



CHARTERED  
SECRETARIES  
特許秘書

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

# Annual Report 2018



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## 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 was a branch of ICSA in 1990 before gaining local status in 1994 and has also been ICSA's China/Hong Kong Division since 2005.

HKICS is a founder member of Corporate Secretaries International Association (CSIA), which was established in March 2010 in Geneva, Switzerland. In 2017, CSIA was relocated to Hong Kong where it operates as a company limited by guarantee. CSIA aims to give a global voice to corporate secretaries and governance professionals.

HKICS 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，亦从2005年至今为 ICSA 的中国 / 香港属会。

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，从2017年 CSIA 迁移至香港，并以香港担保有限公司形式运作，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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# Report summary

Welcome to the 2018 Annual Report of The Hong Kong Institute of Chartered Secretaries (HKICS, the Institute). This report covers the financial year from 1 July 2017 to 30 June 2018. However, due to the change in the Institute's year-end date in 2017 – from 31 July to 30 June – to match that of our global body, The Institute of Chartered Secretaries and Administrators (ICSA), figures for 2017 in this report relate to the 11-month period from 1 August 2016 to 30 June 2017. The financial results contained in this report reflect the consolidated results of the Institute and its five subsidiaries, as acquired or set up during this and the previous reporting periods.

## Who we are

The Institute is the leading professional body dedicated to promoting good corporate governance and corporate secretaryship in Hong Kong and Mainland China. We offer the route to qualification for aspiring Chartered Secretaries and Chartered Governance Professionals in Hong Kong and Mainland China, as well as a professional development training programme dedicated to the core areas of governance and company secretarial practice. Our primary activities include member and student services, advocacy, research and governance reform.

## Membership growth

We continue to experience a steady rise in our membership and studentship numbers. As of 30 June 2018, we have 5,971 members (3% increase from 2017), 338 graduates (7% decrease from 2017) and 3,411 students (2% increase from 2017).

## Financial performance

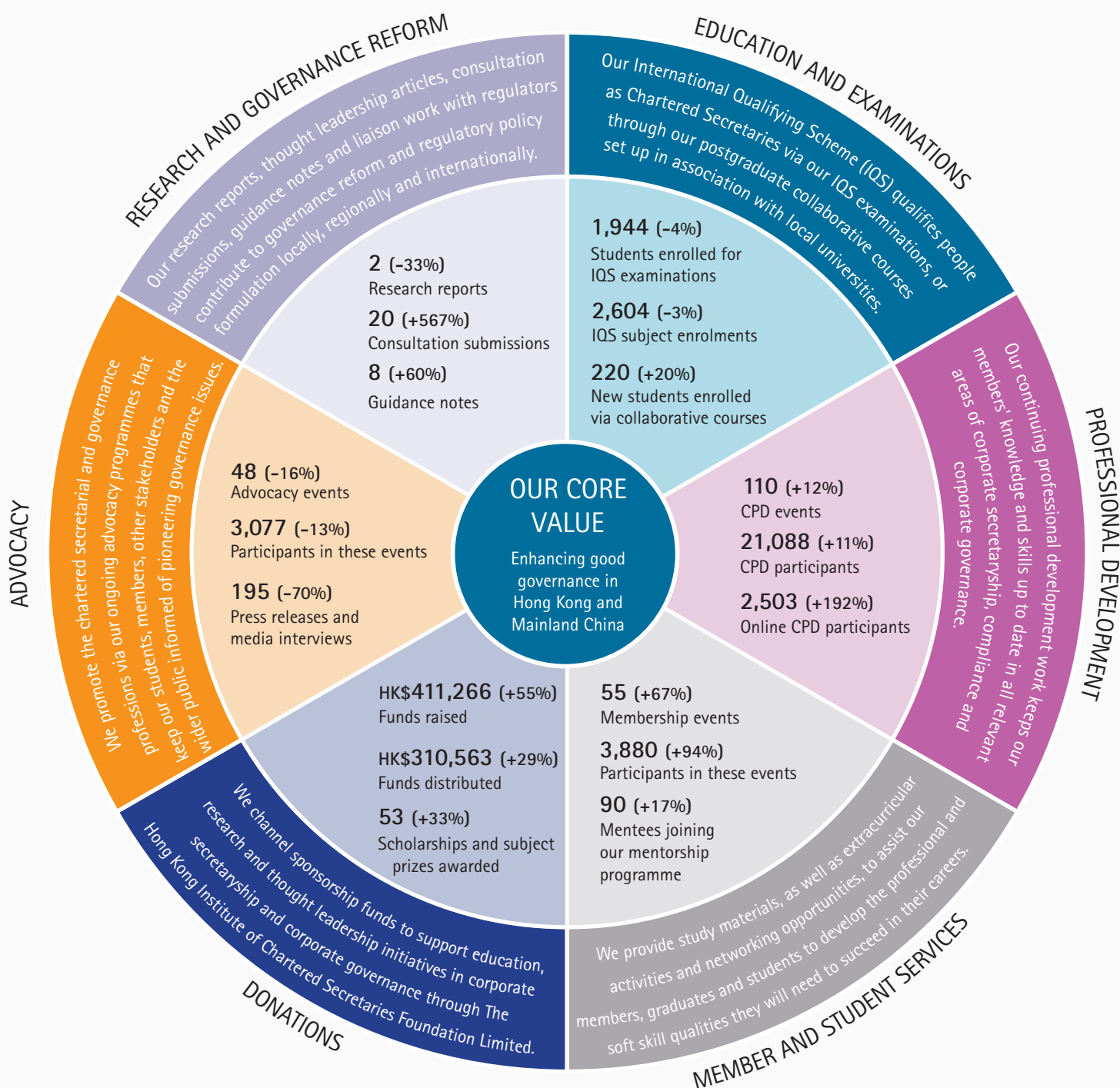
The Institute, together with its subsidiaries, made an operating surplus of HK\$1,318,458 in 2018. Maintaining an operating surplus is crucial to our effectiveness, affording us the financial resources to achieve our strategic goals, now and in the years to come. Total income was HK\$41,217,071 (10% increase from 2017). The bulk of our income is generated from membership and studentship subscriptions, examination fees, and professional development and membership activities in Hong Kong and Mainland China. Income from subscriptions and fees for

2018 was HK\$20,264,133 (12% increase from 2017), and income from CPD and other activities was HK\$16,111,536 (6% increase from 2017). There was no change to our subscription fees this year. Total costs and expenses were HK\$39,898,613 (16% increase from 2017).

## Our primary activities

Our International Qualifying Scheme (IQS) examinations continue to serve as an important route to qualification in our profession, both in Hong Kong and Mainland China. This year, a total of 1,944 students enrolled for the IQS examinations (4% decrease from 2017). Despite the slight decrease in numbers overall, we saw an 8% increase in examination enrolments in the Mainland. The programmes under our Collaborative Course Agreement (CCA) with the universities are an increasingly popular route to membership, with 220 new students this fiscal year enrolling in our original three CCA programmes (20% increase from 2017). Our fourth CCA, with the Hong Kong Baptist University, welcomed its first cohort of students in September 2017. We ran 110 Enhanced Continuing Professional Development (ECPD) events in Hong Kong and Mainland China this fiscal year (12% increase from 2017), attracting 21,088 participants (11% increase from 2017) and 2,503 online CPD participants (192% increase from 2017). 2018 was another busy year for our membership events – we ran 55 such events, attended by a total of 3,880 participants. Furthermore, we produced two new research reports, eight guidance notes and 20 consultation submissions on various aspects of regulatory reform and policy formulation relevant to governance issues.





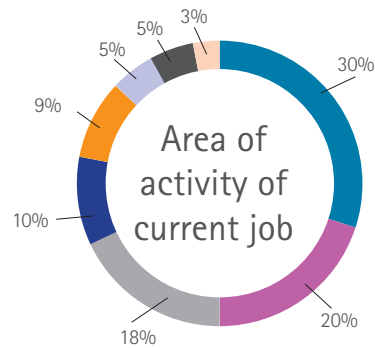
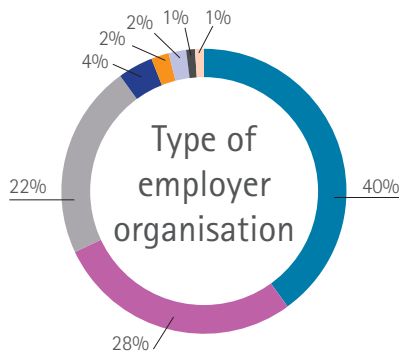
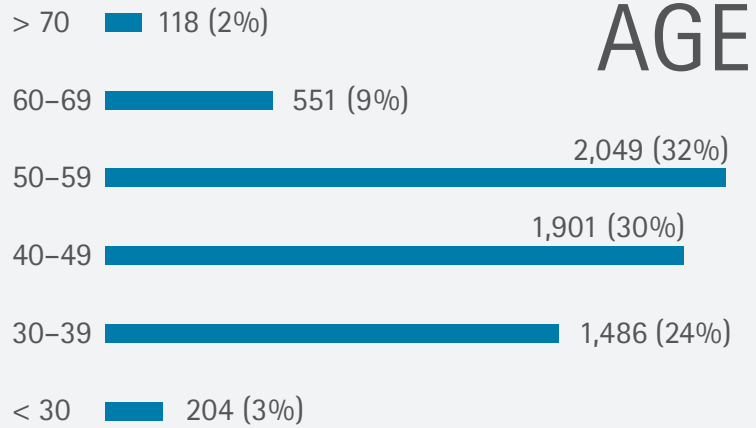
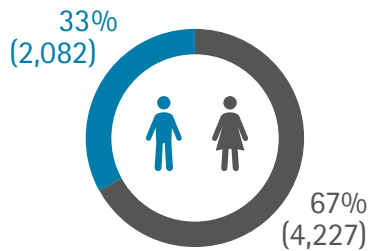
Note: Percentages in parenthesis refer to the comparison between the 2018 financial year, from 1 July 2017 to 30 June 2018, and the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.

## NAVIGATING THIS REPORT

Following the redesign of our annual report in 2017, the data previously contained in our management discussion and analysis section can be found in the financial performance subsection (page 2) and in our key risks and challenges section (pages 30–31). Our former business review is now contained in our performance review (pages 16–29) and our corporate social responsibility report (pages 32–34).

## MEMBERSHIP & GRADUATESHIP PROFILE

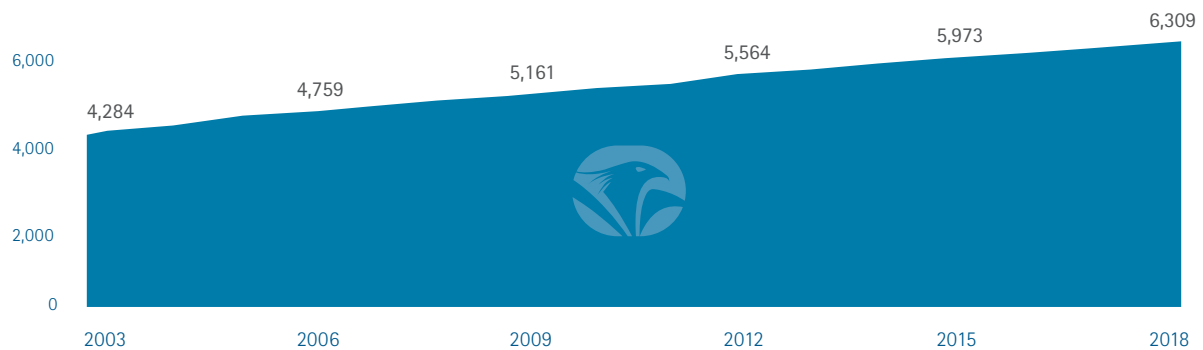
**6,309**  
members  
and graduates



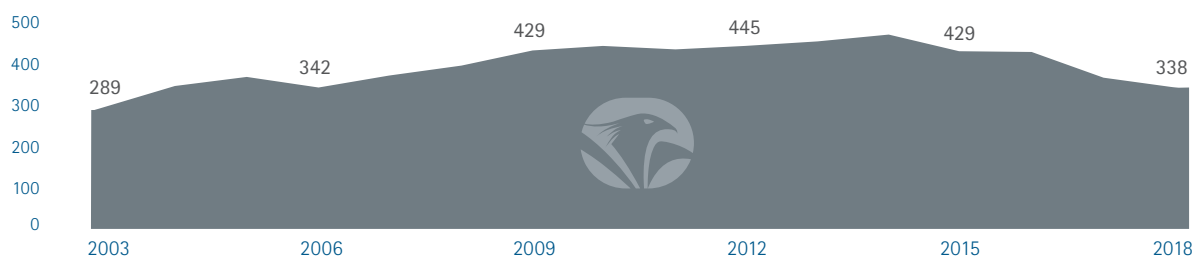
- Listed company
- Private company
- Partnership/Professional firm
- Government/Quasi-government organisation
- Further/Higher education
- Sole proprietor/Self-employed
- Statutory body
- Others

- Company secretarial
- Accountancy
- General management
- Financial management
- Compliance
- Office administration
- Legal administration/contracts
- Personnel/human resources

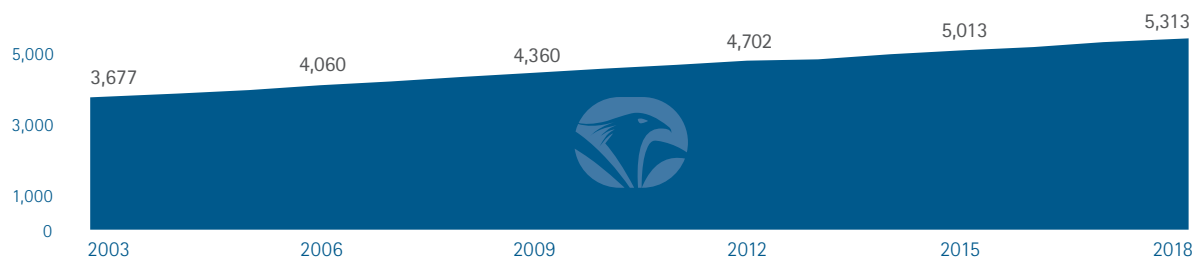
### Members and graduates growth



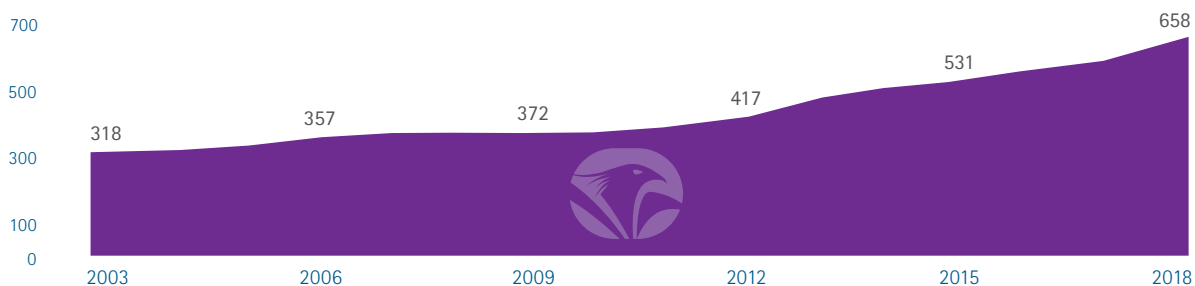
## Graduates



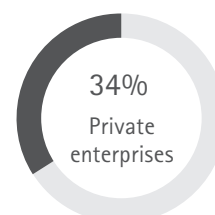
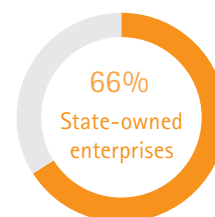
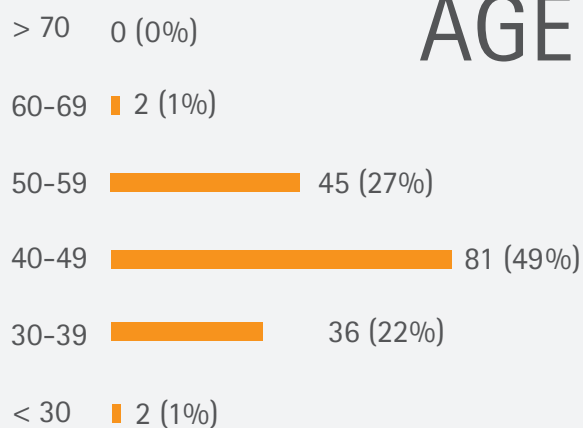
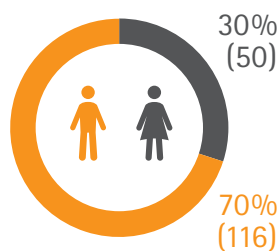
## Associates



## Fellows



**166**  
Affiliated  
Persons





# President's report

## Where do we go from here?

Welcome to our Annual Report 2018. I was honoured to be elected President of our Institute at the Council meeting following the Annual General Meeting on 15 December 2017. I have taken up the presidency at a significant moment in the evolution of our profession, and the period under review in this report (1 July 2017 to 30 June 2018) has seen important developments for our Institute in Hong Kong and for our global profession. I would like to take this opportunity to update our members and our wider community of stakeholders on these developments since they will have major implications for anyone working in or with our profession in the years ahead.

### Our strategic direction

Good governance is now rightfully recognised as the leading factor that determines business success in the long term. It is also acknowledged as being the chief ingredient of sustainable businesses. Along with this realisation has come an increased respect for, and reliance on, the professionals tasked with ensuring good governance. In this context, The Hong Kong Institute of Chartered Secretaries (the Institute), together with our global body, The Institute of Chartered Secretaries and Administrators (ICSA), has been implementing a strategy designed to realign our branding to better represent the roles and responsibilities we have within the organisations we work for. Over the past decade, the company secretary has become the *de facto* chief governance officer within organisations. Moreover, our membership base

has now been joined by a wider diversity of professions – less than a third of global members of ICSA now call themselves 'company secretaries'. What links all of our members, however, is the pursuit of excellence in governance.

The first initiative under this strategy was the launch of the new Chartered Governance Professional (CGP) designation to sit alongside the long-established Chartered Secretary (CS) qualification. This initiative received the backing of the international membership at the ICSA Annual General Meeting (AGM) on 4 October 2017. I am also pleased to report that the new CGP designation has received the backing of our members. At the general meeting of our Institute, held on 29 August 2018 here in Hong Kong, amendments to our Articles of Association necessary for the implementation of the CGP designation were passed by our members.

### Work in progress

While our strategic direction has been broadly agreed and we are steering our course to the future, there is still a lot of work to be done. We have announced the transitional arrangements for our members to become CGPs. All Fellows, as well as members who have been an Associate for five years, are deemed to have been 'grandfathered' to this new designation since 30 September 2018. Under the plan to award the CGP qualification in phases, anyone with the status of Fellow or Associate on 31 December 2020 will also be automatically 'grandfathered'.





"good governance is now rightfully recognised as the leading factor that determines business success in the long term"

Further down the line, new recruits to our profession will acquire both the CS and CGP qualifications via the new qualifying programme (NQP), which we will be introducing in January 2020. Implementing the NQP is currently the focus of our work. The NQP extends the existing International Qualifying Scheme (IQS) by adding new courses specifically targeted at the governance aspects of our roles. Work on this is already well advanced, but we do not want to rush the launch of the NQP – getting this right will be a key part of building a solid foundation for our new professional identity.

In addition, we will be turning our attention to the second major initiative under our Institute's new strategic direction – the need to rebrand under the governance banner. I am pleased to report that, at the ICSA AGM held in Toronto on 19 September 2018, members voted in favour of the new name of the International Institute: 'The Chartered Governance Institute'. Three ICSA divisions (Australia, New Zealand and the UK) have already implemented a similar change of name for their local institutes. This initiative is still at the planning stage here in Hong Kong and I would like to emphasise that any change of name will, of course, be subject to a vote by our members. Similarly, any change of name will not affect our members' rights to call themselves 'Chartered Secretaries' and to use the current 'CS' designation.

### A new chapter

So, looking ahead, I believe that members of our profession have good cause for optimism. This is

particularly true for our members here in Hong Kong due to the rising demand for governance professionals in Hong Kong and Mainland China – and indeed the Asia region as a whole.

I hope to be able to build on the excellent work of our Immediate Past President Ivan Tam FCIS FCS, and indeed all of my predecessors in this role. The election of Edith Shih FCIS FCS(PE), a former President and member of the Council of our Institute, as President of ICSA International, will make that task a lot easier. We now have a unity of purpose with our global body to take forward our common strategic objectives. With an impressive 125-year history behind it, our profession has become an established part of the corporate fabric, but there is a second chapter to the story of our profession and that chapter is only now beginning.

A handwritten signature in black ink, reading "David Fu".

**David Fu FCIS FCS(PE)**

President

The Hong Kong Institute of Chartered Secretaries

1 November 2018



# Chief Executive's report

## A forward-looking agenda

Fiscal 2018 (1 July 2017 to 30 June 2018) was another productive year for our Institute. As this report goes to press, we have already begun the implementation of our Chartered Governance Professional designation and globally we have seen significant steps forward in the rebranding of our profession. Our President has updated you on these developments, so in this report I would like to highlight some of the other strategic goals that have been a focus of our work over the previous 12 months.

### Reaching out to young people

In recent years, we have been working on a number of initiatives to ensure that our students and younger members are actively engaged in the development of our profession. Young recruits to the profession may lack the experience of our senior members, but they have a perspective on professional and broader issues that can provide a corrective lens to our assumptions.

Our annual Chartered Secretaries Preview Day is proving to be a valuable opportunity to reach out to local university graduates. Now in its second year, this event was held on 17 March 2018 and afforded the opportunity to over 120 local university graduates to meet potential employers and learn about the benefits of a career in governance. During the year, we also organised 11 professional seminars at local educational institutes to promote the governance profession, and held four Chartered Secretary information sessions, which were attended by almost 200 participants.

We also nurture young talent through The Hong Kong Institute of Chartered Secretaries Foundation Limited (the Foundation). In fiscal 2018, the Foundation sponsored 21 scholarships to local universities and educational institutions, and awarded 32 subject prizes to outstanding students. A total of 380 undergraduates participated in the Foundation's Passing the Torch project this year. They were mentored by senior HKICS Fellows in corporate governance and business ethics and then went on to share the knowledge they had gained with seven secondary schools and one vocational training college in Hong Kong.

In the same vein, we are proud of our expanding mentorship programme, inaugurated in 2015 as part of our 'four pillars' programme and open to all members, graduates and students. This year, a total of 46 mentors joined our programme, along with 90 mentees. Both mentors and mentees benefit greatly from the opportunity this programme provides for close interaction and experience sharing, and I am pleased to see the growing interest from both mentors and mentees in this programme.

To effectively engage our younger members, we also recognise the need to ensure that our services and events are better targeted. Our Fun & Interest Group, one of our 'four pillars' programmes, reaches out to members and students by offering a variety of leisure pursuits where they interact with their peers in a more informal setting, further boosting communication within our Institute and enhancing the soft skills of all involved.





"young recruits to the profession... have a perspective on professional and broader issues that can provide a corrective lens to our assumptions"

### Reinforcing professional standards

Maintaining professional standards is a core function of our Institute and this continues to be a central focus of our work. As of 1 July 2017, all our members and graduates are now required to complete 15 CPD hours annually, of which at least three hours must come from our own Enhanced Continuing Professional Development (ECPD) seminars. This fiscal year, 110 ECPD events were attended by 21,088 participants in Hong Kong and Mainland China, an 11% increase on the previous period.

We have focused on ensuring that our ECPD programme gives relevant and practical guidance to our members on the issues they face in their daily work. Our company secretarial practical training sessions are an increasingly popular part of the programme. We also offer extra-curricular activities designed to deepen the personal skills of our members and to reach out to the community at large via a range of community service programmes.

### Embracing technology

Fiscal 2018 has seen further advances in our strategy to harness the benefits of technology. Our e-CPD seminars – launched in October 2016 as an online CPD platform – continue to expand and have proved to be a highly popular resource. We have seen close to a 200% increase in participants in our e-CPD seminars since their launch. Our online study packs for students taking the International Qualifying Scheme (IQS) examinations, updated this year, have also found favour, with 1,771 students so far choosing the online study packs.

We have also sought to extend the use of online channels in our outreach work. As of 30 June 2018, for example, a total of 3,571 subscribers have opted to receive the online version of our monthly *CSj* magazine. Our website is constantly updated, enabling members and students to access articles and publications online, with a forum for providing feedback on issues raised.

In addition, we have broadened our presence on social media channels. Our Institute's Facebook page and Twitter and LinkedIn accounts provide real-time channels for communication with our members and stakeholders. I expect to see these channels increase in importance in the years ahead and this is one area where I think we will need to raise our game. This will include ensuring that our social media presence helps us to reach out to young people – the first strategic goal I addressed above.

### Join us

I would like to thank our President, Council, committees and Secretariat team for all the hard work they have put into our initiatives over the last year. I would also like to thank our students and members, and our wider network of stakeholders, for assisting us in the development of our profession and community.

There is, inevitably, a lot of work ahead of us and I would like to take this opportunity to appeal to all our students and members, irrespective of seniority or experience, to get involved in the Institute's work. We find ourselves at a formative time in the evolution of our profession, and having the insights and perspectives of a wide cross-section of our membership and studentship base will help us be better prepared for the changes to come.

Chief Executive  
The Hong Kong Institute of Chartered Secretaries  
1 November 2018



# Council's report

*Council as of 30 June 2018*

## Our governance structure

Council is our primary governance body, providing strategic direction and determining our response to local and international developments.

Six committees – namely the Audit, Education, Human Resources, Membership, Professional Development and Nomination committees – support the work of, and report directly to, Council. The Human Resources and Nomination committees are both chaired by a past president, while the other four committees are each chaired by a Council member. The committees, in collaboration with the Mainland China Focus Group, where appropriate, are responsible for carrying out the Institute's strategic policies in Hong Kong and Mainland China.

Council is supported by experts and professionals who serve on a number of working groups and panels, especially in technical areas. 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, research and guidance publications; and the Professional Services Panel, dedicated to supporting and guiding members in the corporate and professional services sector, as well as handling our relationship with the Companies Registry through the Companies Registry Customer Liaison Group.

The Secretariat, headed by our Chief Executive Samantha Suen FCIS FCS(PE), is responsible for implementing the strategy set by Council.

## Council disclosures

### Council and other directorships

Membership of our Council for this financial year is presented on pages 12 and 13 of this report. On 1 October 2018, Loretta WM Chan FCIS FCS, Natalia KM Seng FCIS FCS(PE) and Xie Bing FCIS FCS were co-opted as Council members of the Institute.

Directors or Council members of the Institute's subsidiaries included in the consolidated financial statements during the year, and up to the date of this report, are also set out on pages 12 and 13. In addition, Samantha Suen is a director or Council member of the five subsidiaries.

### Election to the 2019 Council

On 31 December 2018, David YH Fu FCIS FCS(PE), Ernest CH Lee FCIS FCS(PE) and Wendy WY Yung FCIS FCS will retire from Council by rotation, pursuant to Article 54.1 of the Institute's Articles of Association. Loretta WM Chan FCIS FCS, Natalia KM Seng FCIS FCS(PE) and Xie Bing FCIS FCS will retire from Council pursuant to Article 52.1 of the Articles of Association. Being eligible, all the retiring Council members have offered themselves for re-election at the 2018 Annual General Meeting to be held on 13 December 2018.

Dr Maurice WF Ngai FCIS FCS(PE), who will have been an ex-officio member of Council for three years by the end of 2018, will retire from 1 January 2019 pursuant to Article 50.2 of the Institute's Articles of Association. Council wishes to record its appreciation of the valuable contribution made by Dr Ngai to the Institute during his period of service.



Paul A Stafford FCIS FCS resigned as a Council member and a representative of the Institute on the ICSA International Council with effect from 1 March 2018 for personal reasons. Mr Stafford made a significant contribution to the Institute during his period of service and Council would like to extend a vote of thanks to him.

Pursuant to Article 54.4 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, while 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.

At the close of the nomination date, in addition to the six retiring Council members mentioned above, four other candidates – Christine WY Chung FCIS FCS, Dr Irene MY Lau FCIS FCS, Prof CK Low FCIS FCS and Angus KF Pang FCIS FCS – have been nominated for election to the 2019 Council. As the number of candidates exceeds the number of vacancies, the election shall be conducted by postal ballot. Biographical information on the candidates, together with other documentation relating to the 2018 Annual General Meeting, is available on the Institute's website.

### 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 in Note 27 to the financial statements.

### Donations

Total donations made by the Institute for charitable and other purposes during the year amounted to HK\$379,466.

### Business review

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\$1,318,458 for the year ended 30 June 2018. A fair review of the Institute's business and particulars of important events affecting the Institute during the reporting period are provided in the performance review (pages 16 to 29). An indication of the likely future development of the Institute's business is provided in the President's report (pages 6 to 7) and Chief Executive's report (pages 8 to 9). A description of the principal risks facing the Institute can be found in the section headed key risks and challenges (pages 30 to 31). A discussion of the Institute's environmental policies and performance, as well as an account of the Institute's key relationships with its employees, is provided in the corporate social responsibility report (pages 32 to 34).

### Non-current assets

Details of movements of property, plant and equipment are included in Note 15 to the financial statements.

### Permitted indemnity

A permitted indemnity provision, as defined under section 469 of the Hong Kong Companies Ordinance, for the benefit of the Council members of the Institute was in force throughout the fiscal year.

### Auditors

The financial statements for the year have been audited by BDO Limited, who will retire and, being eligible, seek reappointment at the 2018 Annual General Meeting of the Institute.

[Signature]

By Order of the Council

David Fu FCIS FCS(PE)

President

Hong Kong, 1 November 2018

## COUNCIL (1 July 2017 to 30 June 2018)

Title	Name	Post-nominal	Gender	Ethnicity
President	David YH Fu <sup>1,2,3,4,5</sup>	FCIS FCS(PE)	M	Chinese
Vice-President	Dr W Gao <sup>1,4</sup>	FCIS FCS(PE)	M	Chinese
Vice-President	Gillian E Meller <sup>1,2,3,4</sup> (Elected as Vice-President on 1 March 2018)	FCIS FCS	F	British
Vice-President	Paul A Stafford <sup>1,2,3,4,5*</sup>	FCIS FCS	M	British
Treasurer	Dr Eva YW Chan <sup>1,2,3,4,5</sup>	FCIS FCS(PE)	F	Chinese
Council member	Prof Alan KM Au	FCIS FCS	M	Chinese
Council member	Arthur K Lee	FCIS FCS	M	Chinese
Council member	Ernest CH Lee	FCIS FCS(PE)	M	Chinese
Council member	Stella SM Lo	FCIS FCS(PE)	F	Chinese
Council member	David J Simmonds	FCIS FCS	M	Australian
Council member	Bernard TL Wu	FCIS FCS	M	Chinese
Council member	Wendy WY Yung	FCIS FCS	F	Chinese
Ex-officio member and Past President	Edith Shih <sup>1#</sup>	FCIS FCS(PE)	F	Chinese
Ex-officio member and Past President	Dr Maurice WF Ngai <sup>1</sup>	FCIS FCS(PE)	M	Chinese
Ex-officio member and Past President	Ivan KW Tam <sup>1,5</sup>	FCIS FCS	M	Chinese

Numerals indicate that the relevant Council member was also a Council member and/or a director of the following subsidiary(ies) during the period of this report:

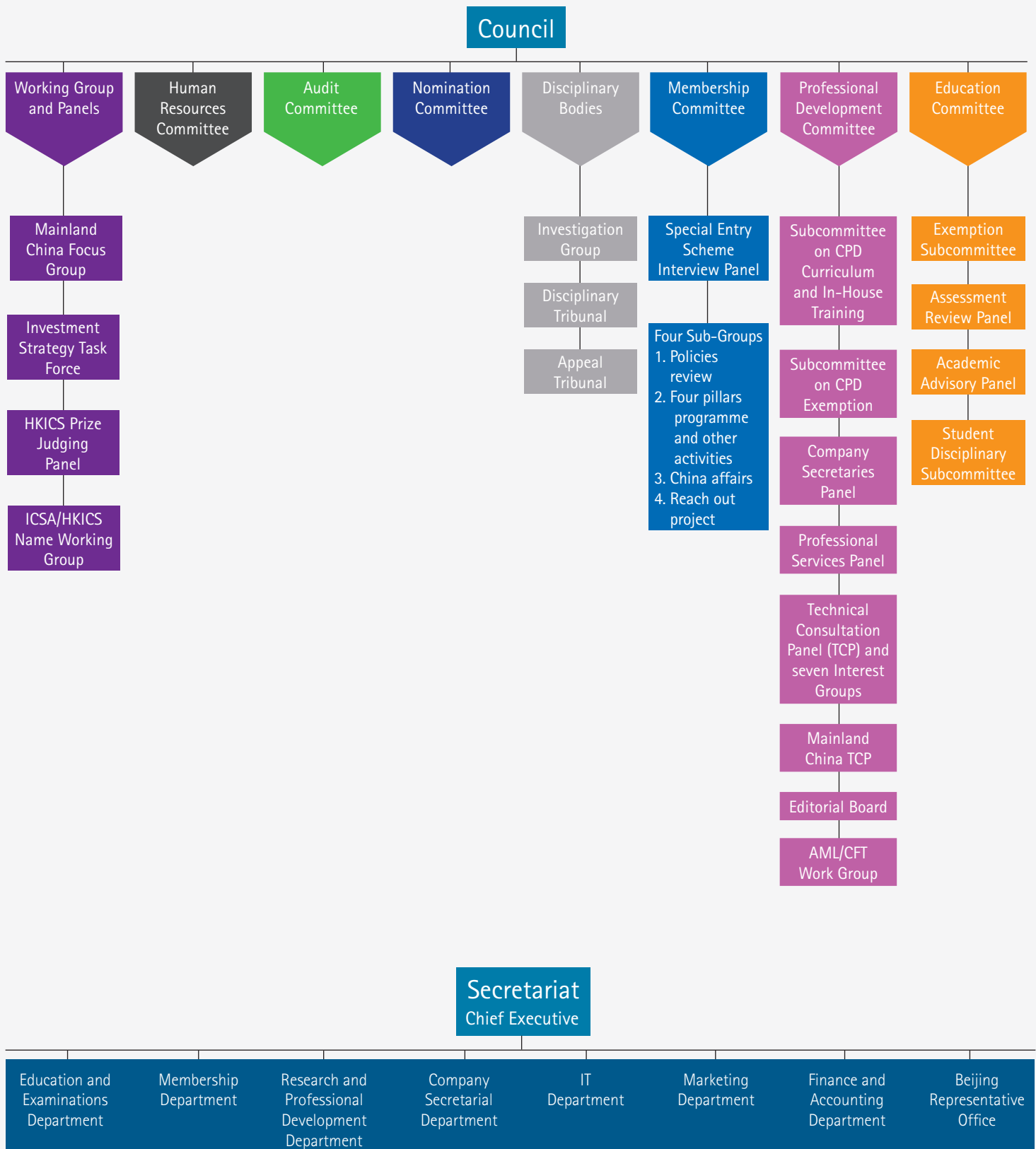
1. Council member of The Hong Kong Institute of Chartered Secretaries Foundation Limited
2. Director of The Hong Kong Institute of Chartered Secretaries (China) Limited
3. Director of The Institute of Chartered Secretaries and Governance Professionals Limited
4. Council member of The Hong Kong Institute of Company Secretaries Limited
5. Director of 思治企业咨询（北京）有限公司 (HKICS Consulting (Beijing) Limited), a wholly foreign owned enterprise in Beijing

Total years of service in Council as of 31 Dec 2018	Attendance at Council Meetings for 2017/2018	Skill set, expertise and experience
5	8/10	Corporate Governance/Accounting & Finance/Company Secretarial
6	2/10	Corporate Governance/Legal/Company Secretarial
2	6/10	Corporate Governance/Legal/Company Secretarial
5	6/8	Corporate Governance/Company Secretarial
6	8/10	Corporate Governance/Accounting & Finance/Investor Relations/ Company Secretarial
10	5/10	Corporate Governance/Academic/Education
1	4/4	Corporate Governance/Accounting & Finance/Company Secretarial
3	6/10	Corporate Governance/Accounting & Finance/Company Secretarial
2	9/10	Corporate Governance/Corporate Communications/Company Secretarial
1	3/4	Corporate Governance/Legal/Company Secretarial
11	8/10	Corporate Governance/Accounting & Finance/Company Secretarial
3	9/10	Corporate Governance/Accounting & Finance/Legal/Company Secretarial
10 (7 years as elected Council member)	6/6	Corporate Governance/Legal/Corporate Finance/Company Secretarial
19 (16 years as elected Council member)	10/10	Corporate Governance/Accounting & Finance/Company Secretarial
8 (7 years as elected Council member)	10/10	Corporate Governance/Legal/Company Secretarial

\* Paul A Stafford resigned from the Institute and its subsidiaries as a Council member and/or director and ceased to be a Vice-President of the Institute from 1 March 2018.

# Edith Shih retired as a Council member of the Institute and ceased to be a Council member of The Hong Kong Institute of Chartered Secretaries Foundation Limited from 1 January 2018.

# GOVERNANCE STRUCTURE











# Performance review

## 1. Education and examinations

During the period under review, a total of 1,944 students in Hong Kong and Mainland China enrolled for our International Qualifying Scheme (IQS) examinations. This scheme continued to generate interest, particularly in Mainland China, where we saw an 8% increase in the number of students who registered for the examinations. In the December 2017 diet, a total of 32 students in Hong Kong and Mainland China gained Distinction or Merit grades (compared with 23 in the previous period), whereas the equivalent figure for the June 2018 diet was 22 students in total (compared with 32 in the previous period).

One significant trend of our education and examinations work is the rising popularity of the master's programme under the Institute's Collaborative Course Agreement (CCA) with the universities, which serves a vital role in encouraging more young people to become governance professionals and company secretaries. This year, our three ongoing CCA courses – in collaboration with City University of Hong Kong (CityU), The Hong Kong Polytechnic University (PolyU) and The Open University of Hong Kong (OUHK) – were joined by a fourth programme, with Hong Kong Baptist University (HKBU). The first intake of students into HKBU's Master of Science in Corporate Governance and Compliance was in September 2017.

A total of 220 students in the four CCA programmes registered with the Institute in 2018, a 20% increase

over the previous period. Graduates of all CCA programmes are eligible to apply for full exemptions from the IQS examinations, subject to registration requirements being met.

Our Education Committee, with the support of our Assessment Review Panel and Exemption Subcommittee, oversees our studentship policies and IQS quality assurance. With the increasing number of students joining us via our CCA programmes, the Exemption Subcommittee has remained busy – this year, a total of 590 exemption applications were approved, an 8% increase over the previous period, for a total of 1,895 subjects.

## 2. Professional development

Central themes of our professional development work in 2018 included ongoing professional development training for all members, boosting recognition of the governance professional role, and the accelerating need to keep up with new licensing regimes and requirements in a rapidly changing business landscape.

### ECPD activities

The Institute organises a variety of Enhanced Continuing Professional Development (ECPD) activities throughout the year to cater for members pursuing different career paths. The purpose of the Institute's ECPD activities is to enhance members' professional competence and the technical knowledge necessary



for them to perform their roles as governance professionals. We currently run seven to eight seminars per month, which are open to all members, graduates and students of the Institute. Non-members who have an interest in specific areas of company secretaryship or corporate governance are also welcome to join our seminars.

With effect from 1 July 2017, all members and graduates of the Institute (other than qualified exempted persons, as stipulated in the Institute's CPD Policy) must now comply with our mandatory CPD requirement of 15 CPD hours – including three ECPD hours from the Institute's ECPD activities – each fiscal year. This mandatory CPD requirement was launched in stages, beginning in 2011, and is now fully implemented.

This year, a total of 110 ECPD events were held in Hong Kong and Mainland China, attracting a total of 21,088 participants (11% increase from the previous period).

#### Seminars and training sessions

Our company secretarial practical training sessions remained popular this year. The objective of this series is to provide more support to members, graduates and students with the requisite and up-to-date technical and practical skills to meet the challenges of their work. In fiscal 2018 we held 21 practical training sessions, attended by a total of 4,240 participants.

#### KEY METRICS – EDUCATION AND EXAMINATIONS

**786** <sup>+26%</sup>  
New students

**3,411** <sup>+2%</sup>  
Registered students

**1,875** <sup>-4%</sup>  
Students enrolled for IQS examinations in Hong Kong

**69** <sup>+8%</sup>  
Students enrolled for IQS examinations in the Mainland

**89** <sup>+6%</sup>  
Graduates who successfully completed the IQS examinations

**220** <sup>+20%</sup>  
New students enrolled via collaborative courses

**754** <sup>-3%</sup>  
Enrolments for HKU SPACE examination preparatory courses

#### EXAMINATION PASS RATE (AVERAGE):

**33%** <sup>+14%</sup> December 2017 diet

**33%** <sup>+3%</sup> June 2018 diet

#### NUMBER OF OUTSTANDING PERFORMANCES (DISTINCTION AND MERIT AWARDEES):

**32** <sup>+39%</sup>  
December 2017 diet

**22** <sup>-31%</sup>  
June 2018 diet

*Note: Percentages refer to the comparison between the 2018 financial year, from 1 July 2017 to 30 June 2018, and the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*





We also saw a rising demand for ECPD seminars focusing on anti-money laundering and counter-financing of terrorism (AML/CFT) compliance, due to the introduction of new rules and licensing procedures. The new regime targets more stringent supervision of trust and company service providers (TCSP) and aims to improve the transparency of beneficial ownership of companies incorporated in Hong Kong. Our seminars this year focused on the new regulations and best practice in the TCSP sector in Hong Kong. Five seminars were held this year, attracting about 1,000 participants.

Other seminar topics of particular interest were environmental, social and governance (ESG) reporting (we held nine seminars, with a total of 1,179 attendees) and risk management (we held seven seminars, with a total of 1,015 attendees).

The Institute's introduction of online CPD (e-CPD) seminars in October 2016 as an alternative learning platform for members, graduates and students has been well received. This year, eight new e-CPD seminars were launched, while a total of 16 e-CPD seminars remain available online, attracting 2,503 viewers so far.

### Annual Corporate and Regulatory Update (ACRU)

The most sought-after event of the year is our Annual Corporate and Regulatory Update (ACRU), which brings together regulators and practitioners in a direct dialogue about the top regulatory issues facing our profession. Our 19th ACRU was held on 5 June 2018 at the Hong Kong Convention and Exhibition Centre, attracting its largest ever audience, with close to 1,900 attendees (3% increase from 2017). As many as 20% of this year's attendees were non-members from diverse backgrounds – from directors to managers and other professional practitioners – reflecting the increasing importance of the governance profession and the burgeoning appeal of ACRU to stakeholders outside our membership.

### Practitioner's Endorsement scheme

The Institute's Practitioner's Endorsement (PE) designation was first awarded in 2006 to provide recognition to members in the company secretarial profession who attend at least 15 ECPD hours of the Institute's ECPD seminars/training sessions. This year, over 280 members attained the PE designation, amongst whom over 100 PE holders are company secretaries from listed companies.



### Maintaining professional standards

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

#### *Complaint cases under disciplinary proceedings*

During the period, we carried out a review of potential disciplinary cases in the public domain from sources that included the Hong Kong Bar Association; Hong Kong Exchanges and Clearing Limited; Hong Kong Institute of Certified Public Accountants; Market Misconduct Tribunal; The Law Society of Hong Kong; and Securities and Futures Commission.

Three complaints were received and referred to our Investigation Group, in addition to two complaints brought forward. Of these, two cases were closed after investigation with no *prima facie* case established, two cases are still under investigation and the remaining one case has been referred to the Disciplinary Tribunal. In addition to the four cases brought forward at our Disciplinary Tribunal, two cases were concluded and

closed with members' compliance; two cases were concluded and closed, with one member and one graduate removed from the respective registers; and the remaining one case is concluded pending expiry of the appeal period. No appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal.

#### *Mandatory Continuing Professional Development (MCPD) non-compliance*

A total of 40 MCPD non-compliance cases were processed under disciplinary proceedings, of which 10 were closed following members' compliance, while 27 members and two graduates were removed from the respective registers due to non-compliance with Disciplinary Tribunal orders



## KEY METRICS – PROFESSIONAL DEVELOPMENT

	2017	2018	%
CPD events*	98	110	+12
Participants in CPD events	19,043	21,088	+11
Online CPD (e-CPD) seminars**	8	16	+100
Participants in e-CPD seminars	858	2,503	+192
Company secretarial practical training sessions	18	21	+17
Participants in company secretarial practical training sessions	4,466	4,240	-5
ACRU attendees	1,825	1,885	+3

\* Figures include Regional Board Secretary Panel (RBSP) meetings in Hong Kong and Mainland China.

\*\* e-CPD seminars were launched in October 2016.

Note: Due to the change of the Institute's financial year end in 2017, figures for 2017 cover the 11-month period from 1 August 2016 to 30 June 2017.

and decisions. One member was removed from the register in another complaint case.

One student disciplinary case was referred to the Student Disciplinary Subcommittee of the Education Committee and is still under proceedings.

### 3. Member and student services

Membership is the cornerstone of the Institute. With this in mind, our member and student services are designed to play a pivotal role in nurturing our students and members, by offering diverse activities to augment both professional and personal interests, as well as to enhance communication and networking.

#### Consultation forums

Four consultation forums were arranged in August 2017 to inform and consult our members about the new strategic initiatives of The Institute of Chartered Secretaries and Administrators (ICSA) regarding the launch of the new professional designation of Chartered Governance Professional and the creation of an Affiliated Membership. The cocktail reception for the then ICSA International President David Venus FCIS in January 2018 also provided an opportunity for members to learn more about the ICSA initiatives.

#### Student services

We continued to focus our efforts on assisting students in their IQS examination preparations this year through the Institute's examination support services. These included updated study packs, including complimentary online versions; three examination preparatory courses, organised by The University of Hong Kong, School of Professional and Continuing Education (HKU SPACE), attended by 754 students; and examination technique workshops, covering all eight subjects of the IQS for each of the two examination diets, attended by a total of 236 students in 2018.

#### Member services

This fiscal year, we organised 55 events with more than 3,880 participants (2017: 33 events with 2,000

participants), encompassing our regular events for Fellows, Associates, graduates and students; our annual dinner and annual convocation; various members' forums; and activities for our dragon boat team. Our activities are targeted at the different interests and experience levels of our membership under the 'four pillars' programme.

#### 1. Mentorship

Now in its fourth term, our Mentorship programme – open to all members, graduates and students – enjoyed consistent positive growth in fiscal 2018. A total of 46 mentors and 90 mentees (2017: 41 mentors and 77 mentees) participated in the programme.

#### 2. Members' Networking

Our Members' Networking programme not only provides members, graduates and students with social networking opportunities – such as lunch or cocktail receptions – but also deepens their personal skills.

### KEY METRICS – MEMBER AND STUDENT SERVICES

**55** +67%  
Membership events

**3,880** +94%  
Participants in these events

**46** +12%  
Mentors joining  
our mentorship  
programme

**90** +17%  
Mentees joining  
our mentorship  
programme

**79** +16%  
Summer internship opportunities (48 for members of the Institute's Student Ambassadors Programme and 31 for Form 5 students of Yuen Long/Tin Shui Wan District)

*Note: Percentages refer to the comparison between the 2018 financial year, from 1 July 2017 to 30 June 2018, and the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*

Mentorship



Members' Networking



Fun &amp; Interest Group



Community Service



Activities organised during the year covered stress management, grooming for professionals, dining etiquette and a visit to the Hong Kong Observatory.

### 3. Fun & Interest Group

Our Fun & Interest Group (formerly known as Young Group) has been rebranded, with a greater emphasis on leisure pursuits where members and students can get to know each other in more informal settings. The programme in fiscal 2018 included activities such as yoga, bowling and indoor war games.

### 4. Community Service

This programme gives members, graduates and students, as well as Secretariat staff, the opportunity to serve the community and support the Institute's corporate social responsibility initiatives. Activities organised during the year included volunteer training workshops, Pink Walk for Breast Health, Dress Pink Day, a beach cleaning exercise and a six-month continuing single elders home visit project.

### Other activities

In addition to organising various events and activities, the Institute also lined up exclusive benefits and services with a range of merchants for members, graduates and students.

Institute members, graduates and students took part in a number of activities organised by the Hong Kong Coalition of Professional Services (HKCPS) to network with other professional institutions. These included a luncheon talk by the Financial Secretary of the HKSAR, Paul Chan Mo-po GBM GBS MH JP FCIS FCS, and a visit to the Greater Bay Area in Guangdong.

### Publications

We also assist our members and students via our publications. Our monthly journal *CSj* is a valued publication dedicated to the core areas of company secretarial practice and strategic issues in corporate governance. Along with our website, the journal is also a main communication channel with our members,

graduates, students and other stakeholders. We launched an online version of *CSj* (e-CSj) in August 2015 for those who prefer to receive it in electronic form. Our e-CSj website enables members, graduates, students and other stakeholders to access archive articles online and to provide feedback on the issues addressed.

#### 4. Donations

Since the launch of The Hong Kong Institute of Chartered Secretaries Foundation Limited (the Foundation) in 2012 – a wholly owned subsidiary of the Institute – we have been able to channel donations and sponsorship funds more productively to support education, research and thought leadership initiatives in relevant fields.

In fiscal 2018, the Foundation raised a total of HK\$411,266 in donations (including HK\$377,466 donated to the Foundation by the Institute) and has distributed HK\$310,563 in funds. The Foundation sponsored 21 scholarships to local universities and institutions and 32 subject prizes for students of collaborative courses and relevant degree programmes (19 and 21, respectively, in 2017). Furthermore, 12

subject prizes were awarded by the Foundation to students who attained the grade of Distinction at the Institute's IQS examinations during the period.

During the year, the Institute also sponsored 30 different student functions and activities, including orientation camps, annual dinners and inauguration ceremonies for student associations of local universities.

#### 5. Advocacy

Advocacy is intrinsic to the work of the Institute. As governance professionals, we collaborate closely with various government bodies and regulators, as well as other professional sectors.

In fiscal 2018, we continued to upgrade and expand our communication channels to inform, network and communicate with our members, students and other stakeholders, as well as the wider public. Senior members of the Institute gave six media interviews on the Chartered Secretary profession and related issues, and we were actively involved in a number of panel discussions, forums, masterclasses and other events to keep ahead of the curve with frontier issues in the fast-growing governance arena.

In particular, in fiscal 2018, our advocacy work emphasised recommending and advising on a number of new licensing requirements, updated standards related to compliance and equal opportunities regulations, and anti-money laundering and counter-financing of terrorism (AML/CFT) regulations.

#### AML Charter

The Institute's AML/CFT Guideline and AML/CFT Charter, launched in 2016, was the first such self-regulatory initiative in Hong Kong. Since then, we have worked tirelessly to advocate compliance with the AML/CFT regime, ensuring that we keep our members, students and stakeholders, as well as other governance professionals working in the trust and company service provider sector, updated on all the latest developments. Eight accredited HKICS AML/CFT organisations currently

#### KEY METRICS – DONATIONS

**HK\$411,266** +55%

Donations raised by the Foundation

**HK\$310,563** +29%

Funds distributed by the Foundation

**21** +11%

Scholarships  
awarded by the  
Foundation

**32** +52%

Subject prizes  
awarded by the  
Foundation

*Note: Percentages refer to the comparison between the 2018 financial year, from 1 July 2017 to 30 June 2018, and the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*





subscribe to our AML/CFT Charter, which requires them to demonstrate they meet our standards, as set out in our Guideline, and which are equivalent to those imposed on financial institutions.

### **Cultivating the younger generation**

As mentioned earlier, membership is our cornerstone – but students are our lifblood and our future. For this reason, a crucial aspect of our advocacy work involves reaching out to and cultivating our students, potential students and the younger generation.

#### *Potential students*

On 17 March 2018, the Institute held its annual Chartered Secretaries Preview Day 2018. This event aspires to introduce the Chartered Secretarial profession as an attractive career choice by bringing local university undergraduates and potential employers together through lively practical sharing and activities. This year, the second since its inauguration, over 120 young people participated in the event. Our guest of Honour, Edith Shih FCIS FCS(PE), HKICS Past President, the then Senior Vice-President of The Institute of Chartered Secretaries and Administrators (ICSA) and Executive Director and Company Secretary of CK Hutchison Holdings Limited, gave the keynote speech emphasising the role of company secretaries in the regulatory environment in Hong Kong, while members

**"a crucial aspect of our advocacy work involves reaching out to and cultivating our students, potential students and the younger generation"**

of the Institute shared their career paths and working experience with potential students.

Also during the year, a series of 11 professional seminars were organised at local educational institutes to promote the governance profession to potential students in Hong Kong. Our Education Committee and Institute executives met twice with the Academic Advisory Panel, comprised of senior management of local universities, to discuss further collaboration in the future. We held four Chartered Secretary information sessions, attended by 191 participants, and published two advertorials in the local media to inform the general public about the opportunities offered by our profession.

#### *Current students*

For our registered students, we organised two new student orientations to introduce the Institute, the IQS and our student services. After receiving their achievement certificates, IQS subject prize winners were invited to share their experience and tips for passing the examinations with the new students.



We also organise new student orientations every year for all collaborative course students and provide them with regular updates on the latest news and technical developments. A professional seminar was held in May 2018 for all collaborative course students.

In other news, our Student Ambassadors Programme is now in its 12th year, during which time over 1,500 participants have become Student Ambassadors of the Institute. This year, 102 new students enrolled in this programme – which has proved a very popular way for us to promote the Chartered Secretary profession to local undergraduates – while a total of 31 Institute members joined as mentors.

Our Corporate Governance Paper Competition and Best Presentation Awards engage undergraduates in Hong Kong in pivotal corporate governance issues. This year, the theme for submissions was 'Corporate Governance – Challenges in the digital age', which attracted 40 enrolments with 96 participants. The top six

finalists competed at the Best Presentation Awards on 8 September 2018.

## 6. Research and governance reform

Members of our Institute, together with our professional network, represent a unique body of expertise in corporate governance and corporate secretaryship. Our views and opinions are respected in the field, not just locally and regionally, but also internationally.

### Research reports

In fiscal 2018, we published two new research reports.

#### 1. ACSN comparative analysis

In September 2017, in collaboration with ASEAN Corporate Secretaries Network (ACSN), the Institute published *The Company Secretary, Regulation and Governance Roles – A Comparative Analysis in Selected Asian Jurisdictions*. The report found substantial similarities across the selected Asian jurisdictions covered by the survey, in terms of general background,

## KEY METRICS – ADVOCACY

48 (57)

Advocacy events

3,077 (3,540)

Participants in our advocacy events

191 (137)

Participants in Chartered Secretary information sessions

81 (38)

Chartered Secretary information session participants enrolling as students

70 (103)

Participants in new student orientations

*Note: Numbers in parenthesis refer to the figures for the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*

"our views and opinions are respected in the field, not just locally and regionally, but also internationally"

qualifications and recognition, as well as appointments and removal, of the company secretary. It also illustrates the wider opportunities for collaboration with other One Belt, One Road economies and beyond to promote good governance.

## 2. Shareholder communications research report

On 29 March 2018, the Institute and ACSN jointly published a second research report entitled *Shareholder Communications for Listed Issuers, Five Imperatives to Break the Monologue – Where are we in the Asian region?* This comparative analysis, which covered Hong Kong and our counterparts in Indonesia, Malaysia, Singapore and Thailand, expands and enhances the HKICS *Report on Shareholder Communications for Listed Issuers – Five Imperatives to Break the Monologue* published in September 2016. The current report compared and tested the applicability of the five imperatives across ACSN regional markets, and demonstrated our collective commitment to enhancing regional standards of corporate governance. Overall, the survey suggested a growing awareness of the importance of good shareholder communication and the development of improved practices and disciplines in this area, as well as highlighting where there is scope for competition, as well as collaboration, in One Belt, One Road economies.

## Governance reform

In fiscal 2018, we intensified our contribution to regulatory reform and policy formulation in Hong Kong via consultation submissions and liaison with regulators and government bodies on issues

relevant to the profession. During the year, we made 20 submissions to consultations on key regulatory issues, including listing regulation reform, Companies Ordinance amendments, the new licensing regime for trust or company service providers (TCSPs) and beneficial ownership. The full submissions are available on our website: [www.hkics.org.hk](http://www.hkics.org.hk).

## Guidance notes

As well as assisting our members and the wider governance profession and community, we also contribute to governance reform via our guidance notes. In fiscal 2018, the seven Interest Groups under our Technical Consultation Panel between them initiated eight new guidance notes, encompassing competition law; company law; public governance; ethics, bribery and corruption; and technology. These guidance notes are available on our website: [www.hkics.org.hk](http://www.hkics.org.hk).

In addition to these published guidance notes, on 1 March 2018 the Institute issued a guideline for its members entitled *Company Secretary Appointment Guidelines for HKICS Members – Good Practice as to the Number of Appointments as 'Named' Company Secretaries of Hong Kong Listed Issuers*, setting forth the recommended best practice for members and ensuring that disclosure is consistent with good governance by the named company secretary of the listed issuers concerned. This guideline came into effect on 1 September 2018.

## KEY METRICS – RESEARCH AND GOVERNANCE REFORM

2<sup>(3)</sup>

Research reports

20<sup>(3)</sup>

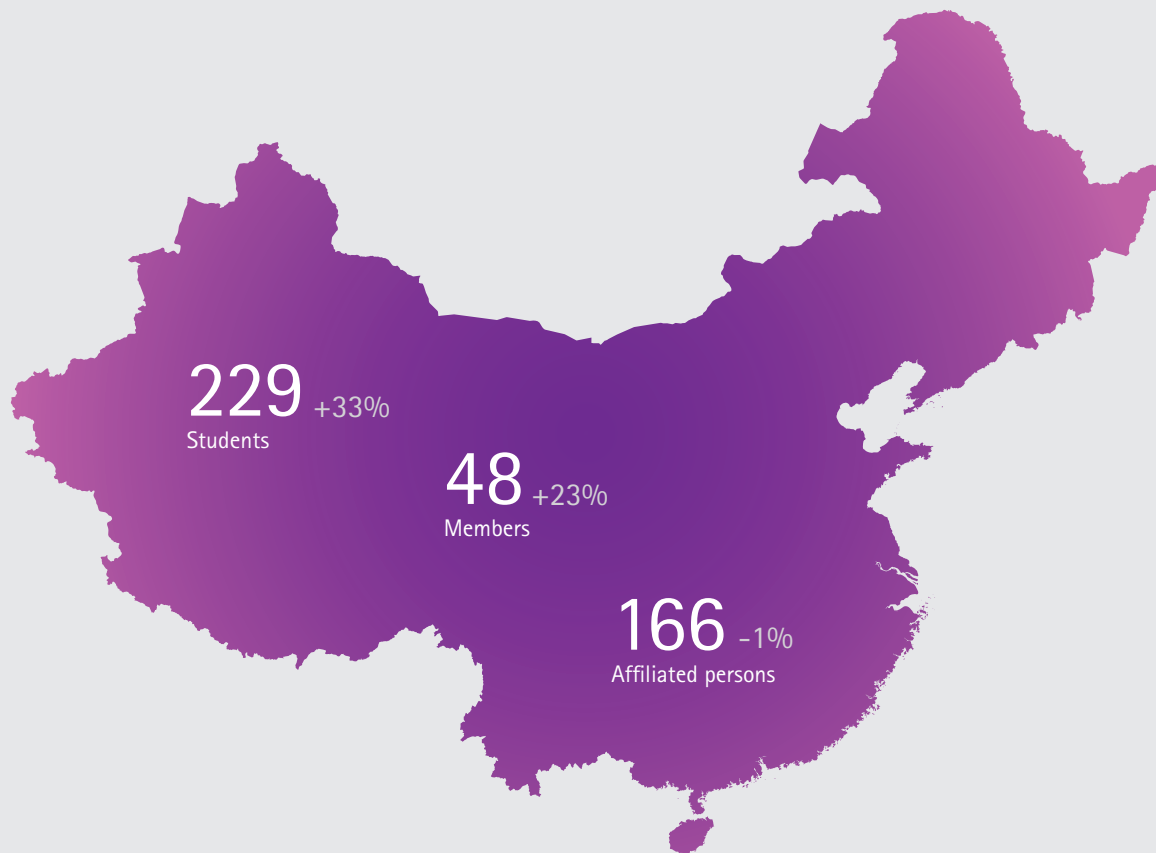
Consultation submissions

8<sup>(5)</sup>

Guidance notes

*Note: Figures in parenthesis refer to the number of reports, submissions and guidance notes produced during the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*

## KEY METRICS – MAINLAND CHINA



**105** +14%  
IQS subject  
enrolments

**4** +0%  
Mainland CPD  
events

**630** +9%  
Participants in  
CPD events

**5** +0%  
Regional Board  
Secretary Panel  
(RBSP) meetings

**125** -2%  
Participants in  
RBSPs

*Note: Percentages refer to the comparison between the 2018 financial year, from 1 July 2017 to 30 June 2018, and the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*

*"Mainland China" in this annual report refers to areas under the direct jurisdiction of the People's Republic of China, while Hong Kong, Macao and Taiwan regions are not included for statistical purposes.*

### 7. Mainland China

As the China/Hong Kong Division of The Institute of Chartered Secretaries and Administrators (ICSA), our efforts to reinforce the Chartered Secretary profession in Mainland China resulted in an acceleration in the numbers of registered students and members in fiscal 2018. As at 30 June 2018, we had 229 Mainland students and 48 Mainland members, up 33% and 23% from 2017, respectively.

### The Chartered Secretary qualification

As in Hong Kong, our Institute currently runs two International Qualifying Scheme (IQS) examination diets per year in Beijing and Shanghai. This year there were 105 subject enrolments for the examinations in December 2017 and June 2018 (14% increase from fiscal 2017). Not only did we see an increase in the number of candidates working towards the Chartered Secretary profession through the IQS examinations, but



also through our Postgraduate Programme in Corporate Governance (PGPCG). This postgraduate programme, run in collaboration with The Open University of Hong Kong (OUHK) in Shanghai, welcomed its second cohort of students in September 2017 with 36 enrolments, compared with 33 in 2016.

The objective of the PGPCG is to provide practical knowledge and skills to those who wish to pursue, or further advance, their careers as company secretaries, board secretaries or corporate governance professionals. Students who successfully complete this programme, plus a one-week residential school held on the OUHK Hong Kong campus, and who subsequently obtain a Master of Corporate Governance degree are eligible to apply for full exemption from the IQS examinations, progressing thereafter to graduateship and membership. The first batch of 17 PGPCG students graduated in July 2018.

### Professional development

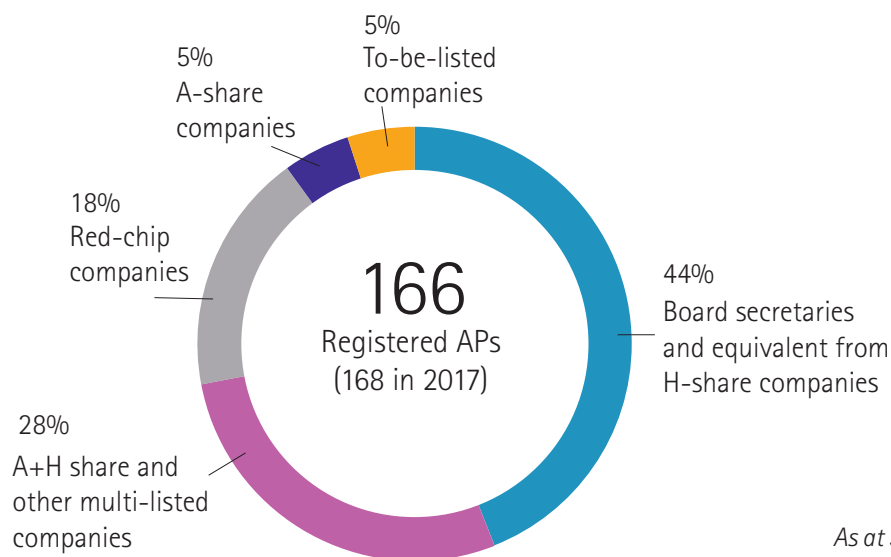
Fiscal 2018 brought continued high demand for our Affiliated Person (AP) programme in Mainland China, which provides professional training sessions and services to board secretaries and equivalent personnel of H-share companies, as well as companies listed or to-be-listed both domestically and overseas.

"our Institute cultivates close working relationships with stakeholders in the Mainland and has gained increasing recognition from regulators and listed companies in Mainland China"

This year, there was amplified involvement in our AP ECPD seminars by participants other than APs. On average, approximately 77% of those joining our AP ECPD seminars in 2018 were non-APs (compared with approximately 74% in the previous period), mainly consisting of board secretary subordinates, directors, supervisors and other senior managers, who had learned about us from our APs, members, students and event partners, as well as previous seminar attendees. These figures demonstrate our reputation and expanding influence among Mainland companies, as well as their mounting recognition of our profession.

We organised two AP ECPD seminars in Beijing and Yinchuan in September and December 2017, respectively. Under the Memorandum of Understanding (MoU) with Insurance Association of China (IAC) and Shanghai





Stock Exchange (SSE), we co-organised the third joint training session with IAC for insurance companies in October 2017 in Hong Kong (in conjunction with the annual training for H-share companies), and the eighth joint training with SSE for A+H share companies in May 2018 in Beijing. These four events attracted over 630 participants in total from H-share, A+H share, red-chip, A-share and to-be-listed companies and covered a broad range of topics, including M&A and financing; annual financial audit and annual reporting; information disclosure and insider dealing control; and regulatory updates.

In addition, the Institute and GoldenBee CSR Consulting jointly organised a corporate social responsibility (CSR) seminar under the theme of 'CSR information disclosure and CSR management for enterprises with overseas businesses' in Shanghai on 29 and 30 March 2018. This seminar was hosted by Shanghai Municipal Commission of Commerce and attracted over 30 attendees. The event enhanced our reputation and influence among companies in Shanghai.

### Member and student services

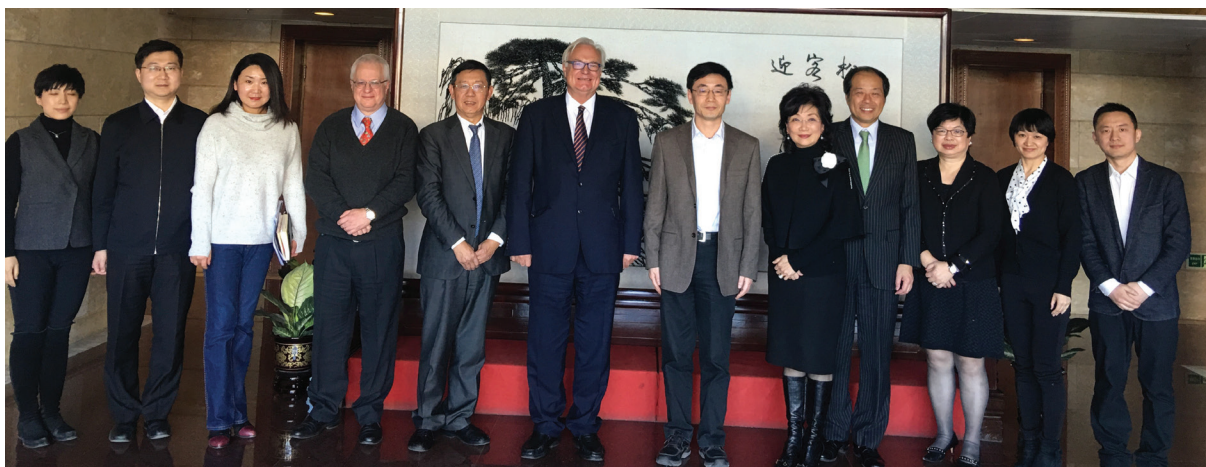
We continued to run our five Regional Board Secretary Panel (RBSP) meetings in Beijing, Shanghai, Shenzhen, Guangzhou and the Southwest (including Chongqing and Chengdu), which provide valuable networking

opportunities for board secretaries and an important communication channel between board secretaries and regulatory bodies. In fiscal 2018, we organised five RBSP meetings in Hong Kong, Beijing, Shanghai, Guangzhou and Chongqing. Over 125 local APs, members, students and board secretaries, as well as government officials, attended.

### Advocacy

Our Institute cultivates close working relationships with stakeholders in the Mainland and has gained increasing recognition from regulators and listed companies in Mainland China. Since 2011, we have signed MoUs with the Shanghai and Shenzhen stock exchanges, the China Association for Public Companies (CAPCO) and the IAC. In 2018, thanks to previous good cooperation, our Institute worked with IAC and CAPCO to renew the respective MoUs.





During the period under review, we continued to promote good corporate governance and the Chartered Secretary profession to companies listed and to-be-listed in Hong Kong. In addition, we expanded our promotion to a wider group, namely new high-tech enterprises by reaching out to Zhongguancun Science Park Administrative Committee (ZSPAC) and Shanghai Pilot Free Trade Zone Administrative Committee.

In November 2017, an Institute delegation led by the then President Ivan Tam went to Beijing to visit officials from four organisations – China Securities Regulatory Commission (CSRC), IAC, Ministry of Finance (MoF) and State-owned Assets Supervision and Administration Commission (SASAC). At the meeting with CSRC, its Vice Chairman Jiang Yang expressed his appreciation for the Institute's efforts to provide professional training services to relevant personnel of Mainland companies listed in Hong Kong and voiced CSRC's support of the Institute's initiatives, which will benefit both the Hong Kong and Mainland markets.

On 2 February 2018, a delegation led by Institute Past President (currently ICSA International President) Edith Shih, along with the then ICSA International President David Venus, visited the SASAC and ZSPAC in Beijing. During the visit, both SASAC and the Institute's delegates agreed to explore opportunities for joint corporate governance research and training for state-owned enterprises. The visit to ZSPAC also enhanced mutual

understanding of both parties' backgrounds and missions, and provided a platform to explore possible collaboration opportunities, such as joint pre-IPO training for member companies of ZSPAC planning to list overseas.

### Research and governance reform

The Institute is actively involved in ongoing research projects on topics relevant to our members, students and APs in the Mainland. In fiscal 2018, we established the Mainland China Technical Consultation Panel (MCTCP), under the Institute's Mainland China Focus Group (MCFG), to provide technical support on issues of common interest to Mainland board secretaries through meetings, consultations and guidelines.

The MCTCP comprises 13 members with diversified expertise and oversees three Interest Groups – Regulation Consultation Group, Practical Guidelines Group and Corporate Governance Practical Training Materials Development Group. The MCTCP launched three research projects in 2018, namely, *Update of the Guidance Notes on Insider Information Disclosure Practices of A+H Share Companies*, *Guidance Notes on Connected Transactions Practices of A+H Share Companies* and *Supervision Issues of Shanghai–Hong Kong Stock Connect and Shenzhen–Hong Kong Stock Connect Practices*. Our goal is to provide our members, students, APs and other corporate governance professionals with up-to-date practical guidelines, as well as to contribute to regulatory decision making in both Mainland China and Hong Kong.





# Key risks and challenges

The environment in which all businesses and organisations operate today presents significant risk on a number of fronts. Most relevant to our Institute are technology, information security and financial risks, and these are discussed below. We actively monitor the potential impact of a number of other risks, including regulatory, health and safety, reputational and third-party service provider risks. We remain steadfast in our commitment to addressing key risks and challenges – an increasingly crucial role for every organisation in the rapidly transforming business environment, where standards of governance and ethics are inevitably under escalating scrutiny.

## Strategic and operational risk

Strategic risk is mainly a facet of the changing external environment common to all businesses and organisations. This, plus rising expectations of stakeholders and the general public regarding standards of governance, requires us to continuously monitor and upgrade our internal processes and controls, as well as to analyse and take action on any potential external risk. Although we recognise that it may not be possible – or even viable – to eliminate operational risk entirely, we are resolute in our efforts towards this end.

Our Council meets every two months to monitor our strategic risk and to set the strategic direction of the Institute. To monitor risk effectively, all identified risk and work subsequently performed to minimise or

mitigate such risk is reported to the Audit Committee, which then reports directly to Council, thus ensuring the highest level of independence and objectivity. All departments are responsible for maintaining effective internal controls through regular review of operational manuals and ensuring that adequate supervisory controls are in place to safeguard compliance with internal operational policies and procedures.

In fiscal 2018, we revisited our operational procedures, tightening various internal control measures and mechanisms, and bolstered the efficiency and effectiveness of our operational teams.

## Information technology risk

The effectiveness and security of our information technology (IT) systems is instrumental to the smooth running of the Institute – indeed, of any entity operating in the 21st century. Any IT deficiencies or interruption may affect the services provided to our members. To address this risk, preventative maintenance, detective monitoring and containment measures have been implemented.

KEY METRICS –  
INVESTMENT PORTFOLIO  
**HK\$28,234,798**



In addition, the Institute is subject to legislation and regulation relating to the collection, use and security of member, student and employee data, pursuant to the services we provide. For example, the Institute is required to notify individuals or regulators of any data security breach.

In fiscal 2018, the Institute continued to engage an independent consulting firm to regularly review and provide advice on IT security issues, while our existing database system is being revamped and upgraded by an external consulting firm. The Institute also held a number of seminars and training courses throughout the year for its members and students, as well as for Secretariat staff, to enhance awareness of IT and data privacy-related issues.

#### Financial risk

The Institute maintains a healthy financial position and sufficient reserves to support its ongoing development. A professional external investment manager was engaged in the previous financial period to manage the Institute's surplus cash, a risk-mitigating measure

**"we remain steadfast in our commitment to addressing key risks and challenges – an increasingly crucial role for every organisation in the rapidly transforming business environment"**

that continued in fiscal 2018. Our investment portfolio – established with prudent anti-inflation investing in mind, as well as to provide an ancillary income for future development – totalled HK\$28,234,798, as at 30 June 2018.

In the course of normal 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 30 to the financial statements (pages 66–69).



# Corporate social responsibility report

As a professional body dedicated to promoting good corporate governance and ethics, we are committed to maintaining high standards of corporate social responsibility and running our operations in a responsible, ethical and sustainable manner.

## Workplace quality

To better serve our members, in the period under review our Secretariat staff took courses and seminars to enhance their skills and technical knowledge. Soft skills formed a core component of their studies, which including leadership, project management, time management, communication and presentation techniques, problem solving and customer service. In fiscal 2018, a total of 40 training enrolments in 30 training courses were provided to Secretariat staff, amounting to 108 training hours.

Members, graduates and students were also encouraged to attend training and development courses to improve their knowledge and skills, both personal and professional, and to ensure they remain abreast of the latest Institute initiatives.

Our Institute actively promotes teamwork and good relations amongst its staff. During the year, staff gatherings were held monthly to bolster staff morale and foster good teamwork across all departments.

In October 2018, in recognition of the high value we place on our employees' retirement needs, the Institute

was awarded its second Good MPF Employer Award and Support for MPF Management Award by the Mandatory Provident Fund (MPF) Schemes Authority, of whom we are an Endorsing Organization.

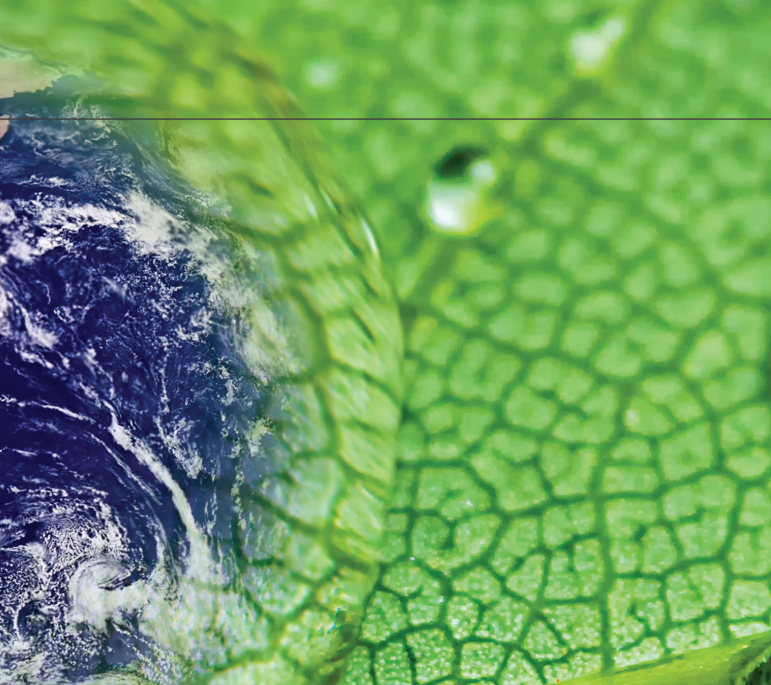
The Institute has also been accredited under the Good Employer Charter 2018, organised by the Labour Department of Hong Kong, the objective of which is to encourage employers to adopt employee-orientated and progressive good human resource management practices, thereby cultivating a good human resource management culture in the workplace.

## 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. During the period under review, we further minimised our carbon footprint by implementing a number of sustainability measures, including stepping up our use of e-evaluations and e-handouts for our CPD seminars, and inviting Secretariat staff to bring their own utensils,







"as a professional body dedicated to promoting good corporate governance and ethics, we are committed to maintaining high standards of corporate social responsibility and running our operations in a responsible, ethical and sustainable manner"

instead of using disposable plastic, at the monthly staff gathering. We uphold the 'reuse, reduce and recycle' principle and promote the use of green products in our daily operations.

We also encourage our members to receive corporate communications electronically, via the Institute's website. Our online version of our monthly journal, *CSj*, remains popular, with 3,571 subscribers opting to receive the e-version as of 30 June 2018. The online study packs for our International Qualifying Scheme (IQS) examination students have been updated, and are now used by 1,771 students. Our overall annual paper consumption has been reduced by 7%, from 639 reams in the previous period, to 593 reams in fiscal 2018.

At the 2018 Annual Dinner, the Institute held its 'Best Green Pioneer Contest' with the participation of over 20 members, graduates and students. Guests cast their votes on the green living tips proposed by the three finalists. A specially designed gift – a stainless-steel straw – was also given to all the guests, demonstrating our support for environmental protection.

The Institute continues to support Earth Hour, an annual event that began in 2007 as a World Wildlife Fund (WWF) initiative and which is now the world's largest grassroots movement to support the environment, through the simple but effective action of turning off all lights for one hour. Our offices in Hong Kong and Beijing participated in this annual event on 24 March 2018. We also encouraged

our members, graduates and students to support the event and to switch their lights off for the designated hour. On a daily basis, we also maintain an average indoor temperature of between 24°C and 26°C to save energy and reduce electricity usage.

The Institute reviews its environmental practices on a regular basis and is constantly seeking ways to implement further eco-friendly measures and practices. Future steps we are considering include introducing a QR code for signing in and out, and issuing a one-off lifelong membership card.

#### KEY METRICS – CSR

**40** (161) **108** (318)  
Staff training enrolments Training hours

**593** (639) **REAMS**  
Paper usage

**HK\$86,963** (HK\$74,147)  
Electricity usage

*Note: Numbers in parenthesis refer to the equivalent during the 11-month period from 1 August 2016 to 30 June 2017, due to the change of the Institute's financial year end in the previous period.*



## Community involvement

At the Institute, we are firm believers in giving back to the community in which we live and grow. Our corporate social responsibility (CSR) initiatives are overseen by our Community Service subgroup, set up under our Membership Committee.

A number of different initiatives were implemented this year. We are pleased to report that our members, graduates and students remained enthusiastic and active in supporting the community, through activities such as the Pink Walk for Breast Health 2017, organised by the Hong Kong Breast Cancer Foundation, for the third year running; a volunteer programme to visit

single elders in Kowloon and Chai Wan district, for which participants were offered training sessions by the Agency for Volunteer Service; and a beach cleaning exercise, as part of the Hong Kong Cleanup (清潔香港) challenge.

In recognition of its commitment to caring for the community, caring for its employees and caring for the environment, the Institute was awarded the Caring Organisation logo in the 2017/2018 Caring Company Scheme of The Hong Kong Council of Social Service (HKCSS). This award is granted to acknowledge and acclaim achievements in CSR and a clear commitment to being a good corporate citizen.







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# 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)

## Opinion

We have audited the consolidated financial statements of The Hong Kong Institute of Chartered Secretaries ("the Institute") and its subsidiaries (together "the Group") set out on pages 38 to 72, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the year ended 30 June 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information in the Annual Report

The Council members are responsible for the other information. The other information comprises the information included in the Institute's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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# 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)

## Council Members' Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Council members are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Council members are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Council members in discharging their responsibility in this regard.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# 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)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members.
- conclude on the appropriateness of the Council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited  
Certified Public Accountants  
Tam Kwok Yiu  
Practising Certificate Number: P02575

Hong Kong, 1 November 2018

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$ (As reclassified, Note 32)
Subscriptions and fees	7	20,264,133	18,029,861
Other revenue	8	19,002,836	18,131,850
Other net income	9	1,950,102	1,467,860
(Deficit)/Surplus on acquisition of a subsidiary	10	(5,332)	1,034,801
Staff costs	11	(18,700,430)	(15,605,994)
Depreciation expenses	15	(618,522)	(568,636)
Other operating expenses	13	(20,574,329)	(18,323,043)
<b>Surplus for the reporting period</b>		<b>1,318,458</b>	<b>4,166,699</b>
<b>Other comprehensive income for the reporting period</b>			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use	15	17,235,952	13,211,226
<b>Other comprehensive income for the reporting period</b>		<b>17,235,952</b>	<b>13,211,226</b>
<b>Total comprehensive income for the reporting period</b>		<b>18,554,410</b>	<b>17,377,925</b>



## Consolidated Statement of Financial Position

At 30 June 2018

	Note	2018 HK\$	2017 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	15	113,781,824	96,984,159
Held-to-maturity investments	16	1,553,950	1,558,306
Deposits for acquisition of intangible assets	17	543,750	435,000
Prepayments	18	136,260	-
		<b>116,015,784</b>	<b>98,977,465</b>
<b>Current assets</b>			
Inventories	19	20,885	122,521
Financial assets at fair value through profit or loss	20	21,522,961	19,378,841
Accounts and other receivables	21	3,784,202	1,975,307
Time deposits with original maturity over three months when acquired	22	7,208,300	-
Cash and cash equivalents	23	7,653,883	16,564,089
		<b>40,190,231</b>	<b>38,040,758</b>
<b>Current liabilities</b>			
Accounts and other payables		1,867,936	1,415,947
Deferred revenue	24	-	240,000
Subscriptions and fees received in advance	25	2,745,608	2,324,215
		<b>4,613,544</b>	<b>3,980,162</b>
<b>Net current assets</b>		<b>35,576,687</b>	<b>34,060,596</b>
<b>NET ASSETS</b>		<b>151,592,471</b>	<b>133,038,061</b>
<b>Reserves and funds</b>			
General fund		50,890,217	50,187,971
Property revaluation reserve		97,929,403	80,693,451
Building maintenance sinking fund		1,000,000	988,486
Education development fund		991,189	788,486
IT maintenance fund		781,662	379,667
<b>TOTAL RESERVES AND FUNDS</b>		<b>151,592,471</b>	<b>133,038,061</b>

The consolidated financial statements were approved and authorised for issue by the Council on 1 November 2018 and are signed on its behalf by:

David Fu  
President

Eva Chan  
Treasurer

# Consolidated Statement of Changes in Reserves and Funds

For the year ended 30 June 2018

	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\$
<b>Balance as at 31 July 2016</b>	46,522,333	67,482,225	830,455	630,455	194,668	115,660,136
Surplus for the period from 1 August 2016 to 30 June 2017	4,166,699	-	-	-	-	4,166,699
Other comprehensive income for the period from 1 August 2016 to 30 June 2017	-	13,211,226	-	-	-	13,211,226
Total comprehensive income for the period from 1 August 2016 to 30 June 2017	4,166,699	13,211,226	-	-	-	17,377,925
Transfer from general fund	(501,061)	-	158,031	158,031	184,999	-
<b>Balance as at 30 June 2017 and 1 July 2017</b>	50,187,971	80,693,451	988,486	788,486	379,667	133,038,061
Surplus for the year ended 30 June 2018	1,318,458	-	-	-	-	1,318,458
Other comprehensive income for the year ended 30 June 2018	-	17,235,952	-	-	-	17,235,952
Total comprehensive income for the year ended 30 June 2018	1,318,458	17,235,952	-	-	-	18,554,410
Transfer from general fund	(616,212)	-	11,514	202,703	401,995	-
<b>Balance as at 30 June 2018</b>	50,890,217	97,929,403	1,000,000	991,189	781,662	151,592,471

Notes:

- a. The building maintenance sinking fund represents funds for the purpose of renovation, repairs and maintenance of the 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 Institute's surplus for the reporting period would be transferred from the general fund annually thereafter.

The fund is capped at HK\$1,000,000 and the Group has reached the cap during the year ended of 30 June 2018.

- b. 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 Institute's surplus for the reporting period would be transferred from the general fund annually up to the period ended of 30 June 2017. 2% of the Institute's total income related to students will be transferred from the general fund to this fund annually thereafter.
- c. The IT maintenance fund represents funds for the purpose of maintenance of the Institute's IT systems. Starting from 1 August 2015, 0.5% of the gross income would be transferred from the general fund annually. From the year ended of 30 June 2018 onwards, 1% of the gross income will be transferred from the general fund to this fund annually.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
<b>Cash flows from operating activities</b>			
Surplus for the reporting period		1,318,458	4,166,699
Adjustments for:			
Depreciation of property, plant and equipment		618,522	568,636
Bad debts written off		105,650	177,419
Provision for bad debts		–	87,070
Recovery of impairment loss previously recognised		(87,070)	–
Bank interest income		(56,749)	(27,248)
Interest income from held-to-maturity investment		(31,394)	(15,581)
Dividend income from financial assets at fair value through profit or loss		(831,573)	(219,322)
Exchange differences		(46,220)	(18,342)
Deficit/(surplus) on acquisition of a subsidiary		5,332	(1,034,801)
Inventories written off		77,971	–
(Gain)/loss on disposal of financial assets at fair value through profit or loss		(383,273)	37,109
Unrealised loss/(gain) on financial assets at fair value through profit or loss		694,218	(363,045)
Surplus before changes in working capital		1,383,872	3,358,594
Decrease in inventories		23,665	194,066
(Increase)/decrease in accounts and other receivables		(1,963,735)	26
Decrease in amount due from a related association		–	680
Increase in accounts and other payables		446,657	875,812
Increase/(decrease) in subscriptions and fees received in advance		421,393	(528,014)
Decrease in deferred revenue		(240,000)	–
<b>Net cash generated from operating activities</b>		<b>71,852</b>	<b>3,901,164</b>
<b>Investing activities</b>			
Cash from obtaining control of a subsidiary	10	–	1,318,965
Interest received		88,143	42,829
Dividends received		603,194	70,506
Purchase of property, plant and equipment		(180,235)	(59,266)
Purchase of held-to-maturity investments		–	(1,569,521)
Purchase of financial assets at fair value through profit or loss		(10,346,687)	(11,296,809)



## Consolidated Statement of Cash Flows – continued

For the year ended 30 June 2018

	Note	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Payment for deposits for acquisition of intangible assets		(108,750)	(217,500)
Proceeds on sale of financial assets at fair value through profit or loss		8,125,112	2,710,937
Increase in time deposits with original maturity over three months when acquired		(7,208,300)	-
<b>Net cash used in investing activities</b>		<b>(9,027,523)</b>	<b>(8,999,859)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,955,671)</b>	<b>(5,098,695)</b>
Cash and cash equivalents at the beginning of the reporting period		16,564,089	21,644,442
Effect of foreign exchange rate change, net		45,465	18,342
Cash and cash equivalents at the end of the reporting period	23	7,653,883	16,564,089

# Notes to the Consolidated Financial Statements

## 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 is at 3/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong.

The principal activity of the Institute is promoting and advancing secretaryship and leadership in the effective governance and efficient administration of commerce, industry and public affairs by the continued development of the study and practice of governance (including regulatory compliance and risk management) and general direction and administration of companies and other bodies.

On 26 October 2017, the Institute became the sole member of The Hong Kong Institute of Company Secretaries Limited ("HKICSL"). On 11 September 2017, HKICS Consulting (Beijing) Limited, was set up as a wholly foreign owned enterprise of The Hong Kong Institute of Chartered Secretaries (China) Limited. HKICS Consulting (Beijing) Limited has not commenced any activity during the year.

The principal activities and other particulars of the subsidiaries are set out below.

Name	Place of incorporation and operations	Percentage of share capital / interest held by the Institute		Description of shares held	Principal activities
		Directly	Indirectly		
1. The Hong Kong Institute of Chartered Secretaries Foundation Limited (香港特許秘書基金有限公司) ("HKICSFL")	Hong Kong	As the sole member	-	Limited by guarantee	Provide scholarship and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects
2. The Hong Kong Institute of Company Secretaries Limited (香港公司秘書公會有限公司) ("HKICSL")	Hong Kong	As the sole member	-	Limited by guarantee	Has not yet commenced any activity
3. The Hong Kong Institute of Chartered Secretaries (China) Limited (香港特許秘書公會(中國)有限公司) ("HKICS China")	Hong Kong	100%	-	Ordinary shares	Investment holding

## 1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES – continued

Name	Place of incorporation and operations	Percentage of share capital / interest held by the Institute		Description of shares held	Principal activities
		Directly	Indirectly		
4. 思治企业咨询（北京）有限公司 (HKICS Consulting (Beijing) Limited) ("HKICS BJ")	Beijing, China	-	100%	Registered capital	Promote the Institute's qualifying programme and provision of services to members in Mainland China
5. The Institute of Chartered Secretaries and Governance Professionals Limited (特許秘書及企業管治公會有限公司) ("ICSGPL")	Hong Kong	100%	-	Ordinary shares	Dormant

The general funds of HKICSFL and HKICSL can be used for their principal activities as outlined above and in fulfilling their objects as set out in their Articles of Association. Upon dissolution of HKICSFL or HKICSL, the net assets of the relevant subsidiary will be transferred according to the provisions stipulated in its Articles of Association.

## 2. REPORTING DATE AND COMPARATIVES

The reporting date of the Institute was changed from 31 July to 30 June for the prior reporting period as the Council members determined to bring the annual financial year end date of the Institute in line with that of The Institute of Chartered Secretaries and Administrators. Accordingly, the prior reporting period covers an eleven-month period from 1 August 2016 to 30 June 2017. The current year's reporting amounts (which cover a twelve-month period from 1 July 2017 to 30 June 2018) for the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds, consolidated statement of cash flows and related notes are not entirely comparable with those of the prior reporting period.

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### a. Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

### b. Basis of measurement

The financial statements have been prepared under the historical cost basis except for the leasehold land and buildings and certain financial instruments, which are measured at fair value as explained in the significant accounting policies in Note 5.



### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS - continued

#### c. Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Institute.

### 4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

#### a. Adoption of new/revised HKFRSs – Effective 1 July 2017

The adoption of the following new or revised standards has no significant impact on the Group's financial statements.

Annual improvements to HKFRS 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

#### b. New HKFRSs that have been issued but are not yet effective

The following new HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 15 (Amendments)	Revenue from Contracts with Customers (Clarification to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatment <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

#### HKFRS 9 - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and that have contractual terms giving rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the "Contractual Cash Flow Characteristics Test") are generally measured at amortised cost. Debt instruments that meet the Contractual Cash Flow Characteristics Test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

## 4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

### b. New HKFRSs that have been issued but are not yet effective – continued

#### HKFRS 9 – Financial Instruments – continued

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

Council members have considered the following potential impact on initial application of HKFRS 9:

#### ***Classification and measurement of financial assets and financial liabilities***

- Bond investments currently classified as held-to-maturity investments will continue to be carried at amortised costs since the bond investments are held under a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding.
- Listed equity securities and unlisted fund investments currently classified as financial assets at fair value through profit or loss will continue to be measured at fair value with fair value gains or losses recognised in profit or loss.
- All other financial assets and financial liabilities will be measured on the same bases as are currently measured under HKAS 39.

#### ***Impairment loss***

Applying the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs. However, no material impact to the opening general fund at 1 July 2018 would be expected.

#### HKFRS 15 – Revenue from Contracts with Customers and HKFRS 15 Amendments

Under HKFRS 15, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services, applying a 5-step approach:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

#### 4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

##### b. New HKFRSs that have been issued but are not yet effective – continued

###### HKFRS 15 – Revenue from Contracts with Customers and HKFRS 15 Amendments – continued

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- a. when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- b. when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- c. when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Council members anticipate that the application of HKFRS 15 in the future may result in more disclosures, but not a material changes to the timing and amounts of revenue recognised when HKFRS 15 is applied.

###### HKFRS 16 – Leases

HKFRS 16, which will supersede HKAS 17- Leases and related interpretations, requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, a lessee is required under HKFRS 16 to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different for the lessee of operating leases under the predecessor standard, HKAS 17.

As set out in Note 26 to the consolidated financial statements, total operating lease commitment of the Group in respect of the Beijing offices and office equipment as at 30 June 2018 amounted to HK\$1,558,747 and HK\$395,340, respectively. Council members do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected

## 4. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

### b. New HKFRSs that have been issued but are not yet effective – continued

#### HKFRS 16 – Leases – continued

that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position, starting with the year ending 30 June 2020.

#### HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 requires an entity to predict the resolution of an uncertain tax treatment, and set out two methods which would be used to predict the resolution of an uncertainty when it is not probable that the tax authority will accept the tax treatment.

Council members so far do not consider the Group has uncertainty tax treatments, and applying the HK(IFRIC)-Int 23 would not have impact on the consolidated financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of consolidation and subsidiaries

A subsidiary is an entity over which the Institute has control. The Institute controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the Institute's statement of financial position, the interests in subsidiaries are stated at cost less impairment charges.

The consolidated financial statements include the financial statements of the Institute and those of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Institute using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the reporting period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate.

### b. Property, plant and equipment

#### Leasehold land and buildings

Leasehold land and buildings are stated in the consolidated 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. Revaluations are performed at the reporting date.

The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:



## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### b. Property, plant and equipment – continued

#### Leasehold land and buildings – continued

- Level 1: Quoted prices in active markets for identical items (unadjusted);  
 Level 2: Observable direct or indirect inputs other than Level 1 inputs;  
 Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. 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.

#### Property, plant and equipment items other than leasehold land and buildings

Property, plant and equipment items other than leasehold land and buildings are stated in the consolidated statement of financial position at cost, less accumulated depreciation and accumulated impairment losses.

#### Depreciation

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The rates are as follows:

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%

#### Impairment

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### b. Property, plant and equipment – continued

#### Impairment – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### c. Leasing

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

Rents payable under operating leases are recognised in the profit or loss section of the consolidated statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

### d. Financial instruments

#### i. Financial assets

The Group classifies its financial assets at initial recognition depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

The fair value measurement utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into the following 3 levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an asset item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the asset item. Transfers among the three levels are recognised in the period they occur.

## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### d. Financial instruments – continued

#### i. Financial assets – continued

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to members and students, and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

#### ii. Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

##### For loans and receivables or held-to-maturity investments

An impairment loss is recognised in profit or loss when there is objective evidence that an asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

#### iii. Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

##### Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### d. Financial instruments – continued

#### iv. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

#### v. Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligations specified in the relevant contract is discharged, cancelled or expired.

### e. Inventories

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

### f. 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 Group and the revenue and costs, if applicable can be measured reliably, revenue is recognised in the profit and loss section of the consolidated statement of comprehensive income 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.

### g. Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the surplus or deficit from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the reporting date.



## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### g. Income taxes – continued

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the reporting date.

### h. Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the profit or loss section of the consolidated statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

### i. Employee benefits

#### Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the reporting period in which the relevant services are rendered by the employees of the Institute. Where payment is deferred and the effect would be material, these amounts are stated at their present values.

#### Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

### j. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which 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.

## 5. SIGNIFICANT ACCOUNTING POLICIES – continued

### k. Related parties

- a. A person or a close member of that person's family is related to the Group if that person:
  - i. has control or joint control over the Group;
  - ii. has significant influence over the Group; or
  - iii. is a member of the key management personnel of the Group.
- b. An entity is related to the Group if any of the following conditions apply:
  - i. The entity and the Group 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).
  - 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 the employees of the Group or an entity related to the Group.
  - 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 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 Group.

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 and include:

- i. that person's children and spouse or domestic partner;
- ii. children of that person's spouse or domestic partner; and
- iii. dependents of that person or that person's spouse or domestic partner.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### a. Critical judgements in applying the Group's accounting policies

The Council has made the following accounting judgements in applying the Group's accounting policies:

#### Property, plant and equipment and depreciation

The Group determines the estimated useful lives and related depreciation charges for the property, plant and equipment. The estimate is based on the historical experience of the actual useful lives of property, plant and equipment items of similar nature and functions. The Group 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.

## 6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

### a. Critical judgements in applying the Group's accounting policies – continued

#### Fair value of property

The Group's leasehold land and buildings are stated at fair value based on professional valuation performed. 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

#### 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 collectibility. 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.

## 7. SUBSCRIPTIONS AND FEES

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Subscriptions	14,293,333	12,887,355
Admission and registration fees	5,970,800	5,142,506
	20,264,133	18,029,861

## 8. OTHER REVENUE

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Income from examinations	2,891,300	2,975,100
Income from seminars, courses, member and student activities and functions held	16,111,536	15,156,750
	19,002,836	18,131,850

## 9. OTHER NET INCOME

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Bank interest income	56,749	27,248
Interest income from held-to-maturity investments	31,394	15,581
Total interest income	88,143	42,829
Dividend income on financial assets at fair value through profit or loss	831,573	219,322
Donations	273,800	890
Gain/(loss) on disposal of financial assets at fair value through profit or loss	383,273	(37,109)
Net foreign exchange gain/(loss)	79,645	(422)
Sales of study materials	66,530	316,644
Sundry income	921,356	562,661
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(694,218)	363,045
	1,950,102	1,467,860

## 10. OBTAINING CONTROL OF A SUBSIDIARY

### a. For the year ended 30 June 2018

On 26 October 2017, the Institute became the sole member of HKICSL and started to consolidate its financial results into the Group's financial statements using the acquisition method of accounting.

Fair values of net identifiable assets acquired are as follows:

	HK\$
Assets acquired	-
Other payables	5,332
	5,332
Total purchase price paid in cash	-
Goodwill arising from obtaining control of a subsidiary	(i) 5,332
Less: recognised as expense	(ii) (5,332)
	-
Cash from obtaining control of a subsidiary	-

Note:

- Given the zero purchase price and the net liabilities of HKICSL at HK\$5,332 at the time of acquisition, the difference would be recognised as a goodwill in accordance with HKFRS 3.
- Council members consider the goodwill arise from the acquisition of the subsidiary is immaterial to the Group and the goodwill was fully charged to profit and loss during the year.



## 10. OBTAINING CONTROL OF A SUBSIDIARY - continued

### b. For the period ended 30 June 2017

On 9 September 2016, the Institute became the sole member of HKICSFL and started to consolidate its financial results into the Group's financial statements using the acquisition method of accounting.

Fair values of net identifiable assets acquired are as follows:

	HK\$
Other receivables	331
Cash and cash equivalents	1,318,965
Deferred revenue	(240,000)
Other payables	(44,495)
	1,034,801
Total purchase price paid in cash	-
Surplus from obtaining control of a subsidiary	1,034,801
Cash from obtaining control of a subsidiary	1,318,965

Given the zero purchase price and the net assets of HKICSFL was HK\$1,034,801 at the time of acquisition, the difference would be recognised as a surplus in accordance with HKFRS 3.

## 11. STAFF COSTS

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$ (As reclassified, Note 32)
Salaries, allowances and other benefits	17,644,420	14,750,206
Contributions to a defined contribution retirement scheme:		
Hong Kong Mandatory Provident Fund	1,056,010	855,788
	18,700,430	15,605,994

## 12. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise members of the Council, the Chief Executive and department directors. Council members are not remunerated.

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Salaries	6,039,075	5,257,213
Performance benefits, other allowances and benefits-in-kind	1,740,077	1,562,034
Contributions to defined contribution retirement schemes	637,509	516,344
	8,416,661	7,335,591

## 13. OTHER OPERATING EXPENSES

	Year ended 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$ (As reclassified, Note 32)
Auditor's remuneration	159,668	123,000
Bad debts written off	105,650	177,419
Direct costs (Note)	5,952,256	6,280,811
Donations	2,000	1,500
Government rent and rates	106,250	106,195
Investment handling charges	359,144	327,784
Legal and professional fees	840,894	531,650
Credit card merchant fee	568,320	457,165
Operating leases – Buildings	687,882	430,562
Postage and courier	175,968	136,704
Promotion and public relations	1,441,070	1,291,373
Provision for bad debts	-	87,070
Service fee in PRC	2,327,742	1,889,872
Publications and printing	3,300,499	3,242,805
Repairs and maintenance	116,349	114,052
Service fees charged by The Institute of Chartered Secretaries and Administrators	842,514	181,412
Scholarship, sponsorship and subject prizes	578,240	241,500
Student services	1,252,261	1,294,928
Sundry expenses	868,422	676,958
Travelling	365,758	279,123
Utilities	523,442	451,160
	20,574,329	18,323,043

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

## 14. TAXATION

### The Institute

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.

### HKICSFL

HKICSFL is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

### HKICSL, HKICS China and ICSGPL

No provision for Hong Kong Profits Tax has been provided as HKICSL, HKICS China and ICSGPL had not carried on any activities during the reporting period.

### HKICS BJ

HKICS BJ is subject to PRC Enterprise Income Tax at 25% for the year.

## 15. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2018

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
<b>Cost or valuation</b>						
At 1 July 2017	89,600,000	6,400,000	3,352,605	489,957	3,265,512	103,108,074
Additions	-	-	-	7,886	172,349	180,235
Write-off	-	-	-	-	(3,050)	(3,050)
Surplus on revaluation	17,200,000	(200,000)	-	-	-	17,000,000
At 30 June 2018	106,800,000	6,200,000	3,352,605	497,843	3,434,811	120,285,259
<b>Representing:</b>						
Cost	-	-	3,352,605	497,843	3,434,811	7,285,259
Revaluation	106,800,000	6,200,000	-	-	-	113,000,000
	106,800,000	6,200,000	3,352,605	497,843	3,434,811	120,285,259
<b>Accumulated depreciation</b>						
At 1 July 2017	-	-	2,674,946	462,392	2,986,577	6,123,915
Charge for the year	107,952	128,000	252,514	10,987	119,069	618,522
Elimination on revaluation	(107,952)	(128,000)	-	-	-	(235,952)
Write-off	-	-	-	-	(3,050)	(3,050)
At 30 June 2018	-	-	2,927,460	473,379	3,102,596	6,503,435
<b>Carrying amount</b>						
At 30 June 2018	106,800,000	6,200,000	425,145	24,464	332,215	113,781,824

## 15. PROPERTY, PLANT AND EQUIPMENT - continued

Period from 1 August 2016 to 30 June 2017

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
<b>Cost or valuation</b>						
At 1 August 2016	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138
Additions	-	-	-	10,088	49,178	59,266
Write-off	-	-	-	(1,330)	-	(1,330)
Surplus on revaluation	13,100,000	(100,000)	-	-	-	13,000,000
At 30 June 2017	89,600,000	6,400,000	3,352,605	489,957	3,265,512	103,108,074
<b>Representing:</b>						
Cost	-	-	3,352,605	489,957	3,265,512	7,108,074
Revaluation	89,600,000	6,400,000	-	-	-	96,000,000
	89,600,000	6,400,000	3,352,605	489,957	3,265,512	103,108,074
<b>Accumulated depreciation</b>						
At 1 August 2016	-	-	2,443,475	454,444	2,869,916	5,767,835
Charge for the year	92,058	119,168	231,471	9,278	116,661	568,636
Elimination on revaluation	(92,058)	(119,168)	-	-	-	(211,226)
Write-off	-	-	-	(1,330)	-	(1,330)
At 30 June 2017	-	-	2,674,946	462,392	2,986,577	6,123,915
<b>Carrying amount</b>						
At 30 June 2017	89,600,000	6,400,000	677,659	27,565	278,935	96,984,159

### Fair value measurement

The Group's leasehold land and buildings were valued by DTZ Cushman & Wakefield Limited, a firm of independent 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 equated to the highest and best use.

At 30 June 2018 and 2017, the fair value of leasehold land and buildings held for own use were 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 took into account and adjusted for unobservable inputs for the differences in the characteristics of the properties including the location, size, view, floor level, year of completion and other factors collectively.



## 15. PROPERTY, PLANT AND EQUIPMENT – continued

### Fair value measurement – continued

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
	Direct comparison approach	Premium on characteristics of the properties	-6.5% to 15% (2017: -8% to 15%)
Leasehold land and buildings in Hong Kong			

### Fair value hierarchy

The fair value of land and buildings is a level 3 recurring fair value measurement.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers into or out of level 3 or any other levels for the reporting period.

### Fair value movements

A reconciliation of the opening and closing fair value balance is provided below:

	HK\$
At 1 August 2016	83,000,000
Depreciation	(211,226)
Valuation surplus	13,211,226
At 30 June 2017 and 1 July 2017	96,000,000
Depreciation	(235,952)
Valuation surplus	17,235,952
At 30 June 2018	113,000,000

Valuation surplus of HK\$17,235,952 (2017: surplus of HK\$13,211,226) arising on revaluation has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

Had the Group's leasehold land and buildings been measured on a historical cost basis, their carrying amounts would have been HK\$14,219,810 and HK\$1,899,240 respectively (2017: HK\$14,235,968 and HK\$1,965,208 respectively) at the end of the reporting period.

## 16. HELD-TO-MATURITY INVESTMENTS

	2018 HK\$	2017 HK\$
Bonds with maturity of more than 12 months	1,553,950	1,558,306

## 17. DEPOSITS FOR ACQUISITION OF INTANGIBLE ASSETS

At 30 June 2018, deposits of HK\$543,750 (2017: HK\$435,000) were paid for acquiring management information system from an external vendor.

## 18. PREPAYMENTS

	2018 HK\$	2017 HK\$
Classified as non-current assets	136,260	-
Classified as current assets under:		
Accounts and other receivables (included in other receivables and prepayments in Note 21)	272,519	-
	408,779	-

Prepayments represent the service fees paid to a publisher for the updates made to the content of the study packs. During the year ended 30 June 2018, phase I and phase II of the updates are completed and available for access by subscribers. The prepaid fees are amortised over a period of two years until 31 December 2019, which is the expected useful life of the study packs.

## 19. INVENTORIES

Inventories comprise study materials held for sale and wine charms held for charity sale. The proceeds from wine charms sold will be used in pursuing the Group's principal activities.

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$	2017 HK\$
Equity securities – listed	2,391,657	2,860,332
Funds – unlisted	19,131,304	16,518,509
	21,522,961	19,378,841

## 21. ACCOUNTS AND OTHER RECEIVABLES

	2018 HK\$	2017 HK\$
Accounts receivables	727,852	587,158
Other receivables	1,092,461	504,092
Accounts and other receivables	1,820,313	1,091,250
Deposits	377,433	175,348
Prepayments	1,586,456	708,709
	3,784,202	1,975,307

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

	2018 HK\$	2017 HK\$
Current	546,816	268,743
Within three months past due	174,186	311,715
Over three months past due	6,850	6,700
Amount past due but not impaired	181,036	318,415
	727,852	587,158

Receivables that are past due but not impaired relate to a number of parties that either have subsequently settled the amounts due or have no records of default in payments. Based on experience, existing market conditions and forward looking estimates, management considered the balances are fully recoverable and thus no allowance for impairment is required. The Group does not hold any collateral or other credit enhancements over these balances.

The table below reconciled the impairment loss of accounts receivable for the reporting period:

	HK\$
At 1 August 2016	-
Impairment loss recognised	87,070
At 30 June 2017	87,070
Recovery of impairment loss previously recognised	(87,070)
At 30 June 2018	-

## 22. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS WHEN ACQUIRED

	2018 HK\$	2017 HK\$
Time deposits with original maturity over three months when acquired	7,208,300	-

As at 30 June 2018, the Group's time deposits earned interest at bank deposit rate of 1.3% per annum and had original maturity of six months.

## 23. CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Fixed deposits at banks with original maturity of three months or less	-	4,260,379
Cash and bank balances	2,495,997	5,491,463
Cash at custodians	5,157,886	6,812,247
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	7,653,883	16,564,089

Cash at banks earned interest at 0.001% (2017: ranged from 0.001% to 1.05%) per annum.

Included in the Group's cash and bank balances is an amount of HK\$1,234,856 (2017: HK\$1,369,209) which is held by HKICSFL that can be used to fulfil the objects of HKICSFL as set out in its Articles of Association.

## 24. DEFERRED REVENUE

During the year ended 31 July 2016, Ms. Edith Shih, an Executive Committee member of HKICSFL, donated HK\$240,000 to HKICSFL for the purpose of setting up a scholarship scheme. As at 30 June 2017, the scholarship scheme had not been established and the donation received by HKICSFL was recognised as deferred revenue. During the year ended 30 June 2018, the scholarship scheme was established and HK\$240,000 was recognised as donation income.

## 25. SUBSCRIPTIONS AND FEES RECEIVED IN ADVANCE

	2018 HK\$	2017 HK\$
Subscriptions received in advance from new student members	228,280	233,610
Annual subscriptions received in advance for renewal of studentship	931,905	897,325
Other fees received in advance	1,585,423	1,193,280
	2,745,608	2,324,215

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



## 26. OPERATING LEASE ARRANGEMENTS

The Institute leased its Beijing offices under operating leases with an average term of three years; and office equipment for a lease term of five years. The terms of the leases in respect of the Beijing offices require the Institute to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

	2018 HK\$	2017 HK\$
Within one year	779,032	608,873
In the second to fifth year, inclusive	1,175,055	1,519,624
	1,954,087	2,128,497

The Group did not have any contingent rentals payable during the reporting period or at the reporting date.

## 27. RELATED PARTY TRANSACTIONS

### Transactions with members of the Council

Members of the Council did not receive any fees or other remuneration for serving as a member of the Council. Other than the information disclosed elsewhere in the financial statements, 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 amount received from Council members or parties related to Council members in this regard was not significant.

## 28. CAPITAL COMMITMENT

At 30 June 2018, the Institute had a commitment of HK\$543,750 (2017: HK\$652,500) in respect of purchases of management information system contracted for, but not provided for in the consolidated financial statements.

## 29. FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK\$	2017 HK\$
<b>Financial assets</b>		
– measured at amortised cost		
Held-to-maturity investments	1,553,950	1,558,306
Accounts and other receivables	1,820,313	1,091,250
Time deposits with original maturity over three months when acquired	7,208,300	-
Cash and cash equivalents	7,653,883	16,564,089
	18,236,446	19,213,645
– measured at fair value		
Financial assets at fair value through profit or loss	21,522,961	19,378,841
	39,759,407	38,592,486
<b>Financial liabilities – measured at amortised cost</b>		
Accounts and other payables	1,867,936	1,415,947
Deferred revenue	-	240,000
	1,867,936	1,655,947

The carrying amounts of the Group's financial instruments carried at amortised cost at the reporting date approximate their fair values due to the immediate or short term maturity of these financial instruments.

## 30. FINANCIAL RISK MANAGEMENT

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

### a. Credit risk

The carrying amount of the accounts receivable and bank balances included in the statement of consolidated financial position represents the Group's maximum exposure to credit risk. The Council has policies in place to ensure the credit risk is within an acceptable level and monitored on an ongoing basis. At the reporting date, the Group has no concentration of credit risk.

### b. Currency risk

The Group is exposed to foreign currency risk arising from translating bank balances, held-to-maturity investments, financial assets at fair value through profit or loss, and accounts payable which are denominated in Great British Pounds ("GBP"), United States dollars ("USD") or Renminbi ("RMB"). The Group 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.

### 30. FINANCIAL RISK MANAGEMENT - continued

#### b. Currency risk – continued

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

Exposure to foreign currency (expressed in HK\$)			
At 30 June 2018	USD	GBP	RMB
<b>Assets</b>			
Accounts receivables	-	-	69,466
Cash and cash equivalents	822,611	855,962	72,754
Other receivables	-	-	1,030,370
Held-to-maturity investments	1,553,950	-	-
Financial assets at fair value through profit or loss	9,311,513	-	-
	11,688,074	855,962	1,172,590
<b>Exposure to foreign currency (expressed in HK\$)</b>			
At 30 June 2017	USD	GBP	RMB
<b>Assets</b>			
Cash and cash equivalents	774,821	841,817	1,196,439
Other receivables	-	-	493,995
Held-to-maturity investments	1,558,306	-	-
Financial assets at fair value through profit or loss	5,940,134	-	-
	8,273,261	841,817	1,690,434
<b>Liabilities</b>			
Accounts payable	-	-	(36,255)

#### Sensitivity analysis on foreign exchange risk management

The Council considers the main foreign currency risk the Group was exposed to at the reporting date were GBP and RMB. If Hong Kong dollars strengthened against these currencies by 5%, the Group's surplus would be increased by approximately HK\$43,000 (2017: HK\$42,000) and HK\$59,000 (2017: HK\$83,000), respectively. If Hong Kong dollars had weakened against these currencies by 5%, the Group's surplus would be decreased by the same amount.

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

### 30. FINANCIAL RISK MANAGEMENT - continued

#### c. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Council to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The following table details the Group's remaining contractual maturity for its 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 Group 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\$
<b>As at 30 June 2018</b>			
Accounts and other payables	1,867,936	1,867,936	1,867,936
<b>As at 30 June 2017</b>			
Accounts and other payables	1,415,947	1,415,947	1,415,947

#### d. Fair value measurement

The Group's financial assets and liabilities measured at fair value are categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement" in the table below. 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.

	Level 1 HK\$	Level 2 HK\$	Total HK\$
<b>At 30 June 2018</b>			
Financial assets at fair value through profit or loss:			
- Equity securities - listed (Note i)	2,391,657	-	2,391,657
- Funds - unlisted (Note ii)	-	19,131,304	19,131,304
	2,391,657	19,131,304	21,522,961



### 30. FINANCIAL RISK MANAGEMENT – continued

#### d. Fair value measurement – continued

At 30 June 2017	Level 1 HK\$	Level 2 HK\$	Total HK\$
Financial assets at fair value through profit or loss:			
- Equity securities – listed (Note i)	2,860,332	-	2,860,332
- Funds – unlisted (Note ii)	-	16,518,509	16,518,509
	2,860,332	16,518,509	19,378,841

Note:

- i. Fair values of the listed equity securities are determined by reference to their quoted bid prices at the reporting date in an active market.
- ii. 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.

During the current and prior reporting periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

### 31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern to enable its 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 Group's operational efficiency.

The Group 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 regularly reviews the need to increase membership/studentship subscriptions to ensure operational needs are fully covered.

For the purpose of capital disclosure, the Council regards the reserves and funds as capital of the Group.

## 32. COMPARATIVE AMOUNTS

For the period from 1 August 2016 to 30 June 2017, HK\$1,889,872 in respect of human resources services provided by a foreign enterprise service company in PRC were reclassified as service fee in PRC under other operating expenses to conform with current year presentation. The amount HK\$1,889,872 was reclassified from staff costs of HK\$1,738,825 and sundry expenses of HK\$151,047, respectively. The affected financial statements areas are as follows:

### Impact on the Consolidated Statement of Comprehensive Income:

	As originally reported HK\$	Reclassification adjustment HK\$	As reclassified HK\$
Staff costs	17,344,819	(1,738,825)	15,605,994
Other operating expenses	16,584,218	1,738,825	18,323,043

### Note 11 Staff Costs:

Salaries, allowances and other benefits	16,145,970	(1,395,764)	14,750,206
Contributions to a defined contribution retirement scheme:			
China Social Security Fund	343,061	(343,061)	-

### Note 13 Other Operating Expenses:

Service fee in PRC	-	1,889,872	1,889,872
Sundry expenses	828,005	(151,047)	676,958

### 33. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE

	Note	2018 HK\$	2017 HK\$
<b>Non-current assets</b>			
Property, plant and equipment		113,781,824	96,984,159
Interests in subsidiaries		22	12
Held-to-maturity investments		1,553,950	1,558,306
Deposits for acquisition of intangible assets		543,750	435,000
Prepayments		136,260	-
		116,015,806	98,977,477
<b>Current assets</b>			
Inventories		16,535	122,521
Financial assets at fair value through profit or loss		21,522,961	19,378,841
Accounts and other receivables		3,612,126	1,971,723
Amounts due from subsidiaries		473,294	15,517
Time deposits with original maturity over three months when acquired		7,208,300	-
Cash and cash equivalents		6,370,877	15,194,880
		39,204,093	36,683,482
<b>Current liabilities</b>			
Accounts and other payables		1,664,196	1,304,447
Amounts due to subsidiaries		11	2
Subscriptions and fees received in advance		2,745,608	2,324,215
		4,409,815	3,628,664
<b>Net current assets</b>		34,794,278	33,054,818
<b>NET ASSETS</b>		150,810,084	132,032,295
<b>Reserves and funds</b>			
General fund	34	50,107,830	49,182,205
Property revaluation reserve	34	97,929,403	80,693,451
Building maintenance sinking fund	34	1,000,000	988,486
Education development fund	34	991,189	788,486
IT maintenance fund	34	781,662	379,667
<b>TOTAL RESERVES AND FUNDS</b>		150,810,084	132,032,295

The financial statements were approved and authorised for issue by the Council on 1 November 2018 and are signed on its behalf by:

David Fu  
President

Eva Chan  
Treasurer

## 34. SUMMARY OF THE INSTITUTE'S RESERVES AND FUNDS

	General fund HK\$	Property revaluation reserve HK\$	Building maintenance sinking fund HK\$	Education development fund HK\$	IT maintenance fund HK\$	Total HK\$
Balance at 1 August 2016	46,522,333	67,482,225	830,455	630,455	194,668	115,660,136
Surplus for the period from 1 August 2016 to 30 June 2017	3,160,933	-	-	-	-	3,160,933
Other comprehensive income for the period from 1 August 2016 to 30 June 2017	-	13,211,226	-	-	-	13,211,226
Total comprehensive income for the period from 1 August 2016 to 30 June 2017	3,160,933	13,211,226	-	-	-	16,372,159
Transfer from general fund	(501,061)	-	158,031	158,031	184,999	-
Balance as at 30 June 2017 and 1 July 2017	49,182,205	80,693,451	988,486	788,486	379,667	132,032,295
Surplus for the year ended 30 June 2018	1,541,837	-	-	-	-	1,541,837
Other comprehensive income for the year ended 30 June 2018	-	17,235,952	-	-	-	17,235,952
Total comprehensive income for the year ended 30 June 2018	1,541,837	17,235,952	-	-	-	18,777,789
Transfer from general fund	(616,212)	-	11,514	202,703	401,995	-
Balance as at 30 June 2018	50,107,830	97,929,403	1,000,000	991,189	781,662	150,810,084

We welcome any feedback you may have on our report.  
Please tell us what you think at: [ask@hkics.org.hk](mailto:ask@hkics.org.hk).

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