

# Annual Report

06 - 07



**Gold Standard Around The World**

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# CFP<sup>CM</sup> Certification: Internationally-recognized mark of excellence in Financial Planning

There are currently more than 100,000 CFP professionals practicing in 20 countries across five continents, providing top-notch financial planning services to clients to achieve their different life goals.



For more information, please visit [www.ifphk.org](http://www.ifphk.org)

CFP<sup>CM</sup>, CERTIFIED FINANCIAL PLANNER<sup>CM</sup> and  are certification marks owned outside the U.S. by Financial Planning Standards Board Ltd. (FPSB). The Institute of Financial Planners of Hong Kong is the marks licensing authority for the CFP marks in Hong Kong and Macau, through agreement with FPSB.

# VISION AND MISSION

## Vision

To be recognized as the premier professional body representing financial planners that uphold the highest standards to benefit the public.

## Mission

- To promote the CFP<sup>CM</sup> certification as the gold standard and other financial services qualifications for professional development of financial planners.
- To establish and uphold professional standards in financial planning.
- To increase public awareness of the value of the financial planning process.
- To represent top practitioners meeting the highest standards in the financial planning industry.

## Key Result Areas

**Promoting CFP certification:** Raise the profile and perceived value of the CFP certification mark as the “Gold Standard” in financial planning.

**Certification and Qualifications:** Ensure and maintain quality assurance in financial planning certification and assessment.

**Membership:** Provide value added services to members and represent their interests to stakeholders.

**Upholding Standards:** Promote and maintain the highest level of competencies in financial planning to meet the public interest.

**Internal improvements:** Optimize the efficiency and effectiveness of the IFPHK.



# MESSAGES FROM PRESIDENT & CEO

## *Building an international mark*

It is no secret that there are now a myriad of financial planning programs in Hong Kong. Amidst the concerns of competition and applicability, the CFP certification mark has stayed true to its promise of providing the best certification program in financial planning that promotes financial planning excellence.

The reason for CFP certification's high standard lies in its very nature. The program is based on empirical research of what a financial planner does or needs to know and culminates a long history of development in the US, dating back to the 70s. More importantly, the CFP certification is not just about education, but a commitment to professional and ethical behavior, and continuing professional development.

Set against the background of the rising number of qualifications, two key attributes stand out: its inherent international recognition and the strong emphasis on re-certification.

The CFP certification is the mark of excellence for financial planners in 20 countries around the world, with over 100,000 CFP certificants worldwide. In short, it is the most recognized international qualification available to financial planners today!

It is also the only financial planning credential that is rigorously enforced by nonprofit organizations working in public interest, ensuring all CFP certificants meet the same rigorous international standards, renew their certification regularly, and maintain ethical behavior during their tenure.

These unique attributes will continue to set CFP certification apart from other financial planning marks and augment the program as the gold standard in financial planning.

This year, we took a step further by introducing a series of efforts aimed at reinforcing these attributes.

First, we organized the Financial Planning Standards Board Council Meeting in Hong Kong for the first time in October 2006. We had the opportunity to welcome and host our affiliates from 19 countries. It provided IFPHK and its members an excellent opportunity to detail the challenges that face Hong Kong CFP certificants while sharing observations and insights with our international counterparts.

In parallel, we organized the first International Conference on Financial Planning. The conference saw international practitioners and experts share topical and vital industry developments with our members, enhancing their international knowledge and expanding their networks.

We were also invited to participate in two international efforts that assure CFP certificants' prominent role in the international development of financial planning market. IFPHK is now participating in an international branding effort that aims to highlight the unique benefits the CFP certificant brings to consumers and employers around the world. At the same time, the Institute is participating in the certification committee, which includes FPSB and its affiliates, to ensure that the CFP certification program's curriculum better reflects the market needs around the world in the coming years.

Locally, we have also gone beyond our own borders with the launch of one of our most important projects: the Cross Border CFP Certification Examination, targeted at overseas CFP certificants. Introduced this year, the Examination complements a similar effort by Financial Planning Standards Council of China (FPSCC), our sister affiliate and provides an important step in broadening the horizon of the CFP certificants, while raising the quality of multi-jurisdictional financial planning—an increasing concern for the increasingly mobile Asian families.

This effort is inline with the meteoric rise in interest in CFP certification in Mainland China. In the recent FPSCC examination, more than 8,000 individuals took the Associate Financial Planner (AFP) and CFP examinations. We believe that this surge in numbers is setting the stage for making the CFP certification as the most recognized qualification in Mainland China, just as it is in Hong Kong.

International tours and visits starred prominently this year as well. We organized one with our affiliate in Indonesia, the Financial Planning Standard Board Indonesia and are currently carrying out a similar exercise with Thailand Securities Institute, who approached us to assist them in becoming a FPSB affiliate and offer CFP certification in Thailand.

This international push is aided by the relentless growth in all areas of the Institute in FY06, as can be seen in the reports within. However, growth also demands organizational changes, and we have conducted a Membership Survey to find out how well we are doing and what new paths we need to pave for future growth.

Taking a proactive step forward, IFPHK is using the Survey's conclusions to also develop a three- to five-year strategy for the Institute to move forward and provide a clear direction to grow towards.

All these efforts will ensure that IFPHK plays a prominent role in the development of the financial planning industry in Hong Kong, while strengthening the role of CFP certificants in the industry. It will also ensure that CFP certificants will continue to play a leading role in the development of the financial planning market in Hong Kong and around the region.



*Tony Mak*  
*President*



*Angeline Chin*  
*CEO*

# ABOUT US

## Executive Committee Members

President - Mr. MAK Wing Kwong, Tony  
Vice - President - Mrs. FU Kwong Wing Ting, Francine  
Honorary Secretary - Mr. PONG Po Lam, Paul  
Honorary Treasurer - Mr. CHAN Yip Fai, Eddie  
Mr. FONG Kin Fat, Frank  
Mr. KWOK Chi Shing, Wilson  
Ms. LAM Lai Ha, Juliana  
Dr. LAM Pui Chaun, Keith  
Mr. LAM Kin Cheung, Henry  
Ms. WAI Yui Kwan, Regina  
Ms. WONG Lai Sheung, Cherie

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Dr. Kalok CHAN  
Dr. Louis CHENG  
Mr. Darren MCSHANE  
Mr. James WONG  
Dr. Zi-you YU

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Mr. Eddie CHAN (Chair)  
Mr. Michael HO  
Ms. Melody HO  
Mr. Ronald LI  
Mr. Enoch LO  
Ms. Maria LUI  
Ms. Rainbow PAN  
Mr. Kenny WU

## Communications Subcommittee

Ms. Francine FU (Chair)  
Mr. Steve CHIU  
Mr. Daniel MOK  
Ms. Brandy TSANG  
Mr. Patrick WAN  
Mr. Derek YOUNG

## Education Development Subcommittee

Mr. Ernest CHOI (Chair)  
Mr. Edmond CHAN  
Mr. Frank FONG  
Mr. Ran LAU  
Mr. Lavin MOK  
Mr. Alan NG  
Ms. Vivian TONG



*Tony Mak*



*Francine Fu*



*Paul Pong*



*Eddie Chan*



*Frank Fong*



*Wilson Kwok*



*Juliana Lam*

#### **Local and International Affairs Subcommittee**

Mr. Phil NEILSON (Chair)  
Ms. Rosetta FONG  
Mr. Wilson KWOK  
Dr. Lynn PI  
Mr. Paul PONG  
Mr. Carlos SABUGUEIRO



*Keith Lam*

#### **Member Services Subcommittee**

Ms. Cherie WONG (Chair)  
Mr. Ernest CHAN  
Mr. Steven CHAN  
Ms. Lina CHENG  
Mr. CHIU Man Ming  
Mr. Thomas WONG  
Ms. Germaine WU



*Henry Lam*

#### **Program Development Subcommittee**

Dr. Keith LAM (Chair)  
Mr. Jimmy CHAN  
Mr. Raymond CHAN  
Mr. Gollum SHAU  
Mr. HO Chun Hung  
Mr. Francis LEUNG



*Regina Wai*

#### **Professional Development Subcommittee**

Ms. Regina WAI (Chair)  
Mr. Herman CHEUNG  
Prof. LUI Yu Hon  
Ms. Angelina KWAN  
Mr. Jimmy LEE  
Mr. Armstrong LEE  
Mr. Bruce LEUNG  
Ms. Linda LUK



*Cherie Wong*



# 2006-07 MILESTONES

- IFPHK CPD courses gain accreditation from MPFA, SFC and OCI
- New Register of CFP Certificants enhances consumer protection online
- Examination enrollment reaches new high
- New textbooks published
- First cross border examination for overseas CFP certificants held
- First IFPHK Membership Survey queries member needs
- Hong Kong's first Intermediaries Practice Survey conducted
- Online Student Corner improves student resources
- New CEO Events tackle topical questions
- Tailored Members' Gatherings and Luncheons organized
- CFP Certification Graduation Ceremony honors top scorers
- New office location enhances member benefits
- Media exposure breaks records
- FW Expo 2006 continues record-setting streak
- New Monthly Career Talks tackle job seekers' needs
- First International Conference attracts global experts
- Second SCMP/IFPHK Financial Planner Awards highlight talents
- International Council Meeting strengthens IFPHK's international role
- MPFA & IFPHK Student Case Competition registers high record application
- New Practice Guide sets new industry benchmark
- New series of structured certificate programs for continuing education launched
- Retirement planning seminar for consumers discusses retirement challenges



# CERTIFICATION AND QUALIFICATIONS



“ENSURE AND MAINTAIN QUALITY  
ASSURANCE IN FINANCIAL  
PLANNING CERTIFICATION AND  
ASSESSMENT”



## Certification and Qualifications

### Key Highlights

- Global certification standard to be established
- Efforts for mutual recognition of CFP certificants' status among international affiliates begun
- Study aids improved with new textbooks
- IFPHK Practice Guide for Financial Planners to provide clear practising guidelines
- Strong growth in CFP certificant numbers
- IFPHK Approved Education Providers renew agreement tailored to bolster collaboration
- Increase in candidate number for CFP Certification Examination

### *Efforts in setting global certification standard*

FPSB Affiliates in 19 countries have worked together to establish the most appropriate global certification standard that can be locally adapted. Efforts have been made to define acceptable parameters for local adaptations or to incorporate local improvements into the global program. A Certification Committee was established in May 2006 by Financial Planning Standards Board (FPSB), CFP Board and 6 most established affiliates, including Hong Kong, Australia, Canada, South Africa, Japan and Austria.

There are a total of 4 phases in the development of global standard and it is targeted to be completed in 2009. The CFP certification process in HK will also follow the global standard once it is implemented.

In April 2007, the results of Phase I of these efforts were announced in the Council Meeting in Paris. In the meeting, concepts and content of the Definition of Financial Planning, Global Competency Profile, Professional Skills and Financial Planning Knowledge Areas for all CFP certificants from all over the world were presented.

In Phase II, different task forces would be formed to look at assessment, ethics and practice standards. IFPHK has been invited to participate in all the task forces.



Mr. Noel Maye, CEO, FPSB

### *Dual Certification through Cross Border examinations*

This effort for dual certification began in July 2006, with a visit to our sister organization in Mainland China, Financial Planning Standard Council of China (FPSCC). The meeting, held in Beijing, China, saw both organizations discussing about the benefits and requirements for dual certification. At the end of the meeting, both organizations agreed to set up its own cross-border certification programs.

Subsequently, FPSCC launched the Cross Border CFP Certification Examination in October 2006. This was targeted at Hong Kong and Taiwan CFP certificants, who were required to successfully complete a training and examination. As of May 2007, 23 Hong Kong CFP certificants have been successfully certified as CFP certificants in Mainland China.

IFPHK launched its own Cross Border CFP Certification Education Program and Examination in June 2007. Targeted at Mainland China and Taiwan CFP certificants, the initiative builds on FPSCC's efforts for dual certification. To facilitate the promotion, the Institute posted a video clip to introduce the program and sponsored a half page supplement in Apple Daily on 7 May 2007. The examination attracted a total of 93 CFP certificants from Taiwan and China.

## Launch of new textbooks

Student aids were further improved with the launch of two new textbooks.

The first textbook, tailored for Module 4 on Tax and Taxation Planning, is an adaptation of Hong Kong Taxation, Law & Practice published by The Chinese University Press. It includes a specially-edited CD-ROM catered towards financial planning professionals.

The second textbook, for Module 5 on Employee Benefits and Estate Planning, came into print in April 2007. This textbook covers a wide range of topics, from group insurance benefits, private and statutory retirement benefits as well as other employee benefits in Hong Kong, to estate planning issues such as wills, intestacy, probate, trusts, gifts, and other estate-related issues. Since this textbook covers many legal and technical subjects, lawyers and other experts were engaged as part of the quality assurance process.

Although the textbooks are targeted at students of the education program, they can be also used by CFP certificants as useful reference materials.

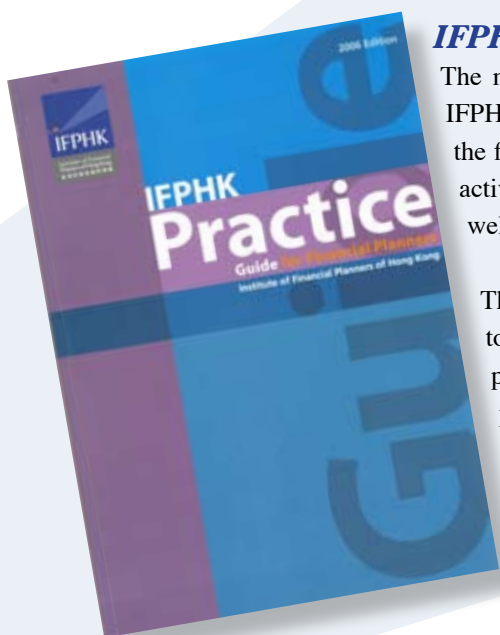


## IFPHK Practice Guide for Financial Planners

The new IFPHK Practice Guide for Financial Planners was launched. It builds upon the IFPHK's Code of Ethics and Professional Responsibility and aims to assist practitioners in the financial planning industry to incorporate sound practices and conduct in their business activities. IFPHK hopes that this new publication will improve standards in the industry as well as instill awareness among practitioners of their role as a fiduciary.

The Guide focuses on practices that should be considered by a CFP certificant with respect to front-office activities. It is intended to be a practical and useful tool for financial planning practitioners. Specifically, the Guide covers the six-step financial planning process that CFP practitioners are familiar with and use every day.

The Guide is designed to help financial planning practitioners to perform their tasks in a logical and methodical way, thereby standardizing procedures and ensuring that the same thought process goes into delivering financial planning advice for every client.



### The six-step financial planning process

Step 1 : Establishing and defining the relationship with the client

Step 2: Gathering client data

Step 3: Analysing & evaluating the client's financial status

Step 4: Developing and presenting the financial planning recommendation(s)

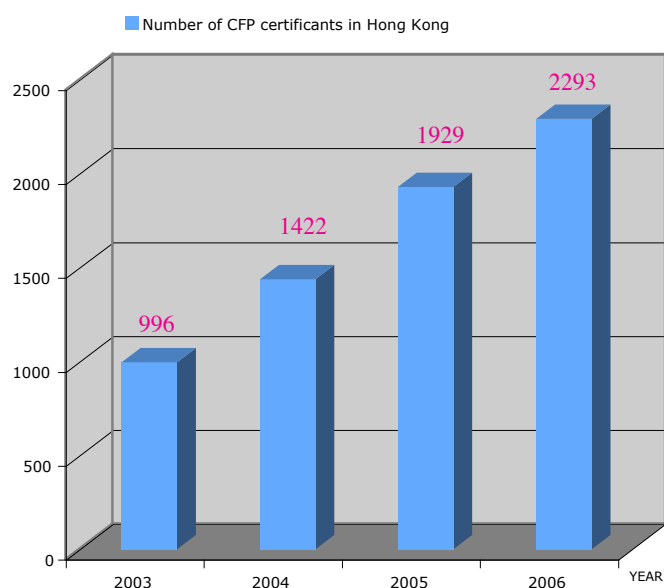
Step 5: Implementing the financial planning recommendation(s)

Step 6: Monitoring

## CFP Certificants

### • Growth of CFP certificants

The number of CFP certificants in Hong Kong has gradually increased, underscoring the strong demand for the certification mark.



Global Growth of CFP Certificants

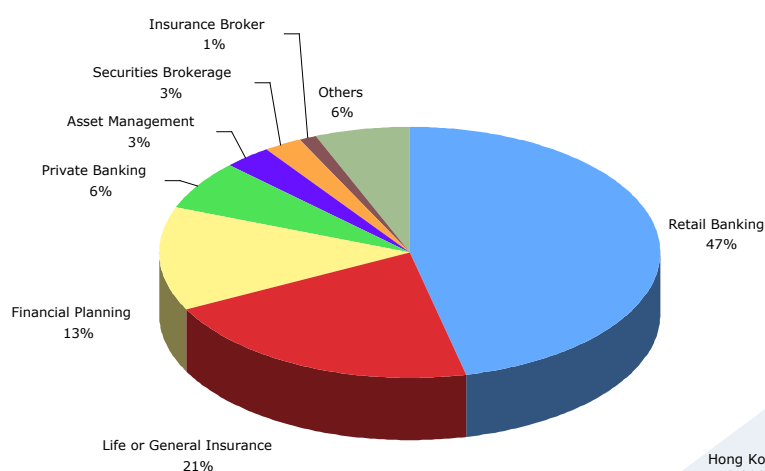
Country/Region	2004	2005	2006
Australia	5,336	5,310	5,308
Austria	82	88	110
Brazil	60	55	97
Canada	15,928	16,350	16,834
China	-	0	488
Chinese Taipei	0	148	345
France	1,297	1,433	1,471
Germany	921	973	1,009
Hong Kong	1,422	1,929	2,293
India	90	134	235
Indonesia	-	-	0
Japan	11,614	13,061	14,751
Malaysia	2,320	2,581	2,689
New Zealand	307	346	385
Rep. of Korea	616	819	1,343
Singapore	505	539	548
South Africa	2,750	2,921	3,163
Switzerland	287	235	242
United Kingdom	400	510	610
United States	45,755	49,117	53,031
<b>Grand Total</b>	<b>89,690</b>	<b>96,549</b>	<b>104,952</b>

source : www.fpsb.org

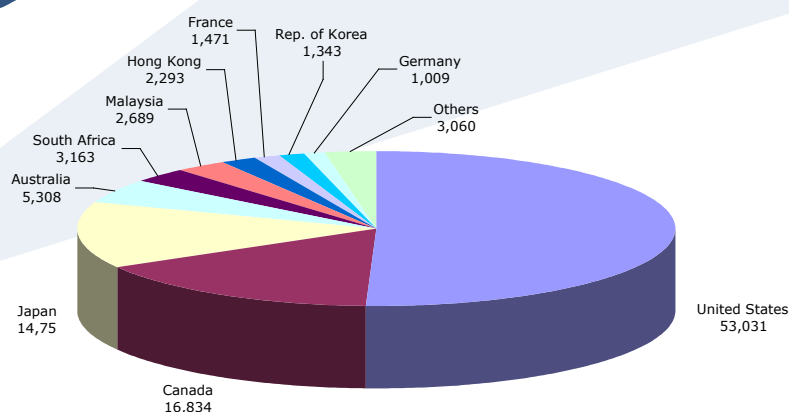
### • Composition of CFP certificants

CFP certificants are predominantly employed in retail banking with over 47% of the total number in Hong Kong. Life and General Insurance is a distant second with 21% being employed in this sector.

Different Sectors of CFP Certificants in Hong Kong



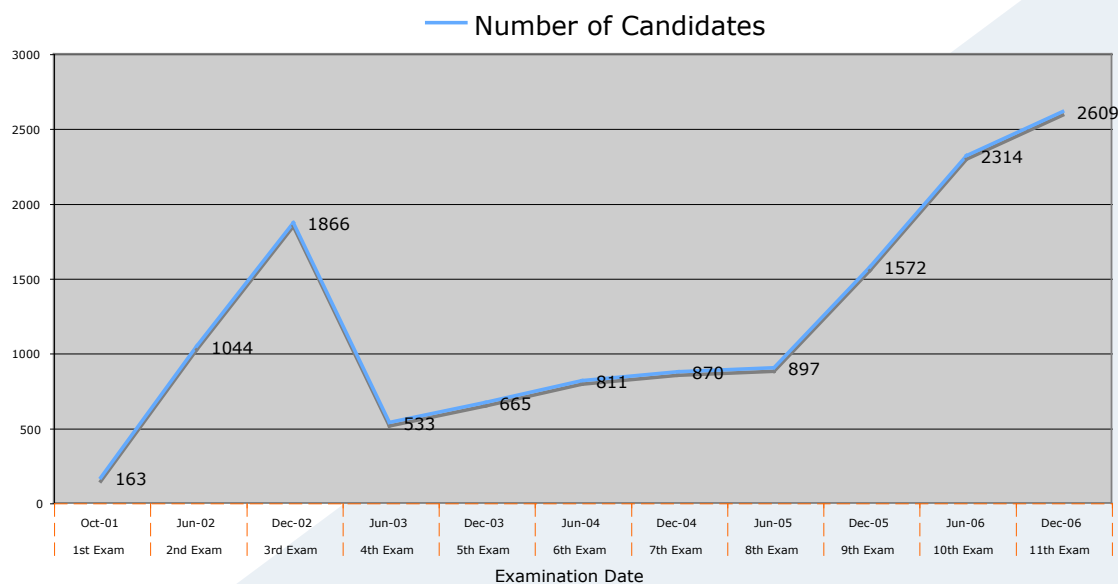
Global Composition of CFP Certificants 2006



## CFP Examination

### • Number of Candidates of CFP Examination

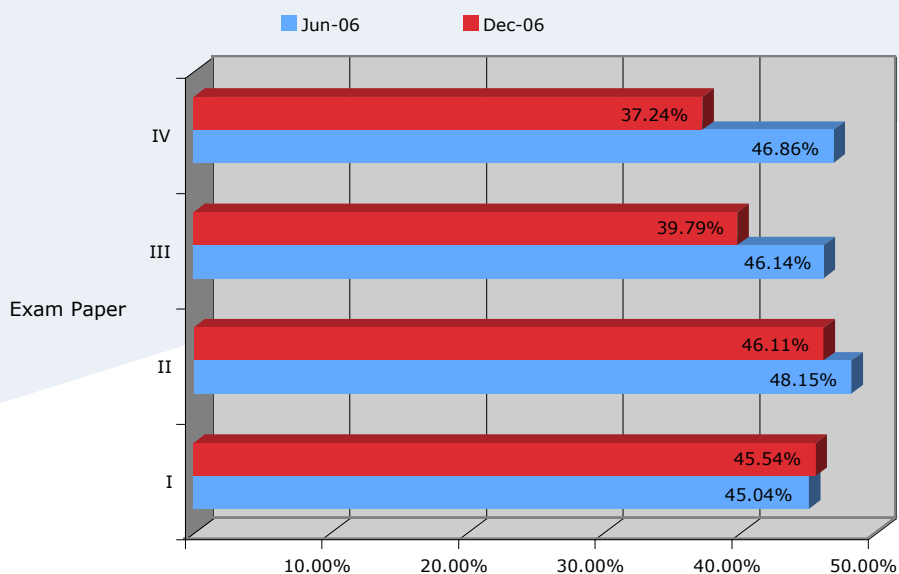
The June and December 2006 examinations experienced a tremendous increase in the number of candidates.



### • Pass rate of CFP Examination

Although the number of candidates has increased, the pass rate has remained around 40%. For both examinations, Paper 2 saw the highest pass rate at 48.15% for June 2006 and 46.11% for Dec 2006.

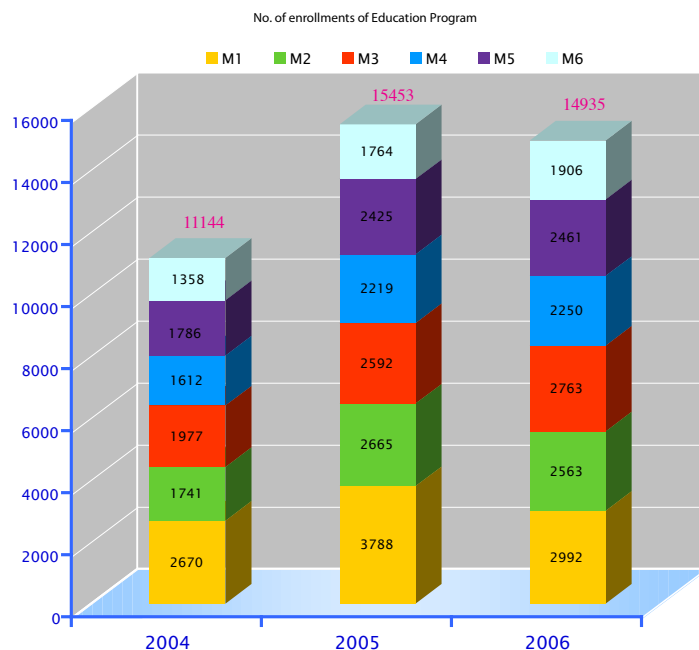
Paper I - Insurance and Retirement Planning  
 Paper II - Tax and Estate Planning  
 Paper III - Investment Planning  
 Paper IV - Financial Planning Practice



## Certification Education Program

### • Enrollment of IFPHK Registered CFP Certification Education Program

The overall enrollment figures remain strong, although there has been a slight decrease in the total number of enrollments for 2006.



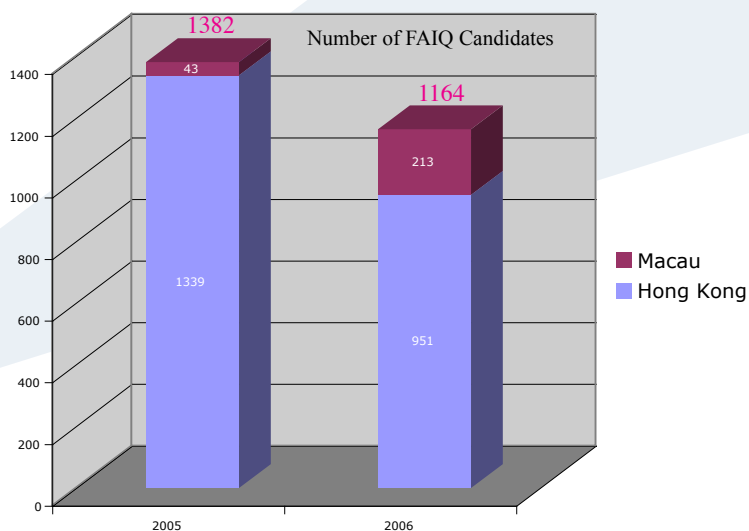
### • IFPHK Approved Education Providers

All six IFPHK Approved Education Providers renewed their commitment with a new agreement. The previous agreement with the 6 universities expired on March 2007. The agreement is designed to promote closer collaboration and is based on teaching quality, marketing efforts, support to students and evaluation. Approved Education Providers are also required to submit annual review reports to IFPHK.

Year	No.	Approved Education Providers
2001	3	SPACE, MEDC, LiPACE
2003	4	SPACE, MEDC, LiPACE, APIB
2005	6	SPACE, MEDC, LiPACE, APIB, SCOPE, LIFE
2007	6	SPACE, MEDC, LiPACE, APIB, SCOPE, LIFE

### Financial Advisers' International Qualification (FAIQ) Examination

The number of FAIQ candidates experienced a slight dip at 1,164, compared to the 1,382 in 2005. The number of Macau candidates has however, increased, illustrating a growing interest amongst Macau practitioners for this international foundation-level examination. The pass rates for both examinations remain high, with the October 2006 held in Hong Kong exhibiting the best pass rate of 71.6%.



# PROMOTING CFP CERTIFICATION



RAISE THE PROFILE  
AND PERCEIVED  
VALUE OF THE CFP  
CERTIFICATION  
MARK AS THE  
**“GOLD STANDARD”**  
IN FINANCIAL  
PLANNING



## Promoting CFP Certification

### Key Highlights

- Number of media exposures increased
- Increase in international activities including the first international conference
- FPSB Council meeting organized in Hong Kong for the first time
- Launch of public register for CFP certificants
- Student and practitioner competitions continue to exhibit strong interest
- Series of consumer education seminars raise awareness
- Financial World Expo 2006 continues to lure record attendance

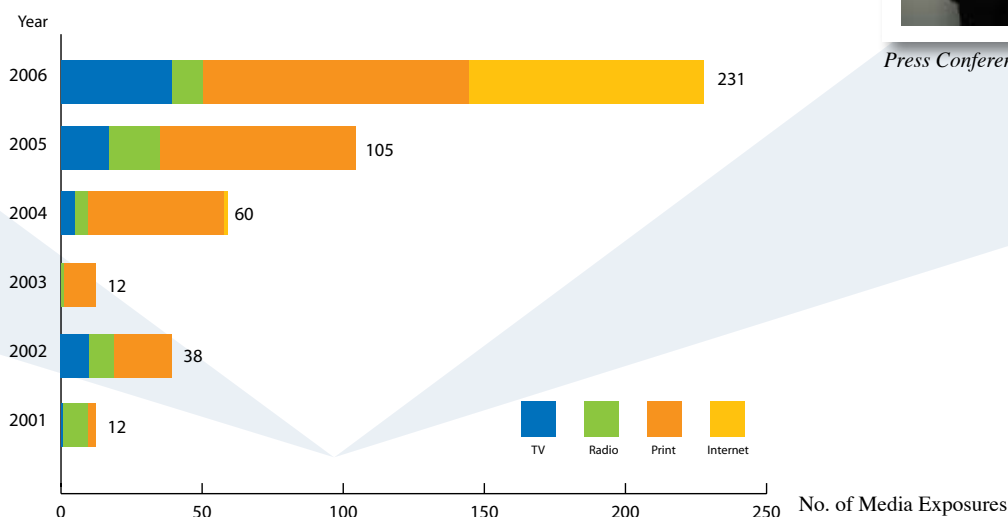
### Media Coverage

The number of media exposures increased in 2006, more than doubling the exposures in 2005. Although Print and Internet figured significantly, the Institute gained more than 40 exposures on TV.

The largest portion of the exposures was garnered through enquiries (32.9% of total, through Print and Internet). This was followed event-based exposures (20.4% of total), with Financial World Expo 2006 garnering the most. This was followed by interviews and similar engagements and special projects like the Peak, Money Times and NOW Business Channel. IFPHK was also able to secure regular columns in Oriental Daily News (monthly), ESD Life (weekly) and JUMP (ad hoc).

A significant change in the beginning of 2007 was the change in media exposure strategy, with emphasis of promoting the CFP certification mark and program, rather than raising awareness of financial planning. As such, a more concentrated and direct approach has been adopted to ensure that media exposures are aligned with this new strategy.

### Media Exposures



Press Conference of Financial World Expo 2006

## International Collaboration

2006 was significant in the number of concerted efforts undertaken by IFPHK to raise its international profile while promoting initiatives that widen the horizons of CFP certificants. IFPHK organized a workshop for a new FPSB affiliate, the FPSB Indonesia in February 2007 and shared its experience in particular in examination development. IFPHK will continue to assist efforts in the region to establish strong affiliate organizations promoting quality CFP certification programs. IFPHK also sent representatives in early 2007 to Thailand to conduct training programs with the Thailand Securities Institute regarding the CFP certification program.



*Workshop for FPSB Indonesia*

### • International Financial Planning Conference 2006

IFPHK conducted the first International Financial Planning Conference on November 4, 2006. Held at the Hong Kong Convention and Exhibition Centre (HKCEC), the conference offered valuable global experience and highlighted opportunities worldwide to our members. Key international members of the FPSB were invited to discuss about the global experiences with 181 attendees.



*International Financial Planning Conference*

### • FPSB Council Meeting in Hong Kong

The FPSB Council Meeting was held for the first time in Hong Kong, at the new Le Meridien Cyberport hotel from October 29 to November 3, 2006. The event saw key representatives from FPSB and its affiliates shared and discussed their insights in the development of financial planning over the world. Members also discussed various ways of strengthening financial planning standards and raising the stature of CFP certificants.

All attendees savored a taste of Hong Kong culinary and shopping delights, with visits to seafood restaurants on Lamma Island and the famous Hong Kong Jockey Club. The Meeting culminated on a high note at the Gala Dinner where cultural booths were set up and traditional Chinese performance--Bian Nian--and Drum performance mesmerized the attendees.



*Representatives from FPSB and global affiliates*



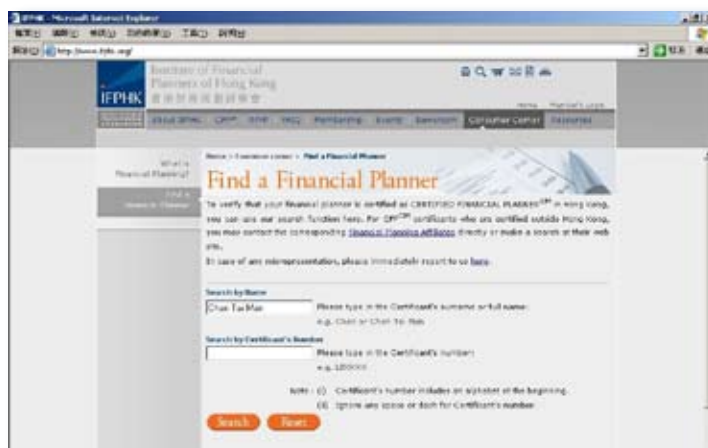
*Mr. Selwyn Feldman, 2006 Chairperson of FPSB Council*

## ***Initiatives For Consumers and Financial Planning Professionals***

A series of initiatives were launched for consumers and financial planning professionals to raise the level of awareness and the practitioners' standards. The initiatives utilized a combination of competitions and promotional events to meet these objectives.

### **• Register of CFP Certificants**

A new online service "Register of CFP Certificants" was launched in May 2007 as a significant effort to enhance consumer protection. Members of the public can ascertain the status of CFP certificants who are in good standing.



<http://www.ifphk.org>

### **• SCMP/IFPHK Financial Planner Awards 2006 and 2007**

The SCMP/IFPHK Financial Planner Awards entered its second year in 2006, with the Award Dinner held on October 4, 2006 at HKCEC. This year, TVB joined the competition as the media partner.

The competition attracted 79 applications, and saw over 300 attendees attending the Dinner. Mr. Frederick Ma was the Guest of Honor and the CEOs of the 3 industry winners were invited onstage to receive prizes together with the winners.

The SCMP/IFPHK Financial Planner Awards 2007 promises to be an even bigger event this year. It includes a new category for University Students and an Award for the company that has the most number of awardees.

To date, the third installment of the competition has received 105 applications for university student category and more than 200 applications for the practitioner category. Information sessions were held for both categories to share best practices and practical tips. This year, Cable TV is our media partner.



*Mr. Frederick Ma, the then Secretary for Financial Services and the Treasury of the HKSAR*



*Three industry winners of the SCMP/IFPHK Financial Planner Awards 2006*

## • Financial Planning Month – October 2006

For the first time, IFPHK organized the Financial Planning Month together with Hong Kong Economic Times. It saw several key announcements and events that were tailored to the needs of the public in Hong Kong. These included:

### Chinese Publication 《讓你富起來》— 人生階段理財天書

Theme : Financial planning advice at different life stages  
No. of books Redeemed : 11,000 copies



### Female Survey on Financial Planning Preference

Target : Female executives aged 18 or above  
Interview Period : September 27 to October 10, 2006  
No. of Respondents : 3,754  
Survey Contents : Fiscal habits of women in Hong Kong  
(including spending habits, financial goals, retirement age, and the various channels that they used to receive financial information and advice)

## • Retirement Planning Seminar

This seminar was the first consumer seminar organized by IFPHK in 2007, together with media partner, Ming Pao. It was held on March 31, 2007 at Langham Hotel, and included various speakers who updated attendees on the MPF funds, the different investment tools for retirement and the strategies to achieve their retirement goals.



Consumer education corner at Retirement Planning Seminar

A consumer education corner was set up and CFP certificants were there to help participants with their financial planning queries. A short quiz was also given to participants to test their understanding on the basic financial planning concepts.

## • Consumer Education Seminars

A series of Consumer Education Seminars were organized with IFPHK Approved Education Providers to promote IFPHK, CFP certification marks, the CFP certification education programs and public awareness of financial planning, from July 25 to August 25, 2006. A total of 6 seminars were organized, attracting over 1,200 enrollments.

Twelve CFP certificants, invited by IFPHK, shared their experience with the general public. Topics included financial planning in different life stages namely young and single, newly married, couple with children and pre-retirees.



Consumer Education Seminars

### • Financial World Expo 2006

The third installment of the Financial World Expo was successfully held from October 6-8, 2006 at the HKCEC. It continued to be the region's only industry event that serves as a platform for industry players and the public to discuss and share contemporary concepts and market trends on wealth management and financial planning.

The regional event witnessed a prestigious Opening Ceremony graced by the Honorable Henry Tang, GBS, JP, the then Financial Secretary of HKSAR. The Expo brought together 59 exhibitors and slightly over 24,000 attendees. The Expo successfully completed its 3-prong mission: to allow the financial planning practitioners to showcase their services; to educate the public on the importance of financial planning; last but not least, to offer a platform and meeting point for financial planning professionals to meet with the public.



*Juliana Lam, 05/06 President of IFPHK presenting souvenir to the Honorable Henry Tang, GBS, JP, the then Financial Secretary of the HKSAR*



*Crowds at Financial World Expo 2006*

### Competition for Students

#### • MPFA & IFPHK Financial Planning Competition for Secondary Schools and Universities 2006

The competition continued to grow in strength for the second year. Organized by Mandatory Provident Fund Schemes Authority (MPFA) and IFPHK, a new category was introduced for secondary school students. The aim of this competition is to introduce the financial planning concept to the young.

The Award ceremony was held on June 17, 2006 and was attended by 150 students and teachers. It featured three sharing sessions by judge, Mr. Shek Kang Chuen and winners that unveiled interesting insights into the competition as well as the financial services industry and discussed motivations and trials of the winners.

The Award ceremony was officiated by Mr Jimmy Woo, Executive Director (Supervision), MPFA and saw the attendance of Mrs Francine Fu, Chairman of Local Affairs Subcommittee, IFPHK, Mr. Chuck Tat-man, Ted, Curriculum Development Officer, Education and Manpower Bureau (EMB) and Mr. Yiu Man-hoi, Stephen, Committee Member, Committee on Home-School Co-operation (CHSC).



*MPFA Award Ceremony*

# UPHOLDING STANDARDS



“PROMOTE AND MAINTAIN THE  
HIGHEST LEVEL OF COMPETENCIES  
IN FINANCIAL PLANNING TO MEET  
THE PUBLIC INTEREST”



## Upholding Standards

### Key Highlights

- Relationships with SFC, OCI and MPFA strengthened
- Ethics Board established
- Industry focus groups formed
- More cases of Misuse of CFP certification marks stamped out
- Publication of 2006 Intermediaries Practice Survey
- New CPD courses and in-house CPD sessions organized

### *Regulators' relationships strengthened*

IFPHK's relationship with regulators was further reinforced through meetings with SFC, OCI and MPFA. During these meetings, IFPHK was able to highlight key concerns and institute's initiatives. IFPHK is also working closely with MPFA on a joint-consumer initiative targeted at raising awareness of financial planning in secondary schools.

### *Ethics Board to oversee professional practice*

IFPHK is now readying the ground works to formally establish the Ethics Board. The new Board will oversee the professional practice of CFP certificants and investigate cases of misuse of mark or misconduct. This new development aims to further strengthen our professionalism and ensure that the public's interests are well protected.

### *Industry focus groups formed*

Following the Membership Survey, three industry focus groups were formed and meetings were held during the first half of 2007. Through these focus groups, IFPHK aims to understand and examine the key industry issues that concern CFP certificants, namely from the Banking, Insurance and IFA industry sectors. These findings will be highlighted during discussions with the regulators and used in developing key initiatives for IFPHK.

### *Enforcement and Misuse of Marks*

There were a total of 15 cases of Misuse of Marks from June 1, 2006 to May 31, 2007. We notified article publishers of the misuse of CFP certification marks. The correct CFP certification marks were provided to avoid any further misuse. All cases were successfully settled.

### *2006 Intermediaries Practice Survey*

IFPHK released key findings from the 2006 Intermediaries Practice Survey on Personal Financial Planning Services. It showed that financial planning guidelines used by industry practitioners are in line with global standards introduced by IFPHK.

This survey, which is the first-ever study on Hong Kong financial planning practitioners and organizations, was commissioned by IFPHK and conducted by Synovate Ltd.

The objective of the study was to provide more comprehensive information about the industry to IFPHK's members and the public. It surveyed 10 financial planning corporations, including banks, insurance companies, independent financial advisory and brokerage houses, and 201 financial planning practitioners.



## Development on Continuing Education

### • CPD seminars

All modules in the CPD series can now fulfill the continuing education requirements by IFPHK and also the regulators of the financial services industry (Office of the Commissioner of Insurance, Mandatory Provident Fund Schemes Authority and Securities and Futures Commission). In 2006, a total of 1,104 participants enrolled in 26 CPD seminars. As of June 2007, a total of 53 CPD seminars have been organized with more than 3,500 enrolments. In-house CPD seminars also started in 2007.

The first CPD series, Practices & Updates in Financial Planning I (Ref: 80/92/02), was approved by the Hong Kong Council for Academic Accreditation (HKCAA) in June 2006. The key objective is to provide the participants with the updated compliance issues, recent trends & techniques applicable to their work practices.

The second CPD series, Practices & Updates in Financial Planning II (Ref: 80/92/03), was approved by the HKCAA in April 2007 and this new CPD series is an extension of our first CPD series. After attending different modules of the new CPD series, participants will be able to understand and practise different steps of the globally recognized financial planning process. In addition to technical skills, soft skills in financial planning were also discussed in the new CPD series.



*In house CPD seminars with one of our Corporate Members*

Modules	IA CPD hours/ IFPHK CE credits/ SFC CPT hours	MPFA Core CPD Hours
Module 1.1: Updates in Compliance Issues	3	3
Module 1.2: Advising with Investment-Linked Insurance Products in Practices	2	0
Module 1.3: Practical Communication Skills for Financial Planners	2	0
Module 1.4: Practices in Investment I	2	0
Module 1.5: Practices in Investment II	2	0
Module 1.6: Practices in Retirement Planning I	2	2
Module 1.7: Practices in Retirement Planning II	2	1
Module 1.8: Practices in Tax Planning I	2	0
Module 1.9: Practices in Tax Planning II	2	0
Module 1.10: Practices in Estate Planning I	2	0
Module 1.11: Practices in Estate Planning II	2	0
Module 1.12: MPF Updates	2	2
Module 1.13: Constructing Personal Financial Plans for your Clients	2	0
Module 1.14: Practical Applications in Financial Planning	3	0
Module 1.15: Financial Advisers' International Qualification in Practice	2	0

*First CPD series*

Modules	IA CPD hours/ IFPHK CE credits/ SFC CPT hours
Module 2.1: Overview of Financial Planning Process	1
Module 2.2: Meeting up with the client	2
Module 2.3: Improving communications with client	1
Module 2.4: Managing client expectations	2
Module 2.5: Interviewing your client	2
Module 2.6: Know your client	3
Module 2.7: Analysing & evaluating client's financial status	2
Module 2.8: Developing financial planning recommendations	1
Module 2.9: How to pick unit trusts or mutual funds	2
Module 2.10: How to build a fund portfolio	3
Module 2.11: Retirement planning recommendations	2
Module 2.12: Real estate planning	2
Module 2.13: Life stage planning recommendations	2
Module 2.14: Alternative investments	2
Module 2.15: Implementing financial planning recommendations	1
Module 2.16: Risk management techniques to financial planning	2
Module 2.17: How to monitor your portfolio	2

*Second CPD series*

### • 2006 Financial Planning Conference

The 2006 Financial Planning Conference was held on October 5, 2006 at HKCEC, attracting 226 attendees. The conference, targeted specifically at Hong Kong CFP certificants, looked at practice management, expert views on the financial planning industry and its trends, and the characteristics of different financial planning strategies.



*The Honorable Bernard Chan presents at the 2006 Financial Planning Conference*



# A SHARING OF HAPPY MOMENT



*IFPHK new office opening*



*Members' corner at IFPHK new office*



*Opening ceremony of Financial World Expo 2006*



*"Billion Dollar Showdown" at Financial World Expo 2006*



*Treasure Hunt gift redemption counter at the Financial World Expo 2006*



*Oral presentation for SCMP/IFPHK Financial Planner Awards 2006*



*'Financial Planning Industry Zone' at the Education and Careers Expo 2007*



*Board members of the Financial Planning Standards Board*



*Gala Dinner for FPSB Council meeting*



*A taste of Hong Kong culinary for the global FPSB affiliates*



*Mr Ronald Arculli (right), Chairman of Hong Kong Exchanges and Clearing Ltd, at the luncheon meeting to share his insights on "Hong Kong, the Capital Market for China"*

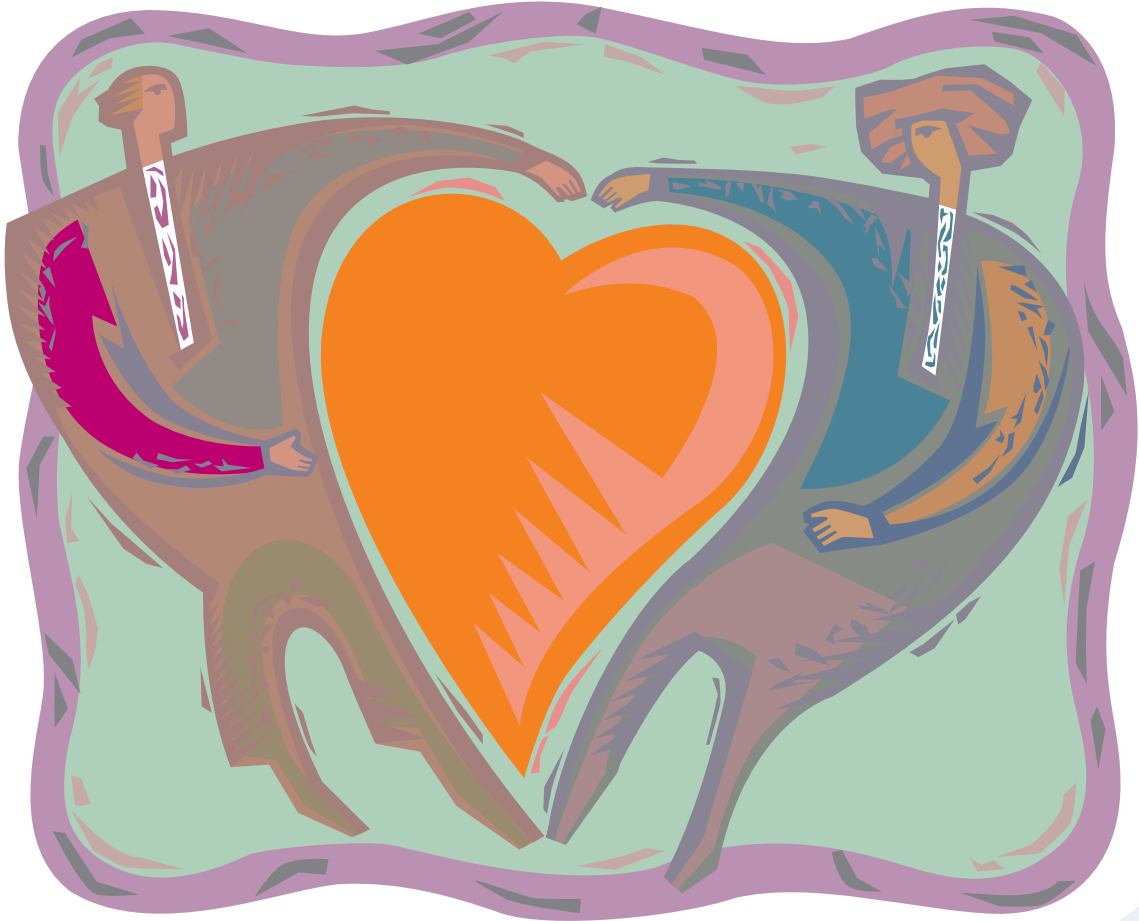


*Tony Mak, President of IFPHK, presenting a souvenir to Juliana Lam, 2005/06 President of IFPHK, for her contributions in past years*



*Professor Liu Hong Ru (left), Chairman of Financial Planning Standards Council of China, at the International Financial Planning Conference*

# MEMBERSHIP



“PROVIDE VALUE ADDED  
SERVICES TO MEMBERS AND  
REPRESENT THEIR INTERESTS TO  
STAKEHOLDERS”



## Membership

### Key Highlights

- Steady increase in number of members
- First Membership Survey conducted
- Graduation Ceremony honors Top Scorers
- First Intermediaries Survey conducted
- Student Corner, an online resource for students, launched
- Member benefits increased including number of CEO and Member events
- Global newsletter launched

### 2006 Membership Survey

To enhance the services provided to our members, IFPHK appointed the Association Resource Centre Inc. to conduct a membership satisfaction survey in December 2006.

The membership survey was emailed to 5,205 IFPHK members and 518 responses had been received by the cutoff date for an overall response rate of 10%.

Key conclusions from the survey included:

- Members were proud to be associated with IFPHK and wanted it to succeed.
- Those members who used IFPHK member services were generally satisfied.
- Members wanted IFPHK to raise the public awareness of the CFP certification marks further.
- Members expected IFPHK to better represent members' interests.

IFPHK will use the results of this survey to establish our short term and long term strategy according to members' need.

### Launch of Student Corner for student members

A new portal called "Student Corner", which can be immediately accessed at <http://studentcorner.ifphk.org/> at the IFPHK website, was launched in April 2007. This site aims to improve student resources and provides an important communication channel for students of the Registered CFP Certification Education Program.

The website is part of the Institute's continuing efforts to enhance communication among IFPHK, IFPHK Approved Education Providers and students. It allows students to obtain the latest IFPHK news & upcoming events, selected articles from our bi-monthly journal "AdvisorsToday", e-quiz and news provided by IFPHK Approved Education Providers.

The Institute is looking to enhance this portal with the launch of an online forum in the fourth quarter of 2007.



<http://studentcorner.ifphk.org/>

## Graduation Ceremony 2006

The 2006 CFP Certification Presentation Ceremony was successfully held on November 3, 2006 at the HKCEC. There were a total of 388 CFP certificants newly-certified from October 2005 to October 2006.

For its first time, IFPHK had also awarded the Top Scorer Status to candidates whose examination scores fall in the top three marks of each of the four CFP Certification Examination papers. There were a total of 29 Top Scorers awarded and recognized for the exam in June 2006.

To recognize and to boost the efforts of the certificants as well as the Top Scorers, IFPHK published the photos of new certificants in a newspaper supplement in the Hong Kong Economic Times.



CFP Certification Presentation Ceremony



## Launch of Global Newsletter – Financial Planning Connections

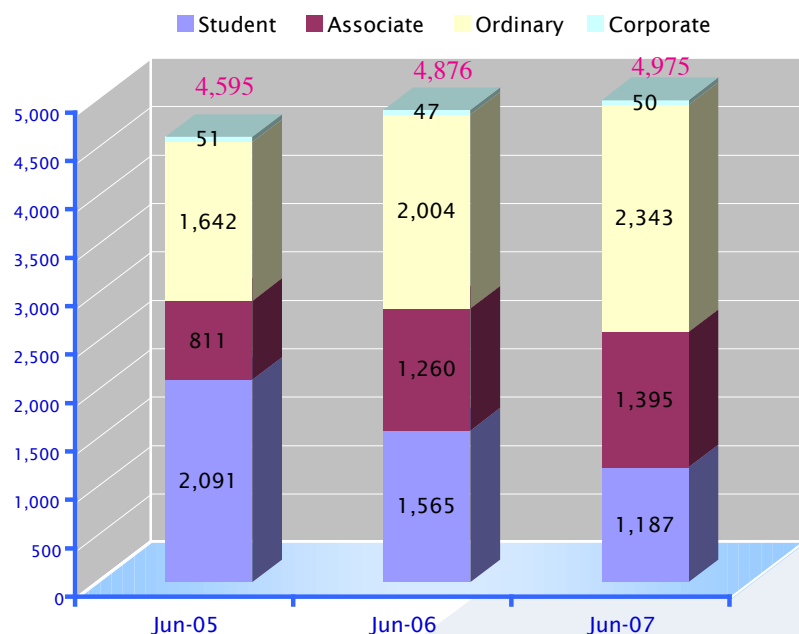
IFPHK made available a new global newsletter, named Financial Planning Connections, which will be distributed by all affiliates around the world. The aim of the newsletter, developed together with sister affiliates and the Financial Planning Association (FPA) in the US, is to bring the growing global community of CFP certificants closer through knowledge and exchange of ideas. This newsletter is sent to all Ordinary Members via email on a quarterly basis.

## Re-launch of IFPHK official journal – AdvisorsToday

To strengthen our communications with members, IFPHK re-launched the official publication AdvisorsToday as a bi-lingual and bi-monthly journal. The journal is a platform for our members to keep abreast and updated in the latest industry knowledge in financial planning.



## No. of members



The number of members steadily increased to 4,975 as of June 2007. The largest category of members continued to be Ordinary Members, who are composed of CFP certificants. The number of Associate and Corporate Members also saw a slight increase.

## CEO Events

To cement closer ties with our corporate members, IFPHK organized three CEO events. These included:

### Industry Update: IFPHK Intermediaries Practice Survey and Practice Guide for Financial Planners

**7 September 2006**

During this exclusive occasion, IFPHK shared with the industry the first-ever Intermediaries Practice Survey and discussed about the new IFPHK Practice Guide for Financial Planners. 36 guests attended the event.

### Strategy to Action: How to Better Communicate and Implement Strategy

**Ms. Lyn McDonell, CAE, C. Dir**

**27 March 2007**

This briefing was a closed door session where invited guests had the exclusive opportunity to meet with Ms. McDonell, a specialist in communications and strategic planning and a governance, strategy and organizational effectiveness consultant based in the city of Toronto, Canada.

Ms McDonell illustrated how an organization created visible and powerful links between strategy and execution. She also provided practical ideas on how to get the organization's strategy "up and running". 20 guests attended the event.

### Towards Best Practice

**Mrs. Alexa Lam, Executive Director, Intermediaries and Investment Products, Securities and Futures Commission**

**8 May 2007**

Mrs. Lam shared with over 40 guests the insights of the industry from two SFC initiatives: the investor survey conducted between 2005 and 2006 and the ongoing inspection program on investment advisers.



CEO events - Ms. Lyn McDonell



CEO events - Mrs. Alexa Lam

## ***Members' Gatherings***

To form a closer bond between IFPHK and our members, the Institute put together different gathering events over the past year. These included:



*Members' Gathering – AIA Chapter*

### **AIA Chapter 12 September 2006**

Over 25 CFP certificants joined the first Chapter Event. The objective of the chapter was to provide a platform for the CFP certificants to meet and greet with each other. This was also a very good opportunity for them to form a group within their company.



*Members' Gathering – Tai Chi and Health*

### **Members' Gathering – Tai Chi and Health, Master Li Fai 14 May 2007**

With more than 40 members joining this event, Master Li demonstrated Tai Chi to the attendees. All the attendees also had a chance to “feel the Chi” by following Master Li in trying the various poses.

## Executive Committee's Report

The Executive Committee has pleasure in submitting its report and audited financial statements for the year ended 31 December 2006.

### Limitation of liabilities

The Institute is a company limited by guarantee of not exceeding HK\$50 per member of the Institute.

### Principal activities

The principal activities of the Institute are the promotion of personal financial planning and the certification of the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> and CFP<sup>CM</sup> certification marks in Hong Kong.

### Results

The results of the Institute for the year ended 31 December 2006 are set out in the income statement on page 33.

### Funds

Movements in the funds of the Institute during the year are set out in the statement of changes in funds on page 35.

### Executive Committee members

The Executive Committee members who held office during the year and up to the date of this report were:

Mak Wing Kwong, Tony	President
Fu Kwong Wing Ting, Francine	Vice President
Chan Yip Fai, Eddie	Honorary Treasurer
Pong Po Lam, Paul	Honorary Secretary
Kwok Chi Shing, Wilson	
Lam Kin Cheung, Henry	
Lam Lai Ha, Juliana	
Lam Pui Chaun, Keith	
Wai Yui Kwan, Regina	
Wong Lai Sheung, Cherie	
Fong Kin Fat, Frank	(appointed on 22 September 2006)
Chan Hing Sang, Alexander	(retired on 22 September 2006)

### Executive Committee members' interests

No contracts of significance to which the Institute was a party and in which an Executive Committee member of the Institute had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Institute a party to any arrangements to enable the Executive Committee members of the Institute to acquire benefits by means of the acquisition of shares in, or debentures of, the Institute or any other body corporate.

#### Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Institute were entered into or existed during the year.

### Auditors

The financial statements have been audited by Messrs. Moores Rowland Mazars, *Chartered Accountants, Certified Public Accountants*.

*On behalf of the Executive Committee*



Mak Wing Kwong, Tony  
President

## Independent Auditors' Report

To the members of The Institute of Financial Planners of Hong Kong Limited  
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of The Institute of Financial Planners of Hong Kong Limited set out on pages 33 to 43, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Executive Committee's responsibility for the financial statements

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

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs as at 31 December 2006 and of its surplus and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



**Moores Rowland Mazars**  
Chartered Accountants  
Certified Public Accountants

## Income Statement

Year ended 31 December 2006

		2006	2005
	Note	HK\$	HK\$
Income from certification & membership		3,904,564	3,480,838
Income from examinations		10,753,037	8,551,781
Income from expo and annual events		3,342,516	4,010,506
Registered program fees		6,891,250	7,229,250
Book royalty income		394,350	700,800
Income from seminars & conferences		627,230	522,865
Income from textbook		1,484,255	-
Publication income		45,486	104,110
Sales of souvenirs		92,678	128,530
Sponsorship income		936,993	740,142
Transcript review income		170,400	245,300
Other income		1,100,867	529,315
		<b>29,743,626</b>	<b>26,243,437</b>
Depreciation		(557,026)	(571,876)
Staff costs		(9,276,757)	(7,791,306)
Other operating expenses		(17,276,717)	(14,264,832)
<b>Surplus before taxation</b>	2	<b>2,633,126</b>	<b>3,615,423</b>
Taxation	3	(2,610)	(196,554)
<b>Surplus for the year and transferred to General Fund</b>		<b>2,630,516</b>	<b>3,418,869</b>

**Balance Sheet**

As at 31 December 2006

		2006	2005
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment	4	970,689	648,706
Loan receivable	5	1,560,000	-
		<u>2,530,689</u>	<u>648,706</u>
<b>Current assets</b>			
Inventories		588,424	77,126
Registered program fees receivable		1,273,450	1,448,000
Book royalty fees receivable		78,000	158,850
Deposits, prepayments and other debtors		1,246,874	474,630
Bank balances and cash		29,138,897	27,641,529
Tax recoverable		199,164	-
		<u>32,524,809</u>	<u>29,800,135</u>
<b>Current liabilities</b>			
Certification and license fees payable		594,828	509,886
Book royalty fees payable		1,509,792	1,115,442
Examination invigilation fees payable		588,670	475,600
Promotion and publication fees payable		13,984	184,450
Accruals and other creditors		1,834,160	721,170
Taxation		-	165,338
		<u>4,541,434</u>	<u>3,171,886</u>
<b>Net current assets</b>		<u>27,983,375</u>	<u>26,628,249</u>
<b>Total assets less current liabilities</b>		<u>30,514,064</u>	<u>27,276,955</u>
<b>Funds</b>			
Building Fund		1,805,237	1,198,644
General Fund		<u>28,708,827</u>	<u>26,078,311</u>
		<u>30,514,064</u>	<u>27,276,955</u>

Approved and authorised for issue by the Executive Committee on 31 May 2007



President



Honorary Treasurer

## Statement of Changes in Funds

Year Ended 31 December 2006

	<b>Building Fund</b>	<b>General Fund</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(Note)</i>		
At 1 January 2005	713,627	22,659,442	23,373,069
Contributions received	485,017	-	485,017
Surplus for the year	<u>-</u>	<u>3,418,869</u>	<u>3,418,869</u>
At 31 December 2005	<u>1,198,644</u>	<u>26,078,311</u>	<u>27,276,955</u>
At 1 January 2006	1,198,644	26,078,311	27,276,955
Contributions received	606,593	-	606,593
Surplus for the year	<u>-</u>	<u>2,630,516</u>	<u>2,630,516</u>
<b>At 31 December 2006</b>	<u>1,805,237</u>	<u>28,708,827</u>	<u>30,514,064</u>

Note: The Building Fund shall be used by the Institute for the sole purpose of purchase of real property for the use of the Institute and all incidental costs of fitting, equipping, renovating and improving the real property purchased.

## Cash Flow Statement

Year Ended 31 December 2006

		2006	2005
	Note	HK\$	HK\$
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	7	2,726,853	6,808,604
Tax (paid) refunded		(367,112)	456,518
<b>Net cash from operating activities</b>		<b>2,359,741</b>	<b>7,265,122</b>
<b>INVESTING ACTIVITIES</b>			
Interest received		970,043	524,215
Purchase of property, plant and equipment		(879,009)	(277,543)
New loan receivable		(1,560,000)	-
<b>Net cash (used in) from investing activities</b>		<b>(1,468,966)</b>	<b>246,672</b>
<b>FINANCING ACTIVITIES</b>			
Contributions to Capital Fund		606,593	485,017
<b>Net increase in cash and cash equivalents</b>		<b>1,497,368</b>	<b>7,996,811</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>27,641,529</b>	<b>19,644,718</b>
<b>Cash and cash equivalents at end of year, represented by bank balances and cash</b>		<b>29,138,897</b>	<b>27,641,529</b>

## CORPORATE INFORMATION

The Institute of Financial Planners of Hong Kong Limited is a professional self-regulatory organization incorporated in Hong Kong. The Institute's registered office is located at 2601 Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong. The principal activities of the Institute are the promotion of personal financial planning and the certification of the CERTIFIED FINANCIAL PLANNER<sup>CM</sup> and CFP<sup>CM</sup> certification marks in Hong Kong.

### 1. PRINCIPAL ACCOUNTING POLICIES

#### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong Companies Ordinance.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2005 financial statements except for the adoption of the new / revised HKFRS that are effective from current year. A summary of the principal accounting policies adopted by the Institute is set out below.

#### Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis and depreciated separately:

Office equipment	33 1/3%
Computer equipment	33 1/3%
Leasehold improvement	Over the existing office lease term
Furniture and fixtures	Over the existing office lease term

#### Financial instruments

Financial assets and financial liabilities are recognised when the Institute becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Institute's contractual rights to future cash flows from the financial asset expire or when the Institute transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

## Notes to the Financial Statements

Year Ended 31 December 2006

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### *Loans and receivables*

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

### *Financial liabilities*

The Institute's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

### **Cash equivalents**

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

### **Revenue recognition**

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

Income from certification, membership and examinations is recognised when received.

Registered program fees are recognised when the Institute's rights to receive payment have been established.

Income from workshops, seminars, conferences, expo and annual events is recognised in the period when activities are held.

Income from sales is recognized when goods are delivered and title has passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **Foreign currency translation**

Items included in the Institute's financial statements are measured using the currency of the primary economic environment in which the Institute operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Notes to the Financial Statements

Year Ended 31 December 2006

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### **Impairment of non-financial assets**

At each balance sheet date, the Institute reviews internal and external sources of information to determine whether its property, plant and equipment have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Institute estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

### **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.

Lease incentives are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

### **Defined contribution plans**

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Institute in an independently administered fund.

### **Taxation**

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilized.

### **Future changes in HKFRS**

At the date of authorisation of these financial statements, the Institute has not early adopted the new / revised standards and interpretations issued by HKICPA that are not yet effective for the current year. The Executive Committee anticipates that the adoption of these new HKFRS in the future periods will have no material impact on the result of the Institute.

## Notes to the Financial Statements

Year Ended 31 December 2006

**2. SURPLUS BEFORE TAXATION**

This is stated after charging:

	2006 HK\$	2005 HK\$
Auditors' remuneration	-	-
Contributions to a defined contribution plan	241,685	205,197
Cost of inventories	1,250,215	110,827
Executive members' emoluments	-	-
Operating lease charges on premises	<u>682,135</u>	<u>450,282</u>

**3. TAXATION**

Hong Kong Profits Tax has not been provided as the Institute incurred a loss for taxation purposes.

	2006 HK\$	2005 HK\$
The charge comprises:		
<b>Current tax</b>		
Hong Kong Profits Tax:		
Current year	-	196,554
Under-provision in prior year	<u>2,610</u>	<u>-</u>
	<u>2,610</u>	<u>196,554</u>

**Reconciliation of tax expense**

	2006 HK\$	2005 HK\$
Surplus before taxation	<u>2,633,126</u>	<u>3,615,423</u>
Income tax at applicable tax rate of 17.5% (2005: 17.5%)	460,797	632,699
Non-deductible expenses	8,598	6,650
Tax exempt revenue	(668,148)	(492,994)
Unrecognised taxation losses	143,867	-
Unrecognised temporary differences	54,886	50,199
Underprovision in prior year	<u>2,610</u>	<u>-</u>
Tax expense for the year	<u>2,610</u>	<u>196,554</u>

The applicable tax rate is the Hong Kong profits tax rate of 17.5% (2005: 17.5%).

## Notes to the Financial Statements

Year Ended 31 December 2006

## 4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Computer equipment HK\$	Leasehold improvement HK\$	Furniture and fixtures HK\$	Total HK\$
Reconciliation of carrying amount – year ended 31 December 2005					
At beginning of year	198,984	324,619	342,256	77,180	943,039
Additions	72,544	164,600	12,145	28,254	277,543
Depreciation	<u>(115,797)</u>	<u>(200,230)</u>	<u>(196,745)</u>	<u>(59,104)</u>	<u>(571,876)</u>
At balance sheet date	<u>155,731</u>	<u>288,989</u>	<u>157,656</u>	<u>46,330</u>	<u>648,706</u>
Reconciliation of carrying amount – year ended 31 December 2006					
At beginning of year	155,731	288,989	157,656	46,330	648,706
Additions	68,722	70,520	668,500	71,267	879,009
Depreciation	<u>(115,958)</u>	<u>(175,004)</u>	<u>(212,969)</u>	<u>(53,095)</u>	<u>(557,026)</u>
At balance sheet date	<u>108,495</u>	<u>184,505</u>	<u>613,187</u>	<u>64,502</u>	<u>970,689</u>
At 1 January 2006					
Cost	424,240	853,642	557,916	165,028	2,000,826
Accumulated depreciation	<u>(268,509)</u>	<u>(564,653)</u>	<u>(400,260)</u>	<u>(118,698)</u>	<u>(1,352,120)</u>
	<u>155,731</u>	<u>288,989</u>	<u>157,656</u>	<u>46,330</u>	<u>648,706</u>
At 31 December 2006					
Cost	492,962	924,162	668,500	236,295	2,879,835
Accumulated depreciation	<u>(384,467)</u>	<u>(739,657)</u>	<u>(55,313)</u>	<u>(171,793)</u>	<u>(1,909,146)</u>
	<u>108,495</u>	<u>184,505</u>	<u>613,187</u>	<u>64,502</u>	<u>970,689</u>

## 5. LOAN RECEIVABLE

The loan receivable is unsecured and repayable in 3 annual instalments from 2009 to 2011. Interest is earned at the commercial borrowing rate of 8% per annum. The carrying amount of HK\$1,560,000 approximates its fair value at the balance sheet date.

## Notes to the Financial Statements

Year Ended 31 December 2006

**6. DEFERRED TAXATION***Unrecognized deferred tax assets arising from*

	2006	2005
	HK\$	HK\$
Deductible temporary differences	161,794	-
Tax losses	853,297	-
	<u>1,015,091</u>	<u>-</u>
At the balance sheet date	<u>1,015,091</u>	<u>-</u>

Both the tax losses and the deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Institute can utilise the benefits therefrom.

**7. CASH GENERATED FROM OPERATIONS**

	2006	2005
	HK\$	HK\$
Surplus before taxation	2,633,126	3,615,423
Depreciation	557,026	571,876
Interest income	(1,081,368)	(524,215)
Changes in working capital:		
Inventories	(511,298)	(59,696)
Registered program fees receivables	174,550	1,640,500
Book royalty fees receivables	80,850	248,900
Deposits, prepayments and other debtors	(660,919)	232,876
Certification and license fees payable	84,942	118,050
Book royalty fees payable	394,350	700,800
Examination invigilation fees payable	113,070	171,970
Promotion and publication fees receivable	(170,466)	(196,600)
Accruals and other creditors	1,112,990	288,720
	<u>2,726,853</u>	<u>6,808,604</u>
Cash generated from operations	<u>2,726,853</u>	<u>6,808,604</u>

## Notes to the Financial Statements

Year Ended 31 December 2006

### 8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Institute's principal financial instruments comprise fees receivables and payables, cash and bank deposits.

The Institute does not have any written risk management policies and guidelines. However, the executive committee generally adopts conservative strategies on its risk management and limit the Institute's exposure to credit risk to a minimum. The Institute is not exposed to significant interest rate risk, foreign currency risk, liquidity risk or price risk.

### 9. COMMITMENTS UNDER OPERATING LEASES

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

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Within one year	1,653,166	336,873
In the second to fifth years inclusive	2,741,730	8,128
	<u>4,394,896</u>	<u>345,001</u>

## Management Information

Year Ended 31 December 2006

	2006	2005
	HK\$	HK\$
<b>Income</b>		
Examinations	10,818,879	9,109,523
Education Program	6,891,250	7,229,250
Events	4,213,667	4,192,906
Certification and membership	3,904,564	3,480,838
Textbook and book royalty	1,878,575	705,700
Interest income	1,081,368	524,215
Seminars and Conferences	627,230	522,865
Transcript Review	170,400	245,300
Other Income	157,693	232,840
	<u>29,743,626</u>	<u>26,243,437</u>
<b>Expenses</b>		
Staff costs	9,276,757	7,791,306
Events	3,574,807	3,037,047
Communications and marketing	2,431,252	2,606,432
Printing and publication	2,297,820	2,373,010
Program development	1,971,482	814,938
Examinations	1,871,466	1,354,494
Textbook and book royalty	1,547,345	715,713
Certification and licensee fee	1,161,613	1,281,508
Occupancy	1,034,059	787,857
Depreciation	557,026	571,876
Building related expenses	347,628	78,287
IT Expense	258,491	420,663
Legal and professional fees	59,574	104,976
Other operating expenses	721,180	689,907
	<u>27,110,500</u>	<u>22,628,014</u>
<b>Surplus before tax</b>	<u><u>2,633,126</u></u>	<u><u>3,615,423</u></u>