.W. Cheung
Chief Executive & Registrar

Statement of cash flows

For the year ended 30 June 2008

	Note	2008 HK\$	2007 HK\$
Cash flows from operating activities			
(Deficit)/surplus for the year		(360,803)	69,508
Increase in accounts payable		520,823	50,664
Net cash generated by operating activities and increase in cash and cash equivalents		160,020	120,172
Cash and cash equivalents at beginning of financial year		578,622	458,450
Cash and cash equivalents at end of financial year	9	738,642	578,622

Notes to the financial statements

For the year ended 30 June 2008

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 chief executive and registrar 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.

3. Principal accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and Interpretations issued by the Institute. These financial statements have been prepared under historical cost convention except as disclosed in the accounting policies below. All values are rounded to the nearest dollar except when otherwise indicated.

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

b. Early adoption of new/revised HKFRSs

The Charitable Fund has early adopted all new/revised HKFRSs issued up to 30 June 2008 which were pertinent to its operations where early adoption was permitted. The applicable HKFRS is set out below:

HKAS 1 (Revised) “Presentation of Financial Statements”

The early adoption of the relevant HKAS 1 (Revised) does not have any significant effect on the results or the financial position of the Charitable Fund, other than those changes in presentation of the financial statements.

HKAS 1 (Revised) affects certain disclosures of the financial statements. Under the revised standard, the Income Statement is renamed as the “Statement of Comprehensive Income”, the Balance Sheet is renamed as the “Statement of Financial Position” and the Cash Flow Statement is renamed as the “Statement of Cash Flows”.

Furthermore, all income and expenses arising from transactions are presented under the “Statement of Comprehensive Income”, and the total carried to the “Statement of Changes in Accumulated Funds”, while the changes in accumulated funds are presented in the “Statement of Changes in Accumulated Funds”.

c. Revenue recognition

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

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

Interest income from bank deposits is recognized on a time-proportion using the effective interest method by applying the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

d. Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Charitable Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Charitable Fund’s financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active

market. At each date of the statement of financial position subsequent to initial recognition, loans and receivables (including amount due from the Institute and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Financial liabilities include accounts payable. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

e. Impairment of financial assets

The Charitable Fund recognizes losses for impaired receivables promptly where there is objective evidence that impairment of a receivable or portfolio of receivables has occurred. Impairment allowances are assessed either individually for individually significant receivables or collectively for receivable portfolios with similar credit risk characteristics including those individually assessed balances for which no impairment provision is made on an individual basis.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by reducing the receivable impairment allowance account. The amount of any reversal is recognized in the statement of comprehensive income.

f. Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets have expired; or where the Charitable Fund has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognized when they are extinguished, i.e., when the obligation is discharged or cancelled or expires.

Notes to the financial statements

For the year ended 30 June 2008

g. Related parties

Parties are considered to be related to the Charitable Fund if the Charitable Fund has the ability to control, directly or indirectly, the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Charitable Fund and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel and/or their close family members) or entities and include entities which are controlled or under the significant

influence of related parties of the Charitable Fund where those parties are individuals.

h. Cash equivalents

For the purpose of the statement of cash flows, 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. They have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Charitable Fund's cash management.

4. Donations received

	2008 HK\$	2007 HK\$
Aid for Sichuan earthquake survivors	2,154,082	—
PlayStreet	—	353,322
Others	1,050	22,970
	2,155,132	376,292

a. Aid for Sichuan earthquake survivors

The aim was to support the relief works of the Sichuan earthquake. The Charitable Fund matched dollar for dollar, all donations from members with a cap of HK\$300,000. All donations were allocated to the Hong Kong Red Cross China Relief Fund and the Sichuan earthquake relief organizations.

b. PlayStreet

The Charitable Fund co-organized PlayStreet 2006 with Playright Children's Play Association (Playright) on 10 December 2006. 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 statement of comprehensive income.

5. Charitable event expenditure

	2008 HK\$	2007 HK\$
PlayStreet		
Event management	—	224,044
Event set up	—	84,000
Decoration expenses	1,817	—
Refreshment expenses	3,125	—
Local travelling expenses	4,095	—
Cleansing expenses	5,250	—
Bank charges	1,045	605
Printing and stationery	211	—
	15,543	308,649

6. Charitable donations

	2008	2007
	HK\$	HK\$
Liaison Office of the Central Peoples Government in the HKSAR	50,000	—
Hong Kong Red Cross China Relief Fund	1,500,000	—
Sichuan earthquake relief organizations	954,082	—
	2,504,082	—

7. Amount due from the Institute

The amount due from the Institute is unsecured, interest-free and repayable on demand. Subsequent to the date of the statement of financial position, the Institute settled the amount to the Charitable Fund.

8. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the date of the statement of financial position are as follows:

	2008	2007
	HK\$	HK\$
Financial assets categorized as loans and receivables		
Amount due from the Institute	1,000,000	1,000,000
Bank balance	738,642	578,622
Total	1,738,642	1,578,622
Financial liabilities at amortized cost		
Accounts payable	954,082	433,259

The fair values of the Charitable Fund's financial assets and financial liabilities at the date of the statement of financial position approximate their carrying values.

9. Bank balance

	2008	2007
	HK\$	HK\$
Savings account	69,326	32,848
Current accounts	669,316	545,774
	738,642	578,622

10. Accounts payable

The accounts payable for the current and prior years were due between 31 to 90 days and between 91 to 180 days respectively at the date of the statement of financial position.

11. Accumulated funds

	2008	2007
	HK\$	HK\$
At beginning of financial year	1,145,363	1,075,855
Total comprehensive (deficit)/income	(360,803)	69,508
At end of financial year	784,560	1,145,363

The accumulated funds include a specific fund of HK\$44,937 (2007: HK\$44,937) related 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.

Notes to the financial statements

For the year ended 30 June 2008

12. Related party transactions

The amount due from the Institute related to a donation of HK\$1,000,000 (2007: HK\$1,000,000) made to the Charitable Fund by the Institute during the financial year 2006. The amount is unsecured, interest-free and repayable on demand.

13. Financial risk management

Financial instruments consist of “Bank balances” and “Amount due from the Institute” and “Accounts Payable”. The Charitable Fund carries as little risks from financial instruments as practicable. The Charitable Fund is exposed to various financial risks which are discussed at 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 Charitable Fund’s exposure to interest rate fluctuations is limited to interest receivable on its savings account as at the date of the statement of financial position. Any fluctuation in the prevailing levels of market interest rates will have impact on the interest income alone as the Charitable Fund does not carry any loans as at the date of statement of financial position. The Charitable Fund manages the interest rate risk by monitoring closely the movements in interest rates in order to limit potential adverse impact on net interest income.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate with all other variables held constant, of the Charitable Fund’s (deficit)/surplus before tax and equity.

	Note	2008 HK\$	2007 HK\$
Savings account	9	69,326	32,848
		% p.a.	% p.a.
Effective interest rate of savings account		0.5%	2.6%
<u>Impact of interest rate deviation</u>			
Increase in interest rate by 1%			
(Decrease) in deficit before tax/increase in surplus before tax		(693)	328
Increase in equity		693	328

b. Credit risk

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

The Charitable Fund raises donations for general charitable purposes and donations are collected in advance for subsequent allocation to respective charitable organizations. The Charitable Fund’s bank balances have been deposited with reputable and creditworthy banks. Management considers that credit risk associated with the donations received and bank balance is minimal.

14. Capital management

The Charitable Fund was established in year 2001 for charitable purposes and acts as a tax exempt medium by which the funds from various sources can be consolidated and allocated for charitable purposes. The Charitable Fund operates by donating its receipts and therefore is not exposed to any capital deficiency risk. In the unlikely event of capital needs, the Institute will make donations to the Charitable Fund to ensure capital adequacy.

Epilogue

Most economists mark the beginning of the credit crunch as the summer of 2007, which is the beginning of this report. Since then, the world's financial network has been upended, respected companies have disappeared, jobs have vanished, and governments have struggled to find ways to re-establish the lifeblood of commerce: trust and faith in the future.

To many, the situation echoes the Great Depression of the 1930s. One of the great heroes of that time of struggle and pain was not a human, but a plain looking racehorse named Seabiscuit.

Seabiscuit (1933-1947) was horse racing's all time leading money winner when he retired, but during his career, he was usually the underdog against the better bred, better looking horses he ran against. His fans identified with this horse, hoping they, too, would soon see better days, as soon they did.

His fame is embedded in popular culture, with two films about him, *The Story of Seabiscuit* (1949), and the Academy Award nominated 2003 film *Seabiscuit*.



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This annual report covers the Institute's financial year (1 July 2007 – 30 June 2008) in the financial statements and the reporting year (19 September 2007 – 18 September 2008) in the text. A Chinese version of this annual report and a bilingual summary report are available on request, which can also be downloaded from the Institute's website.

Established 1973, the Institute is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 27,000 members and over 12,000 registered students. Members of the Institute are entitled to the description *Certified Public Accountant* and to the designatory letters *CPA*.

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