

**HONG KONG INFORMATION TECHNOLOGY
FEDERATION LIMITED**

**COUNCILLORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31ST MARCH, 2011

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

REPORT OF THE COUNCILLORS

The councillors have pleasure in presenting their annual report together with the audited financial statements of the federation for the year ended 31st March, 2011.

Principal activity

The principal activity of the federation is to marshal and develop the technical resources and manpower skills necessary and essential to a sound and healthy information technology industry in Hong Kong in the interests of the Hong Kong community and its economy.

Results

The surplus of the federation for the year ended 31st March, 2011 and the state of the federation's affairs at that date are set out in the financial statements on pages 5 to 15.

Fixed assets

Details of the movements in property, plant and equipment during the year are shown in the note 3 to the financial statements.

Councillors

Except as indicated, the following are the current councillors, having served throughout the year and up to the date of this report :

President	Mr. FONG Po Kiu, Francis (方保僑先生)
Honorary President	Mr. MOK Charles Peter (莫乃光先生)
Vice president	Mr. WONG Yat Chuen, Allen (黃一川先生)
	Mr. TANG Wing On, Stephen (鄧永安先生)
	Mr. HUANG Steve, Erwin (黃岳永先生)
	Ms. LEUNG Wai Chu, Judy (梁慧珠女士)
	Mr. SOONG Tak Kar, Chester (宋德嘉先生)
	Ms. YEUNG Cheung Wah, Winnie (楊長華女士)
	Ms. LEUNG Shuk Yee, Irene (梁淑儀女士)
	Ms. CHIU Chuek Mun, Barbara (招卓敏)
Treasurer	Mr. MOK Sui Wah, York (莫兆華先生)
Council Member	Mr. NG Chi Shing, Daniel (吳志成先生)
	Mrs. CHENG Cindy (鄭韓菊芳女士) (Resigned on 8th December 2010)
	Mr. CHENG Ka-On, Dominic (鄭家安先生)
	Mr. SHEU Chun Fat, Fred (許遵發先生)
	Mr. YUNG Kai Tai (容啓泰先生) (Resigned on 30th April, 2011)
	Mr. FUNG Chor Fu, Alan (馮楚夫先生)
	Mr. KAM Wing Sau (甘永修先生)

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

REPORT OF THE COUNCILLORS

Councillors (Continued)

Council Member Mr. SO Chi Yin, Ivan (蘇子賢先生)
Mr. HONG Ming Sang (頂明生先生) (Resigned on 8th December, 2010)
Mr. CHIU Sun Tat, Romax (朱燊達先生) (Resigned on 8th December, 2010)
Mr. CHEUNG Lap Kei, Vincent (張立基先生)
Mr. CHUNG Hau Yeung (鍾孝揚先生)
Mr. LEE Chang Pui, Tong (李振培先生)
Mr. TU Dominique (杜以中先生) (Appointed on 8th December, 2010)
Mr. HUI Kin Sang, Sam (許健生先生) (Appointed on 8th December, 2010)
Mr. CHIU Leung Fai, Fritz (招亮輝先生) (Appointed on 12th April, 2011)

Except at indicated in note 11, no contracts of significance to which the federation was a party and in which a councillor of the federation had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the federation a party to any arrangements to enable the councillors of the federation to acquire benefits by means of the acquisition of debentures, of any body corporate.

Auditors

The financial statements have been audited by Chang Leung Hui & Li C.P.A. Limited, Certified Public Accountants, who retire and offer themselves for re-appointment.

On behalf of the Council



Chairman

Chang Leung Hui & Li C.P.A. Limited

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DIRECTORS

LESLIE S. C. CHANG FCA, CTA, CPA (Practising)
TERENCE C. K. LEUNG FCCA, ACA, ACIS, CTA, CPA (Practising)
BILLY S. LI BA, CA (CANADA), CTA, CPA (Practising)
EDMOND C. K. LEUNG FCCA, ACIS, CTA, CPA (Practising)
S. Y. LUK ACA, FCCA, ACIS, CTA, CPA (Practising)
PAUL C. Y. TSI BSC, CA, ACA, CTA, CPA (Practising)

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED (Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Hong Kong Information Technology Federation Limited set out on pages 5 to 15, which comprise the balance sheet as at 31st March, 2011, the statement of income and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Committee members' responsibility for the financial statements

The committee members' are responsible for the preparation of financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statement that give a true and fair view 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 committee member, 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.

Chang Leung Hui & Li C.P.A. Limited

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED
(Incorporated in Hong Kong with limited liability)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the federation's affairs as at 31st March, 2011 and of its surplus and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



CHANG LEUNG HUI & LI C.P.A. LIMITED
Certified Public Accountants

Leslie Shuk Chien Chang
Practising Certificate Number P958

HONG KONG, 17th October, 2011

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31ST MARCH, 2011

	Note	2011 HK\$	2010 HK\$
Revenue	6	86,600	78,200
Other income		471,854	476,559
Administrative expenses		(299,585)	(326,387)
Other operating expenses		<u>(42,249)</u>	<u>(25,611)</u>
Surplus before taxation	7	216,620	202,761
Income tax expense	9	<u>(35,741)</u>	<u>(33,455)</u>
Surplus for the year		180,879	169,306
Surplus brought forward		<u>570,237</u>	<u>400,931</u>
Surplus carried forward		<u>751,116</u>	<u>570,237</u>

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH, 2011**

	2011 HK\$	2010 HK\$
Operating activities		
Surplus from ordinary activities before taxation	216,620	202,761
Adjustments for :		
Depreciation	<u>2,682</u>	<u>2,472</u>
Operating surplus before changes in working capital	219,302	205,233
Decrease/(Increase) in trade and other receivable	1,420	(150,500)
(Decrease) in trade and other payables	<u>(275,867)</u>	<u>(539,722)</u>
Cash used in operating activities	(55,145)	(484,989)
Hong Kong profits tax paid	<u>(41,056)</u>	<u>(26,769)</u>
Net cash used in operating activities	<u>..... (95,201)</u>	<u>..... (511,758)</u>
Investing activities		
Payment for the purchase of computer equipment	<u>(699)</u>	<u>(8,241)</u>
Net decrease in cash and equivalents	(95,900)	(519,999)
Cash and cash equivalents at the beginning of the year (Note 4)	<u>828,655</u>	<u>1,348,654</u>
Cash and cash equivalents at the end of the year (Note 4)	<u>732,755</u>	<u>828,655</u>

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011

1. General information

Hong Kong Information Technology Federation Limited (the "Federation") is a limited company incorporated in Hong Kong. The registered office of the federation is located at Unit 983, 9/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kwoloon Bay, Kowloon, Hong Kong.

2. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(a) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The other cost of such items of property, plant and equipment comprises the following:

- any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

Computer equipment	30%
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If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**ACCOUNTING POLICIES AND EXPLANATORY NOTES
TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011**

2. Basis of preparation and accounting policies (Continued)

(b) Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Federation will not be able to collect all amounts due according to the original terms of the receivables.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the balance sheet.

(d) Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

(e) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from surplus as reported in the statement of income and retained earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Federation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases using in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting surplus.

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**ACCOUNTING POLICIES AND EXPLANATORY NOTES
TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011**

2. Basis of preparation and accounting policies (Continued)

(e) Income tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Federation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. However, the measurement of deferred tax liabilities associated with an investment property measured at fair value does not exceed the amount of tax that would be payable on its sale to an unrelated market participant at fair value at the reporting date. Deferred tax is recognised in surplus or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is shown net of discounts, rebates, returns, sales-related taxes and after eliminating sales within the Federation.

Revenue is recognised in surplus or deficit provided it is probable that the economic benefits will flow to the Federation and the revenue and costs, if applicable, can be measured reliably, as follows:

Subscription

Income from members' subscription are recognised when the subscription are received, as the Federation has no power to enforce members to pay annual subscription, these are accounted for on a cash basis.

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**ACCOUNTING POLICIES AND EXPLANATORY NOTES
TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2011**

2. Basis of preparation and accounting policies (Continued)

(g) Provisions and contingent liabilities

Provisions are recognised when the federation has a legal or constructive obligation arising as a result of a past event such that it is probable an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

In circumstances where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(h) Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) is a member of the key management personnel of the Company or of a parent of the Company;
 - (ii) has control over the Company; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

ACCOUNTING POLICIES AND EXPLANATORY
FOR THE YEAR ENDED 31ST MARCH, 2011

2. Basis of preparation and accounting policies (Continued)

(n) Related parties (Continued)

(b) An entity is related to the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of a third entity.
- (iv) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant voting power in the entity.

3. Property, plant and equipment

	Computer equipment HK\$
Cost	
At 1.4.2010	126,560
Additions	<u>699</u>
At 31.3.2011	<u>127,259</u>
Accumulated depreciation	
At 1.4.2010	120,790
Charge for the year	<u>2,682</u>
At 31.3.2011	<u>123,472</u>
Carrying amount	
At 31.3.2011	<u>3,787</u>
At 31.3.2010	<u>5,770</u>

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**ACCOUNTING POLICIES AND EXPLANATORY
FOR THE YEAR ENDED 31ST MARCH, 2011**

4. Cash and cash equivalent

	2011 HK\$	2010 HK\$
Cash at bank	<u>732,755</u>	<u>828,655</u>

Cash, cash equivalents and bank overdraft include the following for the purpose of the statement of cash flows.

	2011 HK\$	2010 HK\$
Cash and cash equivalents	732,855	828,655
Bank overdraft	<u>(100)</u>	<u>-</u>
	<u>732,755</u>	<u>828,655</u>

5. Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	2011 HK\$	2010 HK\$
Provision for Hong Kong Profits Tax for the year	36,069	32,503
Provisional Profits Tax paid	<u>(40,056)</u>	<u>(26,769)</u>
	(3,987)	5,734
Balance of Profit Tax provision relating to prior year	7,554	1,820
Over provision for previous year	<u>(1)</u>	<u>-</u>
	<u>3,566</u>	<u>7,554</u>

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**ACCOUNTING POLICIES AND EXPLANATORY
FOR THE YEAR ENDED 31ST MARCH, 2011**

5. Income tax in the balance sheet (continued)

(b) Deferred tax assets recognised

Deferred tax arising from :	Depreciation allowances in excess of related depreciation HK\$	
At 1st April, 2009	-	
Charge to statement of income and retained earnings	952	
At 31st March, 2010	952	
At 1st April, 2010	952	
Credit to statement of income and retained earnings	(327)	
At 31st March, 2011	625	
	2011 HK\$	2010 HK\$
Deferred tax liability recognised on the balance sheet	625	952

6. Revenue

Revenue represents the members' subscription income.

7. Surplus before taxation

The following items have been recognised as expenses/(income) in determining surplus before taxation :

	2011 HK\$	2010 HK\$
Auditors' remuneration		
- provision for the year	6,000	6,000
- under provision for prior year	-	500
Management fees	274,000	305,081

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

ACCOUNTING POLICIES AND EXPLANATORY
FOR THE YEAR ENDED 31ST MARCH, 2011

8. **Limited by guarantee**

The Federation is a company limited by guarantee. In accordance with the memorandum of association of the federation, the liability of each member is not to exceed HK\$100.

9. **Income tax expense**

	2011 HK\$	2010 HK\$
(a) Taxation in the statement of income and retained earnings represents		
Current tax		
Provision for the year	36,069	32,504
(Over) provision in respect of prior year	<u>(1)</u>	<u>(1)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>36,068</u>	<u>32,503</u>
	<u>(327)</u>	<u>952</u>
	<u>35,741</u>	<u>33,455</u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2010 : 16.5%) of the estimated assessable profit for the year.

	2011 HK\$	2010 HK\$
Reconciliation of income tax expense and accounting surplus at applicable tax rates		
Surplus before tax	<u>216,621</u>	<u>202,761</u>
Notional tax on surplus before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	<u>35,741</u>	<u>33,455</u>

10. **Councillors' remuneration**

No councillors received or was due any remuneration for their services for the year and previous year.

11. **Related party transactions**

During the year, the federation has entered the following transactions with an entity related to the Company :

Company	Relationship	Transactions	Amount HK\$
Arcotect Limited	Mr. Ng Chi Shing (Director of Arcotect Limited and Councillor of HKITF)	Management fees	264,000

(For management information only)

HONG KONG INFORMATION TECHNOLOGY FEDERATION LIMITED

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2011**

	2011	2010
	HK\$	HK\$
Revenue		
Members' subscription	86,600	78,200
Other revenue		
Project income	207,153	644,420
Less : Project cost	61,815	109,760
	145,338	534,660
Sundry income	326,516	(58,101)
	471,854	476,559
	558,454	554,759
Less : Administrative expenses		
Auditors' remuneration		
- provision for the year	6,000	6,000
- under provision for prior year	-	500
Business registration fee	450	2,900
Bank charge	1,119	1,440
Depreciation	2,682	2,472
Entertainment	3,514	-
Management fees	274,000	305,081
Postage and printing	4,215	2,944
Professional fees	7,605	5,050
	299,585	326,387
Less : Other operating expenses		
Local travelling	283	581
Overseas travelling	20,668	-
Subscription	9,954	19,816
Sundry expenses	10,417	5,214
Transportation	927	-
	42,249	25,611
Surplus before taxation	216,620	202,761