



# ACTING FOR THE PROFESSION

## ANNUAL REPORT 2011

THE HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRESENTS THE YEAR IN REVIEW

Special Features PHOTO ESSAY Short Vignettes STARRING MEMBERS AND SHOW BUSINESS



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



# Contents

Foreword .....	01
President's report .....	04
Chief executive's review .....	06
Finance & operations .....	08
Qualification & membership .....	12
Standards & regulation .....	24
China & international .....	28
Branding & communications .....	32
Corporate governance statement .....	34
Council .....	38
Management team .....	39
Committees & working groups .....	40
Independent auditor's report on the summary financial statements .....	41
Statements of financial position .....	42
Statements of comprehensive income .....	43
Statements of changes in members' equity .....	44
Statements of cash flows .....	45
Notes to the summary financial statements .....	46

# Foreword

Hong Kong's movie industry burst onto the world scene when Sir Run Run Shaw produced the first Cantonese film with sound in 1933. It took off in the 1940s when World War II and the subsequent Chinese Civil War sent hordes of immigrants into the city and shifted the centre of Chinese-language cinema from Shanghai to the British colony.

Since then, going to the movies has been an important part of Hong Kong life. It's a way for Hong Kong people to find inspiration, fuel their dreams and start romances.

Movies were so popular that during the boom era from the 1980s to the 1990s, Hong Kong produced more than 200 films per year. That made Hong Kong the world's third-largest centre for filmmaking after Hollywood and Bollywood, a remarkable fact given our population of about five million.

The film industry has helped make Hong Kong a world city and has contributed to the city's outsized reputation because of its influence on international filmmakers and our home grown megastars – from Bruce Lee to Jackie Chan to Chow Yun-fat.

The accounting profession is no different; from its beginnings when a small group of like-minded individuals got together in 1973 to form the Hong Kong Society of Accountants, the now Hong Kong Institute of CPAs helped turn Hong Kong from a factory town to one of the richest cities on earth.

Our profession wields more than its share of influence at home and abroad; our members are sought after by businesses of all sizes from the mainland and throughout the world for their talent. They are "success ingredients" for Hong Kong's financial achievements and stars in their own right.

The photo essay in this annual report, drawing parallels between the accounting profession and movie industry, shows people making movies in Hong Kong. You'll also find short vignettes about famous films and filmmaking that illustrate our profession's ties to Hong Kong's show business.





Ian Powers, an action coordinator moving his business from Beijing to Hong Kong to capitalize on the vibrant Hong Kong movie industry, rehearses a death-defying leap. Hong Kong has long been home to one of the world's greatest filmmaking industries – with a tradition as legendary as Hollywood or Bollywood – and attracted the region's best on-screen and off-screen talent. Similarly, the city's accounting profession is renowned for its quality and attracts the world's best CPAs, who come to Hong Kong to fulfil their potential and work with world-class peers.



# President's Report



## Dear members,

It has been my honour to preside over the council during 2011. While the year has been marked in the global economy by times of uncertainty and high volatility, it has been a year of stability, progress, and new opportunities for our profession.

I started the year with three goals: To spend more time with and gain a better understanding of our younger members who are the future of our profession; to understand and help address the challenges faced by our small- and medium-sized practitioners who are also a core segment of our membership; and to increase the availability of the qualification programme on the mainland and thereby the cross-fertilization of talent and expansion of opportunities. I confidently report to you that, with the strong and unwavering support of my fellow council members, I have advanced these goals considerably.

Auguring well for the future is the increase in the number of students joining our qualification programme this year. This is a sign that our profession is attractive to this fresh crop of bright young people. During my tenure, we have established the 25.35 group and I have attended some of their events. I visit their Facebook

group account from time to time and it is clear from the messages that our young members are enjoying the chance to listen to senior members talk about their careers and give them insights. They are also enjoying their leisure time together, like organizing networking events with other professionals and visiting the Geo Park. It is clear that our young members are forming a bond and an invaluable support network as they come into their own as professionals.

I have also spent time with our QP students, in Hong Kong and on the mainland, which has rewarded me many times over. These are bright, committed young people who, as they learn and unravel the intricacies of the profession, marvel at the responsibilities they will inherit. I see a pride starting to build, too, as they start to realize they are on the path to becoming certified public accountants.

To help small- and medium-sized practitioners, we have focused on establishing governance guidelines and providing training to them. We have set up a special task force on the revised code of ethics to help them implement the Institute's Code of Ethics for Professional Accountants. We are all committed to the code and its fundamental principles, but there are many grey areas that we have to deal with, especially when providing non-audit services.

To protect the reputation of SMPs, we have taken a hard line against companies claiming to be CPA firms that are not managed or staffed by qualified CPAs. To this end, we have held meetings with the police department, the Legislative Council, the Inland Revenue Department and the Companies Registry to ask these bodies to use their powers to stop these companies from pretending to offer services of qualified accountants when they in fact do not.

Our small- and medium-sized practitioners have requested more training support and the

Institute has responded by seriously increasing its technical training around the revised Audit Practice Manual, to which our SMPs have responded enthusiastically. This shows one of the best characteristics of our profession, the constant willingness to learn and improve.

On the international front, we have kept our seat on IFAC's SMP Committee and regularly attended their meetings to stay abreast of international developments.

During the year I had the opportunity of meeting and talking to our fellow members while attending our many Institute events, including our monthly Goldies breakfast gatherings, our inaugural annual conference in June and our networking events on the mainland. While we are often from different walks of life, our shared values gave us an instant common bond. This is the purpose of our social events — to give us the opportunity to meet and remind ourselves of our common cause.

Our qualification programme on the mainland is finding enthusiastic new joiners. Over the year ended June 2011 we have accredited three leading universities in Shanghai for their graduates to gain direct entry to the QP. Graduates of the QP say it has opened their eyes to a new way of learning and a new way of development in the profession.

The convergence projects on the mainland require continuous maintenance and we are continuing to participate in this. It is heartening to see the quick progress our counterparts have made since they adopted IFRS in 2007.

Our influence stayed strong with international standard setters. In March we met with IASB board members in Hong Kong. In June, the IFRS Foundation trustees came to meet with us and, over the summer, the new IASB chair, Hans Hoogervorst, came to Hong Kong to explain the IASB's plans in one of his first overseas visits.

We have embraced our role in determining the shape of the reform of our audit profession. We have been looking at different regulatory structures throughout the world to find the best features to adopt. The council has decided to propose the transfer of practice review

of auditors of listed companies from being the responsibility of the Institute to that of the Financial Reporting Council. This, the council believes, will provide the necessary independence to our regulatory regime.

Making these changes will put the Institute's audit regulation in line with international norms and should gain for us international recognition.

We are planning to couple this with a request to the government for liability reform. The professional liability reform working group is recommending a mechanism of liability capping as the best way to ensure the stability of the Hong Kong capital markets by keeping audit firms strong.

I encourage you to read the body of this report to gain a deeper insight into the many accomplishments of the Institute this year.

All these accomplishments could not have been made possible without the commitment and collaboration of my fellow council members and the Institute's management and staff. I would like to thank my two vice presidents, Susanna Chiu and Keith Pogson, for supporting me as your president. I would also like to thank all the other council members for their time, advice and the considered discussions we have had over the year. My deep appreciation also goes to the Institute's management and staff, whose hard work and professionalism keeps the Institute moving in a steady line of progress. On behalf of the council, the Institute and all our members, I would like to give a special thanks to our Chief Executive Winnie Cheung, whose expertise, experience, selfless dedication and profound respect for the profession will be sorely missed when she retires in June next year.

Finally, I would like to thank all of our fellow members who have provided me with their views and comments; and especially those who have volunteered their time, which for us is always in short supply and greatly treasured.

Sincere regards,

**Tsai Wing Chung, Philip  
President**

# Chief Executive's Review



**Dear members,**

I am pleased to report on another action-packed year in which we have built on our foundation and opened up new frontiers.

We pushed forward with three reform initiatives, on our governance, regulatory and liability regimes.

We re-constituted the governance review task force, which re-appraised our council, president and vice president election rules and processes. This led to the adoption of various changes, measures that will enhance the openness of this very important part of our governance.

We are also pressing into new frontiers of independent audit regulation and capping of auditors' liability at the conclusion of our year-long study into these subjects. A proposal paper, concluding this study, is under preparation. This will encompass proposals on enhancing audit quality, oversight of listed company audits, and audit risk and liability.

Our qualification programme is now the top choice for a career in accountancy and to better serve our growing student population, we've made significant new strides this year. We've centralized our QP examination centre at AsiaWorld-Expo and negotiated a reduced

train fare on exam days. We've introduced a new QP graduate register to give recognition to the new status of our QP graduates. To increase the Institute's relevance to this group of prospective members, we have introduced an extended range of services to support their career development. We've also made sure we celebrate QP graduation by properly hosting – for the first time this year – a dinner reception for graduates and their families at the QP awards and graduation ceremony. This is in addition to the two cocktail receptions we host for the two cohorts of students who graduated in June and in December.

This year we finalized our mutual recognition agreement with the U.S., a long-awaited coup that paves the way for our members to practise in the world's largest capital market and gives U.S.-qualified CPAs the opportunity to practise in our thriving environment. Now our members can be assigned to work anywhere from New York to Toronto to London and have their qualification recognized.

The QP is also making headway in China, with five mainland universities' programmes now accredited and more in the pipeline. Plans are underway to establish resource centres in major mainland cities to provide on-site support to our accredited universities for QP enrolments, examinations and promotion.

To improve our internal operations and governance, we've appointed heads of information technology, human resources and internal audit.

We introduced a three-year information technology strategic plan to create systems to make us more efficient, more environmentally friendly and enhance member services.

We commissioned The Business Environment Council to look at ways to make our operation more environmentally conscious and we are implementing their suggestions regarding use of paper and power, and adopting environment-friendly travel and event organization policies.

We have designed different levels of management and skill training for all grades of staff. Senior management this year attended training in "key performance indicators" to help the Institute align to its goals.

In this reporting year, we've created and improved a great deal of our offering to members. First, our in-house technical training team is much stronger and they have introduced a comprehensive training programme for our professional standards on financial reporting, auditing and ethics. We've invested heavily in technology to bring members online training courses for continuing professional development and more live webcast and webinar events.

We staged our first annual conference in June, which will become our premier annual event for debating macro issues impacting the profession.

A major milestone for the Institute this year was the launch of our first specialist qualification and designation; 32 members were awarded the first specialist designation in insolvency. We have started to create a tax specialization and will soon offer this.

Our influence remains strong on international and mainland affairs. We are represented on all key international bodies and took an active part in shaping global policies through our submissions and representations on major global forums. Our mainland meetings have been fruitful, with new discussions with officials about cross-border regulations now that H-share companies can have their books audited by select mainland auditors.

We are making it easier for our members to qualify on the mainland by signing another memorandum of understanding to grant exemption to our members for a fourth PRC CPA Uniform Examination paper.

Our small- and medium-sized practices got a boost this year when we signed a letter of intent with the Beijing Institute of CPAs to create a way for CPA firms in the two cities to co-operate for new business connections and know-how.

To capture the energy and ideas of our young members, we started a group called 25.35 for members in this general age group. We created this platform specifically for them so they can get to know each other and build their network and contacts.

For our older members, we reduced fees for those aged 60 and over and waived fees for our members older than age 70 who have been members for more than 20 years. This will take effect in the calendar year 2012.

For all members, we introduced a new affinity credit card with more benefits. We also introduced a membership card with a bar code that can be used to access, record and update CPD attendance.

Finally, we have been communicating our distinctive brand of "success ingredient" in award-winning ways. This year we won kudos from MerComm, an awards programme held to advance the arts and sciences of communications.

Our 2010 "Charting Success" annual report won a gold and bronze award for outstanding annual reports, our animated video for students about the QP won a silver award for video excellence, our Institute brochure for lay people won a bronze award, and our children's books won a gold award for excellence.

For the first time, we've created a yearbook to showcase our volunteer members' contributions. This will be coming out in December.

Through resourcefulness, the contributions of our volunteers and hard work, we've made leaps and bounds this year without raising member fees. I'd like to thank our 200-plus staff members for their dedicated contributions this year and our senior management team for their unfailing support and blend of talent that lifts the Institute higher every year. I'd also like to extend my gratitude to the council this year for their untiring effort in guiding the Institute. I express my deep gratitude to our president, Philip Tsai, and vice presidents Susanna Chiu and Keith Pogson, who worked with me through many thorny issues to reach happy conclusions. This will be my last report to you as chief executive of this Institute and I thank all of the people I've met and worked with for the opportunity of a lifetime – the chance to pilot together this wonderful organization, the Hong Kong Institute of CPAs – to new heights of success.

Sincere regards,

**Winnie C.W. Cheung**  
Chief Executive





# Finance & Operations

## ANIMATION GURU

Behind *Toy Story*, *A Bug's Life*, *Cars 2* and other worldwide favourite animated movies, there is a Hong Kong artist's brain: Patrick Lin, who was born and raised in the city. The director of camera photography has worked for Pixar in Emeryville, California, for more than 14 years. He says he loves the world of animation because he is free to make his characters come to life in exactly the way he wants. Lin comes from a family of accountants – his father was a CPA and his elder brother Daniel Lin is the managing partner of Grant Thornton Jingdu Tianhua.

Our management of resources is prudent and in the best interests of our members, our students and the public. In the financial year ended 30 June 2011, the group had a surplus of HK\$4.9 million before tax and had a net assets balance of HK\$319 million.

Careful stewardship of our finances has allowed us to maintain a sound financial position while continuing to invest in key projects.

As the Institute grows, improvements to our information technology systems have become necessary to increase efficiency. We have begun implementing our three-year strategic plan for IT development. This year, we implemented an electronic document management system that speeds up filing, searching, browsing and circulation of documents while improving security. We have also started developing an examination marking system that provides a secure online platform for markers to input marks and for staff to perform analysis. A review of the Institute's data privacy policy and procedures is being carried out to ensure

members' data is kept at the highest level of security.

“  
**We have begun implementing our three-year strategic plan for IT development.**  
”

To support our growth, our staff numbers have grown from 201 to 219 this year.

The Institute engaged the Business Environment Council – the longest running independent, non-profit organization in Hong Kong promoting corporate, social and environmental responsibility – to review our operations. The review praised good practices at the Institute such as the use of energy-efficient equipment and efficient lighting control as well as the collection of used paper and toner cartridges for recycling. Taking encouragement from the review's positive findings, we are committed to using paper and electricity for more efficient practices.

As the only statutory licensing body for accountants in Hong Kong, the Institute stands guard over Hong Kong's money flows. It is a responsibility we don't take lightly, and we are committed to keeping the profession in perfect sync with the needs of business and the interest of the public.





Jason Tobin (right), a young filmmaker, and his creative peers – who are entering the internationally acclaimed Sundance Film Festival – review the latest edit of a feature film on a rooftop in Mongkok. The Institute’s qualification programme, too, is world respected. Aspiring accountants who qualify through our rigorous course gain a qualification that is recognized and highly regarded on five continents.







## WORLDWIDE RECOGNITION

Veteran Hong Kong actress and singer Deanie Ip won the best actress award at the Venice Film Festival in September this year for her portrayal of an aging servant in *A Simple Life*, which also stars Andy Lau as the young master of the house. Ip is the first Hong Kong artist to take home the top prize from the world's oldest film festival and she won over international superstars such as Kate Winslet. *A Simple Life* was based on a real life story of the film's producer and writer Roger Lee, whose role was played by Lau in the movie. Lee worked in accounting in the U.S. before entering the Hong Kong movie industry in early 80s. In 2010, Hong Kong film notched up another prize with *Echoes of the Rainbow* winning best feature film at the Berlin Film Festival. The movie tells a simple, warm and local story of Hong Kong. Its distribution company Mei Ah Entertainment Group is run by managing director Tong Hing-chi, who is a member of the Institute.

# Qualification & Membership

The Institute is committed to providing members with world-class training, continuing professional development, advocacy and member services befitting their world-class skills, talent and reputation.



Our membership continued to steadily grow, standing at 32,168 at the end of the reporting period – an increase of 1,751 from last year.

The number of practising members has also risen this year, up by 80 to 3,827. And there are now 40 more member practices, putting the total figure at 1,578 including 358 corporate practices.

### QP – qualification programme

Our qualification programme is now in its 11th year and remains the most direct and popular route to qualify as a CPA. QP student numbers stood at 12,590 at the end of June 2011. Since it began in 1999, a total of 9,300 students have completed the QP. This year, 2,141 have graduated and gone on to become CPAs.

The QP was updated in September 2010, after a thorough review. We upgraded the study materials and redesigned the workshops to put more emphasis on helping students develop the special mindset it takes to be a CPA. Online learning facilities such as e-books and webcasted seminars were also revamped.

The Institute has set up a centralized QP examination centre at the AsiaWorld-Expo to provide students with a comfortable, well-organized setting to take their examinations. Around 8,000 candidates sat their module or final examinations at the new centre in the June 2011 session.

During the year, a proposed mutual recognition agreement between the Institute and the International Qualifications Appraisal Board of the United States was approved and signed.

### Support for students

One of the reasons why the QP stands out is its focus on practice as well as theory. As of 30 June 2011, the number of authorized employers and supervisors under whom students can work to gain the required experience stood at 1,205 and 1,749 respectively. This represents a good coverage for aspiring professional accountants to acquire appropriate and sufficient experience to become a CPA.

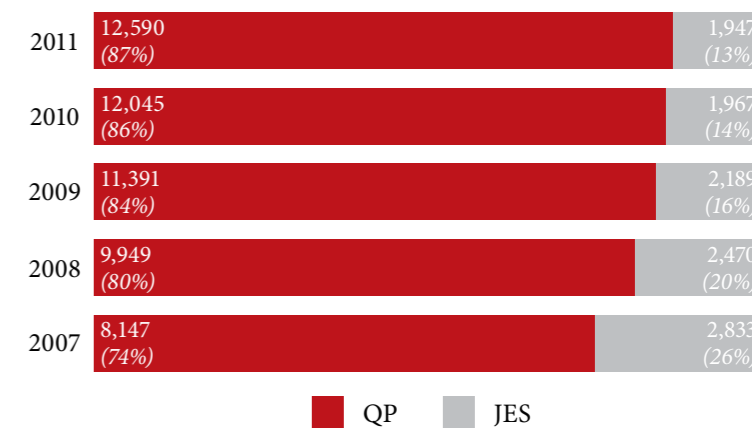
To make it more straightforward for more accounting graduates to choose the QP, the Institute accredited another nine accounting programmes offered by tertiary institutions. These programmes included three taught at local institutions, one run by an overseas university and five offered by universities on the mainland. Of the five new accredited programmes on the mainland, four are offered by three universities based in Shanghai: Fudan University, Shanghai Jiao Tong University and Shanghai University of Finance and Economics – marking the QP's first inroad into the city.

This brings the total number of accredited programmes to 60, including 37 accountancy degree programmes and 23 conversion programmes. Graduates from accredited accountancy degree programmes can automatically enrol in the QP without having to take a conversion programme, speeding up the time it takes to qualify as a CPA.

We awarded scholarships to 64 students this

### Prospective Accountants

(As of June 2011)



For many years, the Institute qualified its accountants by working with an overseas accounting body through a joint examination scheme (JES), which ended in 2001, two years after QP began.

year, including five in partnership with the Chinese Institute of CPAs to its members.

A total of 419 CICPA members have joined the QP since we have mutual examination paper exemption arrangements with CICPA.

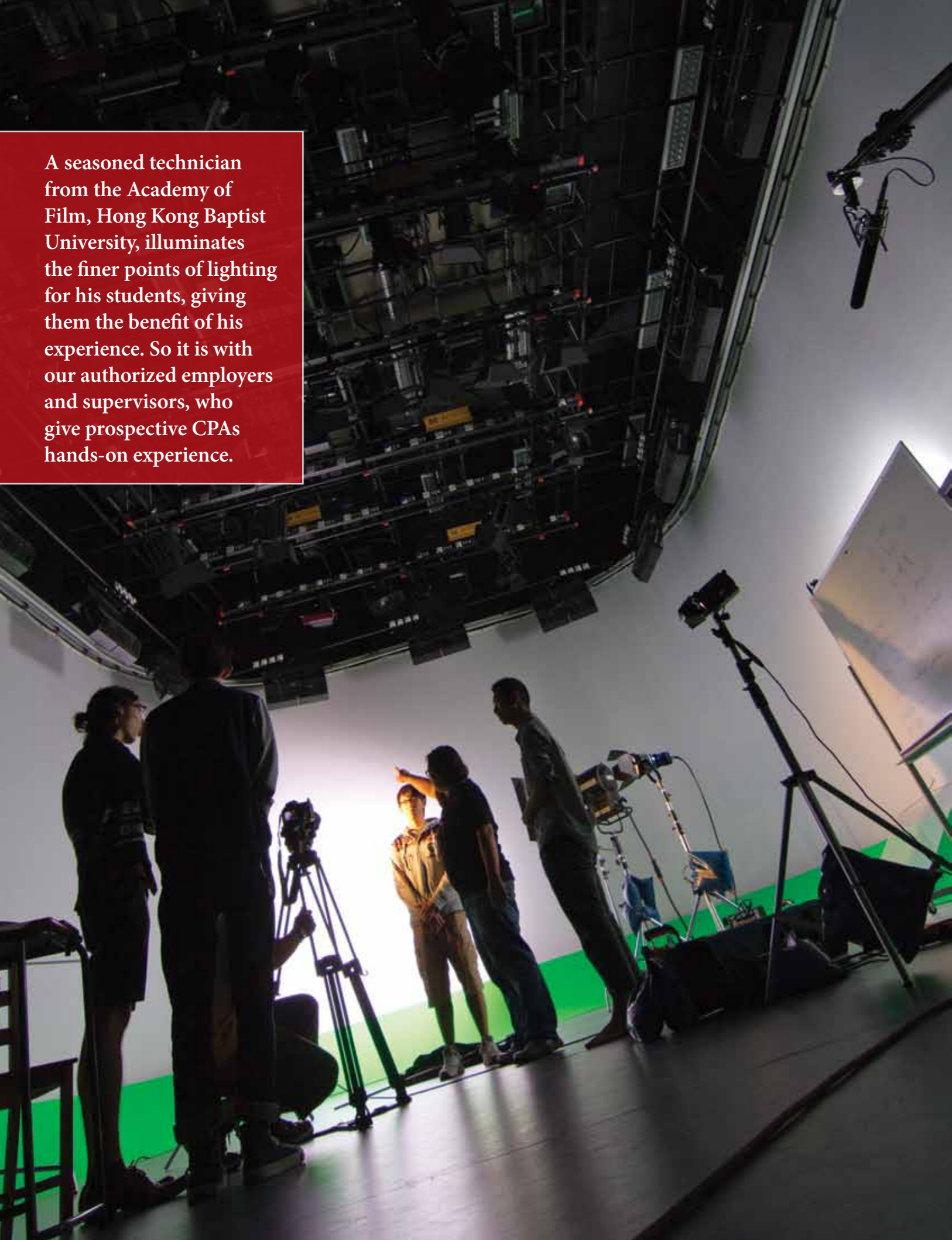
For the second year running, we held a QP case analysis competition in Beijing as well as Hong Kong to demonstrate how our programme helps students develop real-world practical skills. A record of 400 teams took part.

We organized a career forum for more than 700 university students who wanted to find out more about the challenges and opportunities of a career in accounting.

**“We awarded scholarships to 64 students this year, including five in partnership with the Chinese Institute of CPAs to its members.”**

For the first time, we organized a cocktail reception for the QP graduates in addition to the annual ceremony to recognize their successful





A seasoned technician from the Academy of Film, Hong Kong Baptist University, illuminates the finer points of lighting for his students, giving them the benefit of his experience. So it is with our authorized employers and supervisors, who give prospective CPAs hands-on experience.

completion of the QP and give them a chance to celebrate with their peers.

**Accounting technicians**

The Institute’s subsidiary, the Hong Kong Institute of Accredited Accounting Technicians, has registered more than 4,200 new students to its AAT examination since introducing its new qualification framework in 2009. The new framework tests students on their knowledge and understanding of ethics before they become HKIAAT members.

This year, a reciprocal membership was signed with the New Zealand Institute of Chartered Accountant’s college of accounting technicians, the third agreement of its kind that the HKIAAT has signed with overseas bodies.

To date, the HKIAAT has accredited 76 sub-degree accounting programmes.

In addition to pursuing a career as an accounting technician, AATs can use their qualification as a bridging route to the QP. So far, the professional bridging examination has registered more than 900 students and 826 AATs have become eligible for entry into the QP.

**Continuing professional development**

The Institute held its first annual conference this year. More than 300 members attended the June event where 40 speakers spoke about how the accounting profession can support Hong Kong’s future as a world capital market.

Throughout the year, the Institute’s CPD events were well attended, reflecting our members’ commitment to keeping their knowledge fresh and their skills sharp. More than 11,000 members took part in events this year, including 342 face-to-face seminars and 274 e-learning programmes.

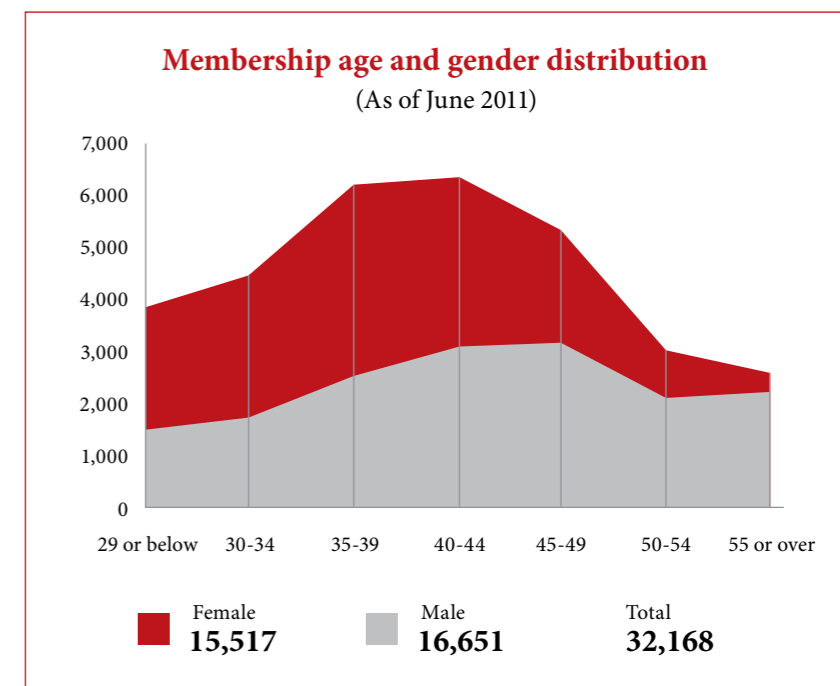
To better understand our members’ training needs, we held our first CPD forum in November. It was attended by 114 members and was an excellent opportunity for the Institute to hear the views of a broad cross-section of our membership.

We continue to increase the e-learning facilities on offer. We introduced live virtual classroom events – webinars – in October and four were held this year. A hundred online courses about financial products, such as options and swaps, were also introduced. And we tried live streaming by providing a link to the annual conference held at the Marriott Hotel to members watching at our Wu Chung House headquarters.

To help unemployed members get back on their feet, the Institute provides free places at selected CPD events. This year, more than 560 free places were taken up.

**Specialization and interest groups**

In an exciting step for the profession, the Institute introduced its first specialist qualification in July and specialist designation in December. The specialist qualification in insolvency is awarded to members and other practitioners who pass our diploma in insolvency, while the specialist designation in insolvency is only accredited to members who have considerable experience and demonstrated competencies in the field.







## KUNG FU CRAZY

Largely because of the worldwide success of Bruce Lee's martial arts films made in Hong Kong, the word *kung fu* was added to English language dictionaries in the 1960s. The influence of this Hong Kong film genre can be seen in action films made throughout the world and created the careers of such superstars as Jackie Chan and Jet Li. The *kung fu* genre has been rekindled lately by the *Ip Man* series. *The Legend is Born – Ip Man* was produced by National Arts Holdings Ltd., where CFO Chan Chit-ming and former CEO Tang Yat-ming are members of the Hong Kong Institute of CPAs.

Those who meet the required standards can carry the respective titles SQ (Insolvency) and SD (Insolvency) after their name, helping businesses and the public to identify practitioners with the required skills and experience to carry out work in one of the most challenging areas of accounting.

All 267 successful candidates of the diploma in insolvency – from its first introduction in 2000-01 up to and including the 2009-10 cohort – will receive the specialist qualification in insolvency.

The first group of awardees of the specialist designation in insolvency was presented with their designations at a ceremony in June, and can use their new titles from 1 July 2011.

The Institute is developing a specialist qualification and designation in taxation. A specialist taxation programme is scheduled to be run in 2012 and we are looking to set up a tax faculty.

The restructuring and insolvency faculty, the taxation interest group, the corporate finance interest group and the professional accountants in business continued to hold events throughout the year, providing opportunities for members to learn from experts and peers.

This year also saw the establishment of the forensics forum for practitioners of forensic accounting and others interested in this field. The group has already registered more than 400 members, held two events and conducted a survey to obtain members' opinions.

To add to our regular electronic newsletters

### Age of members

(As of June 2011)

Average age  
**41**

Youngest member  
**24**

Oldest member  
**93**

for members of the restructuring and insolvency faculty (called *The IP's Voice*), the professional accountants in business (*Inside Business*) and the tax interest group (*Tax Link*), we introduced a new one for the corporate finance interest group called *Corporate Finance Alert*.

We co-organized seminars on anti-money laundering for accountants with the narcotics division of the Security Bureau, because our members have a responsibility to help counter money laundering. We also aim to add to a guidance for CPA firms in this area.

The Institute is looking at the feasibility of setting up a mentorship programme for our younger members to gain direct experience from more senior CPAs working in commercial enterprises.

### Advocacy

The audit profession reform committee was set up in June 2010 to consider reforms to the system of auditor regulation and professional liability. We established working groups to research and report on the two areas. The committee has submitted its report and recommendations to the council.

The Institute submitted 2011-12 budget proposals to the financial secretary and held a media briefing to share them with the public. On budget day, we held a press conference to provide our reaction and hosted an evening members' forum.

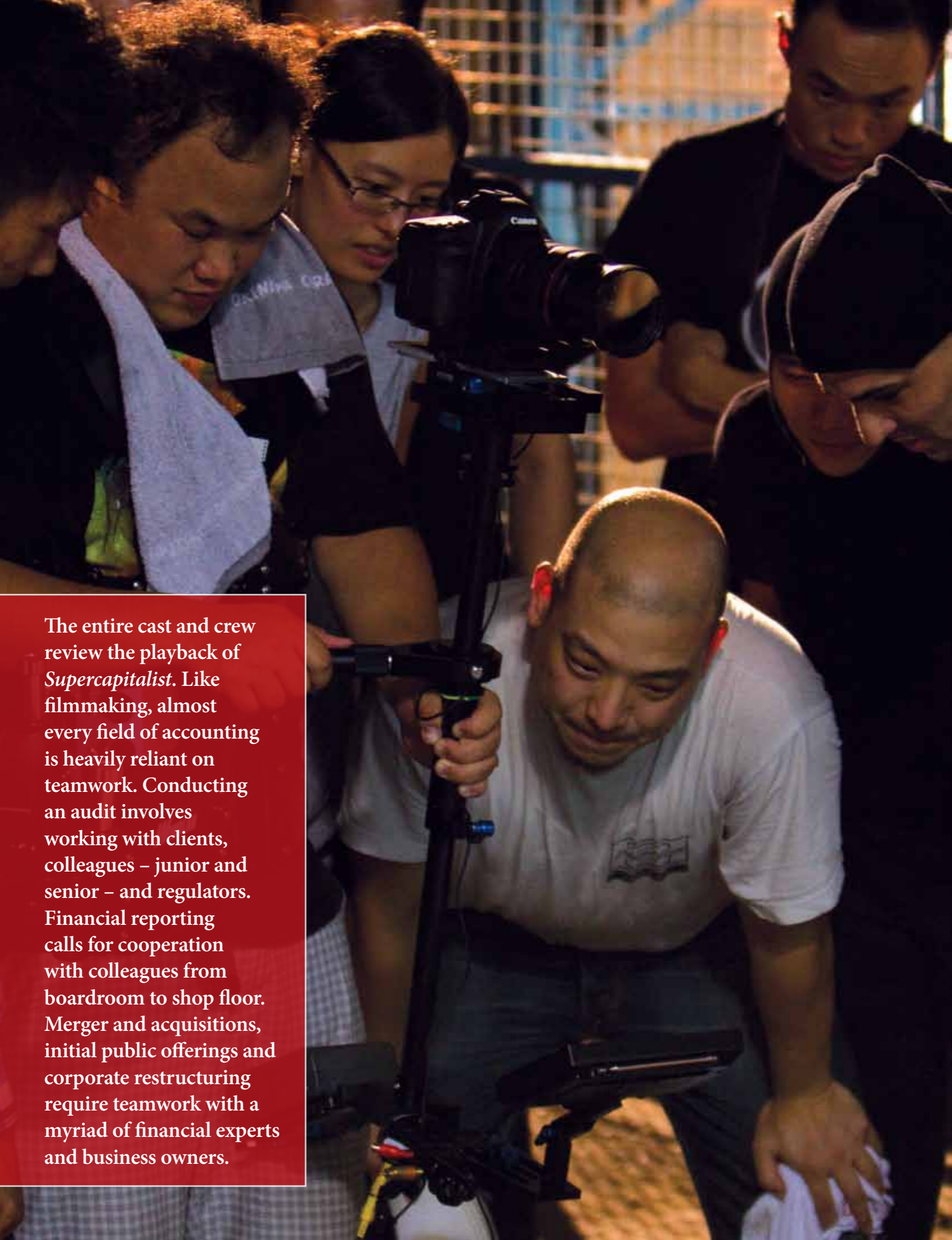
We held our annual meeting with the commissioner of the Inland Revenue and published a detailed record of what was discussed.

We completed the exposure draft of the revised and more comprehensive statement on professional ethics in insolvency and liquidation. The new statement will be issued later this calendar year. We also held a meeting with the Official Receiver and issued a summary of the discussion to members of the restructuring and insolvency faculty. We



Every person on set – be they the director leading the entire cast and crew or a make-up artist working behind the scenes – is an essential part of filmmaking and must have a vision of how the movie will come together. Similarly, our members see the bigger picture even as they dedicate themselves to the detail too, using their specialist skills in tax, financial reporting, audit and assurance, corporate finance and insolvency and restructuring.





The entire cast and crew review the playback of *Supercapitalist*. Like filmmaking, almost every field of accounting is heavily reliant on teamwork. Conducting an audit involves working with clients, colleagues – junior and senior – and regulators. Financial reporting calls for cooperation with colleagues from boardroom to shop floor. Merger and acquisitions, initial public offerings and corporate restructuring require teamwork with a myriad of financial experts and business owners.

will soon be submitting our comments on the proposals to amend the company winding-up provisions under the Companies Ordinance rewrite project.

The restructuring and insolvency faculty initiated cross-border liaison with the Beijing Bankruptcy Law Society, a group of mainland insolvency practitioners and experts who were actively involved in drafting the PRC Bankruptcy Law.

We completed our studies and developed our proposal for the reform of auditor liability. The Institute is proposing a statutory capping mechanism, which will contribute to the stability of Hong Kong's capital market and boost our efforts to build a high-quality audit profession in the long term.

Our taxation committee formed a mainland taxation sub-committee, which took initial steps to establish cross-border links with the State Administration of Taxation on the mainland and held a large-scale mainland taxation update event.

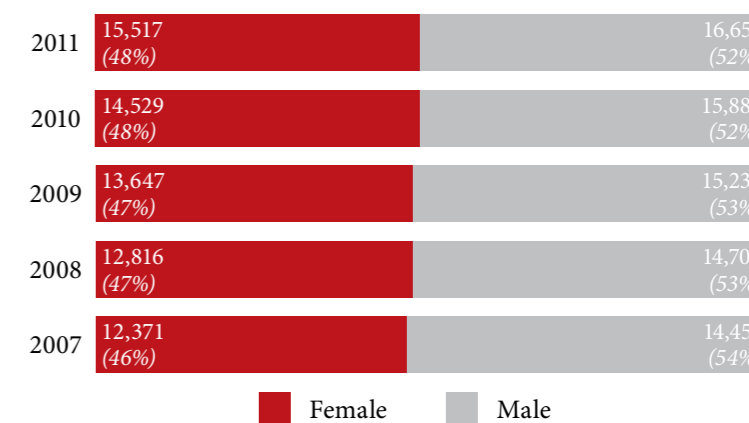
Work is underway on reviewing the bill on price-sensitive information.

Throughout the year, the Institute submitted the profession's views on important proposals, including:

- Legislation on profits tax deduction when acquiring intellectual property rights, to encourage the development of creative industries in Hong Kong
- The Companies Bill
- Consultation on statutory codification of price sensitive information disclosure requirements by listed corporations
- Consultation on the establishment of a protection fund for policyholders in the event of an insurer insolvency
- Hong Kong Exchanges and Clearing consultations: review of the Code on Corporate Governance Practices and Associated Listing Rules; issuing of electronic prospectuses; changes to trading

### Membership gender distribution

(As of June 2011)



- hours; changes to minimum number of shareholders for market capitalization revenue test; changes to requirements for qualified property acquisitions; changes to requirements for the listing of debt issues to professional investors; ex-entitlement trading and shareholder approval
- Securities and Futures Commission consultations: evidential requirements under the Securities and Futures (Professional Investor) Rules; regulatory framework for pre-deal research; changes to property valuation requirements
- Consultation on Unfair Trade Practices
- Various IFAC PAIB consultation papers

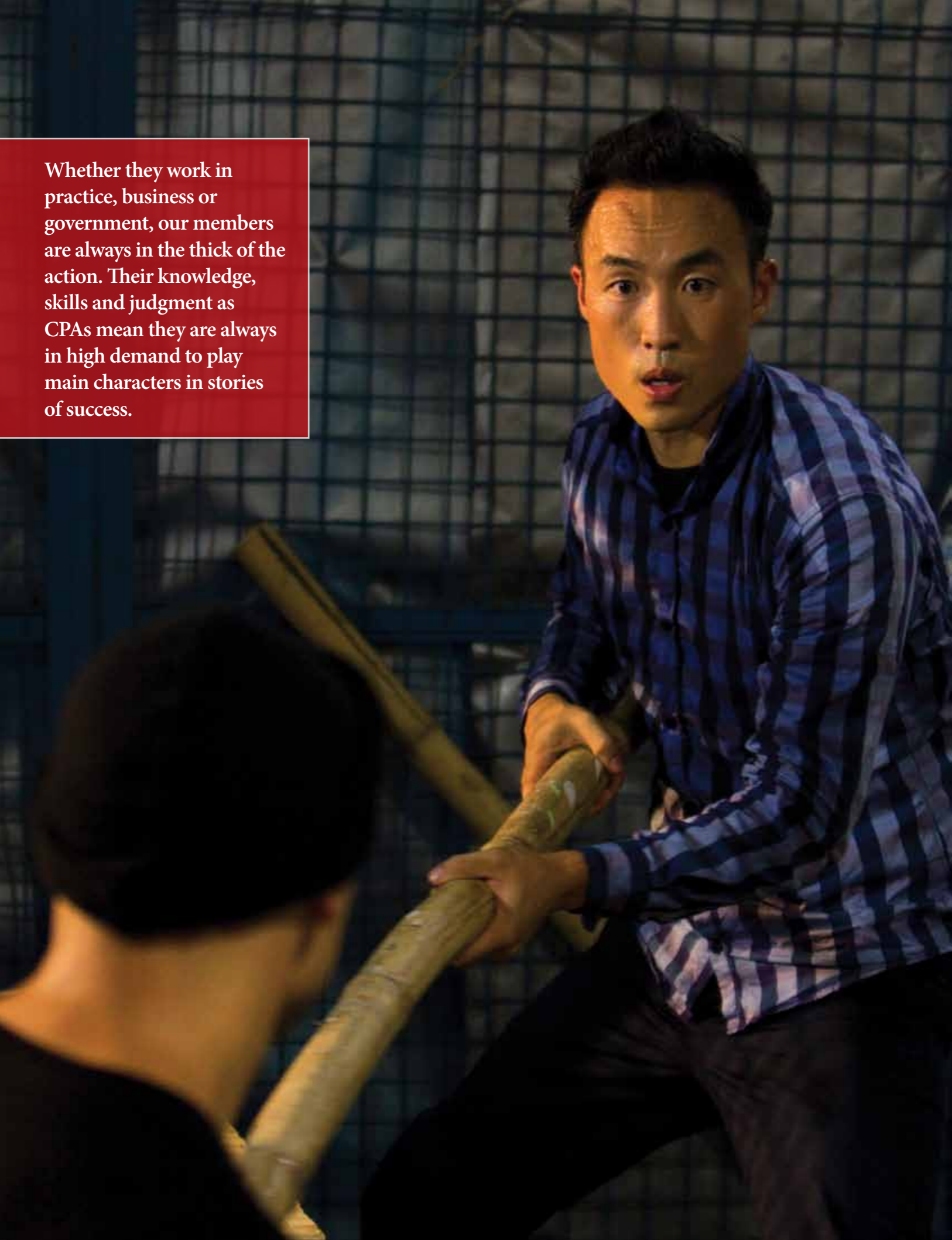
### Member activities

This year the Institute formed the 25.35 Group to connect with our young members and learn more about their needs in career developments and social networking. This group uses Facebook to foster communications and bonding among their peers.

An athletics interest group was also formed, adding to the wide range of the 12 sports and recreation groups – from ballroom dancing to dragon boat racing – that help our members



Whether they work in practice, business or government, our members are always in the thick of the action. Their knowledge, skills and judgment as CPAs mean they are always in high demand to play main characters in stories of success.

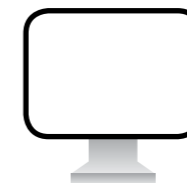


### CPD statistics

(As of June 2011)



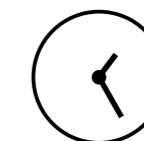
**342**  
face-to-face seminars



**274**  
e-learning programmes



**54,313**  
enrolments



**3,631**  
CPD hours

### Our members are business leaders (among 19,828 PAIBs)

 CEO, CFO, COO:  
**4,485**

 Divisional/group/  
general managers:  
**3,878**

### Work type

 Professional accountants  
in practice:  
**6,997**

 Professional accountants  
in business:  
**19,828**

 Others:  
**4,407**

Legend  =2,000

Source: Member census as of  
June 2011 with 31,232 respondents

balance work with pleasure and to build camaraderie with fellow members.

We introduced a new membership card with smart card functions and a new affinity card with the BOC Credit Card (International) Ltd. with enhanced benefits for transactions in both Hong Kong dollars and Chinese yuan.

For our small- and medium-sized practitioners, we organized several events to help them cope with the challenges specific to their business, including: dinner forum on the draft Companies Bill – second phase consultation; quality assurance forum on common issues in practice review and professional standards monitoring; forum on suspicious transaction reporting and compliance; forum on using the audit practice manual; annual symposium; seminar and networking cocktail with their Shenzhen counterparts; and forum on minimum wage which was also catered to other members.

Fake CPAs touting clients in the market have been hurting business of our SMPs and the Institute has introduced a public education campaign covering media interviews, advertisements, forums and proposed legislation to combat their fraudulent advertising.

The Institute's main fellowship events were successful and well attended and included the National Day celebration, annual dinner and the spring gathering.





Our members are influential thought leaders. They work in business decision-making roles, such as CEOs, CFOs, COOs and directors. Others lead the Asia divisions of the world's largest professional firms or work as policymakers in government.



# Standards & Regulation

## THE CITY AS SUPERSTAR

Hong Kong, with its beautiful harbour and spectacular skyline, is a natural for the movies. *Contagion*, released in September 2011, used the city as part of the plot, including a stunning shot of the Tsing Ma Bridge. In the 2008 film, *The Dark Knight*, Batman broke into IFC Two; In 2003, *Lara Croft Tomb Raider: The Cradle of Life*, the IFC was again featured, but its exterior was combined with the interior of Times Square. And in 2002, James Bond emerged from the waters of Victoria Harbour after escaping from the bad guys in *Die Another Day*.

Our profession is highly regarded by the business community and the general public in part because our members work to the highest possible standards and under stringent regulations. The Institute does all it can to support their efforts and to promptly act when things fall short, so that we continue to command public trust, confidence and respect.

### Standard setting

The Institute maintains full convergence with international standards on financial reporting, auditing, assurance and professional ethics. During the reporting year we issued more than 15 updates to the members' handbook on revised standards and interpretations and more than 35 comment letters on international proposals.

By the end of the 2010 calendar year, we successfully resolved all issues related to our adoption of IFRS in 2005, including the revaluation basis as deemed cost for initial public offerings, related party disclosures for government-related entities and deferred tax arising from investment properties.

The Institute holds a great deal of sway within the profession outside Hong Kong and international standard setters respect and welcome our views. This year, our activities included: hosting the IFRS Foundation trustees strategy review roundtable in Hong Kong; participating in the World Standard Setters' meeting in London, the National Standard Setters' meetings in Rome and New York, the Asian-Oceanian standard setters group meeting and the tripartite meeting with the IASB and China's Ministry of Finance. We also supported the Institute's representative on the IFRS advisory council.

To meet our duty to help members understand and apply new professional standards, we held more than 70 events throughout the year. These included technical update evenings, HKFRS for Private Entities workshops, training for audit staff, seminars on the revised code of ethics and forums on financial reporting and auditing.

Members can also find out about new standards through the technical enquiry system, staff summaries of newly released standards, the explanatory material published monthly in

A cameraman gets ready to shoot with an innovative 3D camera rig invented by Hong Kong company Digital Magic. Like its movie industry, the city's accounting profession is always at the forefront, shaping and influencing the latest standards. Our profession holds great sway on the world stage, working with international bodies to set new accounting, auditing and ethics standards that affect how business will be done in the future.







## THE OSCAR WINNERS

Hong Kong films used to lift their plotlines from Hollywood movies, but it was the other way around when the 2002 crime-thriller *Infernal Affairs* inspired a U.S. remake in 2006 as *The Departed*, which clinched several Oscar awards including best picture, best director (Martin Scorsese) and best adapted screenplay. *Infernal Affairs* itself won kudos as best picture at the Hong Kong Film Awards and was the talk of the town when it was screened. It spawned a prequel and a sequel, grossing more than HK\$110 million. The trilogy was produced and distributed by Media Asia where two executive directors are members of the Hong Kong Institute of CPAs, Richard Lui and Etsuko Hoshiyama. Lui also sits on the board of Media Asia's parent company, Lai Sun Development, where Ambrose Cheung, a government-appointed member of the Institute's council, and Sam Cheung, a member of the Institute, are executive directors.

*TechWatch*, our weekly e-circular and our monthly magazine *A Plus*, our SMP and SME resource centre, our HKFRS for Private Entities information centre and our financial reporting and auditing alerts.

### Quality assurance

We monitor the audit, assurance and financial reporting work of members through two tracks – practice review and professional standards monitoring. We take the findings from these reviews and publish articles and host forums as a way of helping our members maintain the quality of their work. To meet the responsibility we carry as the statutory regulator of audits in Hong Kong, we carry out a programme of practice review. Audit firms are selected for practice review on the basis of risk. Priority is given to auditors of listed companies and other entities of public interest.

During the reporting period, we started 146 site visits and the practice review committee considered 147 first time reports. Where problems were identified, the committee asked the firm to prepare remedial action plans. The effectiveness of these action plans was confirmed by follow-up reports or further site visits. Under the professional standards monitoring programme, we reviewed 110 sets of financial statements over the reporting period and sent 66 letters to auditors with constructive commentary on the quality of their clients' financial reporting.

### Compliance

The Institute continues to promptly and impartially carry out complaints handling and disciplinary processes.

Complaints against our members are dealt with first by the professional conduct committee, which has powers to dismiss unsubstantiated complaints and adjudicate minor complaints. For complaints that are serious in nature, the committee refers

the matters to the council, which in turn determines whether a case warrants referral to the investigation or disciplinary panels.

In this reporting period, 104 new complaints were received, bringing the total caseload to 137. Thirty-one cases could not be pursued because they were made against non-members.

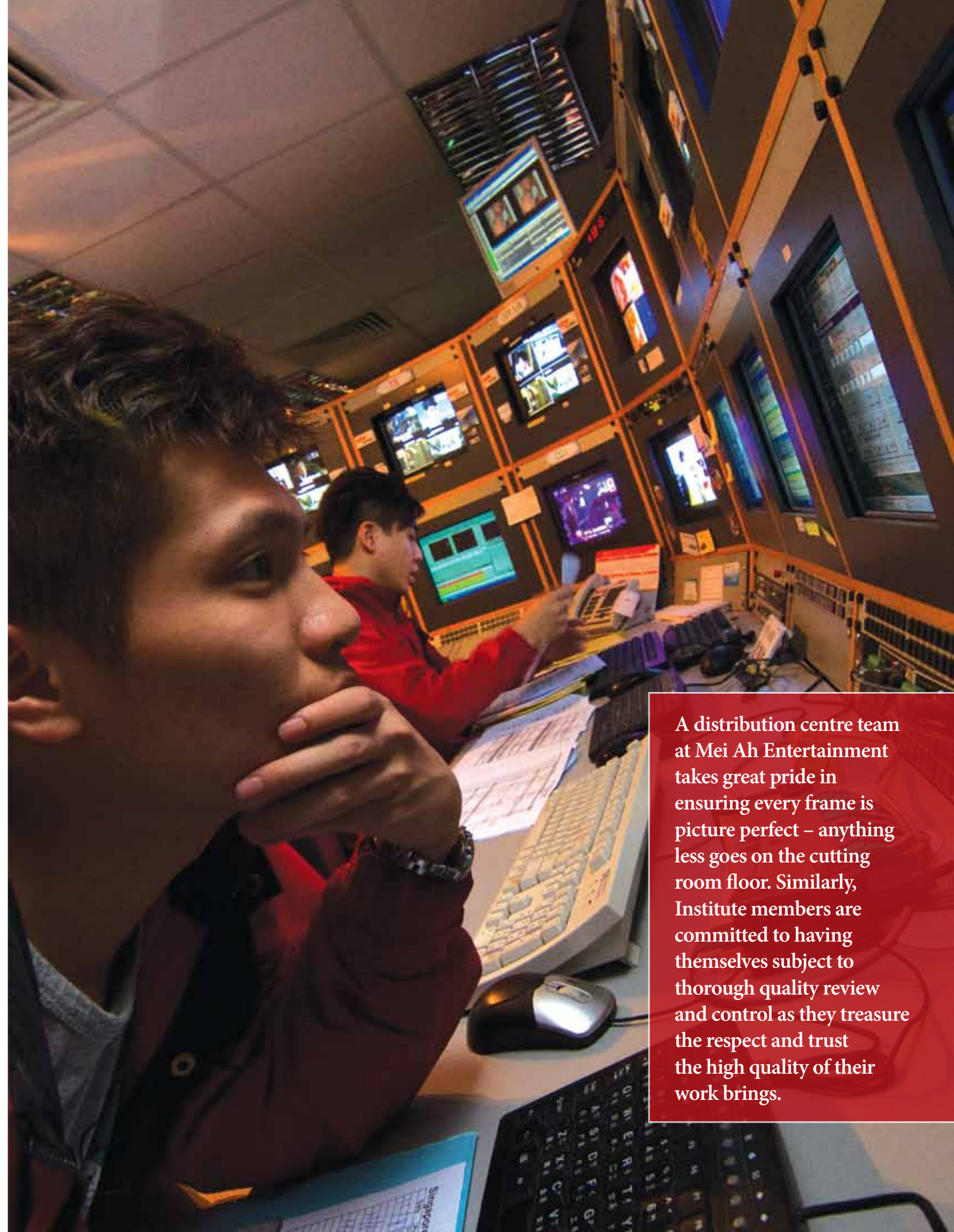
The committee considered 76 complaints, with these results: 53 were closed as no *prima facie* case was established, 15 disapproval letters were issued, and eight serious cases were recommended to the council for referral to the investigation or disciplinary panels.

During the year, the Institute was taken to court on two cases.

The first one was from a member firm and two of its partners. It was a judicial review application against the Institute, arising from regulatory proceedings involving the firm and the two partners. In August 2010, the Court of First Instance dismissed the judicial review application. In August 2011, the Court of Appeal dismissed their appeal against the Court of First Instance's decision. They are applying for leave to appeal to the Court of Final Appeal.

The second one was an appeal lodged by a sole-proprietor against a disciplinary committee order made against him. In November 2010, the Court of Appeal dismissed the appeal.

We increased our efforts in encouraging cooperation from members. As a result, no referral for investigatory action was made this year. Three ongoing investigations are expected to be finalized by the end of this calendar year. At the start of the year, 19 disciplinary cases were in progress and another eight were referred during the year. The disciplinary committees concluded 10 cases this year. Most of the remaining cases in progress are expected to be concluded by 30 June 2012.



A distribution centre team at Mei Ah Entertainment takes great pride in ensuring every frame is picture perfect – anything less goes on the cutting room floor. Similarly, Institute members are committed to having themselves subject to thorough quality review and control as they treasure the respect and trust the high quality of their work brings.





## SHAW'S IMPACT

It was Sir Run Run Shaw who produced the first Cantonese movie with sound in 1933 and with it, Sir Run Run created a new era of Hong Kong cinema and started to build the Shaw Brothers empire. Now aged 104, his Shaw Brothers Studios has produced more than 1,000 films, making it the leading Chinese filmmaker for more than three decades. The studio brought its films to the West and earned Hong Kong the moniker, "Hollywood of the East." One of the studio's early directors, John Woo, inspired many American filmmakers with his ultra-violent gangster movie style. You can see his influence in Quentin Tarantino's *Reservoir Dogs*, for example. Woo was the first Hong Kong director for a major Hollywood feature film in 1993 with *Hard Target*. He later directed *Broken Arrow*, *Face/Off* and *Mission: Impossible 2*. Shaw Brothers has had a big influence on the world movies. One of its leaders is CFO Jeremiah Rajakulendran, who is a Hong Kong CPA.

# China & International

The Institute continues to foster closer ties with our colleagues on the mainland, creating more opportunities for businesses and for our profession.

We signed a letter of intent with the Beijing Institute of CPAs to boost cooperation among small- and medium-sized accounting firms in our two cities. We have agreed to establish an alliance to foster communication and exchange technical knowledge, expertise, training and business development opportunities between our accounting professions and among accounting firms. The agreement was made amid China's plans to develop at least 10 large firms and 200 medium-sized firms by the year 2015 to support the country's burgeoning businesses.

After several years of negotiation, regulators in the mainland and Hong Kong, including the Institute, finally reached an agreement in December 2010 to allow mainland enterprises listed in Hong Kong to prepare financial statements using mainland accounting standards and mainland audit firms. Reciprocal arrangements will be made available to Hong Kong business entities after the Shanghai Stock Exchange has set up its international board,

in which Hong Kong entities may be listed.

Throughout the year, our representatives made trips around greater China to strengthen existing ties and build new ones. These included the leadership team visits to Beijing and the tax committee's visit to the State Administration of Taxation. Another highlight of the year was the hosting of the cross-straits conference. Nearly 400 delegates from the mainland, Taiwan, Hong Kong and Macau attended the conference in Hong Kong in early September.

We also welcomed delegations from the Chinese Institute of CPAs, the Macau Society of Registered Auditors, the Shenzhen local tax bureau, and several other accounting and government bodies from greater China.

Many of our members are keen to improve their China accounting skills to make the most of the opportunities on the mainland. This year, 417 members enrolled in the PRC CPA Uniform Examination.

In addition, our PRC workshops on accounting, auditing, tax and capital markets were very well received by members.



Hong Kong's first film academy was established in 2009 to pass on the region's best expertise to the next generation of filmmakers. The city has long shaped world cinema by blending east and west, in terms of genre, screenwriting and cinematography. Likewise, Hong Kong's accounting profession has influenced the world with the latest example being China's convergence with international standards.



### International

The Institute continues to punch above its weight in global standard setting.

We maintained our representation at meetings held by the IASB, including the IFRS regional policy forum in Bali, three IFRS advisory council meetings in London and IFRS Foundation trustees meetings in Seoul, Tokyo and London.

Throughout the year we also put our views across in person at IFAC, AOTCA, INSOL, World Standard Setters, National Standard Setters and Asian-Oceanian Standard Setters Group meetings around the world – from New York to Rome to Sydney.

Held every four years, the World Congress of Accountants is a big event for the global accounting profession and the Institute led a

delegation to the one held in Kuala Lumpur in November 2010. Chief Executive Winnie Cheung and Legislative Councillor Paul Chan represented Hong Kong as speakers at the congress.

Other significant activities the Institute took part in were the Chartered Accountants Group of Executives education directors' meeting in Kuala Lumpur, and a Hong Kong delegation to Moscow and Mumbai, led by the HKSAR Chief Executive, to learn about the business environment there.

The Institute is a founding member of the Global Accounting Alliance, ensuring our members' qualification is recognized and respected in most of the world's capital markets. This year, we participated in GAA board meetings in Paris, Kuala Lumpur and New York.

The Institute is always alert to the views of members and the general public. As a membership body and a regulator acting in the public interest, it is our responsibility to ensure we maintain a healthy dialogue about our work and respond promptly to feedback.

### PORTRAYING ACCOUNTANTS

Accountants are cool in the movies. In *Casino Royale*, released in 2006, Eva Green plays the beautiful Bond girl accountant, overseeing the government's US\$10 million cash given to Bond during a high-stake poker game against the bad guys. In *Schindler's List* (1993), Itzhak Stern is a brave accountant who helps his boss save thousands of Jews in the war. In September this year, *Horrible Bosses* was released, with Jason Sudeikis playing a witty accountant plotting with his friends against their overbearing bosses.

#### Institute representatives on international, regional and other professional bodies

##### GAA – Global Accounting Alliance

**Winnie Cheung**, director of the board  
**Jonathan Ng**, member of education directors' group

##### IASB – International Accounting Standards Board

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

##### IFAC – International Federation of Accountants

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

##### IIN – International Innovation Network

**Alison Wilde**, representative and coordinator

##### INSOL – International Association of Restructuring, Insolvency and Bankruptcy Professionals

**Bruno Arboit**, director of the board

##### AOSSG – Asian-Oceanian Standard Setters Group

**Clement Chan**, member  
**Steve Ong**, member

##### AOTCA – Asia-Oceania Tax Consultants' Association

**Anthony Tam**, vice president

##### ICAEW – Institute of Chartered Accountants in England and Wales

**Edward Chow**, member of the council







## THE FIRST TO HOLLYWOOD

Two top executives of Shaw Brothers, Raymond Chow and Leonard Ho, left the studio in 1970 to form Golden Harvest, which became the next leader of the movie industry from the end of the 70s to the 90s with its own chain of cinemas.

The studio made such martial arts superstars as Bruce Lee and Jackie Chan by signing them onto contract. In 1973, it pioneered co-production with a Hollywood studio by joining up with Warner Brothers to make the enormously influential English-language film, *Enter the Dragon*, which starred Lee and became a worldwide hit, grossing an estimated US\$90 million. In 2007, Chinese filmmaker Orange Sky Entertainment Group acquired all the shares of Chow and his daughter and became the studio's biggest shareholder, in place of Hong Kong's tycoon Li Ka-shing. The studio was later renamed Orange Sky Golden Harvest, where CFO Chang Tat-joel is a Hong Kong CPA.

# Branding & Communications

The Institute maintained a healthy dialogue with the media, putting across our members' views and positively influencing how the public views our profession. This year we particularly focused our voice in the international press, as our comment was frequently sought on subjects related to mainland China, now the world's second largest economy.

“  
**In the academic year 2010-11, the May Moon books were given out free to more than 4,500 primary school students.**

We co-organized two financial workshops with the Hong Kong Journalists Association to help journalists better understand how the accounting profession acts as the guardian of Hong Kong's financial system. The workshops served to foster a closer working relationship and build trust with the news media.

The Hong Kong stock exchange's

announcement that it would begin allowing mainland companies listed in Hong Kong to use mainland auditors and accounting standards caused a stir. We addressed this complex story with timely press briefings and follow-up interviews, explaining the opportunities and challenges for Hong Kong, the mainland and our profession.

We also talked to the media about the government budget, our submissions on the Companies Ordinance rewrite and the Hong Kong stock exchange's review of the Code on Corporate Governance Practices, as well as the developments in international accounting standards.

Our annual Best Corporate Governance Disclosure Awards was covered extensively by the media, showing that this prestigious award is coveted by businesses in all sectors.

Our inaugural annual conference had media partnership and garnered wide press coverage, helping to uplift the profile of CPAs and spread the conference topic – Hong Kong's role as a world capital market – to a broad audience.

After a tender process involving four companies, we appointed M&L as the new publisher of our members' monthly magazine, *A Plus*, our recruitment website *A List* and our *Firm Directory*. We had previously worked with M&L to shape our messages for brochures and annual reports.

The magazine continues to be an authoritative source for business media, who regularly quote from its pages and point out its features. Our interview with Brian Stevenson, the Jockey Club chairman, for example, was on TVB primetime news.

Our 2010 annual report won a gold award for overall excellence and a bronze for photography at the MerComm ARC Awards, the international competition honoring outstanding achievement in annual reports, demonstrating the Institute's commitment to leading by example when it comes to aiming for the highest levels of financial reporting.

The Institute garnered another award organized by the same organization, this time a silver prize in the Questar Awards for our animated QP video, which shows how students can pass different stages in their journey to become a CPA.

### Community service

The Institute's May Moon books, including *The May Moon Money-Wise Box Set* and *May Moon Rescues the World Economy*, won the gold award for custom publications at the international MerComm Mercury Awards. In this year's contest, only the top 30 percent of the 750 entries from 21 countries were awarded, after judging by more than 100 professionals from all over the world.

In the academic year 2010-11, the May Moon books were given out free to more than 4,500 primary school students and our "Rich Kid, Poor Kid" programme saw our accountant ambassadors reach nearly 10,000 primary and secondary school students, bringing the total

number to about 50,000 since the programme began in 2005. Together, the two initiatives – storytelling for primary school students and a road show for secondary schools – teach young people about money basics and the right kind of values, helping to create a financially responsible younger generation in Hong Kong.

The Computer Provisioning Aid is a new project that invited members to donate their old computers to schoolchildren. Nearly 30 percent of Hong Kong's 400,000 primary and secondary pupils from families receiving government aid cannot afford a computer so our members

“  
**Our 2010 annual report won a gold award for overall excellence and a bronze for photography at the MerComm ARC Awards.**

”

helped by donating more than 600 desktop and notebook computers along with almost 200 peripheral items. Computers were refurbished by programme partner Caritas and half were given to eligible pupils while others were donated to Caritas for charity use. The Institute provided HK\$150,000 to the programme and members donated HK\$7,300 towards the cost of hardware refurbishment and software licences.

The Institute also sponsored the Smart Way Forward, a mentorship programme run in collaboration with Caritas' school social work service. The project helps secondary school students understand the profession and business through activities such as visiting accounting firms, mentorship sessions, public speaking workshops and team competitions.

During the year, the Institute also committed corporate sponsorships to support the fundraising events of other charitable organizations, including Mindset, the Hong Kong Red Cross and the Hospital Authority.



# Corporate Governance Statement

## FROM TV TO FILM

TVB has started producing movies that star its own actresses and actors. The *72 Tenants of Prosperity* was a 2010 comedy based on Shaw Brothers' 1973 top box office movie, *The House of 72 Tenants*. The 2011 Lunar New Year special, *I Love Hong Kong*, entertained audience with its positive spirit and a large parade of TVB stars. The CFO of TVB, Adrian Mak, who is a Hong Kong CPA, says the strategy is to invigorate Hong Kong's film industry and keep developing its talent.

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

As a statutory organization we're committed to setting an example and raising expectations of what good corporate governance can achieve. The high quality of our governance maintains and uplifts the confidence of our members, the users of their services and the public.

The Institute's council and accountability boards provide strict oversight of operations, ensuring we meet or exceed the targets we set.

We continue to strengthen our governance, with our internal auditor scrutinizing internal controls, the head of information technology enhancing the efficiency, security and accountability of our internal operations, and the head of human resources helping us to attract and keep the most talented people so we can deliver the highest quality services to our members.

As part of this ongoing commitment, this year we continued change-management training for

our directorate and middle management staff to make the most of our human capital and more closely weave together our work.

The governance review task force was reactivated this year to review existing policies, rules, regulations and processes governing the Institutes including council elections, election of president and vice presidents, co-option of council members, committee appointments and the role of the Institute in public elections. This task force makes recommendations to council on changes to policies, rules, regulations and processes that may be introduced to improve objectivity and efficiency in the governance of the Institute.

Together with staff training, we are working to make the Institute a more flexible organization, where many diverse opinions and agendas can be incorporated in order to achieve our goals.

### The governing council

The council is the governing body of the Institute and consists wholly of volunteers, non-executive members who are not compensated. Our council makes decisions on overall strategy, policy and



A technician runs an automated scan on every frame of a film reel as part of the digital restoration process. Similarly, the Institute painstakingly reviews its corporate governance practices to ensure they adhere to the highest possible standards and to preserve our greatest asset: public trust.



direction and oversees the Institute’s operations and governance. It is also the decision-making body on matters stipulated in the Professional Accountants Ordinance.

Our council consists of 22 members this year. Fourteen are CPAs directly elected by the membership and two are ex-officio members from the government. The immediate past president also sits on the council to allow for continuity. Council members have the opportunity to co-opt up to two additional CPAs to round out the skills of the council. There are four lay members, who are prominent business leaders appointed by the government to provide independent views and advice.

The combination of members from within and outside the accounting profession – an innovation introduced in 2004 – gives the council a balanced perspective from which to debate the issues it faces. Our council applies strict rules to prohibit a council or committee member from taking part in any discussions or decisions on matters in which he or she has a real or apparent conflict of interest.

Council meetings are held monthly, with a break in August. Individual member attendance can be viewed on the Institute’s website at [www.hkicpa.org.hk](http://www.hkicpa.org.hk).

The council sets strategy and direction and exercises oversight of the operation and governance of the Institute with the assistance of a supervisory arm and an executive arm.

### Supervisory: checks and balances

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

The audit committee oversees the Institute’s financial reporting, internal control and risk management. It is appointed by the council and currently consists of five members, a majority of whom are independent (i.e. not current council members).

### Execution

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

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

### Statutory committees

As part of its regulatory role, the Institute has five statutory committees: the Registration and Practising Committee, the Qualification and Examinations Board, the Practice Review Committee, the Investigation Panels and the Disciplinary Panels.

### Remuneration

The remuneration committee provides oversight for staff and executive compensation. It has been overseeing an in-depth salary study, conducted by an outside consultant, to rationalize the way the Institute remunerates its staff and executives.

It also makes recommendation to the council on annual pay adjustments, performance bonuses and other employment terms and conditions.

The remuneration of general staff is determined by the council based on the recommendation of the remuneration committee, which in turn is advised by the chief executive who makes decisions for individual staff based on documented assessment. The remuneration of directorate staff is determined by the council based on the recommendation of the leadership team (the president, the vice presidents and the chief executive) within the parameters of the remuneration policy set by the remuneration committee. The council is in a good position to make an informed decision about directors, who are responsible for serving various committees and whose performance is known to at least some council members who also sit on these committees. Input is also obtained from committee chairs.

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

### Nomination committee

The nomination committee will approve on behalf of council nominations of Institute members or staff to positions requested by external bodies related to the accountancy profession. It will assess the nominee’s qualifications to determine their suitability.

It also makes recommendations to council on the appointment of the Institute’s committees and the co-option of council members.

It comprises of the president, vice presidents and the chief executive.

### Corporate social responsibility

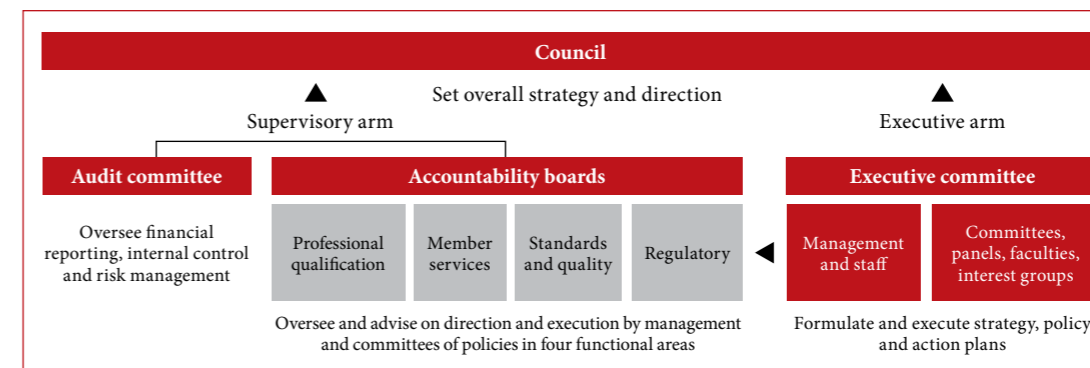
The Institute and its members are responsible corporate citizens who use their accounting knowledge to contribute to Hong Kong. The main corporate social responsibility programme developed by the Institute is called “Rich Kid, Poor Kid” and teaches primary and secondary schoolchildren money skills and values. The Institute and its members also contribute to many other charitable and community services.

### Accountability to members

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

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

The informal channels include a weekly e-circular, president’s message in *A Plus* and regular updates to members from the chief executive.





# Council



## Elected members

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

## Government-appointed lay members

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

## Co-opted members

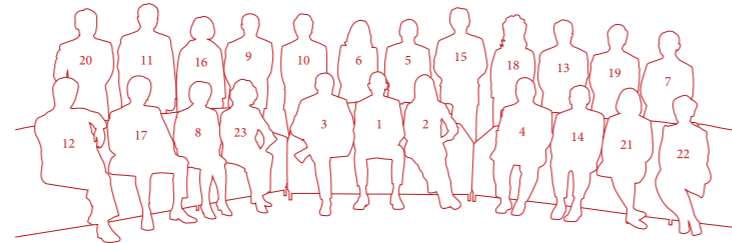
19. Stephen Law
20. Gary Poon Tsun Wah

## Ex-officio members

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

## Chief executive and registrar

23. Winnie C.W. Cheung (*Secretary*)



# Management Team



## Chief executive and registrar

1. Winnie C.W. Cheung

## Executive directors

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

## Deputy executive director

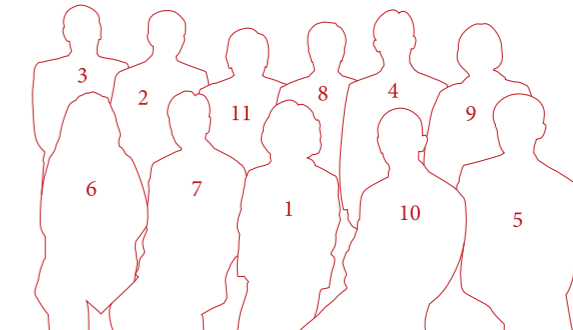
4. Jonathan Ng  
*(Student education and training)*

## General counsel

5. Johnny Chan

## Directors

6. Mindee Hansen  
*(Communications)*
7. Perry Pang  
*(Finance and operations)*
8. Patrick Tam  
*(Member and corporate services)*
9. Alison Wilde  
*(Professional development)*
10. Peter Tisman  
*(Specialist practices)*
11. Steve Ong  
*(Standard setting)*





# Committees & Working Groups

## Statutory boards and committees

Registration and Practising Committee  
Qualification and Examinations Board  
Practice Review Committee  
Investigation Panels  
Disciplinary Panels

## Non-statutory boards and committees

Audit profession reform committee  
Audit committee  
Nomination committee  
Remuneration committee  
Professional qualifications accountability board  
Member services accountability board  
Standards and quality accountability board  
Regulatory accountability board  
Financial reporting standards committee  
Auditing and assurance standards committee  
Ethics committee  
Restructuring and insolvency faculty executive committee  
Taxation committee  
Corporate finance committee  
Professional conduct committee  
Insolvency SD vetting committee  
Tax SQ and SD development committee  
HKIAAT board

## Advisory working groups

Regulatory reform working group  
Professional liability reform working group  
Governance review task force  
Continuing professional development advisory panel  
Professional accountants in business leadership panel  
Small and medium practitioners leadership panel  
Professional standards monitoring expert panel  
Banking regulatory liaison group  
Insurance regulatory liaison group  
Securities and investment funds regulatory liaison group

## Chairs and convenors

Wilson Fung  
Simon Tsang  
Mabel M.B. Chan  
Lee Wai Yin, Angela  
Kwok Li Yuen Kwan, Maxine

## Chairs and convenors

Charles Lee  
Aloysius H.Y. Tse  
Tsai Wing Chung, Philip  
Ambrose Cheung Wing Sum  
John C. Poon  
Susanna Chiu  
Roger Best  
Gordon W.E. Jones  
Clement Chan  
Jack S.L. Chow  
Ding Wai Chuen, Raphael  
Johnson Kong  
Ayesha Lau  
Stephen Law  
Keith Pogson  
Nicholas P. Etches  
Tim T.L. Lui  
Johnson Kong

## Chairs and convenors

Clement Chan  
Paul F. Winkelmann  
John C. Poon  
Ronald Kung  
Susanna Chiu  
Mabel M.B. Chan and Raymond Cheng  
–  
Martin Wardle  
Lloyd Bryce-Borthwick  
Marie-Anne Kong and Liu Yun Bonn

# Report of the Independent Auditor on the Summary Financial Statements

## To the Members of Hong Kong Institute of Certified Public Accountants

*(Incorporated in Hong Kong under the Professional Accountants Ordinance)*

The summary financial statements of Hong Kong Institute of Certified Public Accountants (“the Institute”) set out on pages 42 to 48, which comprise the statements of financial position of the Institute and its subsidiaries (collectively referred to as “the Group”) and the Institute at 30 June 2011 and the statements of comprehensive income, the statements of changes in members’ equity and the statements of cash flows of the Group and the Institute for the year then ended and related notes, are derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 20 September 2011.

The summary financial statements do not contain all the disclosures required by Hong Kong Financial Reporting Standards issued by the Institute. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Group and the Institute.

## Council’s responsibility for the summary financial statements

The Council of the Institute is responsible for the preparation of a summary of the audited financial statements in accordance with section 16(4A) of the Professional Accountants Ordinance and on the basis described in note 1 to the summary financial statements.

## Auditor’s responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Hong Kong Standard on Auditing 810 *Engagements to Report on Summary Financial Statements* issued by the Institute. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

## Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2011 are consistent, in all material respects, with those financial statements, on the basis described in note 1 to the summary financial statements.

## Mazars CPA Limited

Certified Public Accountants  
42nd floor, Central Plaza  
18 Harbour Road, Wanchai, Hong Kong  
20 September 2011

## Yip Ngai Shing

Practising Certificate number: P05163



# Statements of Financial Position

At 30 June 2011

	Group		Institute	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>				
Fixed assets	207,286	217,037	207,109	216,787
Investments in subsidiaries	-	-	-	-
Deferred tax assets	65	65	-	-
	<b>207,351</b>	<b>217,102</b>	<b>207,109</b>	<b>216,787</b>
<b>Current assets</b>				
Inventories	799	631	786	582
Receivables	2,563	1,198	3,790	1,999
Deposits and prepayments	4,744	4,378	4,489	4,208
Tax recoverable	52	-	-	-
Time deposits with original maturities over three months	47,803	76,745	30,133	59,019
Cash and cash equivalents	164,601	105,738	132,546	71,783
	<b>220,562</b>	<b>188,690</b>	<b>171,744</b>	<b>137,591</b>
<b>Current liabilities</b>				
Subscriptions and fees received in advance	(60,124)	(64,126)	(58,539)	(62,585)
Payables and accruals	(45,539)	(34,104)	(42,630)	(30,499)
Current tax liabilities	(2,990)	(1,199)	(2,972)	(670)
	<b>(108,653)</b>	<b>(99,429)</b>	<b>(104,141)</b>	<b>(93,754)</b>
<b>Net current assets</b>	<b>111,909</b>	<b>89,261</b>	<b>67,603</b>	<b>43,837</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	(36)	(282)	(36)	(282)
	<b>319,224</b>	<b>306,081</b>	<b>274,676</b>	<b>260,342</b>
<b>Members' equity</b>				
General fund	198,753	195,979	160,098	156,120
Capital fund	120,588	110,232	114,578	104,222
Exchange reserve	(117)	(130)	-	-
	<b>319,224</b>	<b>306,081</b>	<b>274,676</b>	<b>260,342</b>

Approved by the Council on 20 September 2011

**Tsai Wing Chung, Philip**  
President

**Winnie C.W. Cheung**  
Chief Executive & Registrar

# Statements of Comprehensive Income

For the year ended 30 June 2011

	Note	Group		Institute	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Subscriptions and fees	2	116,951	114,077	112,917	108,928
Other revenue	3	89,649	86,399	82,732	78,577
Total revenue		<b>206,600</b>	200,476	<b>195,649</b>	187,505
Other income	4	17,907	14,645	19,527	15,791
Expenses		(219,655)	(197,725)	(209,211)	(187,371)
<b>Surplus before tax</b>	5	<b>4,852</b>	17,396	<b>5,965</b>	15,925
Income tax		(2,078)	(3,826)	(1,987)	(3,306)
<b>Surplus after tax</b>		<b>2,774</b>	13,570	<b>3,978</b>	12,619
Other comprehensive income		13	(39)	-	-
<b>Total comprehensive income</b>		<b>2,787</b>	<b>13,531</b>	<b>3,978</b>	<b>12,619</b>

Approved by the Council on 20 September 2011

**Tsai Wing Chung, Philip**  
President

**Winnie C.W. Cheung**  
Chief Executive & Registrar



# Statements of Changes in Members' Equity

For the year ended 30 June 2011

	2011						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	195,979	110,232	(130)	306,081	156,120	104,222	260,342
Surplus for the year	2,774	-	-	2,774	3,978	-	3,978
Other comprehensive income	-	-	13	13	-	-	-
Total comprehensive income	2,774	-	13	2,787	3,978	-	3,978
Capital levy from members and students	-	10,356	-	10,356	-	10,356	10,356
<b>At the end of the reporting period</b>	<b>198,753</b>	<b>120,588</b>	<b>(117)</b>	<b>319,224</b>	<b>160,098</b>	<b>114,578</b>	<b>274,676</b>
	2010						
	Group				Institute		
	General fund	Capital fund	Exchange reserve	Total	General fund	Capital fund	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At the beginning of the reporting period	182,409	100,325	(91)	282,643	143,501	94,315	237,816
Surplus for the year	13,570	-	-	13,570	12,619	-	12,619
Other comprehensive income	-	-	(39)	(39)	-	-	-
Total comprehensive income	13,570	-	(39)	13,531	12,619	-	12,619
Capital levy from members and students	-	9,907	-	9,907	-	9,907	9,907
At the end of the reporting period	195,979	110,232	(130)	306,081	156,120	104,222	260,342

# Statements of Cash Flows

For the year ended 30 June 2011

	Group		Institute	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>				
Surplus before tax	4,852	17,396	5,965	15,925
Adjustments for:				
Allowance for obsolete inventories	-	138	-	138
Depreciation	11,545	12,401	11,448	12,311
Impairment of fixed assets	-	478	-	478
Impairment of receivables	59	156	59	156
Loss on disposal of fixed assets	36	32	36	28
Obsolete inventories written off	29	137	9	137
Uncollectible amounts written off	-	2	-	2
<b>Operating cash flows before working capital changes</b>	<b>16,521</b>	<b>30,740</b>	<b>17,517</b>	<b>29,175</b>
Increase in inventories	(197)	(31)	(213)	-
(Increase)/Decrease in receivables	(1,424)	578	(1,850)	401
Increase in deposits and prepayments	(366)	(507)	(281)	(519)
Decrease/(Increase) in time deposits with original maturities over three months	28,942	7,041	28,886	(2,361)
Decrease in subscriptions and fees received in advance	(4,002)	(6,133)	(4,046)	(5,966)
Increase/(Decrease) in payables and accruals	11,435	(17,529)	12,131	(22,153)
<b>Cash generated from/(utilized in) operations</b>	<b>50,909</b>	<b>14,159</b>	<b>52,144</b>	<b>(1,423)</b>
Tax (paid)/refunded	(595)	(8,072)	69	(8,072)
<b>Net cash generated by/(utilized in) operating activities</b>	<b>50,314</b>	<b>6,087</b>	<b>52,213</b>	<b>(9,495)</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(1,828)	(1,568)	(1,809)	(1,509)
Sales proceeds from disposal of fixed assets	3	-	3	-
<b>Net cash utilized in investing activities</b>	<b>(1,825)</b>	<b>(1,568)</b>	<b>(1,806)</b>	<b>(1,509)</b>
<b>Cash flows from financing activities</b>				
Capital levy received	10,356	9,907	10,356	9,907
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>58,845</b>	<b>14,426</b>	<b>60,763</b>	<b>(1,097)</b>
Cash and cash equivalents at the beginning of the reporting period	105,738	91,350	71,783	72,880
Exchange difference in respect of cash and cash equivalents	18	(38)	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>164,601</b>	<b>105,738</b>	<b>132,546</b>	<b>71,783</b>



# Notes to the Summary Financial Statements

For the year ended 30 June 2011

## 1. General information

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

These summary financial statements, as approved by the Council, have been derived from the audited financial statements of the Group and the Institute for the year ended 30 June 2011 and contain the statements of financial position, the statements of comprehensive income, the statements of changes in members’ equity and the statements of cash flows as presented therein. In addition, these summary financial statements contain notes, as derived from the audited financial statements, in relation to significant revenue and income generated from and expenses incurred for the principal activities of the Group and the Institute. Therefore, these summary financial statements do not contain sufficient information to allow a full understanding of the results, the state of affairs and the cash flows of the Group and the Institute as would be provided by the audited financial statements. A copy of the audited financial statements in electronic form is available on the Institute’s website.

## 2. Subscriptions and fees

	Group		Institute	
	2011 HK\$’000	2010 HK\$’000	2011 HK\$’000	2010 HK\$’000
<b>Annual subscription fees</b>				
Members	65,044	61,730	65,044	61,730
Practising certificates	18,420	18,036	18,420	18,036
Students	8,192	8,792	6,163	6,445
Firms	9,845	9,623	9,845	9,623
Corporate practices	4,628	4,152	4,628	4,152
Others	1,040	1,088	107	104
<b>First registration fees</b>				
Members	5,564	5,419	5,564	5,419
Practising certificates	409	390	409	390
Students	2,104	3,163	1,180	1,459
Firms	141	144	141	144
Corporate practices	206	269	206	269
Others	154	137	6	23
<b>Other fees</b>				
Member practices’ changes in particulars	-	6	-	6
Advancement to fellowship	267	450	267	450
Assessment for overseas students	937	678	937	678
	<b>116,951</b>	<b>114,077</b>	<b>112,917</b>	<b>108,928</b>

## 3. Other revenue

	Group		Institute	
	2011 HK\$’000	2010 HK\$’000	2011 HK\$’000	2010 HK\$’000
Income from examinations	68,101	68,220	61,775	61,377
Income from seminars and courses	19,124	15,786	18,646	15,083
Income from member and student activities	1,864	1,723	1,861	1,722
Accreditation income	560	670	450	395
	<b>89,649</b>	<b>86,399</b>	<b>82,732</b>	<b>78,577</b>

## 4. Other income

	Group		Institute	
	2011 HK\$’000	2010 HK\$’000	2011 HK\$’000	2010 HK\$’000
<b>Qualification</b>				
Royalty income	128	197	-	-
<b>Conducts</b>				
Disciplinary fines and costs recovery	2,951	2,763	2,951	2,763
Financial Reporting Council special levy	4,210	3,962	4,210	3,962
Litigation costs recovery (a)	1,150	-	1,150	-
<b>Corporate functions</b>				
Commission from affinity credit card programme	668	668	668	668
Commission from professional indemnity insurance master policy	392	376	392	376
Government grants	-	496	-	496
Income from advertisements placed in the journals	1,362	1,348	1,153	1,118
Interest income	603	473	482	354
Income from hardcopy surcharge	552	590	552	590
Operating lease income	133	129	133	129
Recovery of impaired receivables	77	-	65	-
Sales of goods	1,488	900	1,402	815
Service fees from HKIAAT	-	-	2,308	2,308
<b>Others</b>				
Donations	46	456	25	25
Events sponsorship	1,873	1,344	1,873	1,344
Project sponsorship	1,566	568	1,566	568
Miscellaneous	708	375	597	275
	<b>17,907</b>	<b>14,645</b>	<b>19,527</b>	<b>15,791</b>



#### 4. Other income (continued)

##### a. Litigation costs recovery

During the current year, an amount of HK\$1,150,000 (2010: Nil) was received from a firm and certain individuals as a whole (the “Applicants”), one of whom is a council member, for recovery of legal costs incurred in a judicial review proceeding against the Institute. Total legal costs incurred by the Institute were HK\$1,632,000. An appeal was sought by the Applicants in respect of this judicial review on 7 September 2010. The appeal was dismissed by the Court of Appeal on 1 August 2011. An application of leave to appeal to the Court of Final Appeal was filed to the Court of Appeal by the Applicants on 26 August 2011.

#### 5. Surplus before tax

	Group		Institute	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Surplus before tax has been arrived at after charging/(crediting):				
Employee benefits	108,215	99,093	101,058	92,458
Depreciation	11,545	12,401	11,448	12,311
Contribution to Financial Reporting Council	4,200	4,000	4,200	4,000
Auditor's remuneration	351	323	276	258
Allowance for obsolete inventories	-	138	-	138
Cost of goods sold	521	623	483	574
Donations (a)	261	88	561	60
Exchange loss	184	17	233	81
Impairment of fixed assets	-	478	-	478
Impairment of receivables	59	156	59	156
Loss on disposal of fixed assets (b)	36	32	36	28
Obsolete inventories written off	29	137	9	137
Operating lease expenses	852	838	414	415
Recovery of obsolete inventories written off	(3)	(14)	(3)	-
Recovery of impaired receivables	(77)	-	(65)	-
Uncollectible amounts written off	-	2	-	2

- a. During the current year, the Institute donated HK\$550,000 (2010: HK\$50,000) to The HKICPA Charitable Fund.
- b. During the current year, a memorandum of understanding was signed between the Institute and Caritas Hong Kong for a computer donation programme “Computer Provisioning Aid” for school children. The loss on disposal of fixed assets in the current year mainly represents the carrying amount of the computers donated to Caritas Hong Kong for this programme.

## The Publisher

Publisher	Hong Kong Institute of CPAs
Editorial	Winnie C.W. Cheung, Mindee Hansen, John So (Hong Kong Institute of CPAs) Gerry Ho (M&L Asia)
Design and graphics	Christopher Ong, Queenie Chan, Eunice Chan (Alchemy Asia)
Photographs	Colin Beere (Visibility Media Ltd.) Special thanks to: Digital Magic Hong Kong Baptist University Academy of Film Mei Ah Entertainment Ian Powers (action coordinator) Jason Tobin (director of Skirmish Films) The cast and crew of <i>Supercapitalist</i>
Production	Maggie Cheung, Sue Mo (Alchemy Asia)
Coordination	Maggie Tam (Hong Kong Institute of CPAs)
Printing	Best Tri Printing Company Ltd.

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

Established in 1973, the Institute is the only body authorized by law to register and grant practising certificates to certified public accountants in Hong Kong. The Institute has more than 32,000 members and 14,500 students. Members of the Institute are entitled to the description certified public accountant and to the designation CPA.



Head office  
Address: 37th floor, Wu Chung House,  
213 Queen's Road East, Wanchai, Hong Kong  
Tel: (852) 2287-7228  
Fax: (852) 2865-6603  
Web: www.hkicpa.org.hk  
Email: hkicpa@hkicpa.org.hk

Beijing office  
Address: Rooms 1814-1817, 18th floor,  
Jinyu Mansion, No. 129 Xuanwumen Xidajie,  
Xicheng District, Beijing (P.C. 100031)  
Tel: (86) 10-6641-1488  
Fax: (86) 10-6641-1487

Copyright © 2011 Hong Kong Institute of CPAs. All rights reserved.



