



The Hong Kong Institute of Chartered Secretaries  
香港特許秘書公會

# Good Governance Comes with **Membership**

2006 Annual Report

# The Hong Kong Institute of Chartered Secretaries

## About The Hong Kong Institute of Chartered Secretaries

### Good governance comes with membership

The Hong Kong Institute of Chartered Secretaries is an independent professional body with approximately 4,900 members and 2,700 students. It is dedicated to the promotion of its members' role in the formulation and effective implementation of good corporate governance policies in Hong Kong and throughout China as well as the advancement of the profession of Chartered Secretary.

The Institute was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994 and changing its name to The Hong Kong Institute of Company Secretaries. In July 2005, the Institute changed its name to The Hong Kong Institute of Chartered Secretaries. The Institute retains its close relationship with ICSA, and all the Institute's members are also ICSA members.

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# PRESIDENT'S REPORT



## **New Name – New Era**

The year started with the Institute officially changing its name to The Hong Kong Institute of Chartered Secretaries on 2 August 2005, after members voted 97% in favour of the proposed changes to the Institute's Memorandum and Articles of Association during an Extraordinary General Meeting in July 2005.

With the issues concerning the Institute's role within the ICSA family settled, Council was able to look forward to focussing its attention on pursuing the major initiatives it had set itself.

## **Development in China**

The Affiliate Programme, which was launched in January 2005, continues to attract strong support from the board secretaries of H-Share listed companies. As time goes on, we will add more services to those we already provide. However, the most significant development has been the commencement of the recruitment process of Mainland students from H-Share companies to study for the Institute's examinations.

A Memorandum of Understanding (MOU) was signed on 19 July 2006 with the University of Hong Kong School of Professional and Continuing Education (HKU SPACE) to organise International Qualifying Scheme (IQS) preparatory courses in Beijing for the Institute's Mainland students. Initially, in line with

The strategies decided upon by Council in previous years concerning quality of members and expansion in Mainland China started to pay significant dividends in the year under review.

the controlled and steady development advocated in the Institute's strategy for Mainland China, a limited number of students (20-30) will be recruited. The goal is to gradually increase the new recruits each diet. By adopting this method and with the support of the H-Share board secretaries the Institute hopes that the next generation of H-Share board secretaries will be professionally trained and qualified Chartered Secretaries. The recruitment process will be expanded to those working in organisations other than H-Share companies within a few years.

## **Discipline**

The disciplinary processes and structures for members and students were strengthened during the latter part of 2005. From January 2006 to 31 August 2006 there have been three cases investigated by the Investigation Group for minor offences mostly relating to non-payment of subscription fees. What is important is that the disciplinary process is fair, robust as well as transparent and, where necessary, utilised. Having such a disciplinary system is positive and a prerequisite for the profession.

## **Continuing Professional Development**

The number of members enrolled in the accredited section of the Institute's Enhanced Continuing Professional Development (ECPD) programme designed for those members working in the corporate secretarial sector stood at

453 at the end of August 2006. By obtaining CPD points via the ECPD programme over a two year period participants with the requisite experience can gain the Practitioner's Endorsement (PE) from the Institute, the quality assurance certification programme for company secretaries. The number of enrolments is a good start as we prepare to open up the PE to other professions in accordance with our long-term aim of administering a quality assurance certification programme for all those serving in the post of company secretary.

August 2006 saw the first PEs awarded to members. The formal award ceremony was held in October to coincide with the ICSA International Council meeting taking place in Hong Kong.

We shall continue to promote the PE to support our members' development and recognition. The PE will serve as a mark of experience and quality for regulators and employers. I urge all those who have enrolled to ensure that they acquire the requisite number of ECPD points in order to gain the PE, and gain the right to place "PE" after their post nominals. Congratulations to all those awarded the first PE.

#### *Corporate Governance Conference 2006*

On 13-14 October 2006, the Institute held its 5th Biennial Corporate Governance Conference. The theme this time was "Corporate Governance Reforms: Adding Value?" The Conference was well supported by regulators and attracted many sponsors. The speaker and panellist line up was the best we have ever had. The Conference was sold out. Feedback from participants was positive and the presentations and discussions during the Conference were fruitful and full of insights. The Institute was highly praised for its efforts in promoting good corporate governance with a practical standpoint.

#### **Further Initiatives**

The Institute took the final steps to re-position and re-brand the Institute and profession between July and September 2006. This is a process that was first started in 2004 and hopefully will help increase the profile and standing of the profession not just among our key target markets of the government, regulators and employers, but also in academia and the general public. The new corporate identity and positioning is scheduled to be formally launched during the first quarter of 2007.

#### **Looking Forward**

After three years of restructuring, re-branding and re-positioning the Institute, I believe that the time has come to move the profession of Chartered Secretary out of the shadows. While we have always worked hard with the regulators, government and employers, often behind the scenes, to enhance corporate governance and promote the benefits of the profession we have, compared to some other professions, a fairly low level of recognition amongst the wider business community and general public.

It is the intention of Council that we should raise the profile of the profession, both in Hong Kong and on the Mainland – two very different challenges. We will do this by both leveraging off the Institute's research reports, guidance notes, ECPD programme and numerous high profile events and by communicating more directly and being more proactive with the media.

In short, I believe that if we are to move forward as a profession and grow in terms of numbers and influence, then we must be prepared to be more vocal and generate a greater impact.

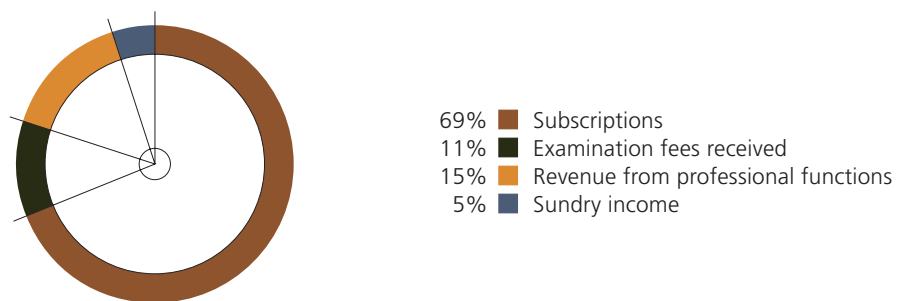
#### **Richard W.K. Leung**

*President*

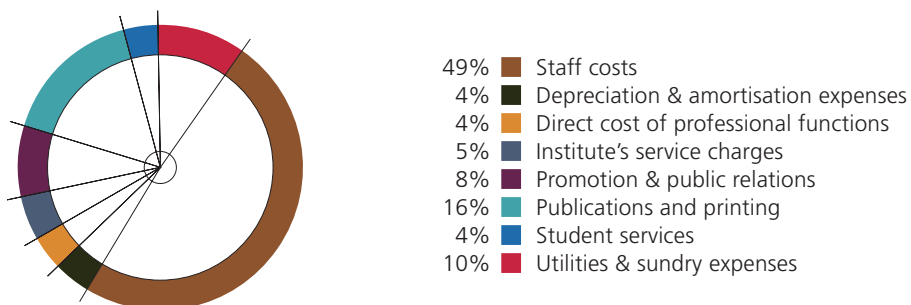
Hong Kong, 13 November 2006

# FINANCIAL HIGHLIGHTS

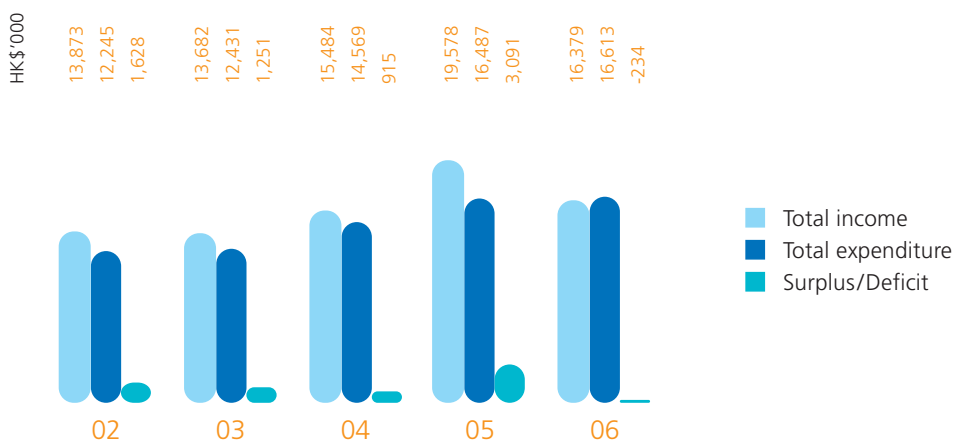
## 2005/06 Income Portion



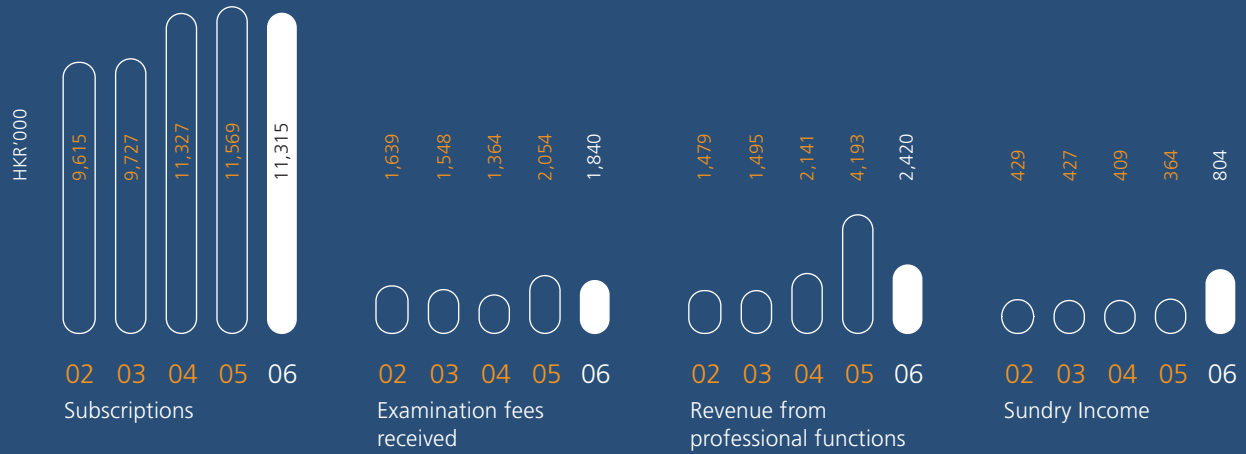
## 2005/06 Expenditure Portion



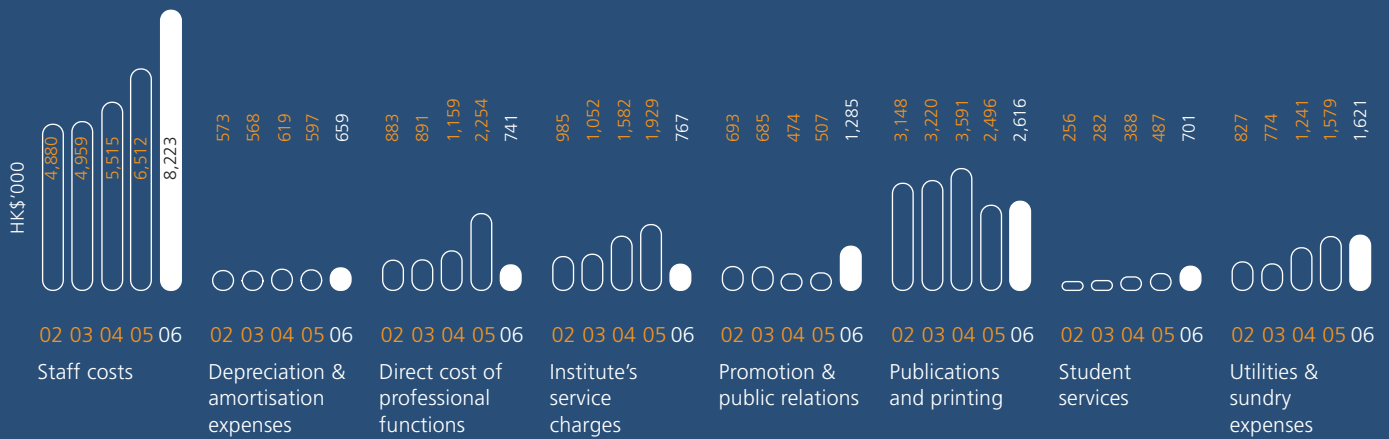
## Five-Year Comparison on Income, Expenditure and Surplus / Deficit



## Comparison on Income between 2005 and 2006



## Comparison on Expenditure between 2002 to 2006



# REPORT OF COUNCIL

The Council is pleased to submit its Report, together with the audited statement of accounts, for the financial year ended 31 July 2006.

## Principal Activity

The principal activity of the Institute is to promote good governance and advance the efficient administration of commerce, industry and public affairs by the continued development of the study and practice of governance, secretaryship and administration of companies and other bodies.

The Council is pursuing the following key strategic objectives:

### 1. Promoting the Institute, the IQS and the Chartered Secretary profession to universities students, academics and the general public. Maintaining quality assurance in IQS examinations and the collaborative courses

The Institute is promoting the Chartered Secretary profession to university graduates through the organisation of professional seminars and development of a closer working relationship with academics as well as student associations. The Institute offered a high quality development programme, which included a summer internship programme as well as the Student Ambassadors programme. In addition, IQS information sessions were organised for the general public to educate them on the Institute as well as the qualification of Chartered Secretary.

The Institute began administering the IQS examination quality assurance system from June 2006 examination diets. This was previously undertaken by ICSA in the UK. As a result, the Institute has to ensure that the internationally

recognised standards set by ICSA are applied consistently throughout the examination system.

The development of collaborative courses with The Hong Kong Polytechnic University, City University of Hong Kong and the Open University of Hong Kong have proven essential in nurturing quality graduates for the profession. Comprehensive collaborative course reviews were conducted between September 2005 and May 2006. Representatives from the Education Committee and Assessment Review Panel were appointed to conduct detailed review of documents of the syllabus to examination scripts, they also met with the respective academics course administrators and students. Thorough reviews of the three collaborative courses were conducted to ensure that the quality of these programmes meet the standards of the Institute and ICSA. These reviews were completed successfully and the collaborative courses agreements with the three universities are to be renewed in November 2006.

More than 25 promotional activities and professional seminars were organised with the eight universities in Hong Kong to introduce the Chartered Secretary profession and its role in corporate governance. The Summer Internship Programme was organised in February 2006 and attracted 286 applicants from the eight universities. Eleven employers recruited twenty-three students who gained valuable experience and understanding of the corporate secretarial profession.

The promotion of IQS in Mainland China began in February 2006 with the main target being the Board Secretaries of 'H-Share' companies and their subordinates. An MoU to

organise the IQS examination preparatory courses in Beijing was signed with HKU SPACE in July 2006. The preparatory courses commenced in September 2006.

### 2. Become recognised as the governance professionals by regulators, media, employers and other professional bodies

#### i. Membership

##### Members' survey

A members' survey was completed in March 2006. This was the first phase of a wider survey to discover what members want and expect from their Institute. Changes to the Institute's journal and the provision of Guidance Notes are two of the initiatives introduced as Council's response to the survey results.

##### Raising Profile of the profession

To increase awareness of the profession of Chartered Secretary, the Institute collaborated with Hong Kong Open University to produce the television series "Corporate Governance in Action". Twenty leaders in the field of governance were interviewed, including representatives from Hong Kong Exchanges and Clearing Limited, Securities and Future Commissions, Companies Registry, directors of listed companies and, of course, company secretaries. The programmes were broadcast from November 2005 to February 2006.



The Institute's relationships with Mainland China were enhanced following the annual Presidential Visit, the organisation of a corporate governance symposium and the annual joint H-Share Company Secretaries Training Programme conducted with Hong Kong Exchanges and Clearing Limited.

ii. *Professional Development*

The Institute provided professional representation and active participation in a variety of Government groups in Hong Kong including the Corporate Governance Working Group of Financial Services and the Treasury Bureau, Companies Registry Customer Liaison Group, Services Advisory Committee in Official Receiver's Office, Users' Committee of Inland Revenue Department, and Electoral Affairs Commission.

The Institute also provided in depth submissions in response to consultation requests from the Government and regulators, both at home and abroad, and whenever it considered that there were important issues involved for the profession. These included:

- Submission to the Legislative Council on Financial Reporting Council Bill (September 2005)
- Submission to New Zealand Exchange Limited on NZX Conduct Rule Review – Consultation Paper (November 2005)

- Submission to the Securities and Futures Commission in response to the Consultation Paper on Possible Reforms to the Prospectus Regime in the Companies Ordinance (December 2005)
- Submission to Hong Kong Exchanges and Clearing Limited (HKEx) on the Exposure Paper on the Abolition of requirement for Main Board Issuers to publish paid announcements in newspapers and related matters (January 2006)
- Submission to HKEx on Minor and Housekeeping Amendments to the Main Board and GEM Listing Rules (April 2006)
- Submission to the UK Parliament regarding the UK Company Law Reform Bill which proposes, inter alia, the removal of statutory powers of secretaries of private companies (June 2006)

The Institute has increased the public awareness of the profession through the publication of research reports in a number of areas of corporate governance including:

- Second Independent Non Executive Directors (INEDs) Report (released in January 2006) – findings on issues such as the average board size, average number of INEDs on boards, the

average age of the INEDs, average length of service and average INEDs' fees have also been compiled.

- Guidance Notes – Induction of Directors (released in August 2006) – This is a practical guide for company secretaries and new directors. It provides them with necessary information to help new directors become effective as soon as possible.
- Environmental reporting (ER) (released in September 2006) – ER research project studied the benefits of ER for companies from a number of perspectives including that of the public, investors, other stakeholders as well as the reporting company and it examines how ER can be best implemented in Hong Kong especially for the Main Board listed companies.

The Practitioners' Endorsement (PE) was awarded to 82 members who had undertaken at least 15 ECPD hours each year for two consecutive years through accredited seminars or workshops. The PE is the Institute's quality assurance certification programme for experienced members who work in the corporate secretarial field. Holders of the PE are identified by the use of the enhanced post-nominals of "FCS(PE)" or "ACS(PE)".

# REPORT OF COUNCIL

### 3. Motivate members to participate in the activities of the Institute and develop a sense of pride in membership, the Institute as well as the profession as a whole

Fellows' luncheons were organised for senior Fellows to help them increase their network of contacts across the profession. On 22 September 2005, 36 senior Members attended the Fellows' Luncheon with Mr. Stefan Gannon from the Hong Kong Monetary Authority who delivered a presentation on "Money Laundering: Implications for Professionals". The second Fellows' Luncheon was held on 12 June 2006 when Mr. Benjamin Tang, Director of Audit of the Audit Commission, spoke on "The Role of Auditor in Corporate Compliance". Both luncheons were well received.

The Council also hosted networking activities for junior members and graduates, including the Graduate Gatherings, leisure tours, Guangzhou study tours as well as participating in the Hong Kong International Dragon Boat Festival in June 2006. These activities helped develop collegiate nature of the profession.

The Convocation was held on 27 July 2006. A total of three Graduates and 41 newly elected Members (including Associates and Fellows) participated in the event. In recognition of their achievement, each was presented with their membership certificates by either the President or the Membership Committee Chairman.

### Structure

The Executive Committee acts as the management committee of the Institute and oversees the day-to-day operations of the Secretariat. Together with four other operating committees, each chaired by a member of Council and reporting directly to Council, these committees are responsible for implementing the strategic policies of Council.

China Affairs Committee – Chaired by Maurice W.F. Ngai – Vice-President

- Responsibilities include overseeing and implementing the Institute's China Strategy, which includes the Affiliate Programme. The Committee runs ECPD seminars for Affiliates on the Mainland and maintains relationships with Mainland regulators, government departments, board secretaries' associations and listed companies associations at a provincial level, and other relevant academic and commercial organisations on the Mainland.
- Co-ordinating with the Stock Exchange of Hong Kong conducting an annual training programme in Hong Kong that caters for the training needs of H-share board secretaries and senior executives H-share companies.

Education Committee – Chaired by Natalia K.M. Seng – Vice-President

- Responsibilities include overseeing and monitoring standards of the Institute's qualifying scheme, i.e. International Qualifying Scheme (IQS) and Collaborative Courses.

- Setting, monitoring and implementing studentship regulatory policies.
- Promotion of IQS, the Institute and the profession to university students.
- Establishment and maintenance of contacts with relevant academic and professional institutions for the purpose of preparing students for membership through a close liaison with the Academic Advisory Panel.
- Disciplinary matters and the setting, monitoring and implementing codes of ethics and conduct for students.
- Overseeing the composition and operation of the Assessment Review Panel, Exemption Sub-Committee and Student Disciplinary Sub-Committee.

Membership Committee – Chaired by April W.Y. Chan

- Responsibilities include setting membership admission policies, processing of applications and maintaining standards for acceptance to membership of graduates of the Institute as well as the processing and maintaining of standards for acceptance of Fellowship status of Associate applicants.
- Disciplinary matters and the setting, monitoring and implementing codes of ethics and conduct.
- Improving and maintaining services and benefits to members (not including professional development and publishing).

Professional Development Committee – Chaired by Neil M. McNamara

- Responsibilities include implementation and maintenance of standards of the ECPD including the awarding of CPD points for the Practitioner's Endorsement.
- Establishing and maintaining contact with governmental and regulatory bodies in Hong Kong to promote the Institute and profession.
- Editorial responsibility for the Institute's journal and professional publications, including research reports and Guidance Notes.
- Overseeing the composition and operation of the Company Secretaries Panel, Professional Services Panel, Technical Consultation Panel.
- Responding to consultations conducted by Government or Regulators.

## Constitution

### Change of Institute's Name

Last year's new Delegation Agreement with ICSA and the changes to the Institute's Memorandum and Articles of Association (M&A) were endorsed by members at an extraordinary general meeting held on 13 July 2005.

As part of the new arrangements the Institute officially changed its name on 2 August 2005 from "The Hong Kong Institute of Company Secretaries" to "The Hong Kong Institute of Chartered Secretaries".

### Proposed Amendments to Institute's Memorandum and Articles of Association

While the Registrar of Companies approved the M&A changes endorsed by members in 2005, a number of housekeeping matters were also required to be implemented by the end of 2006. Details of the changes are set out in Appendix A to this report. In addition, the ICSA International President and immediate past president, who under the amended Articles of Association adopted last year are ex-officio members of the Council of the Institute, have since asked us to reconsider the position. While comfortable to remain a members of the China Divisional Committee of ICSA, they felt that they were not in a position to undertake fully the responsibilities incumbent upon Members of Council. Changes to the M&A are being proposed to address this position.

### Environmental Report

The Institute is conscious of the importance of environmental protection and keen to deliver our services to members in an environmentally friendly way. The following environmental measures were adopted in the office:

1. Encourage the use of recycled papers in the office for preparing draft documentations.
2. Use of advanced technology to facilitate the delivery of services such as online sign-up for CPD courses by members and change of personal records through the website.
3. Ensure a routine check on switching off lights, photocopies and other equipment outside office hours.
4. Utilise the paperless fax facilities by receiving faxes online and no printing of junk faxes.

5. The placement of wall mounted thermometers throughout the office to accurately measure the temperature so that the air conditioning can be adjusted accordingly.

### Council Members

Members of Council at the date of this Report are as follows:

Alan K.M. Au  
Alberta K. Sie  
April W.Y. Chan  
Brian K.H Lo  
Diana M.Y. Chung  
Doris W.N. Wong  
Douglas C. Oxley  
Lila M.L. Fong  
Maurice W.F. Ngai  
Michael Ashford  
Natalia K.M. Seng  
Neil M. McNamara  
Richard W.K. Leung  
Samantha P.Y. Suen

At the 2006 Annual General Meeting, Diana M.Y. Chung, Lila M.L. Fong and Douglas C. Oxley will retire from Council by rotation pursuant to Article 54.2 of the Institute's Articles of Association. Diana M.Y. Chung and Douglas C. Oxley offer themselves for re-election. Lila M.L. Fong is not seeking re-election.

Samantha P.Y. Suen will retire from Council as ex-officio member and will cease to be a member of Council for at least one year pursuant to Article 53 and 54.4 of the Articles of Association. Michael B. Ashford shall retire at 31 December 2006 as ex-officio member pursuant to Article 53 of the Articles of Association. Council wishes to place on record its appreciation of their valuable contribution to the Institute during their membership of Council.

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Pursuant to Article 57.2 of the Institute's Articles of Association, if the candidates standing for election are not more than the vacancies, the persons so standing for election shall, as from next annual general meeting, be deemed to be duly elected members of the Council.

Pursuant to Article 54.6 of the Institute's Articles of Association, no elected member of Council holding office as of 30 August 2005 who has held office for a total of more than 18 years and no person who became an elected member of Council after 30 August 2005 who has held office as an elected member for a total of more than 12 years, may be appointed to Council.

None of the Council members had, during or at the end of the year, an interest, directly or indirectly, in any contract of significance with the Institute. Pursuant to Clause 4 of the Institute's Memorandum of Association, no member of Council shall be appointed to any salaried office of the Institute, or any office of the Institute paid by fees and no remuneration shall be given by the Institute to any member of Council.

## **Candidates for Election to the 2006 Council**

At the close of the nomination date, including the above mentioned two retiring Council members, Diana M.Y. Chung and Douglas C. Oxley, two candidates namely, Polly O.Y. Wong and Bernard T.L. Wu have been nominated for election. As the number of candidates is not more than the vacancies, the four candidates running for election, namely, Diana M.Y. Chung, Polly O.Y. Wong, Bernard T.L. Wu and Douglas C. Oxley shall be deemed to be duly elected members of the council at the Annual General Meeting to be held on 7 December 2006.

## **Financial Statements**

The surplus for the financial year ended 31 July 2006 and the state of the Institute's affairs at that date are set out on pages 45 and 60 of the Financial Statements respectively.

## **Non-Current Assets**

Details of movement of fixed assets during the year are set out in notes 12 and 13 of the Accounts.

## **Auditors**

A resolution to appoint Fan, Chan & Co. as Auditors of the Institute to hold office until the conclusion of the next Annual General Meeting and to authorise the Council to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Council

**Natalia K.M. Seng**

*Company Secretary*

13 November 2006

## Appendix I – Changes proposed in the Institute’s Memorandum and Articles are listed below for information

### (I) THAT Clause 7 of the Institute’s Memorandum of Association be and is hereby amended by the deletion in its entirety of the existing Clause 7 and the substitution therefor of the following new Clause 7:

#### “7. Winding Up

If upon the winding up or dissolution of the Institute there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the Institute; but shall be given or transferred to some other institution or institutions, having objects similar to the objects of the Institute, such institution or institutions to be determined by the members of the Institute at or before the time of dissolution, or if there be no such other institution or institutions capable or willing to pursue such objects, then to the Institute of Chartered Secretaries & Administrators of London, United Kingdom, constituted by Royal Charter in 1902 (or any incorporated or unincorporated body nominated by the Institute of Chartered Secretaries and Administrators on its behalf), provided that such institution or institutions, the Institute of Chartered Secretaries and Administrators, or any body nominated on its behalf (as the case may be) shall prohibit the distribution of its or their income or property amongst

its or their members directly or indirectly by way of dividend, bonus, or otherwise howsoever, and in default thereof by a Judge of the High Court of the Hong Kong Special Administrative Region having jurisdiction in regard to charitable funds, and if and so far as effect cannot be given to the aforesaid provision then to some charitable object.”

### (II) THAT the Institute’s Articles of Association be are hereby amended as follows:

- (a) Article 3 of the Company’s Articles of Association (number of members of the Institute) be and is hereby amended by the deletion in its entirety of the existing Article 3 and the substitution therefor of the following new Article 3:

#### “3. Number of Members

The number of members of the Institute shall not exceed 10,000.”

- (b) Article 53 of the Company’s Articles of Association (number of members of Council) be and is hereby amended by the deletion in its entirety of the existing Article 53 and the substitution therefor of the following new Article 53:

#### “53. Number of Members

Subject to the immediately next Article, the Council shall consist of not less than 8 and not more than 12 elected members, together with up to 3 ex-officio members being past Presidents of the Institute. Past Presidents of the Institute may hold

office as ex-officio members of Council for a period of up to 3 years from the date of their ceasing to hold office as President. All elected members of the Council must be Fellows of the Institute ordinarily resident in the Divisional Territory and a majority of such members shall be ordinarily resident in Hong Kong.”

- (c) Article 71.17 of the Company’s Articles of Association (exercise of delegated powers) be and is hereby amended by the deletion in its entirety of the existing final paragraph of Article 71.17 and the substitution therefor of the following in its place:

“and to delegate any of the powers herein to any Council member or other person or persons as the Council may at any time think fit, and to hold appointment as delegate: provided that the power to delegate shall not be exercisable in respect of those powers which have been delegated to the Institute by ICOSA.”

- (d) Article 72 of the Company’s Articles of Association (signature of cheques, etc) be and is hereby amended by the deletion in its entirety of the existing Article 72 and the substitution therefor of the following new Article 72:

#### “72. Cheques

All cheques, promissory notes, drafts, bills or exchange, and other negotiable or transferable

# REPORT OF COUNCIL

instruments, and all receipts for moneys paid to the Institute, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, either by two Council members or by one Council member together with one senior officer appointed by the Council for the purpose.”

- (e) Article 73 of the Company's Articles of Association (common seal) be and is hereby amended by the deletion in its entirety of the existing Article 73 and the substitution therefor of the following new Article 73:

**“73. Seal**

The Council shall adopt and use a seal and shall provide for the safe custody of the Seal which shall not be used without the authority of the Council. Every instrument to which the Seal shall be affixed shall be signed autographically by two Council members, and where any instrument to which the Seal is affixed is so signed the Seal shall, as regards all persons dealing in good faith with the Institute, be deemed to have been affixed to that instrument with the authority of the Council.”

- (f) Article 81 of the Company's Articles of Association (indemnity) be and is hereby amended by the deletion in its entirety of the existing Article 81 and the substitution therefor of the following new Article 81:

**“81. Indemnity**

Subject to section 165 of the Ordinance, every Council member, auditor and officer for the time being of the Institute shall be indemnified out of the funds and assets of the Institute against any liabilities and obligations which they, or any of them, may incur in good faith in the proper and reasonable or purported performance of their duties in relation to the Institute other than liability which attaches to them by law in respect of any negligence, default, breach of duty or trust. Further, they shall be indemnified out of the funds and assets of the Institute against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted or in connection with any

application under section 358 of the Ordinance in which relief is granted to them by the Court provided that none of the funds or assets of the Institute shall be applied in payment of the whole or part of any fine or penalty imposed upon any person by sentence or order of a Court of Justice.”

# CALENDAR OF SIGNIFICANT EVENTS

## August 2005

### Enhanced Continuing Professional Development (ECPD) Programme

The ECPD programme started its second year after a successful first twelve months. It has been acknowledged by attendees and employers as an effective method of improving individuals' professional knowledge and raising industry standards. During this CPD year, 57 seminars/workshops were held covering a wide range of industry-related topics. A list of seminars/workshops are listed on pages 61 to 64.

### Change of Institute Name

The Institute's name was changed to "The Hong Kong Institute of Chartered Secretaries" on 2 August.

### Memorandum of Understanding Signing Ceremony

The first Memorandum of Understanding was signed with University of Hong Kong SPACE on 5 August and to endorse HKU SPACE to organise the IQS examinations preparatory courses for the Institute's students.

### 1st Phase of Members' Survey

The Institute commissioned The Social Sciences Research Centre of The University of Hong Kong to conduct the

first phase of a member survey, which included members' profiles and questions on remuneration in August.

## September 2005

### Summer Internship Programme Tea Reception

The summer internship programme tea reception for employers and interns was held on 7 September.

### Firm Visit to Tricor Services Limited

A firm visit to Tricor Services Limited was organised on 16 September for students of the Society of Business Administration of Chinese University of Hong Kong.

### Company Secretaries Panel Luncheon

A luncheon was held on 21 September attended by Mr Andrew Sheng, the Chairman and other senior officials of Securities and Futures Commission.

### Fellows' Luncheon Presentation

A Fellows' Luncheon Presentation was held on 22 September with Mr. Stefan Gannon, General Counsel of the Hong Kong Money Authority who delivered a presentation on the topic of "Money Laundering: Implications for Professionals".

### TV Series "Corporate Governance in Action" Press Conference

A press conference to launch the

television series "Corporate Governance in Action" was held on 16 November at JW Marriott Hong Kong. The Institute, in conjunction with the Open University of Hong Kong, has produced a five-part television series which was broadcast on TVB Pearl between November 2005 and March 2006. Twenty experts involved in all aspects of business, including practitioners, regulators, senior management and directors as well as representatives from the other professions of accountancy and law were interviewed for the programme.

## October 2005

### New Students Orientation

The New Students Orientation for newly registered students was held on 4 October. More than 40 students participated.

### Student Gathering Series – How to prepare for IQS examinations?

An IQS examination preparation seminar was held on 22 October, 17 students participated.

### Academic Advisory Panel Luncheon

The first meeting of the Academic Advisory Panel was held on 24 October and Alison Broadbent, Director, Professional Education ICSA was invited to attend.

### First Assessment Review Panel Meeting

The Assessment Review Panel (ARP) meeting was held on 24 October to ensure the quality and standards of the IQS professional examinations.

### Professional Seminar for Hong Kong Baptist University

A profession seminar titled "Evolving Duties of Company Secretaries" was



TV Series Press Conference



Memorandum of Understanding Signing Ceremony



Fellow's Luncheon



New Students Orientation



Visit to Tricor

# CALENDAR OF SIGNIFICANT EVENTS



Annual General Meeting 2005



INED Press Conference



Annual Dinner 2006



Cocktail Reception for Academics

presented to students of the Hong Kong Baptist University on 25 October. More than 70 students attended.

## Professional Seminar for City University of Hong Kong

A professional seminar titled "Evolving Duties of Company Secretaries" was presented to students of the City University of Hong Kong on 25 October. More than 30 students attended.

## Professional Seminar for University of Hong Kong

A professional seminar titled "Evolving Duties of Company Secretaries" was held at the University of Hong Kong on 25 October.

## Professional Seminar for The Open University of Hong Kong

A professional seminar titled "Corporate Governance" was presented to students of the Open University of Hong Kong on 28 October. More than 60 students attended.

## Professional Seminar for Chinese University of Hong Kong

A professional seminar titled "Evolving Duties of Company Secretaries" was presented to accountancy students of the Chinese University of Hong Kong on 31 October. More than 80 students attended.

## November 2005

### IQS Information Session

The first IQS information session was held on 4 November to introduce the Institute and IQS to the general public. This event attracted 48 people.

### Professional Seminar for CCAs from City University of Hong Kong

A professional seminar titled "Corporate Governance in China" was held for students of Master of Science in Professional Accounting and Corporate

Governance at the City University of Hong Kong on 11 November. More than 40 students attended.

### Company Secretaries Panel Luncheon

A luncheon was held on 16 November attended by members of the CSP.

### Visit to Beijing

A visit to Beijing to meet Shang Fulin, Chairman of China Securities Regulatory Commission took place on 16 November.

### Affiliates ECPD seminars

ECPD seminars for the Affiliates took place on 17 and 18 November in Beijing. Affiliates are all Mainland based H-Share board secretaries.

### Professional Seminar for Caritas Francis Hsu College

A professional seminar was held for students of the Caritas Francis Hsu College on 21 November.

## December 2005

### Annual General Meeting 2005

The Institute's Annual General Meeting was held on 15 December.

## January 2006

### "The Duties and Responsibilities of Independent Non-Executive Directors (INED) of Hong Kong Main Board Listed Companies" Press Conference

A press conference to launch the second edition of the research report titled "The Duties and Responsibilities of Independent Non-Executive Directors of Hong Kong Main Board Listed Companies" was held on 17 January at JW Marriott Hong Kong.

### Annual Dinner 2006

The Annual Dinner 2006 was held on 17 January with more than 300 guests,

members and students attended. Mr Frederick Ma Si Hang, Secretary for Financial Services and Treasury was the Guest of Honour.

### Council Retreat – Day 1

The first Council Retreat 2006 was held on 7 January to decide upon the goals and programmes for the year.

### Affiliates ECPD seminars

ECPD seminars for the Affiliates took place on 16 and 17 January in Hong Kong.

### Recruitment of students in Mainland China

Recruitment of the Institute's students in Mainland China amongst the H-share companies commenced in January.

### Second Phase of Members' Survey

The Institute conducted the second web-based phase of members' survey in January which covered areas such as publications, services and professional information for members, training and recognition of the profession as well as events and general member facilities.

## February 2006

### Cocktail Reception for Academics

A cocktail reception was held for academics from the eight local universities on 17 February. Twenty-eight senior representatives from Hong Kong's tertiary education institutions and guests attended.

### Summer Internship Programme 2006 Induction Programme

An induction programme was held for the nominated students from the eight local universities for the Summer Internship Programme 2006 on 18 February. More than 160 students attended.



### **Second Council Retreat**

The second Council Retreat 2006 was held on 25 February. The meeting focused on operational matters, prioritising the numerous projects and the resources of the Institute. The Council also laid plans on how to raise the profile of the Institute – the main priority for 2006.

## **March 2006**

### **New Students Orientation**

The New Students' Orientation for students registered in 2006 was held on 4 March.

### **Professional Seminar for Lingnan University**

A professional seminar was held for the business students of Lingnan University on 7 March. More than 100 students attended.

### **CityU CCA Review**

The Biennial review for the CCA programme with City University of Hong Kong was held on 10 March.

### **Firm Visit to KCS Limited**

A firm visit to KCS Limited was organised on 13 March for students of the Business and Economics Association of the University of Hong Kong. This visit provided students with an opportunity to learn more about the professional services corporation as well as the share-registration system.

### **Company Secretaries Panel Luncheon**

A luncheon was held on 15 March attended by Mr Gordon Jones, Registrar of Companies, and other senior officials of The Companies Registry.

### **OUHK CCA Review**

The biennial review for the CCA

programme with the Open University of Hong Kong was held on 16 March.

### **PolyU CCA Review**

The biennial review for the CCA programme with The Hong Kong Polytechnic University was held on 22 March.

### **Graduates' Gathering**

The gathering provided graduates and members with an opportunity for networking on 22 March.

### **Visit to Beijing**

A visit to Beijing took place on 23 and 24 March to meet with Division of Overseas Listing of Department of International Cooperation, China Securities Regulatory Commission; Bureau of Enterprise Reform of State-owned Assets Supervision and Administration Commission of the State Council; Foreign Investment Administration of Ministry of Commerce and Beijing Regulatory Bureau of China Securities Regulatory Commission.

### **Student Ambassadors Programme – Visit to Companies Registry**

A visit to the Companies Registry was organised on 29 March for the Student Ambassadors; 23 students attended.

### **Summer Internship Programme**

The Summer Internship Programme for current universities students was launched in March and interviews were conducted during the period.

## **April 2006**

### **Launch of CSJ**

A new look of journal was launched in April.

### **Professional Seminar for HKUST**

A professional seminar titled "The

Independent Non-Executive Directors and Corporate Governance" was presented to students of the Hong Kong University of Science and Technology on 7 April. More than 300 students attended.

### **Professional Seminar for Hong Kong Shue Yan College**

A professional seminar was held for the accountancy students at Hong Kong Shue Yan College on 12 April. More than 40 students attended.

### **Visit to Zhejiang and Shanghai**

A visit to Zhejiang and Shanghai took place between 19 and 22 April to meet with The Listed Company Association of Zhejiang; China Securities Regulatory Commission Zhejiang Regional Office; State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government and The Association of Board Secretaries of Shanghai Listed Companies.

### **Professional Services Panel**

Members of the Professional Services Panel met with the representatives of Companies Registry on 21 April to discuss and provide valuable input for issues affecting professional company secretarial firms.

### **Student Ambassadors Programme – High Table Dinner**

A high table dinner for the Student Ambassadors was organised on 27 April where eight Student Ambassadors were presented with certificates.

### **Annual Corporate & Regulatory Update (ACRU) 2006**

The seventh Annual Corporate and Regulatory Update was held on 10 April at Hong Kong Convention and Exhibition Centre. Over 500 delegates attended



Visit to Beijing



Visit to Companies Registry



Summer Internship Programme



Visit to KCS Limited

# CALENDAR OF SIGNIFICANT EVENTS



Visit to Shanghai in April 2006



Visit to Shanghai in May 2006

making it the most popular to date. ACRU was supported by the Securities and Futures Commission, Hong Kong Exchanges and Clearing Limited and Official Receiver's Office.

## May 2006

### Joint seminar with The Hong Kong Institute of Directors (HKIoD)

A joint seminar with The Hong Kong Institute of Directors on "Corporate Governance" was held on 13 May.

### Visit to Guangzhou and Shenzhen

A visit to Guangzhou and Shenzhen took place between 17 and 20 May to meet with China Securities Regulatory Commission of Guangdong Regional Bureau; The Listed Company Association of Guangdong; The Guangdong Securities Association; Guangzhou Special Representative Office of Hong Kong Stock Exchange Ltd.; Shenzhen Stock Exchange; The Listed Company Association of Shenzhen; The Shenzhen Securities Association and CATIC Shenzhen Holdings Ltd.

### IQS Information Session

An information session for the general public was held on 27 May to introduce the Institute and IQS. Sixty four people attended.

## June 2005

### Company Secretaries Panel Luncheon

A luncheon was held on 7 June attended by Mr Richard Williams, Head of Listing Division and other senior officials of Hong Kong Exchanges and Clearing Limited.

### Fellows' Luncheon presentation

A Fellows' Luncheon Presentation was held on 12 June with Mr. Benjamin Tang, Director of Audit of the Audit Commission who delivered a presentation on the topic of "The role of auditor in corporate compliance".



(Left to right) Dr Hou and Zhou Nian Qing at ECPD Seminar in Shanghai



Joint Seminar with HKIoD



ACRU 2005

### Academic Advisory Panel Luncheon

The Academic Advisory Panel (AAP) luncheon was held on 13 June.

### HKU SPACE MoU Signing Ceremony

A Memorandum of Understanding (MoU) renewal signing ceremony between the Institute and the University of Hong Kong, School of Professional and Continuing Education (HKU SPACE) was held on 21 June.

### Joint seminar with the CPD Alliance

A joint seminar on "Continuous Professional Development in Hong Kong" organised by the CPD Alliance was held on 5 June. Mr. Richard Leung, President of HKICS was a speaker at the seminar. Mr. Phillip Baldwin, Chief Executive of HKICS, was one of the panellists at the press conference relating to the CPD Alliance survey on "Hong Kong Professionals' move into Mainland China: Trends & Challenges" on the same date. These two events attracted wide media coverage.

## July 2006

### Affiliates ECPD seminars

ECPD seminars for Affiliates took place on 12 July in Shanghai to update Affiliates on relevant changes to Hong Kong's Listing Rules and related regulations, and to share practical experience amongst Affiliates.

### HKICS Preparatory Courses in Beijing

A MoU was signed with the University of Hong Kong SPACE on 19 July in Beijing. HKU SPACE has been endorsed to

organise the IQS Examinations preparatory courses in Beijing for the Institute's students in China. This event represented the first significant step in recruiting students on the Mainland.

### IQS Information Session

An information session was held for the general public on 21 July to introduce the Institute and IQS. Eighty-five people attended.

### Convocation 2005/06

Convocation was held on 27 July at Pacific Place Conference Centre. More than 40 new Graduates and newly elected members participated.



HKU SPACE MoU Signing Ceremony at Beijing



Convocation 2005/06

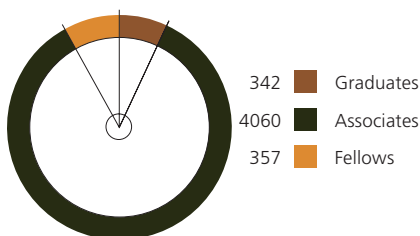
# THE INSTITUTE AND ITS MEMBERS



Annual Dinner 2006

## Membership Statistics

As of 31 July 2006, the Institute had 4,759 members and graduates, an increase of 2.4% compared with the previous year. The statistics are summarised in the following chart.



## Members' Admission

The Institute is keen to develop a strong membership. There were 198 successful Associate applications, a decrease of 15%. This was due to in part to the decrease in graduates compared with the previous year (down 7%) and the deferring of applications for Associateship due to the requirement to accumulate sufficient working experience. There were 28 successful applications for Fellowship, which constituted an 87% increase compared with the previous year.

## Professional Development

The Institute launched the Enhanced

Continuing Professional Development (ECPD) Programme in August 2004, as an extension of the HKICS' successful continuing professional development programme.

The ECPD Programme has four main objectives:

- To upgrade technical and practical know-how
- To increase awareness of members of the need to continually develop their skills
- To demonstrate to the business community the Institute's leading position in key sectors, and
- To promote membership in terms of quality and numbers.

During the year, 57 seminars/workshops on topics of corporate secretarial, legal, accounting and management were held.

## Practitioner's Endorsement

In addition to meeting the experience criteria, candidates are required to gain at least 15 ECPD points each year for two consecutive years to qualify for certification known as the Practitioner's Endorsement (PE). To maintain the PE certification, 15 ECPD points must be earned each year.

Holders of the PE can be readily identified by the use of the enhanced post-nominals "FCS(PE)" or "ACS(PE)".

## Bulletin Board Update Service

The Institute provides a Bulletin Board Updates (BBU) Service which circulates information and announcements issued

by various government and regulatory bodies including the Companies Registry, Hong Kong Exchanges & Clearing Limited, the Inland Revenue Department, the Official Receiver's Office and the Securities & Futures Commission via email in a timely manner. Updates are provided in both Chinese & English. During the year, 18 BBUs were circulated.

## Publication

The Institute publishes a monthly journal "CSJ" (formerly "Company Secretary") for members and students, which includes Institute and Student News. This journal provides a communication channel between the Institute and its members, the business world, fellow professional bodies and the regulators. An improved journal with a new look was launched in April 2006.

## Members' Survey

In order to upgrade the Institute's services and profile, the Institute conducted a comprehensive survey of members' views on all the major services provided by the Institute. The survey also included the questions on remuneration which provided the Institute, employers and members with benchmarks on pay and other benefits.

## TV Series "Corporate Governance in Action"

To highlight the importance of corporate governance, a series of television programmes on corporate governance titled "Corporate Governance in Action" jointly produced with the Open University of Hong Kong was broadcast on TVB Pearl between November 2005 and March 2006.



TV Series Press Conference  
(Left to right) Dr Alan Au, Neil McNamara



Convocation 2005 / 06



ECPD Seminar



Guest of Honor, The Honorable Frederick Ma Si Hang, JP, Annual Dinner 2006

# THE INSTITUTE AND ITS MEMBERS



April Chan presenting a souvenir to Benjamin Tang at Fellows' Luncheon



Garden and Farming Tour



Dragon Boat Competition 2006



Cathay Pacific City Visit

## Convocation 2005/06

The Institute held its Annual Convocation on 27 July 2006 during which Graduates and members were awarded certificates signifying their achievements. More than 80 members and guests participated in the event which was a good opportunity for members to get acquainted with each other and with the Council.

## Fellows' Luncheons

To enhance communication between the Council and fellows, the Institute held two Fellows' Luncheons with the following guests of honor:

- Mr. Stefan Gannon, General Counsel of the Hong Kong Money Authority presented "Money Laundering: Implications for Professionals" on 22 September 2005; and
- Mr. Benjamin Tang, Director of Audit of the Audit Commission presented "The Role of Auditor in Corporate Compliance" on 12 June 2006

## Graduates' Gathering

The first Graduates' gathering was held on 22 March 2006, during which graduates were briefed of the routes to membership. The gathering provided a good opportunity for Graduates to meet our members.

## Social Functions & Activities

A series of social functions and activities were arranged for members and students during the year. These activities have broadened the platform of networking for members and students.

- Mini Health Fair – Fitness and Health Evaluation in October 2005
- Garden and Farming Tour in November 2005
- Cathay Pacific City Visit in December 2005
- Annual Dinner in January 2006
- Cooking Class in May 2005
- Dragon Boat Competition in May and June 2006
- Guangzhou Study Tour in June 2006

## Dragon Boat Competition

With enthusiastic support from members and students, a team of 25 paddlers was formed to represent the Institute at the Dragon Boat competition on 31 May 2006 and 3 June 2006.

## Members' Discipline

The Disciplinary regulations were reviewed and revised. During the year, three cases on non-compliance with the Institute's rules and regulations were considered by the Investigation Group and referred to the Disciplinary Tribunal for further action.

## Looking Ahead

The Institute is dedicated to providing "Value for Membership". Every member is important and whether it is through education, research, networking or responding to members' enquiries the Institute strives to make every member proud to be a part of the profession.

A new series – *Guidance Notes* – a practical guide to good governance was launched in August 2006. These short papers which are, in part, a response to the Member Services Survey, provide practical and in-depth advice to members on current areas of practice. They are also available for downloading from the Institute's website. *Guidance Notes* will be published throughout the year as a free service to members.

The Institute will continue to encourage prospective candidates for Associateship and Fellowship to apply as soon as they are ready in order to maintain a steady growth in membership, especially for the number of Fellows. Social functions, leisure study trips and other activities will also be arranged on a regular basis. The Institute will continue to negotiate improved discounts from stores and professional suppliers, so that members can enjoy more benefits upon presenting their membership card.

# THE INSTITUTE AND ITS STUDENTS

## Student Statistics

As of 31 July 2006 the Institute had 2676 students. A total of 540 new students registered during the year, an increase of 23% compared with the previous year.

## Examinations

### a. Examinations and Quality

#### Assurance

The International Qualifying Scheme examination was conducted for the third year. During the fiscal year ended 31 August 2006, a total of 1,590 students enrolled in the Institute's two examination diets with 125 students completing the International Qualifying Scheme. Two students were awarded subject prizes for outstanding performance in the November 2005 examination and three for the June 2006 examination. The average pass rate for the November 2005 and June 2006 examination diets are 38% and 41% respectively.

The China Division has been responsible for assuring the integrity and quality of its papers for the Institute examinations from the June 2006 examinations. Assessment Review Panel meetings were held in January 2006 and July 2006 for the purpose of monitoring examination quality.

### b. IQS Examination Preparatory Courses

To assist students to prepare for the IQS examinations, the Institute entered into a Memorandum of Understanding with the University of Hong Kong, School of Professional and Continuing Education (HKU SPACE). This agreement endorsed the HKU SPACE to organise the IQS examination preparatory courses for the November 2005 and June 2006 examinations. A total of 587 students enrolled for the courses.

### c. New Students Orientation

The Institute organised the New Student Orientation for newly registered students on 4 March 2006. It was a good opportunity for students to mix and to acquaint themselves with the Institute.

### d. Students Gathering Series

Examination technique workshops were organised to help students to enhance their examination skills in preparation for the IQS examinations.

### e. Registration policies

#### *Collaborative Course Agreement (CCA) Students*

The Institute has set out detailed registration policies for students from the three collaborative courses with The Hong Kong Polytechnic University, City University of Hong Kong and the Open University of Hong Kong to encourage them to register with the Institute as students so that they have more time to familiarise themselves with the profession and the Institute. Under this new registration policy, students enrolled in courses with these institutions must register with the Institute within 3 months of starting their studies.

#### *Policy for Dormant students*

The Institute issued policies requiring newly registered students to take at least one examination during the first two years of registration. Furthermore, those who have not enrolled for examinations for four consecutive diets are required to enrol in at least one examination by December 2007.

### f. Transition of Hong Kong Qualifying Scheme to International Qualifying Scheme

The Institute provides a smooth transit for current students to enter the IQS. The last examination of Management Accounting was held in the examination diet of November 2005. Thereafter, all students must sit the Corporate Administration paper.

### g. Feeder Programme

The Feeder Programme enables students who have not completed the Foundation and Pre-Professional Programme of HKQS to move on to IQS. Students are given a three year period to complete the Feeder Programme before 31 December 2007.

#### *Looking Ahead*

The Institute will also develop student services and supporting activities, including development of study outlines; seminars on how to prepare for IQS examinations; social gatherings as well as other activities.

The Institute will continue to maintain its good relationship with local tertiary institutions and recruit high calibre university graduates.



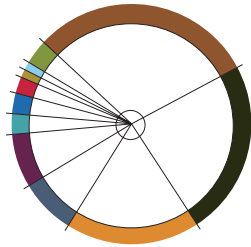
Exam Technique Workshop



New Student Orientation

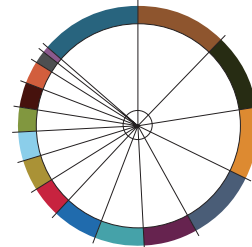
# MEMBERSHIP PROFILE

## Employer Organisation Type



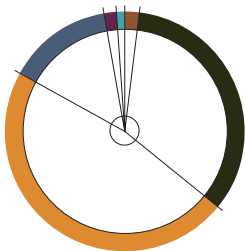
- 30.5% Hong Kong Listed Company
- 23.5% Private Limited Company
- 18.1% Partnership/ Professional Firm
- 7.4% Overseas Limited Company (i.e. not listed in HK)
- 7.2% Government/ Quasi-government Organisation
- 2.9% Not Applicable (not in the working population)
- 2.7% Further/Higher Education
- 2.2% Sole Proprietor/ Self-Employed
- 1.2% Association/Society
- 1.0% Statutory Body
- 3.3% Others

## Nature of Organisation's Main Business



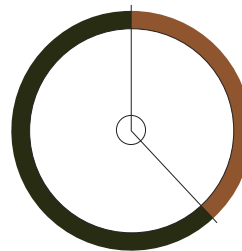
- 12.3% Banking/ Financial Institution
- 10.4% Corporate Secretarial Services
- 9.7% Manufacturing
- 9.7% Accounting
- 7.2% Construction/Property
- 6.7% Retail/Distribution
- 6.0% Legal
- 4.2% Civil Service
- 4.1% Education/Training
- 4.0% Public Utilities
- 3.4% Transport/Logistics
- 3.2% Management Consultancy
- 3.0% Insurance
- 1.7% Publishing
- 0.8% Trading
- 13.6% Others

## Age Profile



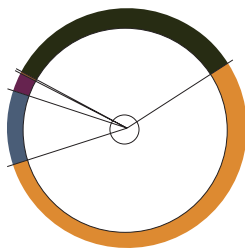
- 2.1% Under 29
- 34.0% 30-39
- 47.0% 40-49
- 14.2% 50-59
- 1.8% 60-69
- 0.9% Over 70

## Gender Distribution



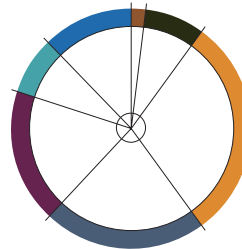
- 38.2% Male
- 61.8% Female

## Monthly Salary – Associate



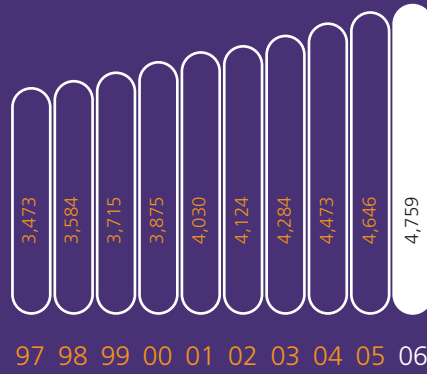
- 0.3% Below HK\$10,000
- 33.1% HK\$10,000-HK\$29,999
- 54.1% HK\$30,000-HK\$69,999
- 10% HK\$70,000-HK\$119,999
- 2.5% HK\$120,000 or above

## Monthly Salary – Fellow



- 2.0% HK\$20,000-HK\$29,999
- 8.0% HK\$30,000-HK\$49,999
- 30.0% HK\$50,000-HK\$69,999
- 22.0% HK\$70,000-HK\$89,999
- 18.0% HK\$90,000-HK\$119,999
- 8.0% HK\$120,000-HK\$159,999
- 12.0% HK\$160,000 or above

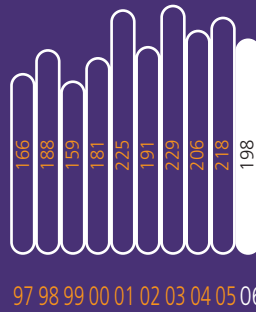
## Membership Growth (Including Graduates)



## Admissions



Graduates



Associates

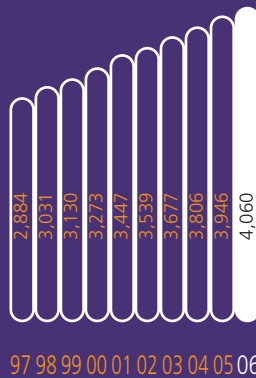


Fellows

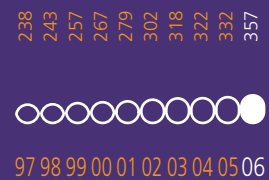
## Member / Graduate Growth



Graduates



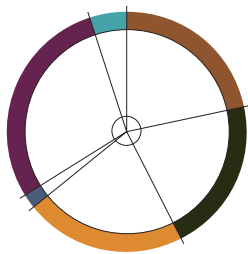
Associates



Fellows

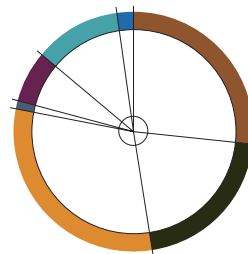
# STUDENT PROFILE

## Employer Organisation Type



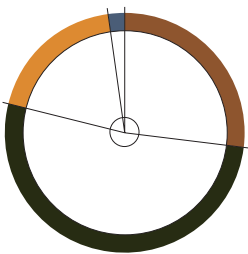
- 22.0% Listed Public Company
- 21.0% Private Company
- 22.0% Commercial/Industrial Company
- 2.0% Government/Quasi-government Organisation
- 29.0% Professional Firm
- 5.0% Others

## Job Activity Area



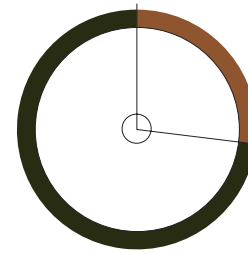
- 27.0% Accountancy
- 21.0% Banking & Finance
- 31.0% Company Secretarial
- 1.0% Education/Traning
- 7.0% Legal
- 12.0% Management
- 2.0% Other

## Age Profile



- 27.0% Under 30
- 52.0% 30-39
- 19.0% 40-49
- 2.0% 50-59

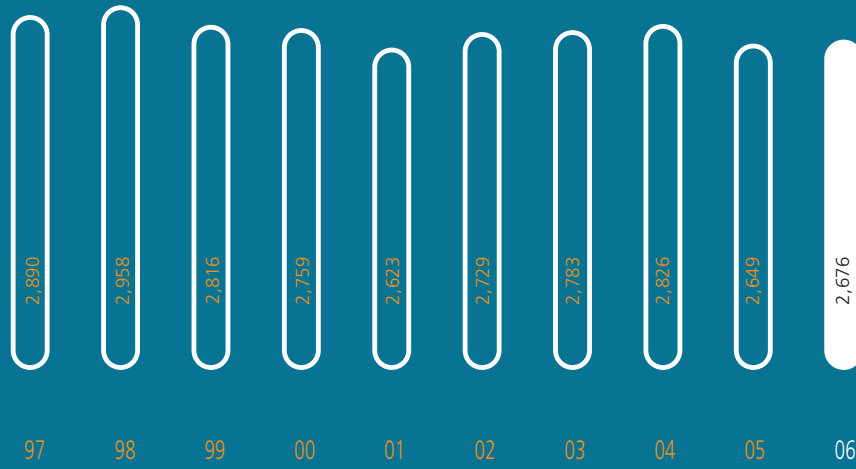
## Gender Distribution



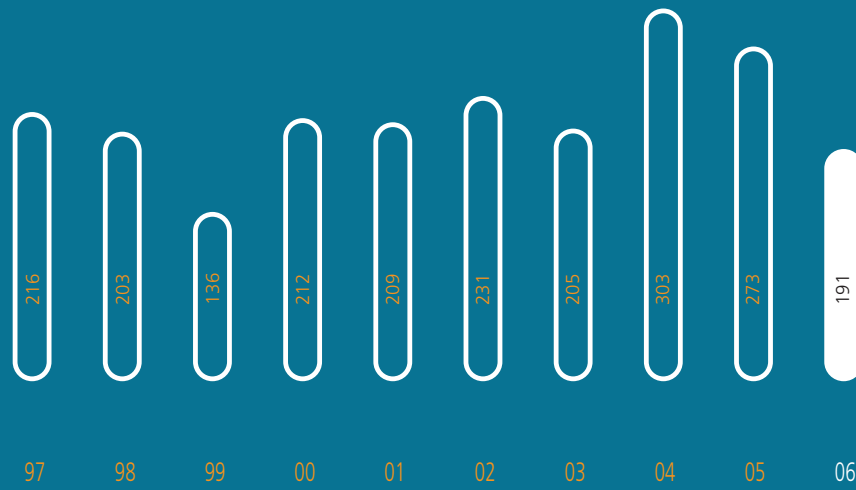
- 27.0% Male
- 73.0% Female



## Number of Students



## Number of New Graduates



# THE INSTITUTE AND THE REGULATORS

## Institute Representation

The Institute maintains a close dialogue and relationship with the regulators in Hong Kong and is developing its relationships in Mainland China. Throughout the year the Institute receives invitations for representatives to sit on various panels and working groups to contribute professional opinions. A list of current representatives is listed on pages 42 and 43.

## Professional Development

The Institute maintains its status as an approved "recognised institution for providing Continuing Professional Training" with the Securities and Futures Commission for licensed persons under the Securities and Futures Ordinance.

The Institute successfully organised the seventh Annual Corporate and Regulatory Update on 10 April, 2006. The event was, once again, well supported by the Hong Kong's regulators with the Securities and Futures Commission (SFC), Hong Kong Exchanges and Clearing Limited (HKEx) and Official Receiver's Office (ORO) briefing HKICS members and other professionals on the latest developments in their respective areas.

## Technical submissions

The Institute made submissions to the government and regulators in response to their consultation papers or whenever the Institute considered that there were important and relevant issues that needed addressing. The submissions made in the last financial year included:-

- Submission to The UK Parliament regarding the UK Company Law Reform Bill which proposes, *inter alia*, the removal of statutory powers of secretaries of private companies (June 2006)
- Submission to HKEx on Minor and Housekeeping Amendments to the Main Board and GEM Listing Rules (April 2006)

- Submission to HKEx on the Exposure Paper on the Abolition of Requirement for Main Board Issuers to publish paid announcement in newspapers and related matters (January 2006)
- Submission to the SFC in response to the Consultation Paper on Possible Reforms to the Prospectus Regime in the Companies Ordinance (December 2005)
- Submission to New Zealand Exchange Limited on NZX Conduct Rule Review – Consultation Paper (November 2005)
- Submission to the Legislative Council on Financial Reporting Council Bill (September 2005)

## Company Secretaries Panel

The Company Secretaries Panel ("CSP") comprises of 17 members who are company secretaries of listed companies in Hong Kong. Their quarterly luncheons provide opportunities for the members of the CSP to exchange their views among themselves as well as with the guests in relation to issues arising from their practices. Four CSP Luncheons were held during the last financial year:-

A luncheon was held on 7 June, 2006 attended by Mr Richard Williams, Head of Listing Division of HKEx and other senior officials.

A luncheon was held on 15 March, 2006 attended by Mr Gordon Jones, Registrar of Companies, and other senior officials.



(Left to right) Samatha Suen, Mike Scales, Gordon Jones, Maurice Ngai

A luncheon was held on 16 November, 2005 attended by members of the CSP.

A luncheon was held on 21 September, 2005 attended by Mr Andrew Sheng, MD & Chairman of the SFC, Mr Martin Wheatley, Mr Sheng's successor, and other senior officials.

The CSP also provides a forum for debate between the regular meetings.

## Professional Services Panel

Members of the Professional Services Panel, comprising of senior practitioners of major corporate and professional service firms in Hong Kong, met regularly during the year to discuss and provide input on issues affecting professional company secretarial firms. In a meeting with the representatives of Companies Registry, suggestions were given by members of the Panel on how to improve timely filing of forms by the general public to the Companies Registry.

## The Current Year

The Institute will continue to maintain a close relationship with the regulators to enhance the status of the Chartered Secretary profession and promote best practice with regards to corporate governance issues.

The biennial Corporate Governance was held in October 2006 Conference and ACRU is scheduled for May 2007. The Institute will continue to solicit support from and offer advice to the regulators in order to enhance corporate governance in Hong Kong and on the Mainland.



(Left to right) Frederick Ma, Richard Leung, Martin Wheatley

# THE INSTITUTE AND MAINLAND CHINA

## Affiliate Programme and ECPD Seminars

As of 31 July, 2006, 60 H-share board secretaries had joined the Affiliate Programme. A number of services are being made available to the Affiliates, including three ECPD seminars organised in November 2005, January and July 2006, respectively, in Beijing, Hong Kong and Shanghai. The ECPD seminars are designed to enable the Affiliates to understand not only the theory but the practical aspects of corporate secretarial practice from a Hong Kong perspective. Through the learning process it is envisaged that the Institute will be able to instill the beliefs and values of professional conduct required by a company secretary of a Hong Kong listed company.

The Institute has also been working closely with authorities and regulators in Mainland China promoting the development of professional standards and good corporate governance practices through visits, study tours and training programmes for board secretaries, managers and administrators in China.

## Visits to China

During the year ended 31 July 2006, the China Affairs Committee members made four visits to Mainland China covering Beijing, Shanghai, Zhejiang, Guangzhou and Shenzhen.

The main purposes of these trips were to strengthen networking on the Mainland, to present the progress of the Affiliate Programme, to promote the company secretary/board secretary profession and the importance of corporate governance to the various regulatory, professional, academic and commercial organisations in China.



ECPD Seminar in Beijing in November 2005



ECPD Seminar in Shanghai in July 2006



Affiliated Persons Gathering in Beijing in July 2006



Affiliates ECPD Seminar in Hong Kong in January 2006

## China Updates

To keep members up to date with the latest developments in Mainland China, the Institute invites Mainland Affiliates to present at its CPD seminars and write articles for the CSJ journal, and organises study tours to the Mainland.

A Bulletin Board Update – China Services circulates information and updates on relevant rules and regulations to members.

## Launching IQS in Mainland China

Under the authority delegated by ICSA, the Institute is responsible for promoting and developing the Chartered Secretary profession on Mainland China. The IQS Implementation Plan in China is the second phase of the Institute's China Strategy.

Recruitment of H-share board secretaries including Affiliates and their subordinates to register for studentship and IQS

examinations commenced in January 2006. A Memorandum of Understanding was signed with the University of Hong Kong School of Professional and Continuing Education to organise IQS examination preparatory courses in Beijing in July 2006. The IQS examinations will be held simultaneously in Beijing and Hong Kong in June 2007.

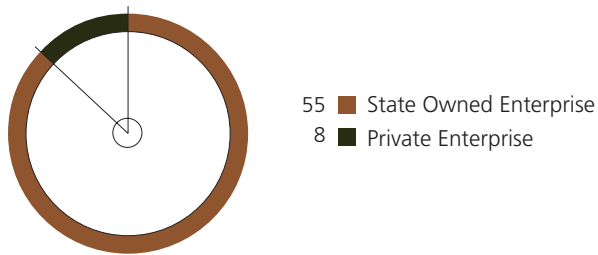


(Left to right) Maurice Ngai and Shang Fulin, Chairman, China Securities Regulatory Commission

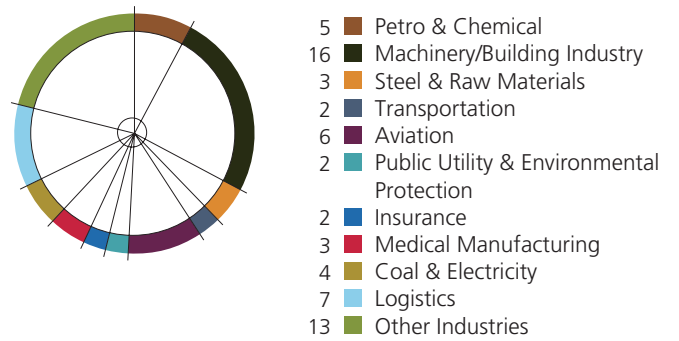
# AFFILIATED PERSONS PROFILE

The Institute has 63 Affiliates who are Company Secretaries of H-Share Companies.

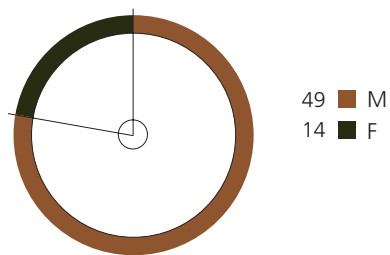
## Affiliated Persons Employer Organisation



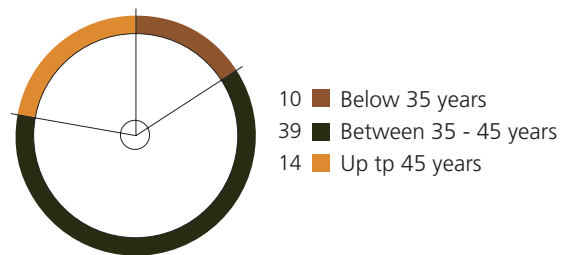
## Affiliated Persons Industry Type



## Gender Distribution



## Age Profile



# THE INSTITUTE AND ICSA

HKICS remains an integral part and active partner of ICSA International. With over 40,000 members and 27,000 students in 70 countries, ICSA is a leader in promoting corporate governance through the promotion of secretaryship and administration. Chartered Secretaries have unparalleled reputations as practitioners of good governance.

HKICS has been empowered by ICSA to develop the profession on Mainland China and is now the ICSA China Division. In addition to the UK, ICSA has eight divisions:

Australia  
Canada  
China (HKICS)  
Malaysia  
New Zealand  
Singapore  
Southern Africa  
Zimbabwe

In addition, the UK represents members in a significant number of other countries.

Neil McNamara is HKICS's International Council representative.

## **International Council Meeting**

The ICSA International Council meets bi-annually. During the financial year, meetings were held in Auckland, New Zealand in October 2005; and Montreal, Canada in May 2006. Subsequently, the Council met in Hong Kong in October 2006.

## **Professional Standards Committee**

Professional Standards Committee (PSC) of ICSA endorsed the renewal of the three collaborative programmes, namely, Hong Kong Polytechnic University, City University of Hong Kong and Open University of Hong Kong. PSC also expressed its satisfaction with the HKICS IQS examinations quality after a review of the examination papers and answer scripts at its meetings in February and July 2006.

## **Delegation Agreement**

As mentioned on Page 1 of his report the Institute is seeking certain changes to its Memorandum and Articles of Association, which have necessitated an amendment to the Delegation Agreement between ICSA and HKICS. The Council of ICSA have approved the proposed changes and the amendments to the Delegation Agreement.

# THE INSTITUTE AND OTHER PROFESSIONAL AND ACADEMIC BODIES

During the year, the Institute continued to nurture close working relations with local universities and higher education institutes.

## Collaborative Courses

Comprehensive collaborative course reviews of the three Collaborative Course Agreement (CCA) programmes were conducted in March 2006 respectively.

1. City University of Hong Kong – Master Science in Professional Accounting and Corporate Governance (Corporate Administration Stream)
2. Open University of Hong Kong – Master of Corporate Governance
3. The Hong Kong Polytechnic University – Master of Corporate Governance

The review is an ongoing monitoring of standards of these courses. Graduates of these courses receive full exemptions from the Institute's qualifying scheme. The ICSCA Professional Standards Committee approved a renewal of the agreements for three years from 2007 onwards.

## Professional Seminars and Networking with Universities

Career talks were held at local tertiary institutions, namely, The Hong Kong Polytechnic University, the City University of Hong Kong, the Open University of Hong Kong, the University of Hong Kong, the Chinese University, the Lingnan University, Hong Kong Baptist University, the Hong Kong University of Science and Technology, Hong Kong Shue Yan College and Caritas Francis Hsu College.

In February, representatives of the eight universities in Hong Kong were invited to a cocktail reception. Two luncheon



HKBU – Scholarship Presentation Ceremony



Lingnan Networking Day



Academic Advisory Panel Luncheon



Shun Yan Collage Career Talk

meetings were held for the Academic Advisory Panel comprising eminent academia in Hong Kong to nurture closer working relationships with tertiary institutions in Hong Kong.

## Summer Internship Programme

In order to forge closer links between universities and employers for future recruitment and allow students to gain an insight into the company secretarial profession, the Institute organised the first Summer Internship programmes for university students. This programme provided opportunities for current students of local universities to work in a company secretarial department/firm, exposing them to the realities and demands of the commercial world. Internship vacancies were offered by senior members of the Institute. A total of 21 students received internship offers from 11 participating employers.

## Promotion to potential students

1. **Student Ambassadors Programme**  
The Student Ambassadors Programme was implemented in March 2006. This is a new initiative to promote the Institute as well as the Chartered Secretary profession to the undergraduates of business faculties. Activities such as visits to a professional firm, Companies Registry and a high table dinner were organised.
2. **Sponsorship to Students' associations**  
The Institute sponsored orientation camps and arranged firm visits and other activities for business associations of various local universities.

## Scholarship

The Institute sponsored subject prizes, bursaries to local universities and colleges to encourage students of collaborative courses; company secretarial and company law related subjects as listed.

### Universities/Colleges

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Caritas Francis Hsu College

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Chinese University of Hong Kong

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City University of Hong Kong

---

Hong Kong Baptist University

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Hong Kong Institute of Vocational Education

---

Hong Kong University of Science and Technology

---

Lingnan University

---

Hong Kong Shue Yan College

---

The Hong Kong Polytechnic University

---

The Open University of Hong Kong

---

University of Hong Kong

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HKUST Professional Seminar



CFHC Scholarship Presentation

# THE INSTITUTE AND OTHER PROFESSIONAL AND ACADEMIC BODIES

## Professional Development

The Enhanced Continuing Professional Development (ECPD) Programme is designed specifically for those members working in the corporate secretarial sector. The Practitioners' Endorsement will confirm to employers, HKEx and other regulators that the accredited member is up to date with the latest listing rules and regulations and has the requisite level of practical experience as required of a company secretary of a Hong Kong listed company. Having completed a second successful year, the ECPD Programme has been acknowledged by attendees and employers as an effective method of improving individuals' secretarial skills and raising industry standards. During this CPD year (August 2005 – July 2006), 57 seminars/workshops were held covering a wide range of relevant industry-related topics.

The Institute maintains its status as an approved "recognised institution for providing Continuous Professional Training" to the SFC for licensed persons under the Securities and Futures Ordinance.

The Institute also maintained its status as an accredited Continuing Professional Development (CPD) course provider recognised by The Law Society of Hong Kong during the year. All 57 seminars/workshops organised during the year were accredited by The Law Society.

ACRU remains the most popular professional development programme run by the Institute. ACRU 2006 was

again well supported by the Hong Kong's regulators with the SFC, HKEx and ORO briefing HKICS members and other professionals on the latest developments in their respective areas. Over 500 delegates attended, making the 2006 event the most popular to date.

As part of the promotion of the ECPD Programme to employers, a joint seminar with The Hong Kong Institute of Directors on "Corporate Governance" was held on 13 May, 2006. Representatives of two awardees, Ms Edith Shih, Head Group General Counsel and Company Secretary of Hutchison Whampoa Limited and Ms Wendy Yung, Company Secretary and Head of Corporate Services Division of Hysan Development Company Limited were invited to share their insights and experiences on effective Corporate Governance in the Hong Kong corporate environment.

## CPD Alliance

As a founding member of the Continuing Professional Development Alliance, the Institute maintains its membership of the Alliance together with 19 other professional bodies. Maria Kwan, Director – Professional Development, was appointed as Honorary Secretary at its Annual General Meeting held on 13 June, 2006.

On 5 June, 2006, Mr. Richard Leung, President of HKICS was invited to be a speaker at a seminar on "Continuing Professional Development in Hong Kong" organised by the CPD Alliance. Mr. Phillip Baldwin, Chief Executive of HKICS, was one of the panellists at the press

conference relating to the CPD Alliance survey on "Hong Kong Professionals' Move into Mainland China: Trends & Challenges" on the same date. These two events attracted wide media coverage.

## Current year

The Institute will continue to maintain a close relationship with other professional and academic bodies to enhance the status of the company secretary and Chartered Secretary profession.

The Corporate Governance Conference was held in October 2006 and ACRU is scheduled for May 2007. The Institute will continue to solicit support from other professional bodies, in promoting good corporate governance practices.



ECPD Seminar



"Induction of Directors" Seminar



ECPD Seminar



# THE INSTITUTE AND THE COMMUNITY

## Dragon Boat Competition

The Institute participated for the first time in the dragon boat festival and competitions at the Tung Ng Festival at Sai Kung on 31 May 2006 and the Shing Mun River, Shatin on 3 June 2006 respectively. A team consisting of more than 25 members and students took part.

## Charitable Activities & Donations:

During the Guangzhou Study tour on 23 to 26 June 2006, participants visited the School of Hope in Qingyuan, Guangzhou. They met with the children in their school and presented them with gifts including dolls, stationary and other toys.

The Institute helps to solicit donations for the needy. During the year, donation flyers for The Salvation Army were circulated to members and students.

## Looking Ahead

The Institute will continue to raise members' awareness regarding the plight of the needy in the society and extend help and care to them for the year ahead.



Dragon Boat Paddlers



School of Hope Visit



Dragon Boat Competition



School of Hope Visit



Dragon Boat Competition

## COUNCIL MEMBERS BIOGRAPHIES



### **International President 2006**

**Michael B. Ashford,  
BA, FCIS, Padm**

Mr. Ashford is a Corporate Group Manager with Codan Services Limited, an affiliate of Conyers Dill & Pearman, a leading Bermuda offshore law firm.

Codan provides a full range of corporate management services to client companies whose businesses cover a whole spectrum of commercial activities. His responsibilities require particular emphasis on ensuring that the relevant Bermuda Statutory regulations are complied with and that client companies' needs are serviced promptly and efficiently.

Mr. Ashford is a past president of the Canadian Institute and currently he is the Canadian Division Representative and International President of the Institute of Chartered Secretaries & Administrators.



**President  
Richard W.K. Leung,  
FCS(PE), FCIS, MA,  
LL B, Barrister**

Mr. Leung is a Barrister-at-law with Des Voeux Chambers and a Chartered Secretary. He has 20 years of working experience, first in the accounting field holding senior managerial positions in various renowned entities such as KPMG Management Consultants Limited and Hutchison Paging Limited, and for the past 11 years, in legal practice as a barrister specialising in company, tax, civil and commercial litigations. Mr. Leung also holds the position as an independent non-executive director for 2 listed companies in Hong Kong.

Mr. Leung first joined the Institute Council in 1993.



**Vice-President/  
Company Secretary  
Natalia K.M. Seng,  
FCS, FCIS, MBA  
(Executive)**

Mrs. Seng is an Executive Director and Head of Corporate Services of Tricor Group and she plays a key role in advising clients on corporate, regulatory and compliance issues. She is currently the Company Secretary of three listed issuers (including 2 H-shares companies) and also Company Secretary to the Manager of a listed REIT on the Hong Kong Stock Exchange.

Mrs. Seng joined the Institute Council in 1996. She was elected Vice-President/ Company Secretary in December 2002 and has held these posts since.



**Vice-President  
Maurice W.F. Ngai,  
FCS(PE), FCIS, MHKSI,  
MIOD, MCF, MBA,  
LL B (Hons)**

Mr. Ngai is an Associate Director, Head of Listing Services of KCS Limited. He has 19 years' experience in various capacities including company secretary, chief financial officer, executive director and assistant managing director for a number of listed companies including a red-chip company.

Mr. Ngai joined the Institute Council in 1999.



**Treasurer**  
**Douglas C. Oxley, FCS, FCIS**

Mr. Oxley has operated his own consulting firm since 1994. Prior to that, he taught at The Hong Kong Polytechnic University from 1978 to 1997 and was the Founding Course Leader of Bachelor of Arts (Honours) Degree in Accountancy.

Mr. Oxley was a Hong Kong Committee member from 1979 to 1984. He joined the Institute Council in 2003 and was elected Treasurer in 2004.



**Alan K.M. Au, FCS, FCIS, FHKIM, CPM (HK), MBA, MMS, PhD**

Dr Au is an Associate Professor and a Strand Leader responsible for the BBA (Hons) in Corporate Administration and Master of Corporate Governance programmes at The Open University of Hong Kong. He previously served in various academic positions in Hong Kong and New Zealand.

Dr. Au joined the Institute Council in 2003.



**April W.Y. Chan, FCS (PE), FCIS**

Mrs. Chan is the Company Secretary of CLP Holdings Limited. She has extensive working experience in company secretarial practice and is instrumental in developing and implementing the framework of corporate governance in CLP.

Mrs. Chan joined the Institute Council in July 2004.



**Diana M.Y. Chung, FCS(PE), FCIS**

Ms. Chung is a Director of Corporate Services at Tricor Services Limited.

With over 30 years' company secretarial experience, she has advised on company secretarial matters covering a wide spectrum of businesses. Ms Chung's specialist areas include setting up of new businesses, corporate reorganisations, company liquidations, and trust administration.

Ms. Chung joined the Institute Council in 2002.

## COUNCIL MEMBERS BIOGRAPHIES



**Lila M. L. Fong**  
***FCS(PE), FCIS, LLB, BA***

Ms. Fong is the Legal Manager-Secretarial of MTR Corporation Limited. She advises on a wide range of company secretarial matters and is responsible for provision of legal advice on financing related documentations. She has extensive experience in both legal and company secretarial fields.

Ms. Fong joined the Institute Council in 2004.



**Brian K. H. Lo**  
***FCS, FCIS, PhD***

Dr. Lo is the Vice President and Company Secretary of the APT Satellite Group. He is also CEO of APT Satellite Telecommunications Limited, a joint-venture of both APT Satellite Group and Singapore Telecommunications Limited. He has 19 years' experience in corporate and project management in a wide range of business sectors including high technology, telecommunications and manufacturing industry.

Dr. Lo joined the Institute's Council in 2005.



**Neil M. McNamara,**  
***FCS, FCIS (Immediate Past President)***

Mr. McNamara is Group Corporate Secretary for the Jardine Matheson Group. He is also Company Secretary of Jardine Matheson Limited, the Group management company. He has extensive experience in providing legal and company secretarial head office support.

Mr. McNamara was a member of the Institute Council from 1989 to 1996. He was re-elected to the Institute Council in December 2003 and served as President for two terms until December 2005. He has been an ICOSA International Council member since 2005.



**Alberta K. Sie, FCS(PE), FCIS**

Ms. Sie is the Company Secretary of EFA Secretarial Limited which is an affiliate of Lau & Au Yeung CPA Limited. She is responsible for exploring new business relationships and oversees the secretarial, IT, general and personnel administration departments.

Ms. Sie joined the Institute Council in 2002.



**Samantha P.Y. Suen, FCS, FCIS, FTIHK**

Ms. Suen is the Managing Director of KCS Limited and has over 20 years' experience in the company secretarial field.

Ms. Suen was a member of the Institute Council from 1995 to 2000. She was re-elected to the Institute Council as Vice-President/ Company Secretary in December 2001 and was President in 2003.

Ms. Suen was an ICSA International Council member in 2004.



**Doris W.N. Wong, FCS, FCIS**

Ms. Wong is the Head of Secretariat of DBS Group in Hong Kong

She has over 20 years' experience in corporate secretarial practice and general administration.

She is also in charge of the corporate communications and corporate affairs function of a major listed group in Hong Kong.

Ms. Wong joined the Institute Council in 2005.



# OUTLOOK

Council has taken several steps to raise the profile of the Institute including exploring ways in which it can reposition and re-brand the both the profession of Chartered Secretary and the Institute. It is intended that the new branding and positioning will target not only the traditional target audiences of government, regulators and employers, but also academia and the general public. The intention is to launch the corporate identity and positioning during the first quarter of 2007.

Mainland China will also present its own challenges in terms of establishing the profession there and the Affiliate Programme will continue to be at the core of our Mainland strategy. The effort and resources the Institute invests in research reports, guidance notes, the ECPD programme and numerous high profile events should also start to start to pay dividends as they are distributed to a wider Mainland audience.

The ECPD Programme as endorsed by HKEx has been acknowledged by attendees and regulators as an effective method of improving individuals secretarial skills and raising industry standards.

As a continuing process to improve our service to cater for the needs of members, a questionnaire for ECPD Programme participants was conducted in March 2006. The results are highlighted below:

- 73% of the respondents rated the seminars/workshops organised by the Institute as useful.
- 74% of the respondents rated the presenters of the seminars in general as good.

- 71% of the respondents think that the objective of the ECPD Programme to give assurance to the employers and regulators that our members are up to date with their knowledge and skills has been met.

The respondents also gave some useful suggestions which are highlighted below:

- To cater for the needs of the more experienced members, more courses at an advanced level are recommended.

In response to this suggestion, the Institute has launched an "Expert Series". This series will be led by experienced market practitioners. Participants are expected to have prior knowledge of the subject to allow interactive discussions.

- Experienced members should be invited to share their practical experience.

To respond to this suggestion, the Institute has invited some senior company secretaries including Mr. Mike Scales of HSBC, to share his experience on "Taking minutes: A Practical Guide", Ms Susan Lo, Director of Corporate Services, Tricor Services Limited to talk on "Companies (Amendment) Ordinance" and Ms Edith Shih, Head Group General Counsel & Company Secretary of Hutchison Whampoa Limited and Ms Wendy Yung, Company Secretary and Head of Corporate Services Division of Hysan Development Company Limited to discuss "Corporate Governance – Two Awardees share their experiences". These seminars attracted a high attendance and received excellent Feedback from the participants. The Institute will continue to invite experienced members to share their valuable experience for the benefit of all members.

# SECRETARIAT

## Hong Kong Registered Office

### Chief Executive

Phillip Baldwin

### Director, Education & Examinations/ Director, China Affairs

Louisa T.M. Lau, *ACS, ACIS*

### Director, Membership

Candy N.L. Wong

### Director, Professional Development

Maria Y.F. Kwan, *ACS (PE), ACIS*

### Director, Technical & Research

Loretta W.M. Chan, *LLB*

### Accountant

William W.L. Wu, *CPA, ACCA*

### Manager, Education & Examinations

Jacqueline K.K. Mak

### Assistant Manager, Professional Development

Michele K. Fong

### Officer, Education & Examinations

Peggy H.C. Cheung

### Officer, Education & Examinations

Aries W.Y. Ng

### Officer, Membership

Gretel W.C. Yeung

### Officer, Professional Development

Ivy C.S. Chow

### Officer, Professional Development

Davis N.C. Lau

### Officer, Accounts

Ivan C.F. Lam

### Officer, Communications

Elaine Y.L. Cheung

### Personal Assistant to Chief Executive

Kitty K.C. Cheung

### Administrative Assistants

Cally C. Y. Muk

Helen Y.M. Tong

Jordan K.C. Wong

## Beijing Representative Office

### Chief Representative

Kenneth G.L. Jiang

### Manager, Education & Examinations

Carrie H.X. Wang

### Office Secretary

Yuki L.M. Zou



Hong Kong Secretariat



Beijing Secretariat

# COMMITTEE OF COUNCIL

The appointments of Chairman, Vice-chairmen and members of Committees of Council, Panels, Working Groups and Other Special Task Forces are for a term of one year from 1 January 2006 to 31 December 2006:

## **Committees/Panels/Working Groups/Task Forces**      **Chairmen, Vice-chairmen and Members**

### **Executive Committee**

Richard W K Leung (*Chairman*)  
April W Y Chan  
Neil M McNamara  
Maurice W F Ngai  
Douglas C Oxley  
Natalia K M Seng

### **China Affairs Committee**

Maurice W F Ngai (*Chairman*)  
Davy K F Lee  
Samantha P Y Suen  
Bernard T L Wu  
Dr. Joseph S W Yau

### **Education Committee**

Natalia K M Seng (*Chairman*)  
Dr. Brian K H Lo (*Vice-Chairman*)  
Lila M L Fong  
Charles H S Hui  
Dr. Joseph S W Yau  
Francis K T Yuen  
Doris W N Wong  
Duffy C N Wong

#### **i. Exemption Sub-Committee**

Dr Joseph S W Yau (*Chairman*)  
Diana M Y Chung  
Winnie Y F Ma  
Anthony K H Wong  
Connie T M Wong  
Horace H M Wong

#### **ii. Student Disciplinary Sub-Committee**

Dr. Brian K H Lo  
Davy K F Lee  
Gloria S K Ma  
Natalia K M Seng



## Committees/Panels/Working Groups/Task Forces

## Chairmen, Vice-chairmen and Members

### iii. Assessment Review Panel

Duffy C N Wong (*Chairman*)

Dr. Alan K M Au

Dr. John Y W Chung

Dr. Brian K H Lo

Clement C Y Shum

David S O Yip

Francis K T Yuen

Dr. Susana L M Yuen

### iv. Examinations Review Panel Chairmen

- Law Panel Chairman
- Accounting Panel Chairman
- Management Panel Chairman

Duffy C N Wong

David S O Yip

Dr. John Y W Chung

### v. Academic Advisory Panel

Professor Charles J P Chen, City University of Hong Kong

Professor K L Chan, Hong Kong University of  
Science & Technology

Professor Ferdinand A Gul, The Hong Kong Polytechnic  
University

Professor Simon S M Ho, Hong Kong Baptist University

Professor Y K Ip, The Open University of Hong Kong

Dr. Sabrina Y S Kwan, Hong Kong University of  
Science & Technology

Professor Amy H L Lau, The University of Hong Kong

Professor C K Low, Chinese University of Hong Kong

Professor M K Nyaw, Lingnan University

### vi. CCA Review Panels (2 members for each CCA)

- HKPU
- CityU
- OUHK

Natalia K M Seng

Clement C Y Shum

Dr. Joseph S W Yau

Francis K T Yuen

Charles H S Hui

Dr. John Y W Chung

# COMMITTEE OF COUNCIL

## **Committees/Panels/Working Groups/Task Forces**      **Chairmen, Vice-chairmen and Members**

### **Membership Committee**

April W Y Chan (*Chairman*)  
Dr. Alan K M Au (*Vice-Chairman, Marketing*)  
Gloria S K Ma (*Vice-Chairman, Admission*)  
Edwin Ing  
Alberta K Sie

Panel/Group/Tribunal

Special Entry Panel

Davy K F Lee (*Chairman*)  
Michael W Scales  
Duffy C N Wong  
Horace H M Wong

Divisional Investigation Group

Duffy C N Wong (*Chairman*)  
Robin S W Ching  
Roger L C Leung  
Ma Kwong Wing  
Michael W Scales

Divisional Disciplinary Tribunal

Edwin Ing (*Chairman*)  
John R Brewer  
Davy K F Lee  
Margaret S M Yu

Divisional Appeal Tribunal

Samantha P Y Suen (*Chairman*)  
Lila M L Fong  
Peter W Greenwood  
Joseph K S Mau

Ad Hoc Investigation Group

Michael W Scales (*Chairman*)  
Eric S K Ip  
Mitzi M C Leung  
Y W Lip

### **Professional Development Committee**

Neil M McNamara (*Chairman*)  
Elly Y L Chan  
Grace W W Kwok  
Roger L C Leung  
Richard W K Leung  
Joseph K S Mau  
David T C Ng

## Committees/Panels/Working Groups/Task Forces      Chairmen, Vice-chairmen and Members

Panels and Working Group:

i. Technical Consultation Panel

Richard W K Leung (*Chairman*)  
Douglas Arner  
Paul Campbell  
Say Goo  
Peter W Greenwood  
Veronica Lin  
C K Low  
Edith Shih  
Vanessa Stott  
Toh Guat Kim  
Wendy W Y Yung

ii. Company Secretaries Panel

Michael W Scales (*Chairman*)  
April W Y Chan  
Wilson W S Chan  
Robin S W Ching  
Lila M L Fong  
David Fu  
Theresa L P Ho  
Eric S K Ip  
Roger L C Leung  
Joseph K S Mau  
Neil M McNamara  
Stella S Y Or  
Edith Shih  
Peter Y W Tsang  
Eirene Yeung  
Susan C L Yip  
Wendy W Y Yung

iii. Professional Services Panel

Samantha P Y Suen (*Chairman*)  
Elly Y L Chan  
Katherine S C Chiu  
Kitty K S Liu  
Gloria S K Ma  
Natalia K M Seng  
Doris W N Wong

iv. CSJ Editorial Committee

Phillip Baldwin  
Fanny Cheung  
Kieran Colvert  
Paul Davis  
Maria Kwan  
Grace Kwok

# INSTITUTE REPRESENTATION ON EXTERNAL PANELS, COMMITTEES AND WORKING PARTIES

## Year of Appointment 2006

### 1. International

ICSA International Council

Neil M McNamara  
(from January 2006 for a term of  
three years)

### 2. Government & Regulatory Bodies

a. *Companies Registry*

- Customer Liaison Group

Natalia K M Seng

b. *Official Receiver's Office*

- Services Advisory Committee

Patrick Cowley  
Alberta K Sie

c. *Inland Revenue Department*

- Users' Committee

Samantha P Y Suen

d. *Electoral Affairs Commission*

- HKICS authorised representative (President)

Richard W K Leung

e. *Financial Services & the Treasury Bureau*

- Corporate Governance Working Group

Neil M McNamara

f. *ICAC "Ethical Leadership for the New Generation" Training Programme cum  
Youth Summit Organising Committee*

Dr. Brian K H Lo  
Natalia K M Seng

g. *Financial Services and the Treasury Bureau*

- Advisory Groups for the Rewrite of Companies Ordinance

Richard W K Leung  
Natalia K M Seng  
Eirene Yeung  
Wendy W Y Yung

**Year of Appointment  
2006**

**3 . Business Sector/Professional Bodies**

a. *Hong Kong Management Association*  
– Best Annual Report Awards Natalia K M Seng

b. *Hong Kong Institute of Certified Public Accountants*  
i) Best Corporate Disclosure Awards April W Y Chan  
– Review Panel

**4. Academic Bodies**

a. *City University of Hong Kong*  
i) Member of Departmental Advisory Committee on Accountancy Doris W N Wong

ii) External Examiner and Moderator for Master of Arts in Professional Accounting & Information Dr. Brian K H Lo

b. *The Open University of Hong Kong*  
i) Advisory Peers Group (APG) Marketing and International Business Strand Natalia K M Seng

ii) External Examiner for Master of Corporate Governance

c. *Vocational Training Council*  
– Accountancy Training Board Francis K T Yuen

d. *Caritas Francis Hsu College*  
i) External Examiners of Higher Diploma in Corporate Management programme Seaman Kwok

# AUDITORS' REPORT

**TO THE MEMBERS OF  
THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES**

香港特許秘書公會

*(incorporated in Hong Kong and limited by guarantee)*

We have audited the financial statements on pages 45 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## **Respective responsibilities of Council and Auditors**

The Companies Ordinance requires the Council of the Institute to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs as at 31 July, 2006 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

**Fan, Chan & Co.**

*Certified Public Accountants*

Hong Kong, 19 September, 2006

# INCOME STATEMENT

For the year ended 31 July, 2006

	Note	2006 HK\$	2005 HK\$ (restated)
Subscriptions	(6)	<b>11,315,449</b>	11,569,305
Other revenue	(7)	<b>5,064,290</b>	6,611,013
		<b>16,379,739</b>	18,180,318
Staff costs	(8)	<b>(8,223,422)</b>	(6,512,162)
Depreciation and amortisation expenses		<b>(658,655)</b>	(597,301)
Other operating expenses	(9)	<b>(7,731,436)</b>	(9,251,654)
		<b>(16,613,513)</b>	(16,361,117)
Gain on disposal of leasehold land and buildings		–	1,272,017
<b>(Deficit) Surplus for the year</b>		<b>(233,774)</b>	3,091,218

# BALANCE SHEET

At 31 July, 2006

	Note	2006 HK\$	2005 HK\$ (restated)
<b>Non-current assets</b>			
Property, plant and equipment	(12)	5,213,540	4,393,057
Prepaid lease payments	(13)	14,478,352	14,495,568
		<b>19,691,892</b>	18,888,625
<b>Current assets</b>			
Cash and bank balances		916,145	1,452,081
Fixed and call deposits at banks		5,101,243	5,098,967
Financial assets at fair value through profit or loss	(14)	9,168,500	–
Investments in securities	(14)	–	8,881,121
Debtors, deposits and prepayments	(15)	788,779	437,016
Inventories		40,766	24,318
		<b>16,015,433</b>	15,893,503
<b>Current liabilities</b>			
Accounts payable and provisions	(16)	2,397,053	2,260,082
<b>Net current assets</b>		<b>13,618,380</b>	13,633,421
<b>Net assets</b>		<b>33,310,272</b>	32,522,046
<b>Reserves</b>		<b>33,310,272</b>	32,522,046

The financial statements were approved and authorised for issue by the Council on 19 September, 2006 and are signed on its behalf by:

**Richard Leung**  
President

**Douglas C. Oxley**  
Treasurer



# CASH FLOW STATEMENT

For the year ended 31 July, 2006

	Note	2006 HK\$	2005 HK\$ (restated)
<b>Operating activities</b>			
Net cash (used in) from operations	(17)	<b>(312,694)</b>	3,784,318
<b>Investing activities</b>			
Interest received		<b>218,956</b>	100,611
Purchase of fixtures and equipment		<b>(439,922)</b>	(1,707,891)
Purchase of investment in securities		–	(2,500,000)
Proceeds on disposal of leasehold land and building		–	5,619,782
Net cash (used in) from investing activities		<b>(220,966)</b>	1,512,502
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(533,660)</b>	5,296,820
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,551,048</b>	1,254,228
<b>Cash and cash equivalents at the end of the year</b>		<b>6,017,388</b>	6,551,048
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		<b>916,145</b>	1,452,081
Fixed and call deposits at banks		<b>5,101,243</b>	5,098,967
		<b>6,017,388</b>	6,551,048

# STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July, 2006

	General fund HK\$	Examination prize fund HK\$	Company law prize fund HK\$	Research fund HK\$	Revaluation reserve HK\$	Total HK\$
Balance at 1 August, 2004	29,103,355	58,148	50,025	62,534	1,804,017	31,078,079
Effect of changes in accounting policies (note 2)	111,671	–	–	–	(488,887)	(377,216)
As restated	29,215,026	58,148	50,025	62,534	1,315,130	30,700,863
Realisation on disposal of leasehold land and building	–	–	–	–	(1,312,235)	(1,312,235)
Surplus on revaluation	–	–	–	–	42,200	42,200
Surplus for the year ended 31 July, 2005	3,091,218	–	–	–	–	3,091,218
Interest income appropriated	(61)	20	41	–	–	–
Balance at 31 July, 2005, as restated	32,306,183	58,168	50,066	62,534	45,095	32,522,046
Balance at 1 August, 2005, as restated	32,306,183	58,168	50,066	62,534	45,095	32,522,046
Surplus on revaluation	–	–	–	–	1,022,000	1,022,000
Deficit for the year ended 31 July, 2006	(233,774)	–	–	–	–	(233,774)
Interest income appropriated	(1,176)	817	359	–	–	–
<b>Balance at 31 July, 2006</b>	<b>32,071,233</b>	<b>58,985</b>	<b>50,425</b>	<b>62,534</b>	<b>1,067,095</b>	<b>33,310,272</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 1. Corporate status and principal activities

The Institute is limited by guarantee, such that under the provisions of the memorandum of association, every member shall, in the event of the Institute being wound up, contribute such amount as may be required to meet the liabilities of the Institute, but not exceeding HK\$10 for each member. The registered address and principal place of operation is located at 3/F., Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong

The principal activities of the Institute are to promote and advance the efficient administration of commerce, industry and public affairs by the continued development of the study and practice of company secretaryship and administration of companies and other bodies.

The Institute's financial statements are expressed in Hong Kong dollars because that is the currency of primary economic environment in which the Institute operates.

## 2. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Institute has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Institute's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- financial instruments (HKAS 32 and HKAS 39); and
- leases (HKAS 17)

### **HKAS 32 Financial Instruments: Disclosure and Presentation & HKAS 39 Financial Instruments: Recognition and Measurement**

HKAS 32 Financial Instruments: Disclosure and Presentation requires retrospective application and primarily addresses the classification of a financial instrument issued by an entity and prescribes disclosure requirements of financial instruments.

HKAS 39 Financial Instruments: Recognition and Measurement deals with recognition, measurement, derecognition of financial instruments and also prescribes requirements for hedge accounting. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects of the adoption of the requirements of HKAS 32 and HKAS 39 are summarised as follows:

### **Investment securities**

By 31 July 2005, the Institute classified its equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 Accounting for Investments in Securities (SSAP 24). Under SSAP 24, investments in equity securities are classified as "trading securities" or as "non-trading securities". Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in profit and loss for the period in which gains or losses arise while unrealised gains or losses of "non-trading securities" are reported in reserve until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for that period. In accordance with HKAS 39, investments in equity securities are classified as either investments held for trading (fair value through profit or loss) or as available-for-sale, and are measured at subsequent reporting dates at fair value. Changes in fair values of investments held for trading are recognised in profit or loss as they arise while changes in fair values of available-for-sale investments are generally recognised in equity. The Institute has applied the transitional rules in HKAS 39. At 1 August 2005, the Institute reclassified its trading securities with a carrying amount of HK\$8,881,121 to financial assets at fair value through profit or loss. The adoption of the requirements of HKAS 39 in respect of equity investments has had no impact to the Institute at 1 August 2005 nor has it had an impact on the current period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 2. Adoption of new and revised Hong Kong Financial Reporting Standards *(continued)*

### HKAS 17 Leases

#### Owner-occupied leasehold land

The Institute has leasehold land interests in Hong Kong for office use. In previous years, these property interests were included in property, plant and equipment accounted for using the revaluation model. In accordance with HKAS 17 these leasehold interests are classified as prepaid lease payments under operating leases, and are carried at cost and amortised over the lease term on a straight-line basis. In the absence of any transitional rules in HKAS 17, the change in accounting policy has been applied retrospectively.

Therefore, at 1 August 2004, the carrying amounts of these leasehold interests have been reduced by HK\$377,216. Corresponding adjustments, being an increase in general fund of HK\$111,671 and a decrease in revaluation reserve of HK\$488,887 have been made at 1 August 2004.

For year ended 31 July 2005, the amortisation charge of these leasehold interests amounted to HK\$17,216 (included in depreciation and amortisation expense). At 31 July 2005, these property interests amounted to HK\$14,495,568.

For year ended 31 July 2006, the amortisation charge of these leasehold interests amounted to HK\$17,216 (included in depreciation and amortisation expense). At 31 July 2006, these property interests amounted to HK\$14,478,352.

The effect is summarised as follows:

	Originally stated HK\$	Adjustments HK\$	Restated HK\$
As at 1 August 2004			
Property, plant and equipment	23,820,972	(14,890,000)	8,930,972
Prepaid lease payments	–	14,512,784	14,512,784
Revaluation reserve	1,804,017	(488,887)	1,315,130
General fund	29,103,355	111,671	29,215,026
As at 31 July 2005			
Property, plant and equipment	21,793,057	(17,400,000)	4,393,057
Prepaid lease payments	–	14,495,568	14,495,568
Revaluation reserve	3,203,630	(3,158,535)	45,095
General fund	32,052,080	254,103	32,306,183

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and building under long lease. The Institute had not early adopt new accounting standards that have been issued but are not yet effective.

### 3. Significant accounting policies

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Institute and when the revenue can be measured reliably, on the following bases:

Members and graduates subscription income is recognised on time proportionate basis.

Students subscription income is recognised on time proportionate basis.

Examination fees received and function income are recognised in the period in which the examinations and functions are held.

Interest income is recognised on an accrual basis.

#### Property, plant and equipment

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that assets.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sales or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to general fund.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land using the straight-line method over their estimated useful lives as follows:–

Buildings	50 years
Leasehold improvements	5 years
Fixtures and fittings	3 years
Office furniture	5 years
Office equipment	5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### Financial instruments

##### Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Where the effect of discounting would be immaterial, the receivables are stated at cost less impairment losses for bad and doubtful debts.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 3. Significant accounting policies (continued)

### Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction cost.

At subsequent reporting dates, debt securities that the Institute has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Investments other than held-to-maturity debt securities are classified as either investments held for trading (fair value through profit or loss) or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Institute reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual assets, the Institute estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

### 3. Significant accounting policies *(continued)*

#### **Inventories**

Inventories, comprising souvenirs and textbooks held for sale, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

#### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in income statement for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in reserve.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

#### **Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Employee benefits**

Salaries, annual bonuses and the cost to the Institute of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Institute.

#### **Pension obligations**

Contributions to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

#### **Reserves**

The fund balances of the Institute are classified as General fund, Examination prize fund, Company law prize fund and Research fund as follows:

The General fund consists of accumulated surplus from the income statement.

Examination prize fund and Company law fund is for payment of prize of outstanding performance in examination and in Company law.

Research fund is for payment of research project that is of value to the Institute.

### 4. Financial risk management objectives and policies

The Institute's major financial instruments include investments, accounts receivables and accounts payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Currency risk**

Certain investments, accounts receivables and accounts payable of the Institute are denominated in foreign currencies. The Institute currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 4. Financial risk management objectives and policies *(continued)*

### Credit risk

The Institute's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 July, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. In order to minimise the credit risk, the management of the Institute has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Institute reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the council members of the Institute consider that the Institute's credit risk is significantly reduced.

The Institute has no significant concentration of credit risk, with exposure spread over a number of counterparties and members.

## 5. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies which are described in note 3, management has made the following judgment that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

### Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Institute is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of members of the Institute were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## 6. Subscriptions

Subscriptions comprise subscription fees received from members, graduates and students during the year.

## 7. Other revenue

	2006 HK\$	2005 HK\$
Bank interest income	218,956	100,611
Examination fees received from students	1,840,370	2,053,620
Revenue from functions held	2,419,794	4,193,105
Sundry income	297,791	356,169
Increase in fair value of financial assets at fair value through profit or loss	287,379	(126,342)
Net foreign exchange gain	–	33,850
	<b>5,064,290</b>	<b>6,611,013</b>



## 8. Staff costs

	2006 HK\$	2005 HK\$
Salaries, allowances and other benefits	7,770,627	6,350,184
Contributions to the MPF Scheme, net of unvested benefits	452,795	161,978
	<b>8,223,422</b>	6,512,162

## 9. Other operating expenses

	2006 HK\$	2005 HK\$
Auditors' remuneration	25,000	24,000
Direct cost of functions held	740,605	2,253,828
Institute's service charges	766,677	1,928,590
Operating lease rental – land and building	69,228	69,228
Promotion and public relations	1,285,095	507,014
Publications and printing	2,615,598	2,495,814
Student services	701,357	487,460
Sundry expenses	990,912	877,479
Utilities	534,518	560,320
Loss on disposal of fixtures and equipment	–	47,921
Net foreign exchange loss	2,446	–
	<b>7,731,436</b>	9,251,654

## 10. Taxation

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

## 11. Council members' emoluments

During the years ended 31 July 2006 and 2005, no amounts have been paid in respect of Council members' emoluments, Council members' or past Council members' pension or for any compensation to members of Council or past members of Council in respect of loss of office.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 12. Property, plant and equipment

	Building under long lease HK\$	Leasehold improvements HK\$	Fixtures and fittings HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
<b>Cost or valuation</b>						
At 1 August, 2004						
– as originally stated	23,160,000	658,531	422,519	216,935	1,894,842	26,352,827
– effect on adoption of HKAS 17	(14,890,000)	–	–	–	–	(14,890,000)
– as restated	8,270,000	658,531	422,519	216,935	1,894,842	11,462,827
Additions	–	946,091	–	211,671	550,129	1,707,891
Disposal	(5,660,000)	(558,893)	(422,519)	(172,960)	(868,789)	(7,683,161)
Revaluation	(10,000)	–	–	–	–	(10,000)
At 31 July, 2005	2,600,000	1,045,729	–	255,646	1,576,182	5,477,557
Additions	–	63,314	–	1,488	375,120	439,922
Revaluation	970,000	–	–	–	–	970,000
<b>At 31 July, 2006</b>	<b>3,570,000</b>	<b>1,109,043</b>	<b>–</b>	<b>257,134</b>	<b>1,951,302</b>	<b>6,887,479</b>
<b>Representing:</b>						
Cost	–	1,109,043	–	257,134	1,951,302	3,317,479
Valuation	3,570,000	–	–	–	–	3,570,000
	3,570,000	1,109,043	–	257,134	1,951,302	6,887,479
<b>Accumulated depreciation</b>						
At 1 August, 2004	–	575,931	422,519	191,523	1,341,882	2,531,855
Charge for the year	52,200	209,145	–	48,915	269,825	580,085
Disposal	–	(556,003)	(422,519)	(157,909)	(838,809)	(1,975,240)
Elimination on revaluation	(52,200)	–	–	–	–	(52,200)
At 31 July, 2005	–	229,073	–	82,529	772,898	1,084,500
Charge for the year	52,000	221,809	–	45,910	321,720	641,439
Elimination on revaluation	(52,000)	–	–	–	–	(52,000)
<b>At 31 July, 2006</b>	<b>–</b>	<b>450,882</b>	<b>–</b>	<b>128,439</b>	<b>1,094,618</b>	<b>1,673,939</b>
<b>Net book value</b>						
<b>At 31 July, 2006</b>	<b>3,570,000</b>	<b>658,161</b>	<b>–</b>	<b>128,695</b>	<b>856,684</b>	<b>5,213,540</b>
At 31 July, 2005 (restated)	2,600,000	816,656	–	173,117	803,284	4,393,057

## 12. Property, plant and equipment (continued)

- a. The net book value of buildings comprises:-

	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
Building in Hong Kong		
– Long leases	<b>3,570,000</b>	2,600,000

- b. On 31 July 2006, the buildings in net carrying value of HK\$2,600,000 were revalued to HK\$3,570,000 by Knight Frank Petty Limited, professional surveyor on the open market value basis. The surplus arising on revaluation of HK\$1,022,000 was credited to leasehold land and building revaluation reserve.

## 13. Prepaid lease payments

### Cost

At 1 August 2004

– as originally stated

– effect on adoption of HKAS 17

–  
14,530,000

At 31 July 2005

14,530,000

**At 31 July 2006**

**14,530,000**

### Accumulated amortisation

At 1 August 2004

– as originally stated

– effect on adoption of HKAS 17

–  
17,216

Charge for the year

17,216

At 31 July 2005

34,432

Charge for the year

17,216

**At 31 July 2006**

**51,648**

### Net book value

**At 31 July 2006**

**14,478,352**

At 31 July 2005

14,495,568

The Institute's prepaid lease payments represent leasehold land in Hong Kong held under long lease.

The leasehold land is amortised on a straight-line basis over the remaining term of the lease.

The fair value of the leasehold land at 31 July 2006 as revalued by Knight Frank Petty Limited, professional surveyor on the open market value basis was HK\$20,230,000 (2005: HK\$17,400,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 14. Financial assets at fair value through profit or loss/Investment in securities

	2006 HK\$	2005 HK\$
Unlisted debt securities, outside Hong Kong		
<b>Financial assets at fair value through profit or loss</b>		
At market value	<b>9,168,500</b>	–
Balance b/f	<b>8,881,121</b>	–
Increase in fair value	<b>287,379</b>	–
Balance c/f	<b>9,168,500</b>	–
<b>Investment in securities</b>		
At market value	–	8,881,121

As at 31 July 2006, investments represented funds set aside for investment by external professional fund managers on behalf of the Institute.

## 15. Debtors, deposits and prepayments

	2006 HK\$	2005 HK\$
Accounts receivable	<b>546,942</b>	227,330
Deposits	<b>55,121</b>	128,266
Prepayments	<b>186,716</b>	81,420
	<b>788,779</b>	437,016

The council members consider that the carrying amount of debtors, deposits and prepayments approximates to their fair value.

## 16. Accounts payable and provisions

	2006 HK\$	2005 HK\$
Accounts payable	1,111,421	651,420
Accrual and provisions	1,213,352	1,536,932
Receipt in advance	72,280	71,730
	<b>2,397,053</b>	2,260,082

The council members consider that the carrying amount of accounts payables approximates to their fair value.

## 17. Note to cash flow statement

Reconciliation for deficit to net cash from operations

	2006 HK\$	2005 HK\$
(Deficit) Surplus for the year	<b>(233,774)</b>	3,091,218
Adjustments for:		
Depreciation	<b>641,439</b>	580,085
Amortisation of prepaid lease payments	<b>17,216</b>	17,216
Interest income	<b>(218,956)</b>	(100,611)
(Increase) Decrease in fair value of financial assets through profit or loss	<b>(287,379)</b>	126,342
Gain on disposal of leasehold land and building	–	(1,272,017)
Loss on disposal of fixtures and equipment	–	47,921
Operating (deficit) surplus before changes in working capital	<b>(81,454)</b>	2,490,154
(Decrease) Increase in debtors, deposits and prepayments	<b>(351,763)</b>	786,368
(Increase) Decrease in inventories	<b>(16,448)</b>	98,291
Increase in trade and other payables	<b>136,971</b>	409,505
Net cash (used in) from operations	<b>(312,694)</b>	3,784,318

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July, 2006

## 18. Operating leases arrangement

### The Institute as lessee

	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
Minimum lease payments under operating leases recognised in income statement for the year		
– Land and buildings for Beijing representative office	<b>69,228</b>	69,228

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases are as follows: –

	<b>2006</b>	2005
	<b>HK\$</b>	HK\$
Land and buildings		
– Within one year	<b>63,459</b>	69,228
– In the second to fifth year, inclusive	–	63,459
	<b>63,459</b>	132,687

# ECPD Programme Seminar Report (Year to July 2006)

DATE	TOPIC	PRESENTER
<b>July 2006</b>		
1. 4 July 2006	PRC Corporate Law Reform & the Double Taxation Arrangement	Jeremy Ngai, Partner – Tax & China Business Advisory Services, PricewaterhouseCoopers Ltd.
2. 6 July 2006	Potential Pitfalls in complying with the SFO	Carl Fernandes, Senior Associate, Linklaters
3. 8 July 2006	Sarbanes-Oxley Act	Helen Li, Director, Risk Advisory Services, KPMG
4. 10 July 2006	Taking Minutes: A Practical Guide	Mike Scales, Corporation Secretary, HSBC
5. 15 July 2006	Internal Control and Risk Management	Michael Chan, Director, Quality Assurance, Hong Kong Institute of CPAs
6. 18 July 2006	Market Misconduct on the SFC Investigations	Sherman Yan, Partner, OR, NG & CHAN
7. 18 July 2006	Loans to directors and Fund raising	Peter Chen, Consultant, Simmons & Simmons
8. 20 July 2006	Companies (Amendment) Ordinance	Susan Lo, Director of Corporate Services, Tricor Services Limited
<b>June 2006</b>		
1. 8 June 2006	Practical tips on drafting announcements	Shirley Lau, Partner, Troutman Sanders
2. 16 June 2006	Enhancing Corporate Value by Disclosure	April Chan, Company Secretary, CLP Holdings Ltd
3. 20 June 2006	Taking Minutes: a Practical Guide	Mike Scales, Corporation Secretary, HSBC
4. 22 June 2006	Cross Boundary Corruption – A Perspective from Hong Kong's Anti-Bribery Law	Raymond Ng, Executive Director, Hong Kong Ethics Development Centre, ICAC
5. 28 June 2006	How to operate a BVI Company under the New Legislation	<ul style="list-style-type: none"> <li>• Grace Ma, General Manager, Technical Services (BVI), Offshore Incorporations "OIL"</li> <li>• Wendy Ip, Assistant General Manager, Account Management Services, OIL</li> </ul>
<b>May 2006</b>		
1. 11 May 2006	Connected Transactions	Peter Chen, Senior Associate, Simmons & Simmons
2. 13 May 2006	Corporate Governance – Two awardees share their experiences	<ul style="list-style-type: none"> <li>• Wendy Yung, Company Secretary and Head of Corporate Services Division of Hysan Development Company Limited</li> <li>• Edith Shih, Head Group General Counsel &amp; Company Secretary of Hutchison Whampoa Limited and Executive Director of Hutchison International Limited</li> </ul>
3. 16 May 2006	Profits Tax	Austin Grady, Chief Assessor, Inland Revenue Department
4. 19 May 2006	Listing Rules Updates	<ul style="list-style-type: none"> <li>• Voon Keat Lai, Partner, Stephenson Harwood &amp; Lo</li> <li>• Lawrence Chan, Solicitor, Stephenson Harwood &amp; Lo</li> </ul>
5. 24 May 2006	An Overview of CEPA and its Latest Development	Peony Leung, Principal Trade Officer of the Trade and Industry Department
6. 26 May 2006	Placement of shares	Conrad Chan, Partner, Mallesons Stephen Jaques

# ECPD Programme Seminar Report (Year to July 2006) – Cont'd

DATE	TOPIC	PRESENTER
<b>April 2006</b>		
1. 10 Apr 2006	Annual Corporate and Regulatory Update 2006 ('ACRU')	Representatives from the Securities & Futures Commission, Hong Kong Exchanges and Clearing Limited and the Official Receiver's Office
2. 27 Apr 2006	Commercial Mediation	<ul style="list-style-type: none"> <li>David Ravenscroft, Senior Partner, David Ravenscroft &amp; Co, Solicitors and Notaries, and Commercial Mediation Committee, Hong Kong Mediation Council</li> <li>Benjamin Ho, Assistant Solicitor, P. C. Woo &amp; Co., Solicitors and Notaries, and Commercial Mediation Committee, Hong Kong Mediation Council</li> </ul>
3. 29 Apr 2006	Induction for Directors	<ul style="list-style-type: none"> <li>Gary Seib, Partner, Baker &amp; McKenzie</li> <li>Kareena Teh, Associate, Baker &amp; McKenzie</li> </ul>
<b>March 2006</b>		
1. 3 Mar 2006	Share Buy-Back	Susan Lo, Director of Corporate Services, Tricor Services Limited
2. 8 Mar 2006	Internal Control (C.2. of Appendix 14 of the Listing Rules)	Jack Chow, Partner, KPMG
3. 16 Mar 2006	Negotiation for Non-Negotiators	C L Lok, Training Consultant, Vocational Training Council
4. 18 Mar 2006	Disclosure of Interests and Update of Regulated Activities under the Securities and Futures Ordinance	Raymond Cheung, Head of Corporate and Commercial Department, OR, NG & CHAN
<b>February 2006</b>		
1. 7 Feb 2006	Offshore Fund Companies in Cayman Islands, BVI and Bermuda	Judy Lee, Senior Associate, Appleby Spurling Hunter
2. 11 Feb 2006	Share-based Employee Benefit Plans	<ul style="list-style-type: none"> <li>Billy Wong, FSA, CFA, LLB, Consulting Actuary, Watson Wyatt</li> <li>Cynthia Chung, Partner - Head of Human Resources and Pensions, Deacons</li> <li>Oliver Ng, Executive Director, BOCI Securities Limited</li> </ul>
3. 13 Feb 2006	Recent Amendments to the PRC Company Law	Sharon Shen, Registered Foreign Lawyer (PRC), Oldham, Li & Nie
4. 16 Feb 2006	Handling Hostile Shareholder Meetings	John Gale, Partner, Stephenson Harwood & Lo
5. 20 Feb 2006	Notifiable Transactions	Katherine U, Partner, Heller Ehrman
6. 22 Feb 2006	Intellectual Property Issues in Merger and Acquisition Transactions	<ul style="list-style-type: none"> <li>Ludwig Ng, LL.M., Senior Partner, OR, NG &amp; CHAN</li> <li>Derek Lau, B.Sc., MBA, LL.B., Associate, Patents Department, OR, NG &amp; CHAN</li> </ul>
7. 24 Feb 2006	Establishing Companies, Representative Office & Branches in China	Terence Lam, Managing Director, Shanghai Wong Lam Leung & Kwok Investment Consulting Company Limited



# ECPD Programme Seminar Report (Year to July 2006) – Cont'd

DATE	TOPIC	PRESENTER
<b>January 2006</b>		
1. 6 Jan 2006	Comparison of popular offshore jurisdictions – British Virgin Islands, Anguilla, Samoa and Seychelles	Suzanne Callister, Senior Vice President, Sales & Marketing, Offshore Incorporations HK Ltd.
2. 10 Jan 2006	Bankruptcy	Mabel Tsang, Senior Manager, Ernst & Young Transactions Limited
3. 18 Jan 2006	PRC Company (Amendment) Ordinance 2005	Yao Jun, General Counsel, Ping An Insurance (Group) Company of China Limited
4. 18 Jan 2006	Revolutions in shareholding structure and responsibilities of board secretary	Material prepared by Yuan Lu, Board Secretary, Tsing Tao Beer and was presented by Liu Cui Mei, Assistant Board Secretary, Tsing Tao Beer.
<b>December 2005</b>		
1. 1 Dec 2005	A practical guide to Pre-Listing Preparation	Peter Chen, Senior Associate, Simmons & Simmons
2. 3 Dec 2005	Shareholders Disputes: The Basic Legal Principles and the New Law	<ul style="list-style-type: none"> <li>Ludwig Ng, LL.M., Senior Partner of Messrs. OR, NG &amp; CHAN</li> <li>Sherman Yan, LL.M., Head of litigation of Messrs. OR, NG &amp; CHAN</li> </ul>
3. 6 Dec 2005	Continuing Obligation - in respect of Disclosure	Susan Lo, Director of Corporate Services, Tricor Services Limited
4. 13 Dec 2005	An Update of the Hong Kong Financial Reporting Standards on Property, Plant and Equipment	Anthea Law, Manager, Technical Department, Deloitte Touche Tohmatsu
5. 15 Dec 2005	How to operate a BVI Company under the New Legislation	Suzanne Callister, Senior Vice President, Sales & Marketing, Offshore Incorporations HK Ltd
6. 16 Dec 2005	Listing Issues for PRC Companies	<ul style="list-style-type: none"> <li>Michael Fosh, Partner, Chief Representative (Beijing), Herbert Smith LLP</li> <li>Gary Lock, Managing Partner (Shanghai Office), Herbert Smith LLP</li> </ul>
7. 17 Dec 2005	Case Study on the Legal Procedures and Planning for Setting Up Wholly Foreign Owned Company in Guangzhou City PRC and Its Newly Launched Regulations	Lawrence Lau, Barrister-at-law & Certified Public Accountant
8. 20 Dec 2005	Drafting of the Prospectus for Debt and Equity Issuances	Susie Cheung, General Counsel and Company Secretary, The Hong Kong Mortgage Corporation Limited

## ECPD Programme Seminar Report (Year to July 2006) – Cont'd

DATE	TOPIC	PRESENTER
<b>November 2005</b>		
1. 10 Nov 2005	Connected Transactions – An Overview	<ul style="list-style-type: none"> <li>• Conrad Chan, Partner, Mallesons Stephen Jaques</li> <li>• Cindy Ng, Legal Counsel, Kerry Logistics Network Limited</li> </ul>
2. 11 Nov 2005	The New Corporate Governance Regime under the Listing Rules	Shirley Lau, Partner, Troutman Sanders
3. 15 Nov 2005	Dealing with the Regulators	<ul style="list-style-type: none"> <li>• James Gardner, Partner, Linklaters</li> <li>• Carl Fernandes, Senior Associate, Linklaters</li> </ul>
4. 19 Nov 2005	Tips for Completion and Filing of Forms and Use of Electronic Search Services	<ul style="list-style-type: none"> <li>• Belinda Keung, Assistant Registry Manager (Registration), Companies Registry</li> <li>• Ivy Poon, Assistant Registry Manager (Public Search), Companies Registry</li> </ul>
5. 22 Nov 2005	The Takeovers Code in Hong Kong	<ul style="list-style-type: none"> <li>• John Gale, Partner, Stephenson Harwood &amp; Lo and</li> <li>• Lawrence Chan, Solicitor, Stephenson Harwood &amp; Lo</li> </ul>
6. 24 Nov 2005	Hong Kong Code on Corporate Governance	Derek Jackson, Senior Manager, KPMG
<b>October 2005</b>		
1. 13 Oct 2005	Pre-listing Matters: What you need to know?	<ul style="list-style-type: none"> <li>• Richard Grams, Solicitor, Oldham, Li &amp; Nie</li> <li>• Sharon Shen, Registered PRC lawyer, Oldham, Li &amp; Nie</li> </ul>
2. 14 Oct 2005	An Update of the Hong Kong Financial Reporting Standards	Clara Yu, Manager, Technical Department, Deloitte Touche Tohmatsu
3. 19 Oct 2005	Directors' & Officers' Liability	Simon McConnell, Partner, Allens Arthur Robinson, Hong Kong
<b>September 2005</b>		
1. 12 Sep 2005	How to Structure an Acquisition	Julianne Doe, Senior Consultant, Boughton Peterson Yang Anderson
2. 17 Sep 2005 (Workshop)	How to Chair Meetings, Take Minutes, and Raise Commitment?	C K Cho, Barrister-At-Law, Master Trainer, Academy of Management Consultancy
3. 23 Sep 2005	New Enforcement Trends in Chinese IP Protection and Practical Strategies for Trade Secrets	Alan Adcock, IP Manager, Yu & Partners in association with Willoughby & Partners/Rouse Legal





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