



CHARTERED
SECRETARIES
特許秘書

Building Professional Influence

Annual Report 2016

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

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

(Incorporated in Hong Kong with limited liability by guarantee)

The Hong Kong Institute of Chartered Secretaries (HKICS) is an independent professional body dedicated to the promotion of its members' role in the formulation and effective implementation of good governance policies as well as the development of the profession of Chartered Secretary in Hong Kong and throughout Mainland China.

HKICS was first established in 1949 as an association of Hong Kong members of the Institute of Chartered Secretaries and Administrators (ICSA) of London. It became a branch of ICSA in 1990 before gaining local status in 1994.

HKICS is a founder member of Corporate Secretaries International Association (CSIA) which was established in March 2010 in Geneva, Switzerland to give a global voice to corporate secretaries and governance professionals.

HKICS today has over 5,800 members and 3,200 students.

香港特許秘書公會

(于香港注册成立的担保有限公司)

香港特許秘書公會 (公會) 是一个独立专业团体，一直致力于订定与执行良好公司治理政策，在香港以至中国内地提升会员所担当的角色，同时推动“特許秘書”专业的发展。

公会于1949年成立，最初为设立在英国伦敦的特許秘書及行政人員公會 (ICSA) 的属会，于1990年成为ICSA的香港分会，并于1994年在香港正式注册成为独立专业团体。

公会亦是公司秘書國際聯合會 (CSIA) 的創會成員之一，CSIA于2010年3月于瑞士日内瓦成立，在国际上代表全球公司秘書和管治专业人士发声。

公会现拥有超过5,800名会员及3,200名学员。

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“ I think there is increasing clarity among our stakeholders in Hong Kong and Mainland China, and indeed more widely in the region, about the value Chartered Secretaries bring to organisations and the social value of our profession ”

President's Report

Welcome to our Annual Report 2016. The vital signs in this latest health check, I am pleased to report, continue to look good. Financially, we had a surplus of HK\$4.2 million over the reporting period (1 August 2015 – 31 July 2016). Moreover, the number of our members and students is increasing steadily – we currently have over 9,000 in total – and it looks like that upward trend will continue in the years ahead due to the rising demand for qualified Chartered Secretaries in Hong Kong and Mainland China.

You can find a more detailed analysis of our key performance indicators (KPIs) in the financial statements, the business review and the performance review sections of this report. While these KPIs are highly valuable, judging the success of our work is not only a numbers game. The theme of this report, ‘building professional influence’, points to a factor which is hard to measure but is a crucial part of the work we do. Company secretaries will be more effective in their board support and governance advisory work where they have the attention and respect of the directors on the board. Similarly, our Institute will be a more effective advocate of good governance and company secretarial best practice where we have the attention and respect of our stakeholders.

We have seen a number of developments which have extended the professional reach of our Institute, both

geographically and intellectually, over the reporting period. I will focus on developments in Mainland China and the Chief Executive's report which follows will complete the picture with a look at developments in Hong Kong and the region.

China office anniversary

This year marks the 20th anniversary of the establishment of our Beijing Representative Office in 1996. Over the last two decades, we have assisted in the development of the Mainland capital market, principally by providing a route to qualification and training for our students, members and Affiliated Persons (APs) on the Mainland. Our key areas of influence, in addition to the International Qualifying Scheme examinations and continuing professional development training, are corporate governance research, resource sharing and the promotion of board secretary professionalisation.

This work would be impossible without having a good relationship with the authorities, regulators and peer institutions in the Mainland and, as president of our Institute, I have been closely involved in building and maintaining our relationships with these key stakeholders. During the year under review, I have participated in a number of very successful visits to the Mainland and I am pleased to report that our ties with our partner bodies are closer than ever.



One of the highlights for me was the signing of a memorandum of understanding (MoU) with the Shenzhen Stock Exchange (SZSE) on 30 March 2016. This is the fourth such MoU we have signed in the Mainland, in addition to those previously signed with the Shanghai Stock Exchange (SSE) in 2011, the Insurance Association of China (IAC) and the China Association for Public Companies (CAPCO) in 2015. These MoUs establish our long-term collaborative relationship with our major Mainland partner organisations and have enabled us to promote the Chartered Secretarial profession to wider groups – notably the companies listed on SSE, SZSE and member companies of CAPCO and IAC.

Looking ahead

The influence enjoyed by our members and our Institute has been the work of many years, and I set myself the goal to build on this work during my term as president. Back in January 2016, at the first Council strategy meeting of my term, we set ourselves a goal to position HKICS as the governance institute in the region. At the time, this mission was aspirational, but

since then we have seen significant developments towards that goal. I think there is increasing clarity among our stakeholders in Hong Kong and Mainland China, and indeed more widely in the region, about the value Chartered Secretaries bring to organisations and the social value of our profession.

I would like to thank everyone involved in the work of the Institute for their dedication and hard work over the past year. I would also like to thank our stakeholders, both locally and internationally, for their continued support of our work. I look forward to working with Council, our team at the secretariat and all of our stakeholders, to take forward our work in the year ahead.



Ivan Tam FCIS FCS
President

The Hong Kong Institute of Chartered Secretaries
4 November 2016

// members of our Institute, together with our professional network, represent a unique body of expertise in corporate governance and corporate secretaryship //

Chief Executive's Report

I am very pleased to present our Annual Report for the 12 months ended 31 July 2016. Our theme this year is 'building professional influence'. This has been a good year for our advocacy work and for our ties with stakeholders in Hong Kong and the region.

I would like to start, however, by pointing out that building professional influence is not about vanity. It is not about trying to gain status for our members and our Institute, it is about being more effective at the task at hand. The effectiveness of our members in their work does not only depend on their own knowledge and skills, just as important is the expectations of their role among other key stakeholders. A strategic focus of our Institute, therefore, is to reach out to these stakeholders to foster a better recognition and understanding of the company secretarial role and the Chartered Secretarial profession.

Ivan has taken you through the latest developments relating to our advocacy and networking initiatives in Mainland China, I would like to highlight two developments in Hong Kong and in the region which have great significance for this area of our work.

Hong Kong

Members of our Institute, together with our professional network, represent a unique body of expertise in



corporate governance and corporate secretaryship. That is the basis of our professional influence. This year saw the launch of a new initiative designed to further harness the value of this expertise.

In July 2016, we launched seven new Interest Groups under the Technical Consultation Panel. These groups bring together senior members and professional peers to monitor their areas of expertise with a view to producing guidance notes that will be freely available on our website. These guidance notes will, as you would expect from HKICS publications, have a practical focus and will be a highly valuable resource to keep our members and the wider community up to date with the latest developments and the latest best practice recommendations.

Two of the guidance notes, those produced by the public governance and the technology interest groups, have already been published. Further guidance will be forthcoming on the key areas relevant to our work.

In the region

Over the last year, we have seen an expansion of interest around the region in the Chartered Secretarial profession, particularly among peer organisations in the region. I am pleased to report that this has led to the creation of a new industry body designed to explore areas of collaboration and organise joint conferences and research projects in the corporate secretarial and governance fields.

The ASEAN Corporate Secretaries Associations Network teams up our Institute with four Asian professional and industry bodies, namely: the Chartered Secretaries Institute of Singapore; the Indonesian Corporate Secretary Association; the Malaysian Institute of Chartered Secretaries and Administrators; and the Thai Listed Companies Association. I attended the inaugural meeting with representatives from these bodies on 22 April 2016 in Singapore and we welcomed them to Hong Kong for the second meeting on 12 October 2016. I look forward to working with these partner

bodies to promote good governance and the Chartered Secretarial profession in the years ahead.

Governance needs you

Our Institute has been building professional influence in Hong Kong since it was first set up in 1994. Indeed, if you take it further back, the building work started in 1949 when a group of Hong Kong members of the Institute of Chartered Secretaries and Administrators started getting together for lunch to discuss issues of common interest and to explore ways in which they could work together to promote the profession.

Nearly seven decades later, we still get together for lunch to discuss the issues that bind us professionally and personally, and though the nature of the organisation to which we belong has evolved into something a lot bigger, a lot more complex and a lot more influential than that early grouping, we still rely on individuals to come together and work for the common good of our profession and society as a whole. So I would like to take this opportunity to urge all of our members to get involved in the work of the Institute – individually there is a limit to what we can achieve, but collectively we can make a difference.

Finally, I would like to thank Council members, the secretariat team, members of the Institute's panels, working groups, committees and sub-committees, as well as other volunteer members for their hard work over the last year. The progress described by this report was achieved through your dedicated efforts. I would also like to thank the regulators, relevant government departments and our fellow professional bodies and business partners for their support and contributions.

Samantha Suen FCIS FCS(PE)

Chief Executive

The Hong Kong Institute of Chartered Secretaries
4 November 2016

HKICS Annual Dinner 2016 Celebrating Our Heritage



About HKICS

The Hong Kong Institute of Chartered Secretaries (HKICS) is a leading professional body dedicated to promoting good corporate governance and corporate secretaryship in Greater China. HKICS began life in 1949 as an association of Hong Kong members of the Institute Chartered Secretaries and Administrators (ICSA). Our Institute became an official branch of the ICSA in 1986 and gained local status as an autonomous professional body in 1994.

MAINTAINING THE QUALITY OF THE CHARTERED SECRETARIAL QUALIFICATION

As the qualifying and professional body for Chartered Secretaries in Greater China, we help our students to acquire the qualification and skills they need for a successful career as a Chartered Secretary. There are two routes to complete the International Qualifying Scheme examinations – either by taking public examination or the post-graduate collaborative courses set up in association with three local universities.

We organised extracurricular activities, such as sports activities, social functions, art appreciation events, visits and outings, community service and mentorship activities, to cater for the different interests and experience levels of our students and members. These activities are designed to provide networking opportunities and help our members develop the soft skills and qualities they will need to succeed in their careers.

PROVIDING EXTRACURRICULAR SUPPORT

SUPPORTING PROFESSIONAL EXCELLENCE AND INTEGRITY

Since 2004 we have been running our Enhanced Continuing Professional Development (ECPD) programme, which keeps our members up to date in all relevant areas of corporate secretaryship, compliance and corporate governance. By 2017, all of our members will have to comply with our mandatory CPD requirement of a minimum of 15 CPD hours per year. Our members

need to abide by our code of ethics and conduct, and are subject to our investigation and disciplinary regime.

WHAT WE DO

We play an integral role in the development of regulatory policy in Hong Kong through our regular submissions on legislative initiatives.

We also continually monitor frontier issues in corporate governance and corporate secretarial practice, and utilise our network of expertise to ensure members are kept up to date in these areas via our guidance notes, research publications and our monthly journal.

PROVIDING THOUGHT LEADERSHIP

Where do we operate?

HKICS is incorporated and domiciled in Hong Kong. The majority of our membership and studentship base is located in Hong Kong, but, as the China Division of the Institute of Chartered Secretaries and Administrators (ICSA), we have a growing presence in Greater China and the region. We conduct the IQS examinations in Hong Kong, Beijing and Shanghai annually, and we provide CPD training in Hong Kong and major cities throughout Mainland China. The scope of our work and influence is not only local and regional but global, principally through our membership of the ICSA and the Corporate Secretaries International Association.

What is our governance structure?

Our governance structure is displayed in the graphic opposite. Council is our primary governance body, providing strategic direction and shaping our response to local and international developments. The current membership of our Council is set out on pages 14-15 of this report.

Council is assisted in its work by six committees. The Audit, Education, Professional Development and

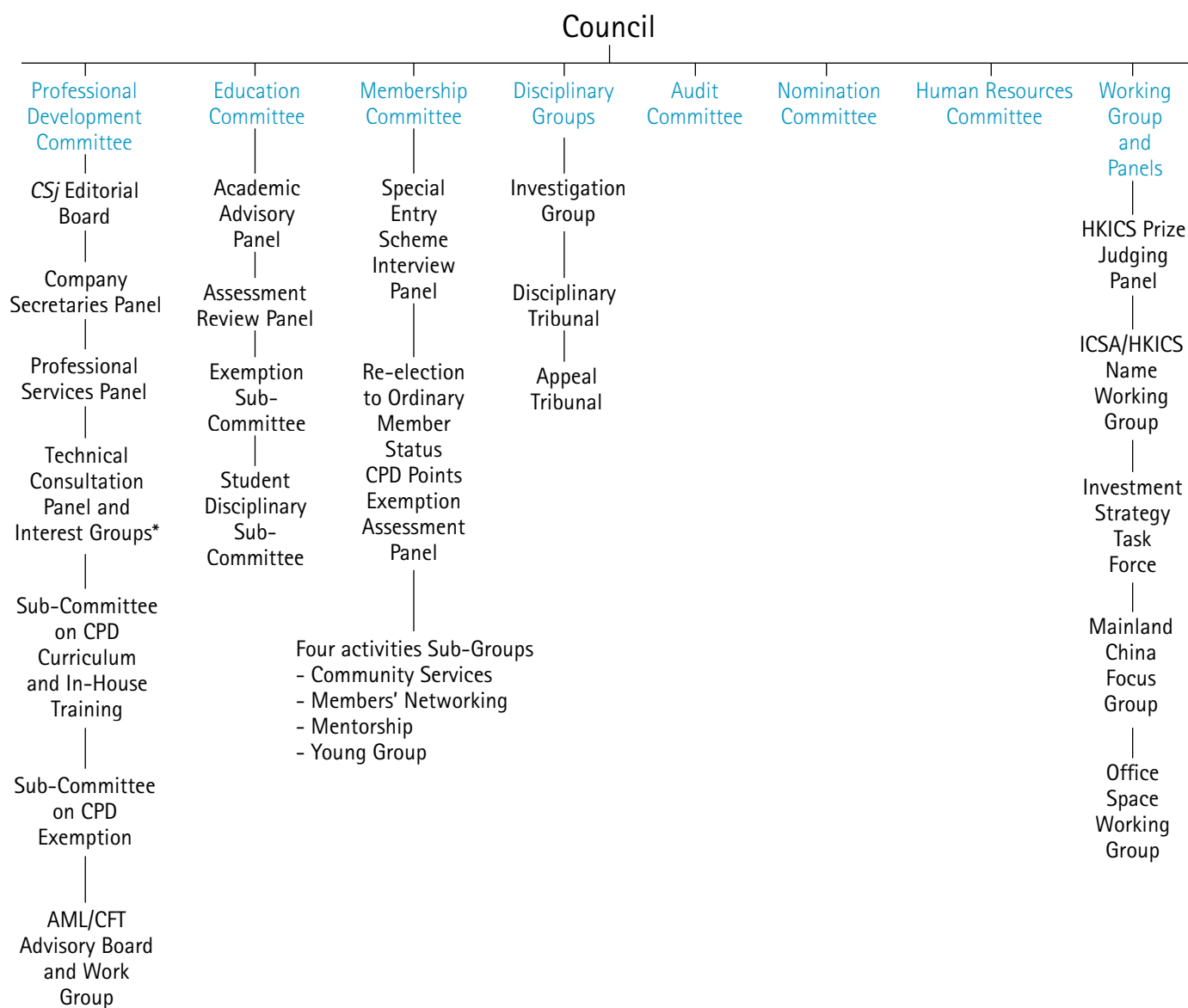
Membership Committees are each chaired by a Council member, while the Nomination Committee and Human Resources Committee are each chaired by a past president. The committees report directly to Council and are responsible for implementing the Institute's strategic policies in Hong Kong and Mainland China.

Council is guided, particularly in technical areas, by experts and professionals serving on a number of working groups and panels. These include: the Company Secretaries Panel dedicated to promoting our relationship with listed issuers, regulators and the government; the Technical Consultation Panel dedicated to leading and coordinating our work on consultation submissions and on research and guidance publications; and the Professional Services Panel dedicated to supporting and guiding members in the corporate and professional services sector, and handling with our relationship with the Companies Registry through the Companies Registry Customer Liaison Group.

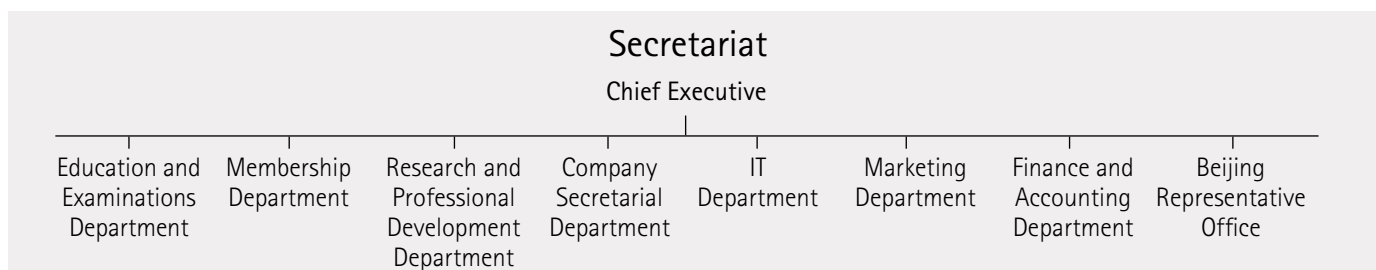
Delivery of the strategy set by Council is the responsibility of the secretariat headed by our Chief Executive, Samantha Suen FCIS FCS(PE), who is also a past president.



GOVERNANCE STRUCTURE

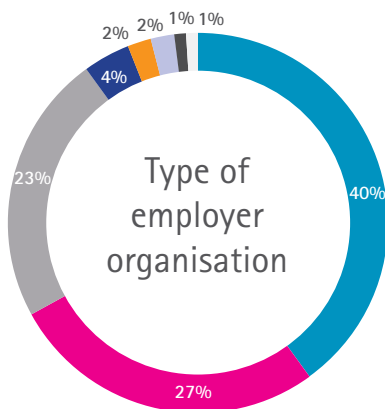
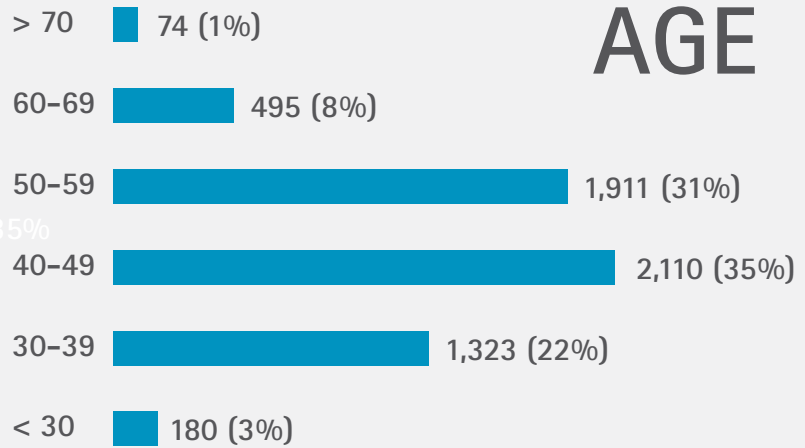
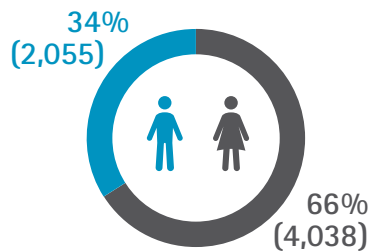


* Seven Interest Groups were formed

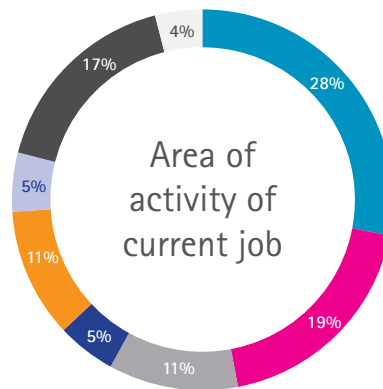


MEMBERSHIP METRICS

6,093
members
and graduates



- Listed company
- Private company
- Partnership/Professional firm
- Government/Quasi-government organisation
- Further/Higher education
- Sole proprietor/Self-employed
- Statutory body
- Others

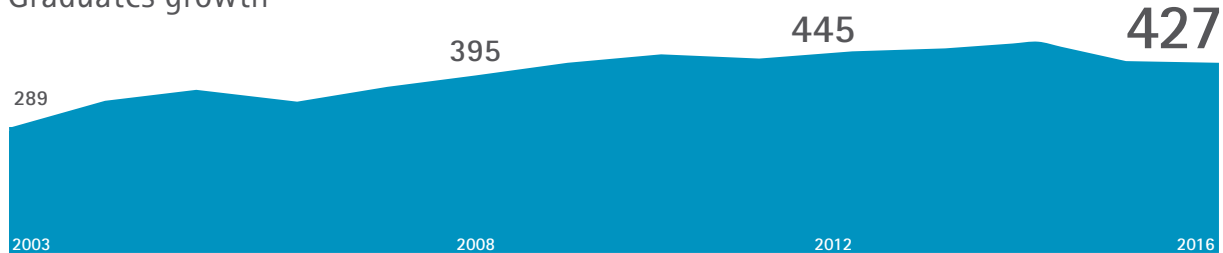


- Company secretarial
- Accountancy
- Compliance
- Legal Administration/Contracts
- Financial management
- Office administration
- General management
- Personnel/Human resources

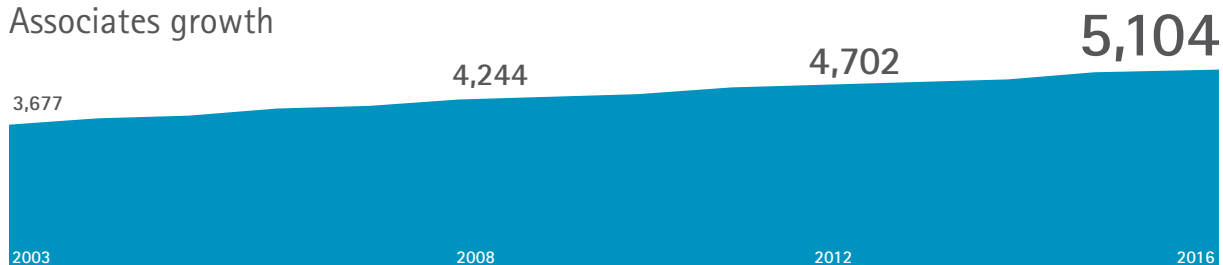
Members and graduates growth



Graduates growth



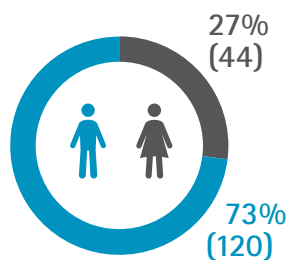
Associates growth



Fellows growth



164
Affiliated
Persons



> 70 0 (0%)

60-69 2 (1%)

50-59 42 (26%)

40-49 87 (53%)

30-39 33 (20%)

< 30 0 (0%)

AGE

State-owned
enterprises

76%

24%

Private
enterprises

Report of Council

Our Council has pleasure in submitting its report, together with the audited Financial Statements, for the year ended 31 July 2016. Membership of Council during the financial year, and at the date of this report, is set out on pages 14–15. At the 2016 Annual General Meeting, Paul A Stafford, Bernard TL Wu, Jack SL Chow and Paul DS Moyes will retire from Council by rotation pursuant to Article 54.2 of the Institute's Articles of Association. Stella SM Lo was co-opted to Council on 1 June 2016 to fill a casual vacancy and will retire pursuant to Article 55.1 of the Institute's Articles of Association.

Four retiring Council members, Paul A Stafford, Bernard TL Wu, Paul DS Moyes and Stella SM Lo, being eligible, have offered themselves for re-election. Jack SL Chow has not offered himself for re-election and will retire from Council. Council wishes to record its appreciation of the valuable contribution made by Jack SL Chow to the Institute during his period of service.

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

The Council is deeply saddened by the loss of Douglas C Oxley, a Council member and fellow of the Institute. Mr Oxley became a member of the Institute of Chartered Secretaries and Administrators (ICSA) in 1961 and a member of ICSA Hong Kong Branch in 1974. He was a Hong Kong Committee member from 1979 to 1984. He contributed significantly to the Institute and the profession and has served the Council of our Institute for almost 12 years since his first election in 2003. The Institute and Council extend our deepest condolences to his family.

Candidates for election to the 2016/2017 Council

At the close of the nomination date, in addition to the four retiring Council members mentioned above, other candidates – Gillian E Meller, Frankie H Ho, Professor Alan KM Au and Richard CW Law – have been nominated for election to the 2016/2017 Council. As the number of candidates exceeds the number of vacancies, the election shall be conducted by postal ballot. Biographical information on the candidates is available in the Notice of the 2016 Annual General Meeting accompanying this Annual Report.

Interest of Council members

No member of Council was appointed to any salaried office of the Institute, or any office of the Institute paid by fees, and no remuneration was given by



the Institute to any member of Council. All Council members have completed an annual declaration of interest form.

Related party transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 23 to the Financial Statements.

Donations

The Institute has donated HK\$194,000 to The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation), formerly known as The Chartered Secretaries Foundation Ltd, a company limited by guarantee. The Foundation awards Chartered Secretaries Scholarships and Chartered Secretaries Subject Prizes to local university students, as well as subject prizes to IQS students who achieve distinction grade in their examinations.

Financial Statements

Despite the extensive operational activities and projects carried out for the benefit of our members and students during the year, the Institute has an operational surplus of HK\$4.2 million for the year ended 31 July 2016. The Institute's performance review,

management discussion and analysis, business review and the audited Financial Statements for the year ended 31 July 2016 are set out in the following pages of this Annual Report.

Non-current assets

Details of movements of property, plant and equipment are included in Note 11 to the Financial Statements.

Auditors

The Financial Statements for the year have been audited by Crowe Horwath (HK) CPA Ltd, who retire at the close of the 2016 Annual General Meeting, and will not offer themselves for reappointment. The Council proposes a resolution to appoint BDO Ltd as auditors of the Institute to hold office until the conclusion of the next Annual General Meeting and to authorise the Council to fix their remuneration.

By Order of the Council

Ivan Tam FCIS FCS

President, The Hong Kong Institute of Chartered Secretaries
4 November 2016

COUNCIL: MEMBERSHIP AND DIVERSITY

Title	Name	Post-nominal	Gender	Ethnicity
President	Ivan KW Tam	FCIS FCS	M	Chinese
Vice-President	Dr Gao Wei	FCIS FCS(PE)	M	Chinese
Vice-President	Paul A Stafford	FCIS FCS(PE)	M	English
Treasurer	Dr Eva YW Chan	FCIS FCS(PE)	F	Chinese
Council member	Jack SL Chow	FCIS FCS	M	Chinese
Council member	David YH Fu	FCIS FCS(PE)	M	Chinese
Council member	Ernest CH Lee	FCIS FCS(PE)	M	Chinese
Council member	Paul DS Moyes	FCIS FCS(PE)	M	English
Council member	Douglas C Oxley (Passed away on 27 Sep 2016)	FCIS FCS	M	Australian
Council member	Bernard TL Wu	FCIS FCS	M	Chinese
Council member	Wendy WY Yung	FCIS FCS	F	Chinese
Council member	Stella SM Lo*	FCIS FCS	F	Chinese
Ex-officio member and Past President	Edith Shih	FCIS FCS(PE)	F	Chinese
Ex-officio member and Immediate Past President	Dr Maurice WF Ngai	FCIS FCS(PE)	M	Chinese

*Appointed on 1 June 2016

Total years of service in Council as of 2016 AGM	Attendance at Council Meetings for 2015/2016	Skill-set, expertise and experience
6	8/10	Corporate governance/legal/company secretarial
4	4/10	Corporate governance/legal/company secretarial
3	9/10	Corporate governance/company secretarial
4	10/10	Corporate governance/accounting & finance/investor relations/ company secretarial
7	6/10	Corporate governance/accounting & finance/company secretarial
3	6/10	Corporate governance/accounting & finance/company secretarial
1	6/7	Corporate governance/accounting & finance/company secretarial
5	4/10	Corporate governance/accounting & finance/company secretarial
12	10/10	Corporate governance/accounting & finance/education
9	8/10	Corporate governance/accounting & finance/company secretarial
1	5/7	Corporate governance/accounting & finance/legal/company secretarial
0	2/2	Corporate governance/corporate communications/company secretarial
9	10/10	Corporate governance/legal/company secretarial
17	10/10	Corporate governance/accounting & finance/company secretarial

“Our message is that the Chartered Secretarial training equips students for a diverse and rewarding career at the heart of business”

Performance Review

1. Education and examinations

The key indicators relating to our education and examinations work continued to improve during the year under review. The number of our new students continued its steady rise (see 'Key metrics' opposite). As at 31 July 2016, we had 3,421 registered students. Enrolment for our International Qualifying Scheme (IQS) examinations amounted to 2,095. We also saw an increase in the number of new students joining us via our three collaborative course programmes. A total of 145 students registered with us via this route, representing a 17% increase on the 2015 total. During the year, 188 graduates from these programmes were granted full exemption from the IQS examinations and became graduates of the Institute. This represents a 12% increase on the figure for 2015.

Getting our message across

We continued to be proactive in reaching out to potential students in 2016. Our message is that the Chartered Secretarial training equips students for a diverse and rewarding career at the heart of business. We provide career talks and professional seminars in the major educational institutions in Hong Kong – a total of 13 such talks and seminars were organised this year. We also reach out to

potential students via our IQS information sessions and via notices and advertorials in the local media. Four IQS information sessions were held during the year, and this year we saw a 95% increase in the number of IQS information session participants enrolling as students.

In addition to the above, we have a number of different programmes in operation which help to reach out to potential recruits and the younger members of the profession. These are outlined below.

New student orientations

Our student orientations are organised each year to introduce the Institute, the IQS and student services to new students. IQS subject prize winners were invited to receive their certificates and prizes, and to share their study experience with fellow students. Two new student orientations were organised in 2015/2016, and three student orientations for students joining via collaborative courses.

Student Ambassadors Programme (SAP)

Since 2006 our SAP has proved to be a very popular way for us to promote the Chartered Secretarial

profession among undergraduates. A total of 116 new students enrolled in the programme during the year. Activities held included seminars and visits to relevant regulatory bodies and corporations. In addition, our SAP enables participating students to learn from experienced members of our Institute through our SAP mentorship programme. A total of 27 members joined as mentors for the programme this year. The SAP also gives our Student Ambassadors the opportunity to work as interns in major organisations in Hong Kong. This year, a total of 17 vacancies were offered by 12 companies as part of our Summer Internship Programme.

Corporate governance paper competition and presentation awards

These competitions engage undergraduates in Hong Kong in frontier corporate governance issues. The theme of the paper competition this year was 'Internal and external forces for better corporate governance'. The competition attracted 32 teams with 69 people. The top six teams competed for the Best Presenter award on 10 September 2016.

Sponsorships, scholarships and subject prizes

Our Institute set up The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation), formerly known as The Chartered Secretaries Foundation

Ltd, in 2012 to raise donations and distribute funds to promote good governance in Hong Kong. During the year, the Foundation awarded a total of 17 scholarships and 13 subject prizes to local universities and institutions for students of collaborative courses and relevant degree programmes. It funded the monetary prizes for IQS distinction awards. It also channeled sponsorship funds to 27 student activities and functions at local educational institutions.

Passing the torch

With sponsorship from the Companies Registry, the Institute continues to promote the awareness of the role played by professional practitioners such as company secretaries in ensuring business ethics and corporate governance. The 'Passing the Torch' project helped over 200 students of the Hong Kong University of Science and Technology to learn about ethics at both corporate and personal level from three fellows of the Institute. In phase two of the project, 23 students were selected to conduct school visits and 'pass the torch' of their knowledge to over 120 sub-degree and secondary school students.

This project was also extended to the Hong Kong Baptist University (HKBU) from September 2016. A seminar was conducted by two fellows of the Institute

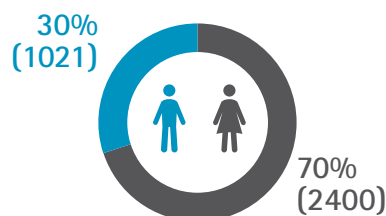
KEY METRICS – EDUCATION AND EXAMINATIONS

738

Number of new students:
(2015: 726, 2% increase)

3,421

Number of registered students
(2015: 3,357, 2% increase)



2,095

Number of students enrolled for IQS
(2014/2015: 2,003, 4.6% increase)

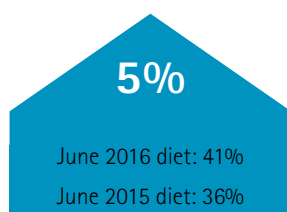
+4.5%

Increase in number of
IQS subjects enrolled
(2015/2016: 2,807,
2014/2015: 2,687)

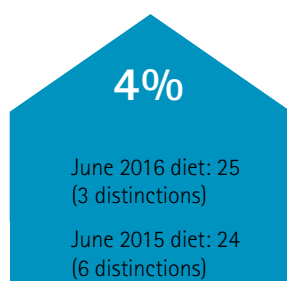
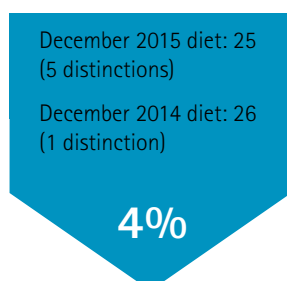
96

Number of graduates who
successfully completed the IQS
(2014/2015: 101; 5% decrease)

EXAMINATION PASS RATE:



NUMBER OF OUTSTANDING PERFORMANCES (DISTINCTION AND MERIT AWARDEES):



in October 2016 for over 80 HKBU students. A selected group of these students will conduct secondary school visits in January 2017 and pass their knowledge in ethics and governance to the secondary school students.

HKICS Teaching Award 2016

This award recognises the academic staff members of the Hong Kong Polytechnic University (HKPU) who achieved outstanding teaching performance in subjects relevant to the IQS. The 2015/2016 award was granted to two teaching fellows of HKPU, Dr Stephen Chan and Mr Philip Chan. The award was presented to them at the Convocation of the Institute on 4 October 2016.

Maintaining quality

Our Education Committee constantly reviews studentship policies, quality assurance and examination-related issues. It also maintains close relations with local educational institutions. Committee members, along with Institute executives, hold regular meetings with our Academic Advisory Panel (AAP), comprising senior academics at local universities. The AAP meetings aim to update panel members on the Institute's developments and to provide an opportunity for consultation and collaboration in educational matters. The Assessment Review Panel (ARP), operating under the Education Committee, is responsible for ensuring the quality and integrity of the IQS examinations, as well as making recommendations on examination policies. Three ARP meetings were held this year.

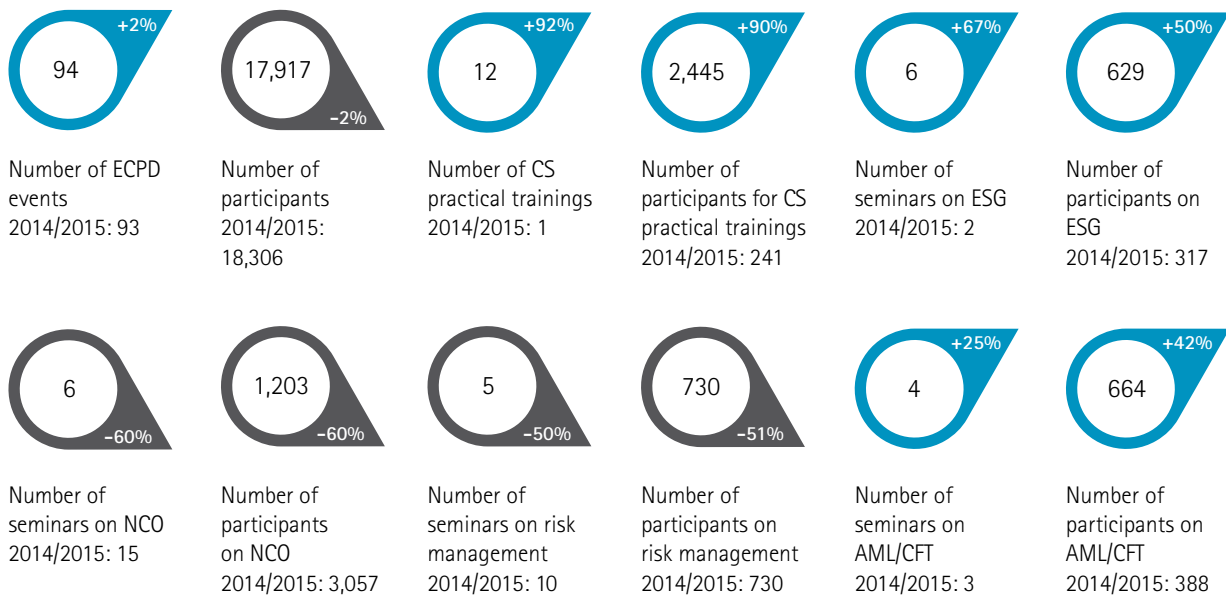
2. Professional development

There continued to be a strong demand for our Continuing Professional Development (CPD) services this year. This reflects the successful implementation of our mandatory CPD programme and the growing recognition of the importance of CPD among our members and more broadly in the market. Our mandatory CPD programme entered its third phase of adoption during the year; the minimum requirement for at least 15 CPD hours per year now extends to more than 4,000 members and graduates.

Our Enhanced CPD (ECPD) programme, which was launched in 2004, keeps our members up to date in all relevant areas of corporate secretaryship, compliance and corporate governance. In terms of attendee numbers, our biggest CPD event of the year is the Annual Corporate and Regulatory Update (ACRU) seminar. This year our ACRU attracted its largest ever audience with over 1,700 attendees (representing a 7% increase from 2015).

Another CPD trend was the increase in interest in environmental, social and governance (ESG) matters following the upgrading of ESG disclosure

KEY METRICS – PROFESSIONAL DEVELOPMENT



Note: not inclusive of ECPD events in China.



requirements by the Hong Kong Stock Exchange. We held six events this year on ESG reporting (representing a 67% increase from 2015), attracting over 600 attendees.

The new Companies Ordinance (NCO) has now been in operation for over two years and, as the market is more familiar with the new companies law regime, there has been a drop in the demand for seminars on this topic. Nevertheless, seminars on this theme still attracted over 1,200 participants this year.

Other seminar topics of interest this year were risk management (we held five seminars on this topic with more than 700 attendees) and anti-money laundering and counter-financing of terrorism (AML/CFT) compliance (we held four seminars with over 650 attendees).

We also saw the expansion of our 'Company Secretarial Practical Training' series of seminars during the year. This series aims to give more support to members in the technical and practical skills they need to acquire in their work. We held 12 training events in this series during the year under review, attracting more than 2,400 participants.

3. Research and advocacy

The year under review has been a busy one for our research and advocacy initiatives.

Risk management survey with KPMG

In September 2015, in conjunction with KPMG China, we published a report 'Risk Management: Looking at the New Normal in Hong Kong'. The report was based on an HKICS/KPMG survey assessing the awareness and preparedness of organisations in Hong Kong and Mainland China to manage and oversee risks. The survey, which gathered data from 279 respondents from across a range of industries, gave a snapshot of the 'new normal' for risk management in the region. The report urges organisations to adopt a structured approach to risk management and focuses on improving board oversight in this area.

HKICS AML/CFT Charter

In May 2016 we launched a new initiative to promote AML/CFT best practice in the corporate service providers sector in Hong Kong. The initiative has two aspects: firstly a new HKICS AML/CFT guideline, which is freely available on the HKICS website; and secondly the AML/CFT Charter. The Charter is the first AML/CFT self-regulatory initiative in Hong Kong. Subscribing organisations which meet the Charter's standards on AML/CFT – as set out in the HKICS AML/CFT guideline – will be certified as accredited HKICS AML/CFT organisations.

Bank Account Opening Survey

It is hoped that the new HKICS AML/CFT Charter mentioned above will help mitigate the problem businesses are currently having opening bank accounts in Hong Kong. This problem, widely reported in the media, is at least partly due to the increased regulatory controls and customer due diligence (CDD) requirements banks are subject to in the AML/CFT area. We engaged our own research into this issue earlier this year, and published our *Bank Account Opening Survey* report on 28 July 2016. The report looks at the severity of the problem, its likely causes and also suggests that HKICS



members, as recognised intermediaries under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO) and as accredited HKICS AML/CFT organisations, are in a position to help banks' CDD compliance where they accept their work.

Guidance notes

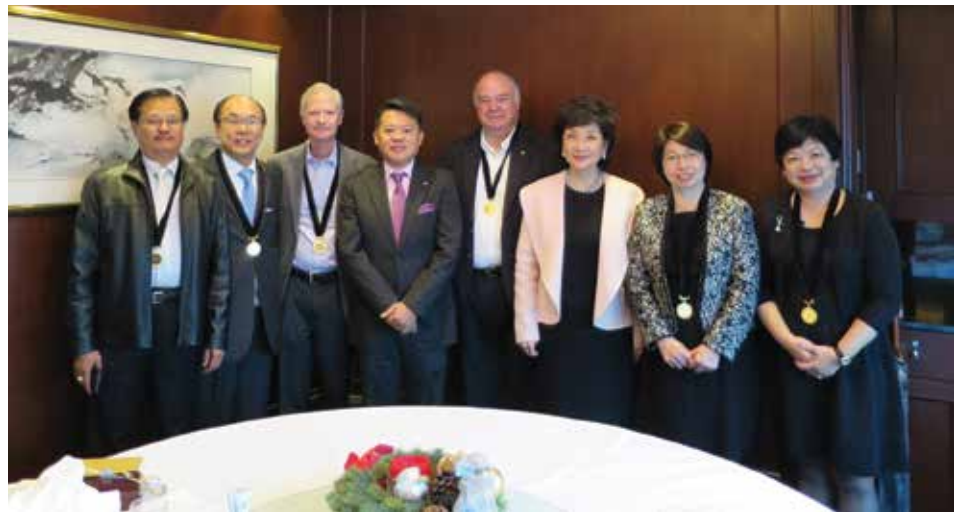
Our series of guidance notes provides members and the wider community with valuable practical advice on key topics in governance and company secretarial practice. In January 2016, we published a new guidance note on one of the most complex areas of Hong Kong's regulatory regime – connected transactions. This year also saw the launch of a new initiative which will expand our guidance notes series substantially. In July 2016 we set up seven new Interest Groups under the Technical Consultation Panel with a view to producing guidance notes on the following topics:

1. company law
2. competition law
3. ethics, bribery and corruption
4. public governance
5. securities law and regulation
6. takeovers, mergers and acquisitions, and
7. technology.

Regulatory submissions

The Institute continued to play a proactive role in regulatory reform and policy formulation in Hong Kong via our submissions to regulatory consultations. During the year, we made submissions to:

- the questionnaire on the 'Review of the Environmental, Social and Governance Reporting Guide' (18 September 2015)
- the Security Bureau on the 'Establishment of a Reporting System on the Physical Cross-Boundary Transportation of Large Quantities of Currency and Bearer Negotiable Instruments' (18 September 2015)
- the consultation paper on 'Legislative Proposals to Introduce a New Open-Ended Fund Company Structure' issued by the Financial Services Branch of the Financial Services and the Treasury Bureau (16 December 2015)
- the Hong Kong Monetary Authority 'Consultation Paper on Empowerment of Independent Non-Executive Directors in the Banking Industry in Hong Kong' (21 April 2016)
- the Hong Kong General Chamber of Commerce 'Survey on Tighter Banking Requirements' (31 May 2016), and
- the Commerce and Economic Development Bureau questionnaire 'New Support Scheme for Professional Services in Hong Kong' (14 June 2016).



50 SUMMER INTERNSHIP OPPORTUNITIES



37 MEMBERSHIP EVENTS WITH 1,800 PARTICIPANTS



4. Student and member services

Technical knowledge is only part of the skill-set company secretaries need to acquire, and our student and member services are designed to provide valuable social networking opportunities, as well as opportunities to develop the personal qualities our students and members will need to make a success of their careers.

Supporting our students

We provide assistance to our students preparing for the IQS examinations via study packs, examination technique workshops and examination preparatory courses via the University of Hong Kong, School of Professional and Continuing Education (HKU SPACE). We also regularly publish advice from subject prize winners on the best way to prepare for the IQS examinations in our journal *CSj* and Student Handbook. Our Student Ambassadors Programme is another initiative, enabling participating students to benefit from mentorship and internship opportunities.

This year we also teamed up with the Hong Kong Coalition of Professional Services (HKCPS) in student support initiatives, such as inviting secondary school students to attend the Institute's Annual General Meeting. Moreover, 33 summer internship opportunities were offered by the Institute and our members' organisations to Form 5 students from Yuen Long district in the 2016 summer.

Supporting our members

This year has set a new record for the number of participants and activities organised for members and graduates. We organised 37 events with more than 1,800 participants. This represents a 162% increase on the 686 participants in 2015. These events included our regular events for fellows, associates and graduates, our annual convocation and the activities of our dragon boat team. We also continued to reorient our services to target the different interests and experience levels of our membership under the 'four pillar' programmes – Mentorship, Members' Networking, Young Group and Community Service.

Mentorship

Mentorship is an effective way, outside the formal training process, to develop the full potential of our members. We launched our first 'Chartered Secretary Mentorship Programme' in August 2015, and the second term of the programme commenced in April 2016 with 36 mentors and 36 mentees (up from 20 mentors and 30 mentees in 2015).

Members' Networking

Our Members' Networking programme provides members with opportunities



for social networking, as well as deepening their professional and personal skills. Activities organised during the year ranged from personal development, management skills, personal health care and visits to art galleries.

Young Group

As the name implies, this programme is designed to provide a platform for our younger members to mingle and network with other professionals. A series of sports, games, social gatherings, soft skills development workshops and talks were organised during the year. We also actively participated in activities organised by the Young Coalition Professional Group of the HKCPS with a professional networking party, visits to Qinghai and Huanqian and a luncheon hosted by the Commissioner of PRC Ministry of Foreign Affairs.

Community Service

This programme gives members the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. This year the activities

included two low-carbon living workshops, a visit to 'dialogue in the dark' and a volunteers training workshop.

Maintaining professional standards

Our Investigation Group, together with our Disciplinary Tribunal and Appeal Tribunal, are dedicated to ensuring that our members comply with the requisite standards of professional conduct.

Complaint cases under disciplinary proceedings

During the year, we carried out checks of potential disciplinary cases at the public domain. The external sources included: Hong Kong Bar Association; Hong Kong Exchanges and Clearing Ltd; Hong Kong Institute of Certified Public Accountants; the Market Misconduct Tribunal; The Law Society of Hong Kong; and The Securities and Futures Commission. Ten complaints were received and referred to our Investigation Group. Of these four were closed with no *prima facie* case established, three cases are still under investigation and the remaining three cases were referred from the Investigation Group to the

Disciplinary Tribunal. Our Disciplinary Tribunal concluded one case this year. No appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal.

Mandatory CPD (MCPD) non-compliance

The total number of MCPD non-compliance cases processed under disciplinary proceedings was 61, of which five cases were closed following member compliance and one member was allowed to resign. A total of 18 members were removed from the membership registers due to non-compliance with Disciplinary Tribunal orders and decisions.

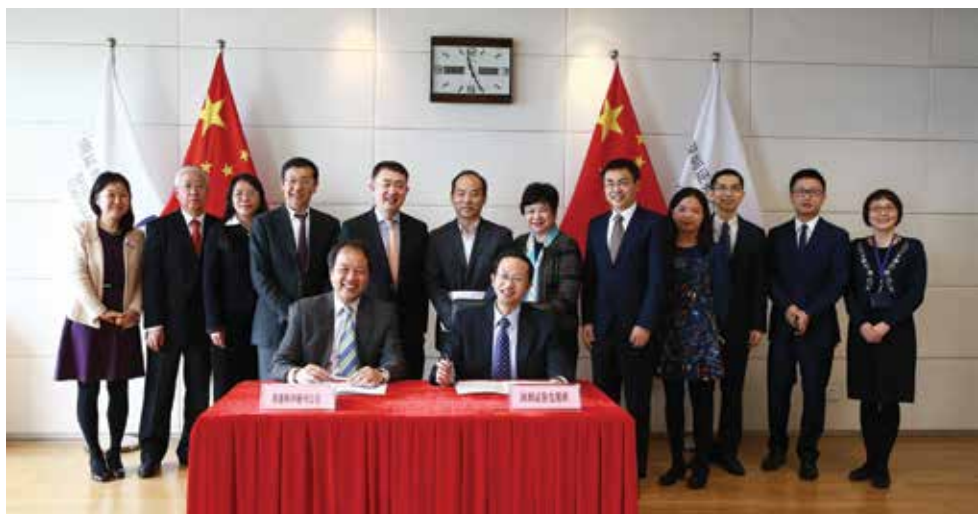
No student disciplinary cases were referred to the Student Disciplinary Sub-Committee during the year.

5. Mainland China

During the year under review, we continued our efforts to build up the Chartered Secretarial profession and assist in the professionalisation of the board secretary in Mainland China. With our increasing recognition in the Mainland and the growing number of Mainland companies listed in Hong Kong, our member and Affiliated Persons (AP) numbers continued to grow this year. We have 36 members, up from 29 in 2015, and we have 164 APs, up from 157 in 2015. In addition to H-share companies, the AP programme continues to attract more participants from red-chip, A-share and to-be-listed companies.

Advocacy

The year under review has seen a further strengthening of our relationships with key stakeholders in the Mainland. We signed a Memorandum of Understanding (MoU) with the Shenzhen Stock Exchange on 30 March 2016 in Shenzhen. Our Institute already has MoUs with the Shanghai Stock Exchange, the Insurance



Association of China and the China Association for Public Companies.

CPD training and networking

We organised four AP ECPD seminars in Beijing, Zhuhai and Luoyang this year. Topics covered included: corporate governance, internal controls, annual financial audits, annual reports, risk management and mergers and acquisitions. The four seminars attracted around 600 participants from H-share, A+H share, red-chip, A-share and to-be-listed companies.

In 2015/2016, the five Regional Board Secretaries Panels (RBSP) continued to play an important role in strengthening communication among APs and relevant personnel, as well as regulators. The first meeting was held in Hong Kong in January 2016, and four RBSP meetings were held in Beijing, Shanghai, Shenzhen and Chengdu respectively in March and April 2016. A total of 103 participants including APs, members, students and local officials discussed and shared their views/experiences on the regulation and practice of risk management and internal control.

Reaching out to students

We launched our examination centre in Beijing in 2007 and started to recruit students from H-share companies. As at the end of the reporting period

for this report (31 July 2016), we had 165 Mainland students (up from 156 in 2015). IQS examinations were held in Beijing and Shanghai in December 2015 and June 2016 with a total subject enrolment of 103, a slight increase on the 2015 figure of 98.

We continued to organise IQS information sessions to introduce the Chartered Secretarial profession and IQS examinations to our target groups. Five IQS information sessions were held in Beijing, Zhuhai, Luoyang and Shanghai, attended by over 100 participants.

In order to provide more support to Mainland students and to cultivate corporate governance talent in Mainland China, our Institute worked with the Open University of Hong Kong (OUHK) to launch a Postgraduate Programme in Corporate Governance (distance learning) in Shanghai in September 2016. This programme aims to provide practical knowledge and skills for those who wish to pursue, or further advance, their careers as company secretaries or

MAINLAND METRICS



corporate governance professionals. Students who successfully complete this programme and a one-week Residential School held in the OUHK Hong Kong campus, and subsequently obtain the Master of Corporate Governance degree are eligible to apply for full exemption from the IQS examinations.



Management Discussion and Analysis

Revenue

The Institute's total revenue increased in 2015/2016 to reach HK\$38,657,428, representing an increase of approximately 0.8% from HK\$38,341,388 in 2014/2015. This increase is largely attributable to three streams: membership subscriptions, studentship subscriptions and examination fees; and CPD activities in Hong Kong and Mainland China.

Income from subscription fees rose to HK\$19,659,457 (2014/2015: HK\$19,116,970), a rise of approximately 3%, which was a result of a steady 2% growth in the number of members, graduates and students, as well as a moderate increase in the studentship subscriptions and related fees, whereas there was no increase in membership subscriptions and related fees.

As discussed in the Performance Review section of this report, a key trend this year has been the increasing demand for our CPD services, partly as a result of regulatory changes and our mandatory CPD requirements. Our CPD events – including our regular evening CPD seminars and AP ECPD seminars in Mainland China, together with our signature Annual Corporate and Regulatory Update (ACRU) seminar attracted a record 17,917 participants. The enrolment fees for AP ECPD seminars and ACRU were set at cost and the surplus of these events largely derived from the sponsorship received from corporates. The ECPD

seminars and other membership social activities together brought in an income of HK\$14,997,993, representing a 1.6% increase from the previous year (2014/2015: HK\$14,754,598).

Other net income of HK\$880,398 (2014/2015: HK\$1,474,220) mainly represents the sales of study packs to students; seminar income from a series of workshops supported by the Government of the Hong Kong Special Administrative Region; commission derived from the Institute's co-brand cards with American Express issued to members; career classified advertisement income; dividend income from financial assets; and other one-off reimbursements.





Expenses

Total expenses in the year were HK\$34,436,029 (2014/2015: HK\$31,953,690), a rise of approximately 7.7% which was in line with the increase in activities by the Institute held during the year.

Staff costs

Staff costs were recorded at HK\$16,836,994 (2014/2015: HK\$14,635,476) representing a rise of approximately 15%. The increase in staff costs was mainly due to moderate salary increments, and additional staff members to support the increased number of functions and activities. Staff costs represent a substantial portion of the Institute's operating expenses and are incurred

to enable the Institute's secretariat, headed by the chief executive, to operate effectively. Notwithstanding the service quality pledged to a sizable group of over 9,000 members, graduates and students in both Hong Kong and Mainland China, and the initiatives set by Council each year, Council strives to maintain a secretariat that is both lean and efficient, with a total of 36 (2014/2015: 37) staff members in our Hong Kong and Beijing Offices.

Other operating expenses

Expenses relating to other operating items increased to HK\$16,998,182 (2014/2015: HK\$16,871,628). The rise was mainly due to the increase in member and student activities held during the year. Our direct costs (which includes costs for various CPD seminars, activities and functions held in Hong Kong and Mainland China) were: HK\$5,692,065 (2014/2015: HK\$6,077,278), a decrease of approximately 6.3%. This figure includes the seminar expenses for affiliated persons events (2015/2016: HK\$2,135,953; 2014/2015: HK\$1,760,383) and biennial Corporate Governance Conference (2015/2016: HK\$29,183; 2014/2015: HK\$1,159,777) .

Operating surplus

The Institute made an operating surplus of HK\$4,221,399 (2014/2015: HK\$6,387,698). Maintaining an operating surplus is a key part of our effectiveness since it means that, going forward, we will have the financial resources to achieve our strategic goals.



**OPERATING
SURPLUS**
HK\$4.22
million
-33.9%

During the year, the Institute set up a new reserve fund, namely the IT maintenance fund, and 0.5% of the gross income will be transferred to this fund annually. Details of the fund is presented in the 'Statement of Changes in the Reserves and Funds' section of the Financial Statements.

Liquidity and financial resources

The Institute adopts prudent funding and treasury management policies and continues to maintain a healthy financial position. The Institute's source of funding comprises receipts generated from membership and studentship subscriptions, examination fees, income from CPD activities and other net income.

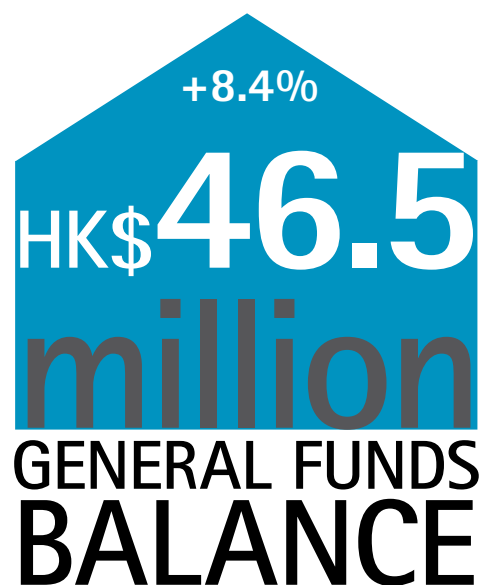
During the year, the Institute recorded a cash inflow from operating activities of HK\$4,914,591 (2014/2015: HK\$7,683,642). As at 31 July 2016, cash and cash equivalents were HK\$21,644,442 compared with HK\$18,435,136 in the preceding year. The increase in cash and cash equivalents is mainly due to the surplus for the year after adjusting for non-cash flow items.

The Institute manages its available cash reserves prudently. It holds financial assets, which as at 31 July 2016 comprised principal guaranteed short-term investments at a fair value of HK\$10,307,002 (2014/2015: HK\$9,327,349). These funds are managed by an independent external professional fund manager on behalf of the Institute.

The balance of the general funds stood at HK\$46,522,333 as of 31 July 2016 (2014/2015: HK\$42,917,742) which is adequate for both operational and capital needs. The Council regularly reviews the need to increase revenue and enhance cost effectiveness from various means to ensure requisite and proper operational and capital needs are fully covered.

Non-current assets

As at 31 July 2016, property revaluation resulted in a surplus of HK\$1,514,745 (2014/2015: surplus of HK\$911,916). Details of movements of property, plant and equipment are included in Note 11 to the Financial Statements.



Donations

The Institute has donated HK\$194,000 (2014/2015: HK\$175,000) to The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation), formerly known as The Chartered Secretaries Foundation Ltd, a company in Hong Kong limited by guarantee, whose purpose is to raise funds to support education and research in company secretarial, legal, accounting and business studies generally, and in particular in the

area of corporate governance. The Foundation awards Chartered Secretaries Scholarships and Chartered Secretaries Subject Prizes to selected local university students who have achieved the standards set out by the Foundation, as well as subject prizes to IQS students who achieve distinction grade. The donations transferred during the year were recorded as an operating expense.

**HK\$194,000
DONATED TO
THE FOUNDATION**



Business Review

Key risks and controls

The key risks identified in the annual review for 2015/2016, and the controls put in place to manage those risks, are set out below.

Strategic and operational risk

The strategic risks facing our Institute come mainly from the changing external environment in which companies operate. A key trend in recent years has been the rising expectations companies are under regarding their standards of governance and ethics. Our operational risks come mainly from the risk of inadequate or failed internal processes, people and systems or from external incidents.

During the year, our Institute has continuously enhanced its information technology (IT) security and related measures, including IT security assessment and IT security training.

The Institute has engaged an external consultant to perform an internal work process review in order to improve its efficiency and effectiveness. The secretariat also has an ongoing review of its work processes to enhance the efficiency and to address potential operational risks.

Our Council meets once every two months to monitor our strategic risks and to set the strategic direction of our Institute. Responsibility for managing operational risks rests with every function at the departmental level. Although our Institute recognises that operational risks cannot be eliminated completely, and that it may not always be cost effective to do so, we still strive to continuously update and enhance our internal controls and effective internal processes to mitigate operational risks.

Information technology risk

The effectiveness and security of our IT systems is instrumental to the smooth operation of our Institute. Any IT deficiencies or interruption may affect the services provided to our members. To address this risk, preventive maintenance, detective monitoring and containment measures have been implemented. The Institute has engaged an independent consulting firm to review and provide advice on IT security regularly. In addition, our existing IT system is in the process of a revamp and upgrade by an external consulting firm.

Financial risk

In the course of business activities, the Institute is exposed to a variety of financial risks, including credit and currency risks. Details of the exposure to financial risk and the policies and practices adopted to manage these risks are described in Note 22 to the Financial Statements (on pages 39–60).

Manpower and retention risk

Getting talented personnel with relevant experience and knowledge is key to our ability to implement our objectives, particularly in light of our recent initiatives to expand and improve our member services. We provide attractive remuneration packages to suitable candidates and personnel, and we have been providing training to existing staff, covering areas such as management skills and IT security, to ensure a good match of skills to our work requirements.

Environmental, social and governance report

As a professional body dedicated to promoting good governance and ethics, we recognise that we need to maintain high standards of corporate social responsibility and run our operations in an ethical and sustainable manner.

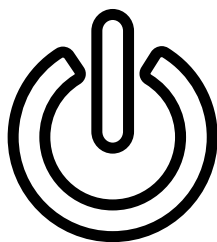
Workplace quality

Staff relations – Our Institute promotes teamwork and good relations among its staff. During the year under review, staff gatherings were held monthly to maintain staff morale and promote staff team building. Activities at these staff gatherings include playing games and celebrating the birthdays of relevant staff members. In addition to these monthly gatherings, a Christmas dinner and a horse racing night were held for secretariat staff during the year – these initiatives received positive feedback from staff.

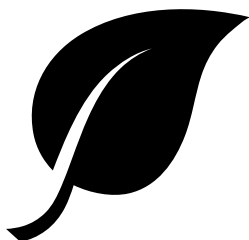
Training and development – An induction programme is conducted for new staff members to provide them with a better understanding of the Institute and its work. Ongoing in-house training is also provided on the Institute's latest initiatives and new or revised work procedures. Staff members are also encouraged to attend training and development courses to continually improve their knowledge and skills. Training in personal effectiveness, management and coaching skills, data privacy, anti-corruption, service enhancement and IT security issues were arranged during the year for the personal development of staff. In addition to this in-house training, the Institute also fosters a



**ELECTRICITY
USAGE**
HK\$104,674



**PAPER
USAGE**
605 REAMS



**AVERAGE
INDOOR
TEMPERATURE**
24°C – 26°C



culture of continuous learning and self-development of staff. The Institute nominates staff to attend external seminars and conferences to broaden their perspectives and widen their exposure.

Environmental protection

As an environmentally conscious organisation, the Institute has launched a number of initiatives to raise green awareness among staff and members, and to reduce its resource consumption and carbon footprint. The Institute has implemented green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, and reducing energy consumption by switching off unnecessary lighting and electrical appliances. The Institute also maintains an average indoor temperature at 24-26°C to save energy. To reduce wastage, the Institute reuses the corporate banners displayed at seminars and events.

To protect the environment, we encourage our members to receive corporate communications electronically via the Institute's website, and an automatic footnote has been appended to all secretariat emails requesting recipients to consider the environment before printing. During the year, the Institute introduced its online CSj and encourages members to receive the journal via the Institute's website. The Council and committee members have also joined the green initiative by using ICSA BoardPad for receiving meeting papers.

The Institute also supports WWF's 'Earth Hour', a global campaign calling for climate change solutions and a commitment to combatting global warming. As a corporate participant, the secretariat turned off its lights from 8.30pm – 9.30pm on 19 March 2016.

The Institute reviews its environmental practices from time to time, and will consider implementing further eco-friendly measures and practices. The Institute aims to adhere to the 3Rs – reduce, reuse and recycle – and is dedicated to enhancing environmental sustainability.

Community involvement

The Institute has launched a new series of events under its Members' Services programme, giving members the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. The Community Service sub-group, set up under the Membership Committee, has launched a series of community services initiatives, including talks on dementia, bake to feed, training to become a volunteer and dialogue in the dark. The Institute also arranged blood donation and a low-carbon living workshop. The Institute will continue to increase its participation in voluntary and charitable services in the future.



Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF
CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of The Hong Kong Institute of Chartered Secretaries (the "Institute") set out on pages 35 to 60, which comprise the statement of financial position as at 31 July 2016, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in reserves and funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council members' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 July 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 4 November 2016

Lo Charbon
Practising Certificate Number P06029

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2016

	Note	2016 HK\$	2015 HK\$
Subscriptions and fees	5	19,659,457	19,116,970
Other revenue	6	18,117,573	17,750,198
Other net income	6	880,398	1,474,220
Staff costs	7	(16,836,994)	(14,635,476)
Depreciation expenses		(600,853)	(446,586)
Other operating expenses	8	(16,998,182)	(16,871,628)
Surplus for the year		4,221,399	6,387,698
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use	11	1,514,745	911,916
Other comprehensive income for the year		1,514,745	911,916
Total comprehensive income for the year		5,736,144	7,299,614

The notes on pages 39 to 60 form an integral part of these financial statements.

Statement of Financial Position

At 31 July 2016

	Note	2016 HK\$	2015 HK\$
Non-current assets			
Property, plant and equipment	11	84,282,303	83,181,771
Deposit for acquisition of intangible assets		217,500	-
		84,499,803	83,181,771
Current assets			
Inventories	12	316,587	795,034
Financial assets at fair value through profit or loss	13	10,307,002	9,327,349
Accounts and other receivables	14	2,239,491	1,520,960
Amount due from a related association	15	680	56,245
Cash and cash equivalents	16	21,644,442	18,435,136
		34,508,202	30,134,724
Current liabilities			
Accounts and other payables		494,634	758,976
Amount due to a related association	17	1,006	17,671
Subscriptions and fees received in advance	18	2,852,229	2,615,856
		3,347,869	3,392,503
Net current assets		31,160,333	26,742,221
NET ASSETS		115,660,136	109,923,992
RESERVES AND FUNDS			
General fund		46,522,333	42,917,742
Properties revaluation reserve		67,482,225	65,967,480
Building maintenance sinking fund		830,455	619,385
Education development fund		630,455	419,385
IT maintenance fund		194,668	-
		115,660,136	109,923,992

The financial statements were approved and authorised for issue by the Council on 4 November 2016 and are signed on its behalf by:

Ivan Tam
President

Eva Chan
Treasurer

The notes on pages 39 to 60 form an integral part of these financial statements.

Statement of Changes in Reserves and Funds

For the year ended 31 July 2016

	General fund HK\$	Property revaluation reserve HK\$	Building maintenance sinking fund HK\$ (Note a)	Education development fund HK\$ (Note b)	IT maintenance fund HK\$ (Note c)	Total HK\$
At 1 August 2014	37,568,814	65,055,564	-	-	-	102,624,378
Surplus for the year	6,387,698	-	-	-	-	6,387,698
Other comprehensive income for the year	-	911,916	-	-	-	911,916
Total comprehensive income for the year	6,387,698	911,916	-	-	-	7,299,614
Transfer from general fund	(1,038,770)	-	619,385	419,385	-	-
At 31 July 2015 and 1 August 2015	42,917,742	65,967,480	619,385	419,385	-	109,923,992
Surplus for the year	4,221,399	-	-	-	-	4,221,399
Other comprehensive income for the year	-	1,514,745	-	-	-	1,514,745
Total comprehensive income for the year	4,221,399	1,514,745	-	-	-	5,736,144
Transfer from general fund	(616,808)	-	211,070	211,070	194,668	-
At 31 July 2016	46,522,333	67,482,225	830,455	630,455	194,668	115,660,136

Notes:

- The building maintenance sinking fund represents funds for the purpose of renovation, repairs and maintenance of Institute's office premises. HK\$300,000 was transferred from the general fund on 1 August 2014 as a startup fund and 5% of the surplus for the year would be transferred from the general fund annually thereafter.
- The education development fund represents funds for the purpose of development of education programmes. HK\$100,000 was transferred from the general fund on 1 August 2014 as a startup fund and 5% of the surplus for the year would be transferred from the general fund annually thereafter.
- The IT maintenance fund represents funds for the purpose of maintenance of Institute's IT systems. Starting from 1 August 2015, 0.5% of the gross income would be transferred from the general fund annually thereafter.

The notes on pages 39 to 60 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 July 2016

	Note	2016 HK\$	2015 HK\$
Operating activities			
Surplus for the year		4,221,399	6,387,698
Adjustments for:			
Depreciation of property, plant and equipment		600,853	446,586
Bad debts written off		56,325	-
Bank interest income		(102,488)	(27,401)
Dividend income on financial assets at fair value through profit or loss		(181,806)	(93,001)
Exchange differences		214,571	-
Gain on sale of financial assets at fair value through profit or loss		(6,580)	-
Unrealised loss on financial assets at fair value through profit or loss		397,795	85,939
		5,200,069	6,799,821
Changes in working capital:			
Decrease/(increase) in inventories		478,447	(698,351)
(Increase)/decrease in accounts and other receivables		(718,611)	1,618,672
(Increase)/decrease in amount due from a related association		(680)	5,862
(Decrease)/increase in accounts and other payables		(264,342)	260,745
Increase/(decrease) in subscriptions and fees received in advance		236,373	(320,778)
(Decrease)/increase in amount due to a related association		(16,665)	17,671
Net cash flow generated from operating activities		4,914,591	7,683,642
Investing activities			
Interest received		102,488	27,401
Purchases of property, plant and equipment		(186,640)	(1,368,560)
Purchases of financial assets at fair value through profit or loss		(1,263,518)	-
Payment for deposit for acquisition of intangible assets		(217,500)	-
Proceeds on sale of financial assets at fair value through profit or loss		74,456	-
Net cash used in investing activities		(1,490,714)	(1,341,159)
Financing activities		-	-
Net increase in cash and cash equivalents		3,423,877	6,342,483
Cash and cash equivalents at the beginning of the year		18,435,136	12,092,653
Effect of foreign exchange rate changes, net		(214,571)	-
Cash and cash equivalents at the end of the year	16	21,644,442	18,435,136

The notes on pages 39 to 60 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 July 2016

1. Corporate status and principal activities

The Hong Kong Institute of Chartered Secretaries (the "Institute") is incorporated in Hong Kong with liability limited by guarantee under the Hong Kong Companies Ordinance. The registered address and principal place of operation is located at 3/F., Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Institute.

The principal activity of the Institute is involved in promoting and advancing the efficient administration of commerce, industry and public affairs by the continued development of the study and practice of company secretaryship and administration of companies and other bodies.

2. Significant accounting policies

a. Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies adopted by the Council is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Institute. Note 3 provides information on the initial application of these developments to the extent that they are relevant to the Institute for the current and prior accounting periods reflected in these financial statements.

b. Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for financial assets at fair value through profit or loss and the leasehold land and buildings, which are stated at their fair value, as further explained in the respective accounting policies as set out below.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2. Significant accounting policies (continued)

b. Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effects on the financial statements and major sources of estimation uncertainty are discussed in note 4.

c. Financial assets at fair value through profit or loss

The classification of financial assets depends on the nature and purpose of the financial assets and the Council determines the classification of its financial assets at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets are classified as at financial assets at fair value through profit or loss when the financial assets is either held for trading or it is designated as at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, with changes in fair value arising from remeasurement recognised directly in surplus or deficit in the period in which they arise.

d. Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when the Institute becomes a party to the contractual provisions of the instruments.

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative surplus or deficit that had been recognised in other comprehensive income and accumulated in general fund is recognised in surplus or deficit.

The Institute derecognises financial liabilities when, and only when, the Institute's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in surplus or deficit.

e. Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purposes are stated in the statement of financial position at cost or fair value, less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

2. Significant accounting policies (continued)

e. Property, plant and equipment (continued)

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting date.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in surplus or deficit to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to general fund and is not reclassified to surplus or deficit.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment, less their residual values, if any, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in surplus or deficit.

f. Impairment of non-financial assets

At the end of each reporting period, the Institute reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Institute estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 the cash generating unit is reduced to its recoverable amount. An impairment losses are recognised immediately in surplus or deficit.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying

2. Significant accounting policies (continued)

f. Impairment of non-financial assets (continued)

amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

g. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Institute determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i. Classification of assets leased to the Institute

Assets held by the Institute under leases which transfer to the Institute substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Institute are classified as operating leases.

ii. Operating lease charges

Where the Institute has the use of assets under operating leases, payments made under the leases are charged to surplus or deficit in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in surplus or deficit as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

iii. Leasehold land and building

When a lease includes both land and building elements, the Institute assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Institute, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

h. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net

2. Significant accounting policies (continued)

h. Inventories (continued)

realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i. Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment losses for bad and doubtful debts.

No allowances for impairment of doubtful debts will be provided for receivables that were past due for less than 90 days. For any receivables that were past due for more than 90 days, no allowance for impairment of doubtful debts will be provided for if it is related to members and institutions that have a good track record with the Institute which is based on the Institute's past experience.

j. Accounts and other payables

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

k. Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

l. Employee benefits

Salaries, annual bonuses, paid annual leave, contribution to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Institute. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance (the "MPF Scheme") are charged to the statement of profit or loss and other comprehensive income when incurred.

m. Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Institute has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

2. Significant accounting policies (continued)

m. Provisions and contingent liabilities (continued)

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.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Institute and the revenue and costs, if applicable can be measured reliably, revenue is recognised in surplus or deficit as follows:

- i. Subscription income is recognised on a time-apportioned basis;
- ii. First registration fees are recognised on entitlement;
- iii. Examination fees and function income are recognised in the period in which the examinations and functions are held;
- iv. Interest income is recognised as it accrues using the effective interest method; and
- v. Dividend income is recognised when the right to receive payment is established.

o. Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in surplus or deficit.

p. Related parties

- a. A person, or a close member of that person's family, is related to the Institute if that person:
 - i. has control or joint control over the Institute;
 - ii. has significant influence over the Institute; or
 - iii. is a member of the key management personnel of the Institute or the Institute's parent.
- b. An entity is related to the Institute if any of the following conditions applies:
 - i. The entity and the Institute are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

2. Significant accounting policies (continued)

p. Related parties (continued)

- b. An entity is related to the Institute if any of the following conditions applies: (continued)
 - iii. Both entities are joint ventures of the same third party.
 - iv. One 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 Institute or an entity related to the Institute.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Institute or to the Institute's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Application of new and revised Hong Kong Financial Reporting Standards

The Institute has not early adopted the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle ²
HKAS 1 (Amendments)	Disclosure Initiative ²
HKAS 7 (Amendments)	Disclosure Initiative ³ (Released on 29 June 2016)
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ³ (Released on 29 June 2016)
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ²
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ¹
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contract with Customers ¹
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contract with Customers ¹
HKFRS 16	Lease ⁴

3. Application of new and revised Hong Kong Financial Reporting Standards (continued)

¹Effective for annual periods beginning on or after 1 January 2018.

²Effective for annual periods beginning on or after 1 January 2016.

³Effective for annual periods beginning on or after 1 January 2017.

⁴Effective for annual periods beginning on or after 1 January 2019.

⁵Effective for annual periods beginning on or after a date to be determined.

The Institute is in the progress of making assessment of what impact of these amendments is expected to be in the period of initial application. So far it has concluded the adoption of them is unlikely to have material impact on the financial statements.

4. Critical accounting estimates and judgements

The Institute makes estimates and assumptions concerning the future. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a. Critical judgements in applying the Institute's accounting policies

In the process of applying the Institute's accounting policies, management has made the following accounting judgements:

i. Property, plant and equipment and depreciation

The Institute determines the estimated useful lives and related depreciation charges for the Institute's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Institute will revise the depreciation charges where useful lives are different to those previously estimated, or it will write off or write-down technologically obsolete or non-strategic assets that have been abandoned or sold.

ii. Fair value of property

At the reporting date, the Institute's leasehold land and buildings under long-term lease are stated at fair value of HK\$76,500,000 and HK\$6,500,000 (2015: HK\$75,500,000 and HK\$6,200,000) respectively based on the valuation performed by an independent firm of qualified professional valuers. In determining the fair value, the valuers have assessed the market value of the property in its existing state by direct comparison approach assuming sale of the property with the benefit of vacant possession. They have made reference to the appropriate comparable sales transactions as available in the market and have made due adjustments for differences between the subject property and comparable premises. In relying on the valuation, the Council has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

b. Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Critical accounting estimates and judgements (continued)

b. Key sources of estimation uncertainty (continued)

Allowances for impairment of doubtful debts

Allowances for impairment of doubtful debts are assessed and provided based on the Council's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the Council when assessing the creditworthiness and past collection history of each individual debtor. Any increase or decrease in the allowance for impairment of doubtful debts would affect surplus or deficit in future years.

The carrying amount of accounts and other receivables as at 31 July 2016 was HK\$1,191,371 (2015: HK\$1,064,419).

5. Subscriptions and fees

Subscriptions and fees comprise annual subscription, admission and registration fees received and receivable from members, graduates and students during the year.

6. Other revenue and other net income

	2016 HK\$	2015 HK\$
Other revenue		
Income from examinations	3,119,580	2,995,600
Income from seminars, courses, member and student activities and functions held	14,997,993	14,754,598
	18,117,573	17,750,198
Other net income		
Bank interest income	102,488	27,401
Total interest income on financial assets not at fair value through profit or loss	102,488	27,401
Dividend income on financial assets at fair value through profit or loss	181,806	93,001
Gain on sale of financial assets at fair value through profit or loss	6,580	-
Net foreign exchange (loss)/ gain	(230,778)	9,665
Sales of goods	787,745	844,186
Sundry income	430,352	585,906
Unrealised loss on financial assets at fair value through profit or loss	(397,795)	(85,939)
	880,398	1,474,220

7. Staff costs

	2016 HK\$	2015 HK\$
Salaries, allowances and other benefits	15,683,464	13,900,722
Contributions to the defined contribution retirement schemes (note)	1,153,530	734,754
	16,836,994	14,635,476

Note: For the year ended 31 July 2016, the amount included the contributions to the Mandatory Provident Fund and Social Security Fund of HK\$818,332 and HK\$335,208, respectively. For the year ended 31 July 2015, the amount included the Mandatory Provident Fund only and the amount of Social Security Fund of HK\$296,343 was included in other operating expenses.

8. Other operating expenses

	2016 HK\$	2015 HK\$
Auditor's remuneration	115,000	86,000
Bad debt written off	56,325	-
Direct costs #	5,692,065	6,077,278
Donations	194,000	175,350
Institute's service charges	1,216,788	980,068
Operating leases - Buildings	491,757	508,834
Legal and professional fees	794,937	825,793
Promotion and public relations	1,249,457	712,306
Publications and printing	3,517,614	3,740,106
Student services	1,362,638	1,252,806
Sundry expenses	1,759,007	2,002,295
Utilities	548,594	510,792
	16,998,182	16,871,628

Direct costs represent costs incurred in provision of examinations, seminars, courses, member and student activities and functions.

9. Taxation

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

10. Key management personnel remuneration

	2016 HK\$	2015 HK\$
Salaries	6,060,794	5,543,822
Performance benefits, other allowances and benefits in kind	1,547,009	1,413,977
Contributions to the Mandatory Provident Fund Scheme	475,652	443,405
	8,083,455	7,401,204

Key management personnel comprise members of the Council, the Chief Executive, department directors, company secretary, general manager, financial controller and accounting manager. Council members are not remunerated.

11. Property, plant and equipment

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
Cost or valuation						
At 1 August 2015	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Additions	-	-	-	7,418	179,222	186,640
Write-off	-	-	-	-	(20,060)	(20,060)
Surplus on revaluation	1,000,000	300,000	-	-	-	1,300,000
At 31 July 2016	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138
Representing:						
Cost	-	-	3,352,605	481,199	3,216,334	7,050,138
Revaluation	76,500,000	6,500,000	-	-	-	83,000,000
	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138
Accumulated depreciation						
At 1 August 2015	-	-	2,190,961	445,150	2,765,676	5,401,787
Charge for the year	90,745	124,000	252,514	9,294	124,300	600,853
Elimination on revaluation	(90,745)	(124,000)	-	-	-	(214,745)
Write-off	-	-	-	-	(20,060)	(20,060)
At 31 July 2016	-	-	2,443,475	454,444	2,869,916	5,767,835
Carrying amount						
At 31 July 2016	76,500,000	6,500,000	909,130	26,755	346,418	84,282,303

11. Property, plant and equipment (continued)

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
Cost or valuation						
At 1 August 2014	74,900,000	6,100,000	2,090,033	487,390	3,004,097	86,581,520
Additions	-	-	1,262,572	19,377	86,611	1,368,560
Write-off	-	-	-	(32,986)	(33,536)	(66,522)
Surplus on revaluation	600,000	100,000	-	-	-	700,000
At 31 July 2015	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Representing:						
Cost	-	-	3,352,605	473,781	3,057,172	6,883,558
Revaluation	75,500,000	6,200,000	-	-	-	81,700,000
	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Accumulated depreciation						
At 1 August 2014	-	-	2,090,033	467,966	2,675,640	5,233,639
Charge for the year	89,916	122,000	100,928	10,170	123,572	446,586
Elimination on revaluation	(89,916)	(122,000)	-	-	-	(211,916)
Write-off	-	-	-	(32,986)	(33,536)	(66,522)
At 31 July 2015	-	-	2,190,961	445,150	2,765,676	5,401,787
Carrying amount						
At 31 July 2015	75,500,000	6,200,000	1,161,644	28,631	291,496	83,181,771

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land	Over the unexpired lease terms
Buildings	2% or over the unexpired lease terms if shorter
Leasehold improvements	20% or over the unexpired lease terms if shorter
Office furniture	20%
Office equipment	20%

The buildings are situated on leasehold land in Hong Kong held under long-term leases.

At 31 July 2016, the Institute's leasehold land and buildings were revalued at HK\$76,500,000 and HK\$6,500,000 respectively (2015: HK\$75,500,000 and HK\$6,200,000 respectively).

The following table analyses the leasehold land and buildings carried at fair value, by valuation methods.

11. Property, plant and equipment (continued)

Fair value measurement of leasehold land and buildings

i. Fair value hierarchy

The following table presents the fair value of the Institute's leasehold land and buildings measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value measurements at 31 July 2016 using			
	Quoted prices in value markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Description			
Recurring fair value measurements			
Leasehold land and buildings in Hong Kong	-	-	83,000,000

Fair value measurements at 31 July 2015 using			
	Quoted prices in value markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Description			
Recurring fair value measurements			
Leasehold land and buildings in Hong Kong	-	-	81,700,000

There were no transfers between Levels 1, 2 and 3 during the year (2015: Nil).

11. Property, plant and equipment (continued)

Fair value measurement of leasehold land and buildings (continued)

ii. Movements during the year in the balance of fair value measurement using significant unobservable inputs (Level 3)

	2016 HK\$	2015 HK\$
At 1 August	81,700,000	81,000,000
Depreciation	(214,745)	(211,916)
Surplus from fair value adjustment	1,514,745	911,916
At 31 July	83,000,000	81,700,000

iii. Valuation processes of the Institute

The Institute's leasehold land and buildings were valued at 31 July 2016 by DTZ Cushman & Wakefield Limited, a firm of independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and segments of the leasehold land and buildings valued. For all leasehold land and buildings, their current use equates to the highest and best use.

The Institute's finance department considers and discusses the valuations performed by the independent valuers for financial reporting purposes, including all key inputs to the valuations and property valuations movements as compared to the prior year.

iv. Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Leasehold land and buildings in Hong Kong	Direct comparison approach	Premium on characteristic of the properties	- 9% to 15% (2015: - 6% to 15%)

The fair value of leasehold land and buildings held for own use are determined using direct comparison approach to value these properties in their respective existing state and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sale evidence. The valuations take into account the characteristic of the properties which included the location, size, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

Surplus of HK\$1,514,745 (2015: surplus of HK\$911,916) arising on revaluation has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

Had the Institute's leasehold land and buildings been measured on a historical cost basis, their carrying amounts would have been HK\$14,253,121 and HK\$2,019,472 respectively (2015: HK\$14,270,274 and HK\$2,073,736 respectively) at the end of the reporting period.

12. Inventories

Inventories comprise publications held for sale.

13. Financial assets at fair value through profit or loss

Investments

	2016 HK\$	2015 HK\$
Listed equity securities in Hong Kong, at market value (note i)	1,204,020	-
Franklin Templeton Global Bond (note ii)	3,684,415	3,964,951
Schroder ISF - HK Dollar Bond (note ii)	5,418,567	5,362,398
	10,307,002	9,327,349

Notes:

- i. Fair values of the listed equity securities have been determined by reference to their quoted bid prices in an active market at the reporting date.
- ii. As at 31 July 2016, part of investments represented funds set aside for investment by TTG (HK) Limited, an independent external professional fund manager, on behalf of the Institute. TTG (HK) Limited was incorporated in 1993 and since then has developed into an independent wealth management and financial planning organisation. TTG (HK) Limited is regulated by the Hong Kong Securities and Futures Commission and the Hong Kong Confederation of Insurance Brokers.

14. Accounts and other receivables

	2016 HK\$	2015 HK\$
Accounts receivable	402,364	522,902
Other receivables	789,007	541,517
Loans and receivables	1,191,371	1,064,419
Prepayments	866,296	284,193
Deposits	181,824	172,348
	2,239,491	1,520,960

14. Accounts and other receivables (continued)

An ageing analysis of accounts receivable that are past due but not impaired is as follows:

	2016 HK\$	2015 HK\$
Not past due	351,134	510,262
Within three months past due	10,380	2,580
Over three months past due	40,850	10,060
	402,364	522,902

Receivables that were past due but not impaired related to members and institutions that have a good track record with the Institute. Based on past experience, the Council believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of these independent parties and the balances are expected to be fully recoverable. The Institute does not hold any collateral over these balances.

15. Amount due from a related association

	2016 HK\$	2015 HK\$
Corporate Secretaries International Association	680	56,245

The amount is unsecured, non-interest bearing and repayable on demand.

16. Cash and cash equivalents

	2016 HK\$	2015 HK\$
Fixed deposits at banks with an original maturity of three months or less	243,998	14,142,554
Cash and bank balances	4,589,506	4,292,582
Cash at custodian	16,810,938	-
Cash and cash equivalents in the statement of financial position and statement of cash flows	21,644,442	18,435,136

The interest rates on the cash at banks ranged from 0.001% to 1% (2015: 0.001% to 1%) per annum.

17. Amount due to a related association

	2016 HK\$	2015 HK\$
The Hong Kong Institute of Chartered Secretaries Foundation Limited (formerly known as The Chartered Secretaries Foundation Limited)	1,006	17,671

The amount is unsecured, non-interest bearing and repayable on demand.

18. Subscriptions and fees received in advance

	2016 HK\$	2015 HK\$
Subscription fees received in advance from new student members	291,030	309,152
Annual subscription fees received in advance for renewal of studentship	902,345	1,022,515
Other fees received in advance	1,658,854	1,284,189
	2,852,229	2,615,856

Other fees received in advance mainly relate to sponsorship, examinations and seminars to be conducted after the end of the reporting period.

19. Financial instruments by category

	2016 HK\$	2015 HK\$
Financial assets		
– measured at amortised cost		
Accounts and other receivables	1,191,371	1,064,419
Amount due from a related association	680	56,245
Cash and cash equivalents	21,644,442	18,435,136
	22,836,493	19,555,800
– measured at fair value		
Financial assets at fair value through profit or loss	10,307,002	9,327,349
	33,143,495	28,883,149
Financial liabilities		
– measured at amortised cost		
Accounts and other payables	494,634	758,976
Amount due to a related association	1,006	17,671
	495,640	776,647

The carrying amounts of the Institute's financial instruments carried at amortised cost at the end of the reporting period approximate their fair value.

20. Operating lease arrangements

The Institute leased its Beijing representative office under operating lease arrangements. These leases have an average life of three years. The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting date, the total future minimum lease payments under non-cancellable operating leases falling due are as follows:

	2016 HK\$	2015 HK\$
Within one year	414,579	442,042
In the second to fifth year, inclusive	69,096	515,716
	483,675	957,758

The Institute did not have any contingent rentals during the year and at the end of the reporting date.

21. Capital commitment

At the end of the reporting period, the Institute had a commitment in respect of purchase of intangible assets contracted, but not provided for in the financial statements of HK\$870,000 (2015: Nil).

22. Financial risk management objectives and policies

Exposure to credit, currency and liquidity risks arise in the normal course of the Institute's operations. The Institute is also exposed to equity price risk arising from its investments. These risks are limited by the Institute's financial management policies and practices described below.

a. Credit risk

The carrying amount of accounts receivable included in the statement of financial position represents the Institute's maximum exposure to credit risk in relation to the Institute's financial assets. The Council has policies in place to ensure the credit risk is within an acceptable level. The exposure to these credit risks are monitored on an ongoing basis. At the end of reporting period, the Institute has no concentration of credit risk with exposure spread over a number of debtors.

b. Currency risk

The Institute is exposed to foreign currency risk arising from translating the foreign currency balances with cash and cash equivalents, financial assets at fair value through profit or loss and other receivables which are denominated in Great British Pound ("GBP"), United States dollars ("USD") and Renminbi ("RMB"). The Institute currently does not have a foreign currency hedging policy. However, the Council monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

22. Financial risk management objectives and policies (continued)

b. Currency risk (continued)

The carrying amounts of the Institute's foreign currency denominated monetary assets and liabilities at the end of reporting period are as follows:

	Exposure to foreign currency (expressed in HK\$)					
	2016	2015	2016	2015	2016	2015
	USD	USD	GBP	GBP	RMB	RMB
Assets						
Cash and cash equivalents	806,869	2,106,615	850,721	1,009,811	792,275	226,977
Other receivables	-	-	-	-	761,488	185,081
Financial assets at fair value						
through profit or loss	3,684,415	3,964,951	-	-	-	-
Overall exposure arising						
from recognised assets						
and liabilities	4,491,284	6,071,566	850,721	1,009,811	1,553,763	412,058

c. Sensitivity analysis on foreign exchange risk management

The following table details the Institute's sensitivity to a 5% increase or decrease in Hong Kong dollars ("HK\$") against the relevant foreign currency. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

	GBP	
	2016	2015
	HK\$	HK\$
Surplus or deficit	42,536	50,491

	RMB	
	2016	2015
	HK\$	HK\$
Surplus or deficit	77,688	20,603

No sensitivity analysis for the Institute's exposure to currency risk arising from financial assets denominated in USD is prepared, as the HK\$ is pegged to the USD.

22. Financial risk management objectives and policies (continued)

d. Liquidity risk

In the management of the liquidity risk, the Institute monitors and maintains a level of cash and cash equivalents deemed adequate by the Council to finance the Institute's operations and mitigate the effects of fluctuations in cash flows. The following table details the Institute's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Institute can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year HK\$	Total contractual undiscounted cash flow HK\$	Total carrying amount HK\$
At 31 July 2016			
Accounts and other payables	494,634	494,634	494,634
Amount due to a related association	1,006	1,006	1,006
	495,640	495,640	495,640
At 31 July 2015			
Accounts and other payables	758,976	758,976	758,976
Amount due to a related association	17,671	17,671	17,671
	776,647	776,647	776,647

At 31 July 2016 and 2015, the Institute did not have any banking facilities.

e. Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Institute's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

22. Financial risk management objectives and policies (continued)

e. Fair value measurement (continued)

Fair value at as 31 July				
	2016 HK\$	2015 HK\$	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss	1,204,020	-	Level 1	Fair values of the listed equity securities determined by reference to their quoted bid prices at the reporting date in an active market
Financial assets at fair value through profit or loss	9,102,982	9,327,349	Level 2	Dealing price of fund derived from the net asset value of the fund, where the underlying investments are mainly bonds with quoted price in an active market
	10,307,002	9,327,349		

During the years ended 31 July 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Institute's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

f. Fair values

The fair values of accounts and other receivables, amounts due from related associations, cash and cash equivalents, accounts and other payables and amount due to a related association are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

23. Related party transactions

a. Transactions with key management personnel

All members of key management personnel and the remuneration for them is set out in note 10 to the financial statements.

b. Transactions with members of the Council

Members of the Council do not receive any fees or other remuneration for serving as a member of the Council.

Other than the information as disclosed in notes 15 and 17 to the financial statements, the Institute enter into the following material transactions with Council members or parties related to the Council members:

During the year ended 31 July 2016, professional fee of HK\$Nil (2015: HK\$13,970) was incurred with Tricor Services Limited for accounting services rendered for the Institute. One Council member is a director of Tricor Services Limited.

During the year ended 31 July 2016, an amount of HK\$194,000 (2015: HK\$175,000) was donated to The Hong Kong Institute of Chartered Secretaries Foundation Limited (the "Foundation"), formerly known as The Chartered Secretaries Foundation Limited, which is principally involving in providing scholarships and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects. Six Council members are the executive committee members of the Foundation.

In addition, the Institute received income in the ordinary course of business, such as sponsorship, subscriptions and fees from Council members or parties related to Council members. The total amounts received from Council members or parties related to Council members in this regard was not significant.

24. Capital management

The Institute's objectives when managing capital are:

- to safeguard the Institute's ability to continue as a going concern to enable their obligations under the Hong Kong Companies Ordinance are fulfilled;
- to develop and maintain the qualification programme and continuing professional development programme for students and members; and
- to provide capital for the purpose of strengthening the Institute's operational efficiency.

The Institute regularly reviews and manages its capital to ensure adequacy for both operational and capital needs. All surpluses are transferred to the general fund for future operational needs.

The Council of the Institute regularly review the need to increase membership/studentship subscriptions to ensure operational needs are fully covered.

For the purpose of capital disclosure, the Council regards the funds and reserve as capital of the Institute.

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