CHARTERED
SECRETARIES
特許秘書

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

Annual Report 2020

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 and Chartered Governance Professional in Hong Kong and throughout the mainland of China (the Mainland).

HKICS was first established in 1949 as an association of Hong Kong members of The Chartered Governance Institute – formerly known as The Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of The Chartered Governance Institute in 1990 before gaining local status in 1994 and has also been The Chartered Governance Institute's China 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 6,000 members and 3,200 students.

For more information, please visit www.hkics.org.hk.

香港特许秘书公会

(于香港注册成立的担保有限公司)

香港特许秘书公会（公会）是一个独立专业团体，一直致力于制定与执行良好公司治理政策，在香港以至内地提升会员所担当的角色，同时推动「特许秘书」及「 Chartered Governance Professional 」专业的发展。

公会于1949 年成立，最初为设立在英国伦敦的特许公司治理公会(CGI)（原称为: 特许秘书及行政人员公会(ICSA)）的属会，于1990 年成为CGI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CGI的中国属会。

公会亦是公司秘书国际联合会 (CSIA) 的创会成员之一，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书和治理专业人士发声。

公会现拥有超过 6,000名会员及 3,200 名学员。

更多资讯，请浏览 www.hkics.org.hk。

Contents

Report summary

The Hong Kong Institute of Chartered Secretaries (HKICS, the Institute) is pleased to present its 2020 Annual Report, covering the financial year from 1 July 2019 to 30 June 2020 (fiscal 2020). Figures for fiscal 2019 in this report refer to the period from 1 July 2018 to 30 June 2019. Financial results herein record the consolidated results of the Institute and its seven subsidiaries.

Who we are

The Institute is the leading independent professional body dedicated to advancing good corporate governance and corporate secretaryship in Hong Kong and the Mainland. We provide the route to qualification for those wishing to embark on a career as a Chartered Secretary or Chartered Governance Professional, and offer professional development training programmes relevant to the central areas of governance and company secretarial practice. Our main areas of focus include member and student services, advocacy, research and governance reform.

Membership growth

Our membership and studentship numbers continued on a predominantly upward trend. As of 30 June 2020, we had 6,449 members (5% increase from 2019), 376 graduates (14% increase from 2019) and 3,312 students (6% decrease from 2019).

Financial performance

The Institute, together with its subsidiaries, made an operating deficit of HK$854,510 in fiscal 2020, a consequence of a reduction in other revenue, which will be outlined in the President's report. This is the first time the Institute has recorded a deficit since fiscal 2012. Total income was HK$39,395,100 (12% decrease from fiscal 2019), the bulk of which is derived from membership and studentship subscriptions, examination fees, and professional development and membership activities in Hong Kong and the Mainland. Income from subscriptions and fees was HK$22,270,548 (8% increase from 2019), while income from continuing professional development (CPD) and other activities was HK$15,209,952 (23% decrease from 2019). Total costs and expenses were HK$40,185,122 (7% decrease from 2019).

Main areas of focus

The Institute's qualifying programme remains highly acclaimed as a path to professional qualification in both Hong Kong and the Mainland. Our new upgraded Chartered Governance Qualifying Programme (CGQP) replaced the International Qualifying Scheme (IQS) with effect from 1 January 2020. Our final IQS examination diet was held in December 2019, for which a total of 844 students in Hong Kong and the Mainland enrolled. The first CGQP examination diet, scheduled for June 2020, was cancelled due to COVID-19. The popularity of the four master's degree programmes under the Institute's Collaborative Course Agreement stayed firm, with 257 new students opting to pursue this route to qualification (a decrease of 2% from fiscal 2019). Despite the challenges of the year, we ran 103 Enhanced CPD (ECPD) events in Hong Kong and the Mainland, drawing 23,644 attendees (up 8% from fiscal 2019). We offered 31 video-recorded online CPD seminars, up 41% from the previous fiscal year, attracting 3,845 participants (up 12%). In contrast, membership events declined, attributable to the social unrest from June to December 2019 and then the social distancing requirements necessitated by COVID-19. We held 26 membership events, with 2,203 participants in total, compared with 47 events and 2,838 participants in fiscal 2019. The Institute published two new research reports in the year under review, seven guidance notes and one guideline, dealing with a wide range of governance issues. We also submitted six consultation papers on key regulatory and policy formulation topics.

PROFESSIONAL DEVELOPMENT

Our continuing professional development work keeps our members' knowledge and skills up to date in all relevant areas of corporate secretaryship, compliance and corporate governance.

ECPD events	103 (–23%)
ECPD participants	23,644 (+8%)
Online CPD participants	3,845 (+12%)

EDUCATION AND EXAMINATIONS*

Our International Qualifying Scheme (IQS) qualifies people as Chartered Secretaries via our IQS examinations or postgraduate collaborative courses with local universities.

Students enrolled for IQS examinations	844 (–54%)
IQS subject enrolments	1,135 (–53%)
New students enrolled via collaborative courses	257 (–2%)

MEMBER, GRADUATE AND STUDENT SERVICES

We provide study materials, as well as extracurricular activities and networking opportunities, to assist our members, graduates and students to develop the professional and soft skill qualities they need to succeed in their careers.

Membership events	26 (–45%)
Participants at these events	2,203 (–22%)
Mentees joining our Governance Professional Mentorship Programme	90 (+17%)

Our Core Value

Enhancing good governance in Hong Kong and the Mainland

DONATIONS

We channel sponsorship funds to support education, research and thought leadership initiatives in corporate secretaryship and corporate governance through The Hong Kong Institute of Chartered Secretaries Foundation Limited.

Donations raised	HK$952,767 (+112%)
Funds distributed	HK$311,030 (–8%)
Scholarships and subject prizes awarded	49 (–4%)

ADVOCACY

We promote the governance profession via our ongoing advocacy programmes that keep our members, graduates, students and other stakeholders, as well as the wider public, informed of pioneering governance issues.

Advocacy events	46 (–27%)
Participants at these events	2,409 (–19%)
Media interviews	5 (–71%)

RESEARCH AND GOVERNANCE REFORM

Our research reports, thought leadership articles, consultation submissions, guidance notes and liaison work with regulators contribute to governance reform and regulatory policy formulation locally, regionally and internationally.

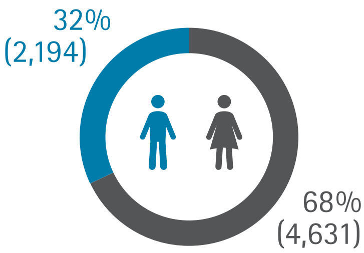
Research reports	2 (0%)
Panel meetings	10 (–17%)
Guidance notes	7 (–13%)

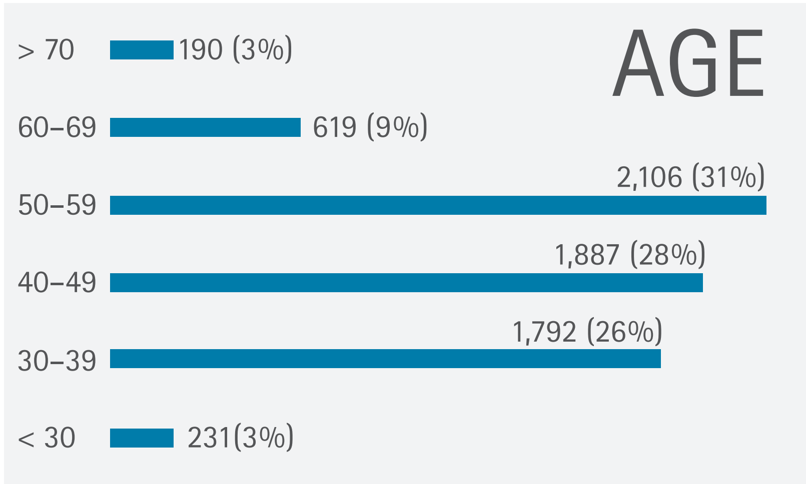
Note: Percentages in parenthesis refer to the comparison between this financial year and the previous financial year.

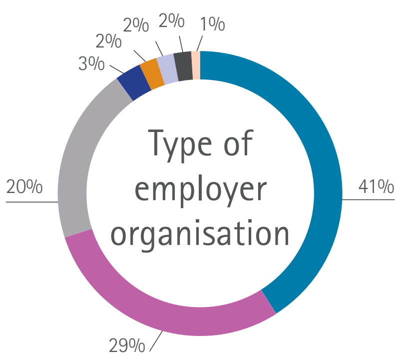
** The IQS and its related examinations, of which only the December 2019 diet took place in fiscal 2020, were replaced effective 1 January 2020 with our upgraded Chartered Governance Qualifying Programme (CGQP). However, the scheduled CGQP examinations in June 2020 were cancelled due to the COVID-19 pandemic.*

MEMBERSHIP & GRADUATESHIP PROFILE (as at 30 June 2020)

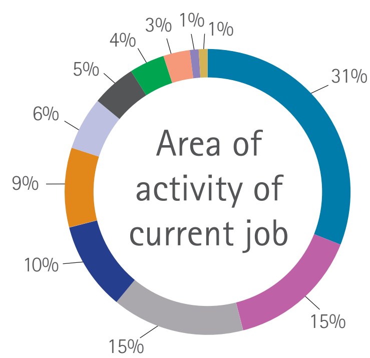
6,825
members
and graduates





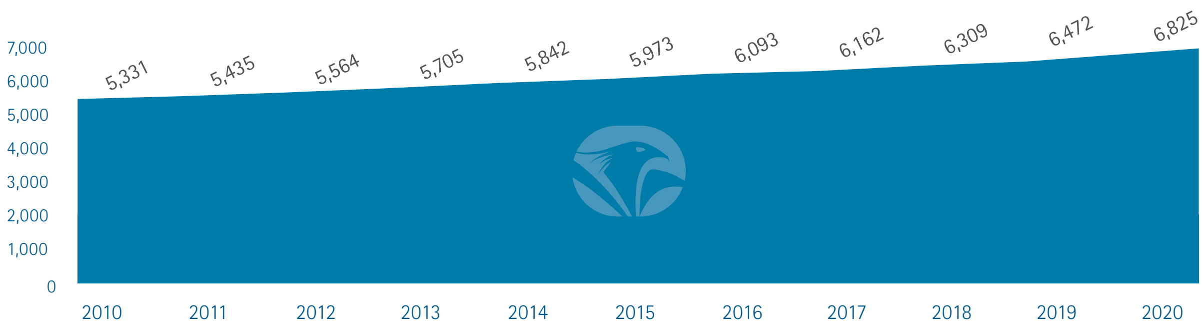


- Listed company
- Private company
- Partnership/Professional firm
- Government/Quasi-government organisation
- Sole proprietor/Self-employed
- Statutory body
- Further/Higher education
- Others

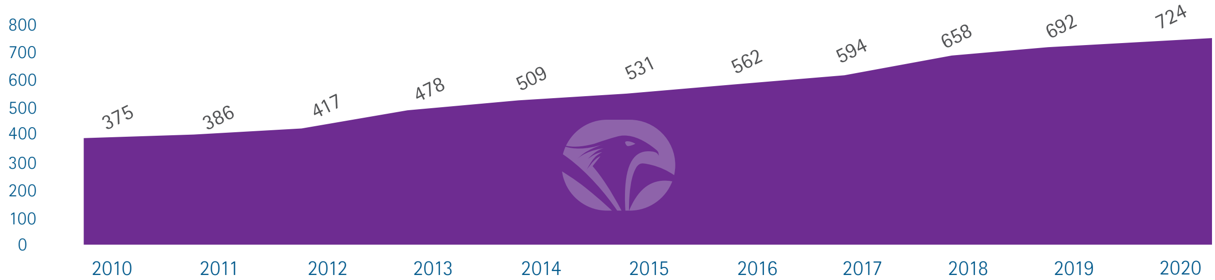


- Company secretarial
- Management/Administration
- Accounting and auditing
- Governance professional
- Finance
- Legal
- Compliance
- Taxation
- Others
- Education and training
- Risk management and internal control

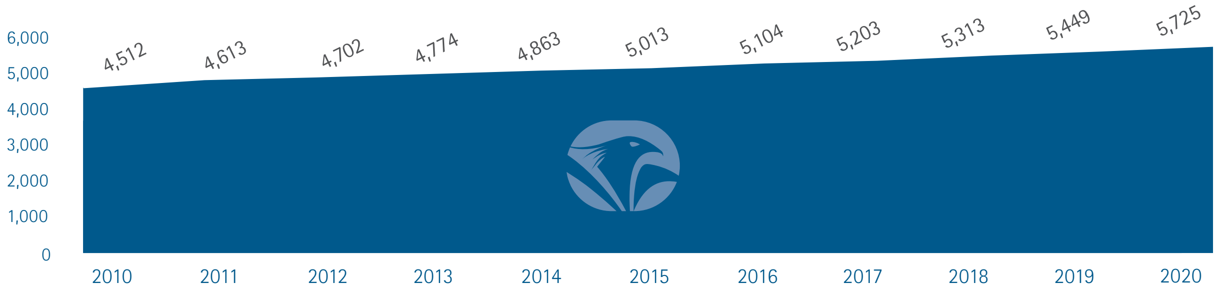
Members and graduates growth



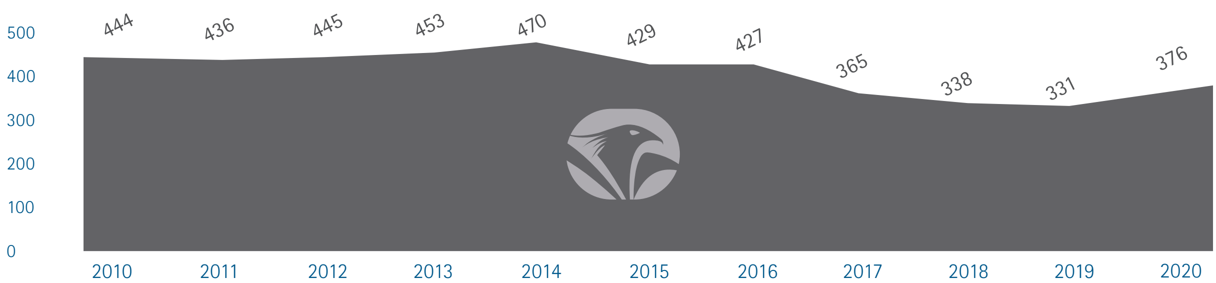
Fellows



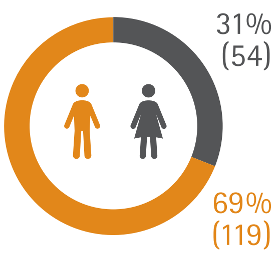
Associates

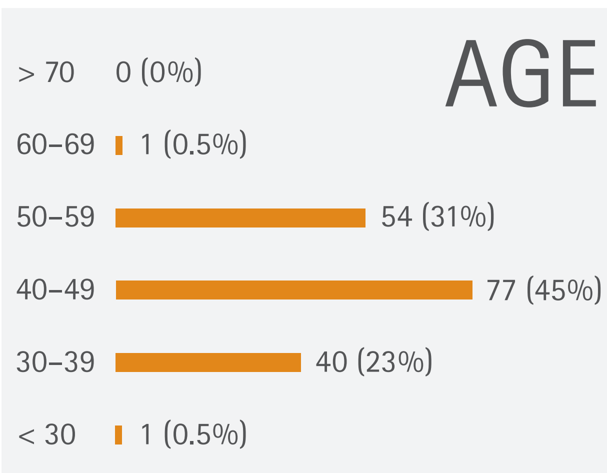


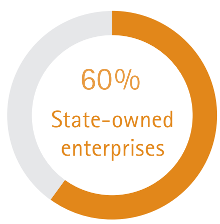
Graduates

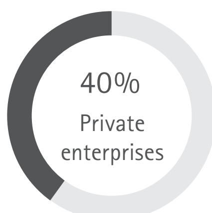


173
Affiliated Persons









President's report

Responding to the challenge of a lifetime

Welcome to our Institute's Annual Report 2020. It is something of an understatement to say that fiscal 2020 has not been an easy year. The main story, in terms of the external environment in which we work, has of course been the COVID-19 pandemic that continues to wreak havoc with the global economy. Readers with some years behind them will have been through crises before – such as the Asian financial crisis of 1997, the global financial crisis of 2008, and the Severe Acute Respiratory Syndrome outbreak of 2003 – but COVID-19 is of a different order of magnitude. I think it is no exaggeration to say that this pandemic is the challenge of a lifetime. In addition to the obvious health consequences, it has upended business models, changed the way we live and work, and has been a game changer in most sectors of the economy.

Moreover, as if a global pandemic is not enough, COVID-19 has come at a time when organisations are dealing with a number of other challenges high on the risk agenda – including the social unrest we saw in Hong Kong in the latter half of 2019, escalating Sino-US tensions, ongoing environmental threats and digital transformation.

As you might expect, these circumstances are reflected in the metrics presented in this report. We held fewer events than we did in fiscal 2019 and the June 2020 examination diet had to be cancelled due to COVID-19 concerns. This has also had an inevitable knock-on effect on our finances. Our operating deficit is HK$854,510 this year, which is largely attributable to reduced revenue from seminars, courses, activities and events, together with the 10% discount we offered to members, graduates and students on our ECPD seminars and webinars as part of our COVID-19 relief measures. This is the first time our Institute has recorded a deficit since fiscal 2012 but our fundamentals are still strong – we have maintained our investment portfolio at a level equivalent to that of fiscal 2019, for example.

The impact of a crisis on an organisation will be determined not only by the nature and severity of the crisis itself, but also by the quality of the organisation's response. When I took on the role of President from my predecessor David YH Fu FCIS FCS(PE) on 1 January 2020, Hong Kong was already in the midst of economic and social uncertainties. I applaud the work that our "we have continued to build upon the new positioning of our Institute as the home and guardian of good governance"

Chief Executive, Samantha PY Suen FCIS FCS(PE), and Secretariat team have done to ensure that we remained operational during the year. Samantha will say more about that in her report which follows; here I would like to focus on the progress we have made towards our strategic goals during fiscal 2020 and on the impact that the current crisis is having, and will likely have, on the practice of governance in the years ahead.

Building our new identity

Readers familiar with our Institute will know that we, together with our international body, The Chartered Governance Institute, launched an initiative some years ago to position our Institute globally as the leader in the practice of governance and as the home for professionals who work in the field of governance, irrespective of their original training. The practice of good governance is the common thread linking the diverse membership of our Institute and this repositioning exercise was intended to reinforce the idea that governance is at the core of what we do.

This year we passed a number of significant milestones on this journey. Our international body adopted its new name – The Chartered Governance Institute – in September 2019, while divisions in Australia, Canada, Malaysia, New Zealand, Southern Africa and UKRIAT (the United Kingdom, Republic of Ireland and Associated Territories) also adopted the term 'governance' as part of their local institute names. Our Institute has been planning a similar change; however, the external developments of the year required a halt in the proceedings. Our HKICS Name Working Group hopes to resume the relevant member forums as soon as possible.

Another major development this year was the launch of our new Chartered Governance Qualifying Programme (CGQP) in January 2020. The CGQP updates and expands the syllabus of our previous qualifying scheme – the International Qualifying Scheme – to better reflect the knowledge and skill set that members require as governance professionals.

Our work in the Mainland

Alongside our repositioning exercise, our Institute has also continued to promote good governance and enhance the skills and status of governance professionals in the Mainland. We saw a significant increase in our membership in the Mainland (up 45%, to 106) and a modest rise in the number of Affiliated Persons (APs) (up 2%, to 173).

As with Hong Kong, some of the Mainland metrics presented in this report bear testimony to the impact of COVID-19 – we held fewer seminars and Regional Board Secretary Panel meetings for example – but our research and advocacy work has been stronger than ever. Our Mainland China Technical Consultation Panel (MCTCP) has been highly successful in organising our members, APs and related professionals to respond to practical governance and compliance issues that arise in the Mainland. During the period under review, the MCTCP published four research reports, relating to H share company compliance; inside information disclosure and connected transactions practices of A+H share companies; and regulatory issues relating to the Shanghai–Hong Kong and Shenzhen–Hong Kong stock connects.

Another key development in the Mainland this year has been the expansion of our professional platform beyond board secretaries. The Mainland's new Securities Law, which took effect on 1 March 2020, boosts the accountability of, and sanctions to be imposed on, directors and board secretaries of listed companies. Our Council and its Mainland China Focus Group approved the further broadening of our AP programme to include directors, supervisors and senior managers who hold complementary roles in governance.

"our members can look forward to a future in which they play a better-recognised role in ensuring good governance practices in organisations in Hong Kong and the Mainland"

Looking ahead

Governance has never been just a 'nice-to-have', but there is nothing like a major crisis to focus minds on the role good governance plays in organisational resilience. Over the past 12 months, our members have helped organisations navigate some very treacherous waters. They have had to think on their feet and trust in the principles that guide their work – there is no handbook to guide you through unprecedented situations.

Looking further ahead, I think we are already seeing some indications of how the dramatic events of this year are going to shape the practice of governance and the world ahead. Major crises can often be a catalyst for beneficial change and there are indications of a greater recognition of the importance of staying ahead of the tech curve, of having longer-term risk horizons and, when it comes to risk management, being prepared to think the unthinkable. Similarly beneficial will be the increasing recognition of the value of social and human capital, and the need to build a shared sense of purpose with employees, customers, suppliers, shareholders and communities. These trends may have been evident before COVID-19, but they have certainly been given an opportune push by recent events.

For our Institute, fiscal 2020 afforded us a window to respond positively to the evolving situation. We have tried and tested the technology that has enabled us to maintain our professional development and membership services, and we have continued to build upon the new positioning of our Institute as the home and guardian of good governance. As a result, I think our members can look forward to a future in which they play a better-recognised role in ensuring good governance practices in organisations in Hong Kong and the Mainland, delivering better outcomes for themselves, the stakeholders of our profession and wider society.

Gillian E Meller FCIS FCS
President
The Hong Kong Institute of Chartered Secretaries
3 November 2020

Chief Executive's report

Adapting to the new normal

As we go to press with this report, many of the challenges in the external environment that our President has already mentioned are still unresolved. In particular, COVID-19 outbreaks continue to flare up around the world. During the year under review, we have adapted to the new normal and learned some valuable new tricks in the process. Here, I would like to update readers on how we have been able to stay operational over the past 12 months and take forward our core mission to educate, qualify and train governance professionals in Hong Kong and the Mainland.

Staying operational

The social distancing requirements introduced to minimise the spread of COVID-19 effectively made most of our ECPD, membership and advocacy events, at least in their usual format, impossible. Fortunately, however, the technology enabling online attendance and participation in these events was already advanced and widely accessible before COVID-19 appeared on the horizon. For our Institute, like many other organisations, perhaps the most obvious benefit to have emerged from the current crisis is the way it has required a faster adoption of technology with the power to improve the way we work and the services we provide.

ECPD

In March 2020, we switched to online mode for most of our ECPD services. While the total number of physical ECPD events in Hong Kong and the Mainland this year inevitably decreased, as you might expect the number of webinars we hosted during the year rose significantly. This 'tech fix' also turned out quite quickly to have some considerable advantages of its own. The technology replicates the full functionality of

"we have adapted to the new normal and learned some valuable new tricks in the process" 'in-person' seminars, while substantially increasing their convenience and accessibility – no small matter in the context of our aim to ensure that our members get the full benefit of regular updates.

Moreover, we gained valuable experience in terms of what works best when running webinars. The format we chose for both our Annual Corporate and Regulatory Update (ACRU) in June this year and our Corporate Governance Conference (CGC), held in September, can be described as a 'modified virtual' mode. This combines the advantages of virtual attendance (attendees only need an internet connection and a suitable device to join and participate from anywhere in the world), with the advantages of having the speakers and panellists present at the event venue – this tends to generate more lively and impromptu discussions. I should add that participation at ACRU this year was on a par with last year's event, attracting 1,942 attendees (2,003 last year).

Member and student services

While the number of membership events dropped 45% this year, using a combination of online and in-room events enabled us to maintain our membership services and stay in touch with our members, graduates and students. We conducted our first-ever online Governance Professionals Career Day, with 146 participants; three Governance Professionals Information Sessions (two of which were in webinar mode), drawing 284 people; and 10 professional seminars and information sessions at local universities and institutions, in both physical and online modes. For new and current students, we hosted six student gatherings for a total of 583 individuals, giving them the opportunity to get to know each other and to learn more about the Chartered Governance Qualifying Programme (CGQP), examination preparation techniques and various pertinent topics.

Advocacy and research

While the overall number of advocacy events in Hong Kong fell 27%, we maintained other areas of our advocacy work at the same level as last year. We published two research reports, one on corporate governance practices in Hong Kong and the Mainland, the other on environmental, social and governance (ESG) performance and reporting. We made six submissions on proposed regulations and legislation in Hong Kong, while the Interest Groups under our Technical Consultation Panel issued seven guidance notes covering a range of pivotal areas. Our members and Affiliated Persons in the Mainland have been similarly productive in their research and advocacy work this year.

> "perhaps the most obvious benefit to have emerged from the current crisis is the way it has required a faster adoption of technology with the power to improve the way we work and the services we provide"

Transitioning to the dual qualification

Fiscal 2020 also saw major progress in our Institute's ongoing repositioning initiative. I am delighted to report that, as of 30 June 2020, 76% of our membership had transitioned to our Chartered Secretary and Chartered Governance Professional (CS/CGP) dual qualification. Moreover, we reached an important watershed on 1 January this year when our new CGQP smoothly replaced our International Qualifying Scheme (IQS). Excellence in governance is taking on more prominence in our work and this is manifested in the CGQP's intensified focus on advanced governance, including boardroom dynamics and risk management.

As of 30 June 2020, 2,429 examination-stream students had transitioned from the IQS to CGQP. Those who successfully complete the CGQP will be awarded the CS/CGP dual qualification. In addition, all four Collaborative Course Agreement programmes with local universities will adopt our new syllabus within the next two years.

Our final IQS examination diet took place in December 2019, while our inaugural CGQP examinations were

timetabled for June 2020. However, the COVID-19 pandemic made this untenable – our primary concern, of course, lies with our students' welfare. In March 2020, we and several other divisions within The Chartered Governance Institute, namely Malaysia, Singapore and UKRIAT, resolved to cancel that diet and instead to launch the CGQP examinations in November 2020.

Careers in Governance project

Our Careers in Governance project, initiated in May 2020, is something I personally hold very dear. The project is designed to raise awareness of the governance profession and the CS/CGP dual qualification – in other words, what excellence in governance really represents, not just in practical and professional terms, but also on a personal level.

To give our members, graduates and students, as well our stakeholders outside the profession, a deeper insight into the life and work of those in governance, the Careers in Governance project presents a visual and written portrait of the people behind the profession. The visual component takes the form of striking portrait photographs by Michael Kistler, while the written component records the views of each featured individual on governance, as well as their own career paths and personal motivations. We had not previously focused on the personal aspects of a career in governance, so I am very pleased with the results of this project. We have made a point to ensure that every level of the profession is represented – from those at the heights of their careers to the younger members, graduates and students who represent our future.

We have been showcasing this project in the new Careers in Governance column of our monthly journal, *CSj*, but you can also review all of the portraits to date on the dedicated page on our website: www.hkics.org.hk.

Be part of the journey

Given the challenges in our external environment this year, we have had to adapt quickly to the changed and changing circumstances. I would like to close with heartfelt thanks to everyone who has been involved in our work. So many of you – our Secretariat staff, members, graduates, students, stakeholders and others – have been instrumental in shaping our current success and long-term prospects. If you are not already part of our journey, please join us. Our Institute not only helps you develop your own career in governance, it also enables you to contribute to excellence in governance for our shared new future.

Samantha PY Suen FCIS FCS(PE)
Chief Executive
The Hong Kong Institute of Chartered Secretaries
3 November 2020

Council as of 30 June 2020

Council's report

The Council respectfully submits its report along with the audited financial statements for the year ended 30 June 2020.

Principal activities

The principal activity of the Institute is to promote and advance secretaryship and leadership in the effective governance and efficient administration of commerce, industry and public affairs through the continued development of the study and practice of governance – including regulatory compliance and risk management – and the general direction and administration of companies and other bodies. The principal activities and other particulars of the Institute's subsidiaries are set out in Note 1 to the financial statements.

Our governance structure

The work of Council, which is our primary governance body, is supported by six committees, namely the Education, Membership, Professional Development, Audit, Human Resources and Nomination committees. Various working groups, which report directly to Council, also assist Council in Hong Kong and the Mainland. The Secretariat, headed by our Chief Executive, Samantha PY Suen FCIS FCS(PE), is responsible for implementing the strategies set by Council.

The governance structure of Council, its committees and the Secretariat as of 30 June 2020 is outlined on pages 16 and 17 of this annual report.

Council disclosures

Council and other directorships

The membership of our Council for the financial year is presented on pages 14 and 15 of this report. The 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 14 and 15. In addition, Samantha PY Suen FCIS FCS(PE) is a director or Council member of the seven subsidiaries.

Election to the 2021 Council

Towards the end of calendar year 2020, Arthur K Lee FCIS FCS and David J Simmonds FCIS FCS will retire pursuant to Article 54.1 of the Institute's Articles of Association. Being eligible, Mr Simmonds has offered himself for re-election at the Annual General Meeting (AGM) to be held on 15 December 2020. Mr Lee made the decision not to offer himself for re-election and will retire from Council. Council would like to thank Mr Lee for his contribution during his period of service.

As required by Article 54.2, which stipulates that an elected Council member having served a third term shall cease holding office for at least one year before seeking election for any further term, Dr Eva YW Chan FCIS FCS(PE) and Dr Gao Wei FCIS FCS(PE) will retire from Council from 1 January 2021. The contributions made by both Dr Chan and Dr Gao to the Institute have been commendable, and Council would like to record its appreciation.

Ivan KW Tam FCIS FCS, who will have been an ex-officio member of Council for three years by the end of 2020, will retire pursuant to Article 50.2. Council wishes to extend a vote of thanks to Mr Tam for the valuable contribution he has made to the Institute.

As required by Article 54.4, 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 retiring Council member David J Simmonds FCIS FCS mentioned above, four other candidates – Chau Siu Lun FCIS FCS, Ma Jinru FCIS FCS, Paul A Stafford FCIS FCS and Bill Wang FCIS FCS – have been nominated for election to the 2021 Council. As the number of candidates exceeds the number of vacancies, the election shall be conducted by postal ballot. Biographical information on the candidates, along with other documentation relating to the 2020 AGM, 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 26 to the financial statements.

Donations

Total donations made by the Institute for charitable and other purposes during the year amounted to HK$711,628.

Business review

For fiscal 2020, the Institute reported a consolidated operating deficit of HK$854,510 attributable to a significant decrease in other revenue, as detailed in Note 7. A fair review of the Institute's business and particulars of significant events affecting the Institute during the reporting period are provided in the performance review (pages 18 to 31). A summary of notable events during the year and an indication of the likely future development of the Institute's business is provided in the President's report (pages 6 to 8) and Chief Executive's report (pages 9 to 11). An account of the principal risks facing the Institute can be found in the key risks and challenges section (pages 32 to 33). A statement of the Institute's environmental policies and performance, as well as a summary of the Institute's key relationships with its employees, is supplied in the corporate social responsibility report (pages 34 to 36).

Non-current assets

Details of movements of property, plant and equipment are included in Note 14 to the financial statements.

Permitted indemnity

A permitted indemnity provision, as defined under section 469 of the Companies Ordinance (Cap 622), for the benefit of the Council members of the Institute was in force throughout the fiscal year.

Auditors

The financial statements for this fiscal year have been audited by BDO Limited, who will retire and, being eligible, will seek reappointment at the Institute's 2020 AGM.

By order of the Council

Gillian E Meller FCIS FCS
President
Hong Kong, 3 November 2020

COUNCIL (1 July 2019 to 30 June 2020)

Title	Name	Post-nominal	Gender	Total years of service in Council as of 31 Dec 2020
President	Gillian E Meller[1, 2, 3, 5, 6, 7]	FCIS FCS	F	4
Vice-President	Dr Gao Wei[1, 2]	FCIS FCS(PE)	M	8
Vice-President	David J Simmonds[1, 2, 3, 5, 6, 7]	FCIS FCS	M	3
Vice-President	Dr Eva YW Chan[1, 2, 3, 4, 5, 6, 7]	FCIS FCS(PE)	F	8
Treasurer	Ernest CH Lee[1, 2, 3, 5, 6, 7]	FCIS FCS(PE)	M	5
Council member	Professor Alan KM Au (retired from Council from 1 January 2020)	FCIS FCS	M	11
Council member	Loretta WM Chan	FCIS FCS	F	2
Council member	Edmond MK Chiu	FCIS FCS(PE)	M	1
Council member	Daniel WS Chow	FCIS FCS(PE)	M	1
Council member	Wendy WT Ho	FCIS FCS(PE)	F	1
Council member	Arthur K Lee	FCIS FCS(PE)	M	3
Council member	Stella SM Lo	FCIS FCS(PE)	F	4
Council member	Professor CK Low	FCIS FCS	M	2
Council member	Natalia KM Seng[4]	FCIS FCS(PE)	F	18 (15 years as elected Council member & 3 years as ex-officio member)
Council member	Bernard TL Wu (retired from Council from 1 January 2020)	FCIS FCS	M	12
Council member	Xie Bing	FCIS FCS	M	2
Council member	Wendy WY Yung	FCIS FCS	F	5
Ex-officio member and Past President	David YH Fu[#]	FCIS FCS(PE)	M	7 (6 years as elected Council member & 1 year as ex-officio member)
Ex-officio member and Past President	Ivan KW Tam[1, 4]	FCIS FCS	M	10 (7 years as elected Council member & 3 years as ex-officio member)

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. Council member of The Hong Kong Institute of Company Secretaries Limited
3. Director of The Hong Kong Institute of Chartered Secretaries (China) Limited
4. 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
5. Director of The Institute of Chartered Secretaries and Governance Professionals Limited
6. Director of The Hong Kong Chartered Governance Institute Limited
7. Director of The Chartered Governance Institute of Hong Kong Limited

Attendance at Council meetings for 2019/2020	Skill set, expertise and experience
7/9	Corporate Governance/Legal/Company Secretarial
2/9	Corporate Governance/Legal/Company Secretarial
7/9	Corporate Governance/Legal/Company Secretarial
7/9	Corporate Governance/Accounting & Finance/Investor Relations/Company Secretarial
8/9	Corporate Governance/Accounting & Finance/Company Secretarial
5/6	Corporate Governance/Academic/Education
9/9	Corporate Governance/Legal/Company Secretarial
3/3	Corporate Governance/Company Secretarial
3/3	Corporate Governance/Accounting & Finance/Company Secretarial
3/3	Corporate Governance/Company Secretarial
8/9	Corporate Governance/Accounting & Finance/Company Secretarial
9/9	Corporate Governance/Corporate Communications/Company Secretarial
8/9	Corporate Governance/Legal/Academic Research/Education
9/9	Corporate Governance/Company Secretarial
4/6	Corporate Governance/Accounting & Finance/Company Secretarial
1/9	Corporate Governance/Finance/Company Secretarial
8/9	Corporate Governance/Accounting & Finance/Legal/Company Secretarial
8/9	Corporate Governance/Accounting & Finance/Company Secretarial
8/9	Corporate Governance/Legal/Company Secretarial

David YH Fu ceased to be a Council member and/or director of companies numbered 1, 2, 3, 4 and 5 from 1 January 2020 and companies numbered 6 and 7 from 14 January 2020.

GOVERNANCE STRUCTURE

Council

- Mainland China Focus Group
  - Mainland China Technical Consultation Panel
- HKICS Prize Judging Panel
- HKICS Name Working Group
- Investment Strategy Task Force
- Human Resources Committee
- Audit Committee

Secretariat
Chief Executive

- Education and Examinations Department
- Membership Department
- Research and Professional Development Department
- Company Secretarial Department
- IT Department
- Marketing Department
- Finance and Accounting Department
- Beijing Office

Nomination Committee

Investigation Group
Disciplinary Tribunal
Appeal Tribunal

Membership Committee
Special Entry Scheme Interview Panel
Community Service Core Group

Professional Development Committee
Company Secretaries Panel
Professional Services Panel
Technical Consultation Panel and seven Interest Groups
Editorial Board
AML/CFT Work Group

Education Committee
Academic Advisory Panel
Assessment Review Panel
Qualification Development Panel

Performance review

Education and examinations

In the first half of fiscal 2020, a total of 844 students in Hong Kong and the Mainland enrolled for our final International Qualifying Scheme (IQS) examinations, held in December 2019, with 1,135 subject enrolments. Of these, 36 students gained Distinction or Merit grades.

Chartered Governance Qualifying Programme

With effect from 1 January 2020, the IQS was replaced by our new Chartered Governance Qualifying Programme (CGQP), which qualifies people as Chartered Secretaries and Chartered Governance Professionals. The CGQP, comprising six compulsory modules and a seventh chosen from one of two electives, is designed to build knowledge, skills and confidence to better equip candidates to meet the increasing demand for company secretaries, governance professionals, risk managers, compliance executives, and executive and non-executive directors in the private, public, listed and not-for-profit sectors. Our new qualifying programme places a greater emphasis on compliance and advanced governance, including boardroom dynamics, as well as introducing a new module on risk management. Since the launch of the CGQP, 2,429 students in the examination stream have been transitioned from the IQS to the CGQP, while 67 students have been awarded graduate status.

Unfortunately, due to the COVID-19 pandemic, in March 2020, a number of divisions within The Chartered Governance Institute – including the Institute, Malaysia, Singapore and UKRIAT – made the difficult decision to cancel the first CGQP examination diet, which had been planned for June 2020.

Collaborative Course Agreement

The master's degree programme under the Institute's Collaborative Course Agreement (CCA) continued to play a vital part in influencing more young people to become governance professionals and company secretaries. All four CCA programmes, run in association with City University of Hong Kong, Hong Kong Baptist University, The Hong Kong Polytechnic University and The Open University of Hong Kong, were once again in demand. The four universities will adopt the CGQP syllabus no later than the 2022 intake of students, with the proviso that all eight modules must form a minimum of 80% of the syllabus.

In fiscal 2020, 257 new students registered with the Institute under the CCA programme. CCA graduates are eligible to apply for full exemptions from the Institute's qualifying programme, subject to registration requirements being met. In the year under review, 323 students were granted full exemptions and became graduates of the Institute. A total of 565 exemption applications were approved this year (400 for the IQS, plus a further 165 for the CGQP), down 9% from the previous year, covering a total of 1,724 subjects.

Partnership Bachelor's Programme

A new Partnership Bachelor's Programme (PBP) was launched in fiscal 2020 with the objective of developing closer ties with local universities and to encourage undergraduates to pursue the Chartered Secretary and Chartered Governance Professional qualification.

Four PBP universities and institutions are currently accredited under the Institute's qualifying programme, namely Caritas Institute of Higher Education, Hong Kong Shue Yan University, The Hang Seng University of Hong Kong and The Open University of Hong Kong. While programme curriculums must cover all modules of the Institute's qualifying programme, only four of the modules are eligible for exemption status, with the proviso that those specified modules must form a minimum of 80% of the syllabus. All PBPs should update their curriculum to conform with the CGQP no later than the 2022 intake of students.

KEY METRICS – EDUCATION AND EXAMINATIONS

752 (-11%)
New students

3,312 (-6%)
Students in total

798 (-54%)
Students enrolled for IQS examinations in Hong Kong*

46 (-56%)
Students enrolled for IQS examinations in the Mainland*

21 (-75%)
Graduates who successfully completed the IQS examinations*

257 (-2%)
New students enrolled via collaborative courses

422 (-44%)
Enrolments for HKU SPACE examination preparatory courses

Notes: Percentages refer to the comparison with the previous financial year.

** The Institute's final International Qualifying Scheme (IQS) examination diet was held in December 2019. On 1 January 2020, the IQS was replaced by the upgraded Chartered Governance Qualifying Programme; however, the June 2020 examinations were cancelled due to the COVID-19 pandemic.*

Examination pass rate (Average):

41% (36%)
December 2019 diet**

Number of outstanding performances (Distinction and Merit Awardees):

36 (67)
December 2019 diet**

*** Numbers in small circles refer to the equivalent percentage or total figure for the December 2018 examination diet.*

Studentship policies and quality assurance

Backed up by the Assessment Review Panel (ARP) and the Qualification Development Panel (QDP), our Education Committee is responsible for supervising studentship policies and quality assurance of the Institute's qualifying programme. The ARP meets three times a year, twice to review the examination scripts and to discuss related matters, and once to deal with questions of policy and examination developments. The QDP is tasked with monitoring the CGQP and its progress, including related exemption policies, as well as quality assurance for its study materials and pilot papers.

Professional development

Our ECPD activities in fiscal 2020 focused on further reinforcing the professional skills and technical knowledge of our members, as well as boosting an international recognition of our role.

ECPD activities

A variety of ECPD activities and events were organised by the Institute throughout the year to serve the diverse needs of members on different career paths. We currently run seven to eight seminars/webinars each month – available to all our members, graduates and students – to enhance the performance of participants in their role as company secretary or governance professional. Non-members with a relevant interest are also welcome to join.

"our ECPD activities in fiscal 2020 focused on further reinforcing the professional skills and technical knowledge of our members, as well as boosting an international recognition of our role"

Principal themes in fiscal 2020 encompassed company secretarial practice, corporate governance, risk management, compliance, law, accounting and cybersecurity. A total of 103 ECPD events were held in Hong Kong and the Mainland this year, attracting 23,644 participants, a rise of 8% from the previous period.

Seminars and training sessions

As an adjunct to our popular Company Secretarial Practical Training sessions, which offer critical technical and practical updates to our members, graduates and students, our recently introduced practical company secretarial workshops for small, interactive groups have successfully assisted company secretaries and governance professionals, at various stages of their careers, to better appreciate the fast-changing field in which they are engaged. In fiscal 2020, we held 13 practical training sessions, attended by 3,339 participants, and 12 practical workshops, which attracted a total of 303 individuals.

KEY METRICS – PROFESSIONAL DEVELOPMENT

	2019	2020	%
ECPD events*	133	103	–23%
Participants at ECPD events*	21,876	23,644	+8%
Online CPD seminars (video-recorded)	22	31	+41%
Participants at online CPD seminars (video-recorded)	3,448	3,845	+12%
Company Secretarial Practical Training sessions	25	13	–48%
Participants at Company Secretarial Practical Training sessions	4,954	3,339	–33%
ACRU attendees	2,003	1,942	–3%

Note: Percentages refer to the comparison with the previous financial year.

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

ACRU 2020
Held for the first time as an online conference, with 1,942 participants

As a complement to our new Chartered Governance Professional designation, introduced in the previous fiscal year, and our CGQP, initiated in January 2020, this fiscal year the Institute launched a new series of seminars and webinars for members, graduates and students on governance, risk and compliance (GRC). The new series synchronises and integrates previously separate seminars on these topics, to more effectively share information and avoid overlaps. In fiscal 2020, we held a total of 12 GRC seminars/webinars, comprising the earlier risk management seminars and the new combined GRC sessions, with a total of 2,542 people taking part.

Demand remained robust for our anti–money laundering and counter–financing of terrorism (AML/CFT) seminars/webinars, with the changing business landscape now requiring a far greater degree of transparency on beneficial ownership of companies incorporated in Hong Kong. Our AML/CFT seminars/webinars this fiscal year emphasised the new regulations and best practice developments in the trust or company service provider sector. The Institute held four such seminars/webinars this year, attended by 865 participants.

Other notable seminar topics this year concentrated on developments in the Mainland, with six seminars attended by 1,030 individuals, and on ESG reporting, with five seminars attended by 845 people.

The Institute's online CPD seminars – launched in October 2016 as an alternative learning platform for members, graduates and students – again proved popular this year, with 31 seminars, all of which were video-recorded, now available for viewing on the e-learning platform of The Open University of Hong Kong, attracting 3,845 viewers (up 12% from the previous period).

Annual Corporate and Regulatory Update

The Institute's most sought-after event of the year is the Annual Corporate and Regulatory Update (ACRU), which convenes regulators and practitioners to discuss the most pressing regulatory issues facing our profession. This year was the 21st anniversary since we launched this event and its first time as an online conference. Held on 5 June 2020, ACRU brought together 1,942 individuals (down 3% from the previous year), of whom 11% were non-members from a broad range of backgrounds, including directors, managers and other professional practitioners. This reflects the increasing importance of governance in the wider business community, as well as the burgeoning appeal of ACRU to stakeholders beyond our membership.

Practitioner's Endorsement scheme

The Institute's Practitioner's Endorsement (PE) designation – inaugurated in 2006 – extends recognition to members who attend a minimum of 15 ECPD hours per fiscal year, of which at least 10 are from the Institute's ECPD seminars or training sessions. In fiscal 2020, over 270 members attained the PE designation, approximately 130 of whom are company secretaries from listed companies.

Maintaining professional standards

Our independent disciplinary bodies – namely the Investigation Group, Disciplinary Tribunal and Appeal Tribunal – strive to ensure that our members, graduates and students comply with the requisite standards of professional ethics and conduct.

Professional conduct cases under disciplinary proceedings

In fiscal 2020, we performed a review of potential disciplinary cases in the public domain from sources including the Companies Registry, Hong Kong Bar Association, Hong Kong Exchanges and Clearing Limited, Hong Kong Institute of Certified Public Accountants, Market Misconduct Tribunal, Securities and Futures Commission and The Law Society of Hong Kong.

Seven cases were referred to our Investigation Group, in addition to three cases brought forward. Of these, two cases were closed after investigation with no prima facie case established, three cases are still under investigation and the remaining five were referred to the Disciplinary Tribunal. With these five cases, plus four brought forward, our Disciplinary Tribunal dealt with nine cases in fiscal 2020. Of these, six cases were concluded and closed, while three are still under proceedings. Two appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal, one of which was concluded and closed, with the remaining case still under proceedings.

CPD non-compliance

Five CPD non-compliance cases were processed under disciplinary proceedings in fiscal 2020, of which one was closed on 14 July 2020 following one member's compliance. The other four members were removed from the membership register on 3 July 2020 due to non-compliance with Disciplinary Tribunal orders and decisions.

Member, graduate and student services

In view of the challenges caused by COVID-19, and as a caring organisation, the Institute took prompt measures to significantly reduce the number of physical events held in fiscal 2020, to comply with social distancing requirements and to safeguard the well-being of our members, graduates and students. Instead, we acted swiftly to provide quality services through our online channels.

Examination support services

In the first half of fiscal 2020, we maintained our dedication to assisting our students in their IQS examination preparations through our examination support services. Our regular examination preparatory courses – organised by The University of Hong Kong, School of Professional and Continuing Education (HKU SPACE) – and our examination technique workshops went ahead as usual for the December 2019 IQS examination diet, with 422 and 192 enrolments, respectively.

With the inception of the CGQP in January 2020, we launched a number of new support services, including free online study materials for each of the eight modules, of which six are compulsory and a seventh must be chosen from one of two electives. Furthermore, seven face-to-face or online student gatherings and seminars related to the CGQP were held between October 2019 and June 2020, attracting a total of 586 participants. Topics included how to use the online study platform and materials, an introduction to the CGQP syllabus and modules, techniques for preparing for the CGQP examinations and technical training in Hong Kong company law. Pilot examination papers and sample mark schemes were made available for online review, as were all online gatherings, examination technique workshops and student seminars, which were video-recorded for our students' convenience in light of the COVID-19 pandemic.

Because of the situation, enrolments to HKU SPACE's examination preparatory courses were low for the

February 2020 intake while the June 2020 intake had to be shelved.

Personal and social developmental services

In fiscal 2020, we conducted 26 physical and online events for 2,203 participants. We also arranged regular events for our members, graduates and students, including our Annual Dinner and Annual Convocation, as well as a number of social gatherings such as our dragon boat team activities. In addition, this fiscal year we also offered free wellness webinars to our members, graduates and students, with a focus on maintaining both physical and mental health.

We also proceeded with our activities targeting the diverse interests and experience levels of our membership via our 'four pillars' programmes.

1. Mentorship

Now in its sixth term, our Governance Professional Mentorship Programme is well favoured as a platform for cultivating young professionals. Open to all members, graduates and students, this programme welcomed 46 mentors and 90 mentees in fiscal 2020 (2019: 44 mentors and 77 mentees).

2. Members' Networking

Offering members, graduates and students the opportunity to network both professionally and socially, along with activities to enhance soft skills, our Members' Networking programme this fiscal year hosted a seminar on governance challenges in non-governmental organisations, a series of networking luncheons and two reach-out gatherings with corporations that employ some of our members, graduates or students.

KEY METRICS – MEMBER, GRADUATE AND STUDENT SERVICES

26 (-45%)
Membership events

2,203 (-22%)
Participants at these events

46 (+5%)
Mentors joining our Governance Professional Mentorship Programme

90 (+17%)
Mentees joining our Governance Professional Mentorship Programme

62 (-21%)
Summer internship opportunities (70 for undergraduates participating in the Institute's Student Ambassadors Programme and 24 for Form 5 students of Yuen Long District)

Note: Percentages refer to the comparison with the previous financial year.

3. Fun & Interest Group
Members, graduates and students are given the chance to take part in different informal recreational activities through our Fun & Interest Group. In fiscal 2020, we ran an indoor war games event, jointly organised with other professional bodies, as well as a baking class and a latte art workshop. We also set up various wellness webinars, covering such topics as mental health, stress management, stretching exercises at home and the use of essential oils to boost the immune system.

4. Community Service
Furnishing our members, graduates, students and Secretariat staff with a vehicle through which to serve the community and support the Institute's corporate social responsibility initiatives, our Community Service programme launched a new Community Service Month in October 2019. Activities included volunteer training workshops, a fun-day with children, a meal with the elderly, a visit to the mentally challenged, the Pink Walk for Breast Health 2019 and Dress Pink Day.

In addition, the Institute prepared exclusive benefits and services with a range of merchants for members, graduates and students.

Chartered Governance Professional designation

Since 30 September 2018, the Institute has been conferring the Chartered Governance Professional (CGP) designation on all Fellows, as well as members who have been an Associate for five years. The CGP designation, which is being awarded in phases, sits alongside the Chartered Secretary (CS) designation. As at 30 June 2020, 4,882 of the total membership of 6,449 (76%) had both designations.

Publications

Our publications are another avenue through which we assist our members and students. Our esteemed monthly journal *CSj* is devoted to the core areas of company secretarial practice and strategic issues in corporate governance. Along with our website and fortnightly e-updates, the journal is one of our main communication channels with members, graduates, students and other stakeholders, and is also available as an online version via our e-CSj website.

Donations

The Institute channels donations and sponsorship funds to support governance-related education, research and thought leadership initiatives through The Hong Kong Institute of Chartered Secretaries Foundation Limited (the Foundation), which was established in 2012 and became a wholly owned subsidiary of the Institute in 2016.

In fiscal 2020, the Foundation raised a total of HK$952,767 in donations (including HK$659,817 received from the Institute) and distributed HK$311,030 in funds. The Foundation sponsored 20 scholarships to local universities and institutions, and 29 subject prizes for students of collaborative courses and relevant degree programmes (20 and 31, respectively, in fiscal 2019). In addition, the Foundation conferred 10 subject prizes on students who achieved the grade of Distinction in the Institute's final IQS examination diet, held in December 2019.

The Institute also sponsored 11 different student functions and activities during the year under review, among which were orientation camps, mentorship training sessions, annual dinners and inauguration ceremonies for student associations of local universities.

Advocacy

One of the main thrusts of the Institute's work is advocacy. In this capacity, and as a recognised leader in the corporate secretaryship and governance field, we liaise and cooperate closely with pertinent government and regulatory bodies, other governance organisations locally and internationally, and members of a wide range of professional sectors.

AML/CFT Charter

In fiscal 2020, the Institute continued to work tirelessly to advocate compliance with anti–money laundering and counter–financing of terrorism (AML/CFT) regulations, ensuring that we keep our members, graduates, students and other stakeholders, as well as governance professionals in the trust or company service provider sector, updated on all the latest developments.

As at 30 June 2020, seven corporate service providers were accredited under our own highly respected AML/CFT Charter, thereby allowing them to use the HKICS AML/CFT Logo and indicating they meet the high standards set out in our AML/CFT Guidelines, pioneered in 2016, which are in line with those applied to financial institutions.

Future governance professionals

Students and the younger generation are the governance professionals of our future. An important aspect of our advocacy role, therefore, lies in cultivating this rich source of talent, educating them about corporate governance and its increasing relevance, and encouraging more young people to consider this as a profession. Despite the multifarious challenges posed throughout fiscal 2020, with social unrest locally and the COVID-19 outbreak globally, we continued to work closely with universities and institutions to fulfil this mission through alternative means.

Potential students

To promote the career of Chartered Secretary and Chartered Governance Professional to undergraduates

KEY METRICS – DONATIONS

HK$ 952,767 (+112%)
Donations raised by the Foundation

HK$ 311,030 (-8%)
Funds distributed by the Foundation

20 (0%)
Scholarships awarded by the Foundation

29 (-6%)
Subject prizes awarded by the Foundation

Note: Percentages refer to the comparison with the previous financial year.

and postgraduates, the Institute organised 10 professional seminars and information sessions in conjunction with local universities and institutions, held both face-to-face and online.

On 27 June 2020, the Institute held its first online Governance Professionals Career Day, with 146 participants, which won high praise from undergraduates, sponsors and supporting organisations. The day is designed to offer inspiration and insights into the profession, as well as to provide opportunities for local university undergraduates and potential employees – many of whom are seasoned governance professionals and industry leaders – to interact.

In December 2019, the Academic Advisory Panel, which is comprised of senior management from local universities, met to discuss future potential teamwork and ideas for further publicising the governance profession. Furthermore, we held three Governance Professionals Information Sessions (two of which were conducted as webinars), which attracted a total of 284 participants. We also gave five press interviews with local media during the year to let the general public know more about our profession and its opportunities.

"Students and the younger generation are the governance professionals of our future. An important aspect of our advocacy role, therefore, lies in cultivating this rich source of talent..."

Current students

The Institute held six student gatherings with a total of 583 participants in the year under review, enabling students to get to know each other better, share ideas on examination preparation, and learn more about our CGQP and its related online study packs.

In terms of our Collaborative Course Agreement (CCA) programme, we organise new student orientations for

KEY METRICS – ADVOCACY

46
-27%
Advocacy events

2,409
-19%
Participants at our advocacy events

284
+109%
Participants at Governance Professionals Information Sessions

38
0%
Governance Professionals Information Session participants enrolling as students

583
+483%
Participants at student gatherings (including new student orientations)

29
-12%
Mentors joining our Student Ambassadors Programme mentorship programme

53
-58%
Mentees joining our Student Ambassadors Programme mentorship programme

Note: Percentages refer to the comparison with the previous financial year.

each intake, as well as briefing sessions on the process of applying for exemptions and advancement to membership. We also send regular notifications to all CCA students about the Institute's current developments, as well as the latest technical updates.

Our Student Ambassadors Programme (SAP) is a highly acclaimed platform that facilitates a mentor–mentee relationship between our student ambassadors and our more experienced members, as well as introducing our profession and the dual qualification of Chartered Secretary and Chartered Governance Professional to local undergraduates. Now in its 14th year, SAP has welcomed a total of 1,700 student ambassadors since its inception, with 110 new ambassadors enrolling in the programme in fiscal 2020. In addition, 53 undergraduates joined our SAP mentorship programme this year, while 29 Institute members acted as mentors.

Our Corporate Governance Paper Competition and Presentation Awards gets promising Hong Kong undergraduates involved in issues at the forefront of corporate governance. This year's theme was 'ESG Reporting: A Value Proposition? Yes or No?', drawing a record-high number of teams – 69 in all, comprising 200 participants. The top six finalists competed for the Best Presentation Award on 19 September 2020.

Research and governance reform

The insights and knowledge amassed by the Institute, augmented thanks to our members and professional network, are respected locally, regionally and internationally. Our research and involvement in the pioneering themes of corporate governance and corporate secretaryship has put us at the forefront of the field.

Research reports

We published two new research reports in fiscal 2020.

1. State of corporate governance practices in Hong Kong and the Mainland

In October 2019, the Institute published a survey report entitled 'Taking the temperature: The state of corporate governance practices in Hong Kong and the Mainland', providing a snapshot of current corporate governance practices, policies and attitudes in Hong Kong and the Mainland. Findings confirmed that while the governance scorecard for Hong Kong and the Mainland is generally healthy, it still needs to move towards genuine commitment assisted by the company secretary as governance professional. The majority of respondents were of the opinion that corporate governance requirements in Hong Kong and the Mainland would substantially, or very substantially, increase over the next five years.

2. A governance perspective on ESG

In January 2020, the Institute, KPMG and CLP Holdings Limited jointly published their second research report on ESG performance and reporting, entitled 'Integrating ESG into your business: A step-by-step ESG guide for Hong Kong-listed issuers'. The report offers guidance and recommendations on how to integrate ESG performance into governance structures and business strategies, along with insights from leading companies and an emphasis on board oversight in line with new regulatory disclosure requirements.

Governance reform

In fiscal 2020, we maintained our commitment to regulatory reform and policy formulation in Hong Kong by issuing consultation papers and communicating with regulators and government bodies on topics relevant to our profession. We made six submissions on key regulatory issues covering a wide range of areas. The full submissions are available on our website: www.hkics.org.hk.

Guidance notes

Our guidance notes are designed to support our members and the wider governance community, and also play an important role in shaping governance reform as a whole. In fiscal 2020, the seven Interest Groups under our Technical Consultation Panel presented seven new guidance notes dealing with ethics, bribery and corruption; competition law; public governance; and mergers and acquisitions. These guidance notes are available on our website: www.hkics.org.hk.

In addition, in September 2019 the Institute published the second edition of its Guidelines on Practices of Inside Information Disclosure of A+H Companies, which serves as a valuable resource for directors, senior managers, practitioners and regulators on how to tackle the different requirements on inside information disclosure

KEY METRICS – RESEARCH AND GOVERNANCE REFORM

Research reports	Panel meetings	Guidance notes
2	10	7
0%	-17%	-13%

Note: Percentages refer to the comparison with the previous financial year.

for companies listed both in Hong Kong and the Mainland from a practical governance perspective.

The Mainland

As The Chartered Governance Institute's China Division, the Institute is resolute in its goal of advancing the roles of Chartered Secretary and Chartered Governance Professional in the Mainland, and earmarks resources specifically. The number of Mainland members increased significantly in fiscal 2020, with 106 members as at 30 June 2020, representing a 45% rise from the previous fiscal year.

The Chartered Secretary and Chartered Governance Professional qualification

Since 2018, there has been a dramatic increase in the number of Mainland students aspiring to obtain the Chartered Secretary and Chartered Governance Professional qualification. In these last two years, 50 students have made the transition from graduateship to membership. However, in fiscal 2020 there was a slight drop in the number of registered students, down to 292 from 309 in fiscal 2019.

The Postgraduate Programme in Corporate Governance (PGPCG) – run in collaboration with The Open University of Hong Kong (OUHK) in Shanghai, since 2016, and Shenzhen, since 2019 – has made an important contribution to the success of overall graduate numbers. The programme equips those who wish to pursue or boost their careers as company secretaries, board secretaries or corporate governance professionals with the requisite practical knowledge and skills. In September 2019, we welcomed our fourth cohort of PGPCG students in Shanghai and our first in Shenzhen, with 29 students (38 in the previous year) and 19 students, respectively. Students who successfully complete the PGPCG, as well as 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 exemptions from the Institute's qualifying examinations, after which they are entitled to graduateship of the Institute.

"the Institute's reputation in the Mainland remains strong among regulators and listed companies, while good working relationships with stakeholders continue to blossom"

The final International Qualifying Scheme (IQS) examination diet was held in December 2019 in Beijing and Shanghai, in parallel with Hong Kong, with 68 subject enrolments (down 13% compared with the December 2018 examinations, or down 59% compared with both examination diets in fiscal 2019). This decrease was mainly attributable to the fact that many students opted to wait until the first diet of the new Chartered Governance Qualifying Programme (CGQP) examinations, scheduled for June 2020. Regrettably, due to the COVID-19 outbreak, the inaugural CGQP examinations had to be postponed until November 2020.

Professional development

Our ongoing Affiliated Persons (AP) programme in the Mainland continued to grow in fiscal 2020. Originally intended to provide professional training and services to board secretaries and equivalent personnel of H share companies, the programme was then extended to include professional training, research and communication services for board secretaries and equivalent personnel, directors, supervisors and other senior management of companies listed or to-be-listed domestically or overseas. In June 2020, the Institute's

KEY METRICS – THE MAINLAND

292	-6%	Students
106	+45%	Members
173	+2%	Affiliated Persons
68	-59%	IQS subject enrolments*
3	-50%	Mainland ECPD events**
511	-40%	Participants at ECPD events**
3	-40%	Regional Board Secretary Panel (RBSP) meetings†
109	-32%	Participants at RBSP meetings†

Note: Percentages refer to the comparison with the previous financial year.

** IQS subject enrolments for 2020 only apply to the December 2019 examination diet. The June 2020 CGQP examinations were cancelled due to COVID-19.*

*** Figures comprise two Affiliated Persons ECPD events and one training seminar for H share companies.*

† Figures include one Regional Board Secretary Panel meeting held in Hong Kong. Two planned meetings in the Mainland were cancelled due to COVID-19.

Council and its Mainland China Focus Group (MCFG) approved the further broadening of the AP programme to admit directors, supervisors and senior management holding relevant governance positions. The Institute plans to provide more catered services to this newly included group in the near future.

As at 30 June 2020, we had 173 registered APs, compared with 170 in the previous fiscal year. Of these, 41% were board secretaries and equivalent personnel from H share companies, 26% were from A+H share and other multi-listed companies, 20% from red chip companies, 7% from A share companies and 6% from to-be-listed companies. The number of APs from red chip and A share companies rose by 4%, in comparison with fiscal 2019.

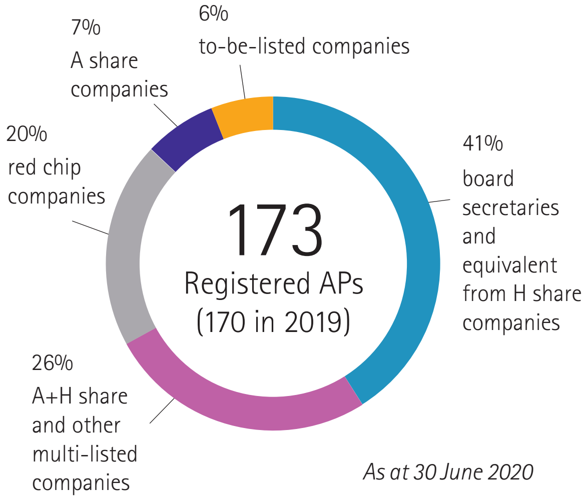
Our AP ECPD seminars continued to attract attendees other than APs. Approximately 72% of participants at our ECPD seminars in fiscal 2020 were non-APs, most of whom were board secretary subordinates, directors, supervisors and other senior management who had been introduced to the programme by our APs, members, students, event partners and previous seminar attendees. These figures are a reflection of our robust expansion and widening coverage that extends to non–H share companies and non-APs, as well as our acknowledged public reputation and prestige among Mainland companies, and the increased recognition of our profession.

We ran two AP ECPD events in Lanzhou and Beijing, in September and December 2019, respectively, and one training seminar for H share companies in November 2019. The combined number of participants – from H share, A+H share, red chip, A share and to-be-listed companies – came to 511, while topics covered a range of issues such as risk management; inside information management and control; annual results presentations; regulatory updates; amendments to the Articles of Association of H share companies; and financial information disclosure.

Our five Regional Board Secretary Panels (RBSPs) – located in Beijing, Shanghai, Shenzhen, Guangzhou and the Southwest (including Chongqing and Chengdu) – act as local hubs for nearby members, graduates, students and APs, providing valuable networking opportunities for board secretaries and serving as productive communication channels between board secretaries and regulatory bodies. In fiscal 2020, we held three RBSP meetings, one each in Hong Kong, Beijing and Shanghai, attended by a total of 109 APs, members, students, board secretaries and government officials. Two planned RBSP meetings, in Shenzhen and Chengdu, were cancelled due to the COVID-19 outbreak.

Advocacy

The Institute's reputation in the Mainland remains strong among regulators and listed companies, while good



As at 30 June 2020

working relationships with stakeholders continue to blossom. Starting in 2011, we have signed memoranda of understanding with the Shanghai and Shenzhen stock exchanges, the China Association for Public Companies and the Insurance Association of China.

In fiscal 2020, we persevered with our efforts to advocate for good corporate governance, and to champion the role of Chartered Secretary and Chartered Governance Professional among Mainland companies listed and to-be-listed in Hong Kong. Our partnership – initiated in the previous fiscal year – with Zhongguancun Science Park Administrative Committee, Shanghai Pilot Free Trade Zone Administrative Committee and Shenzhen's Nanshan Association for Public Companies helped us reach a wider audience, namely new high-tech enterprises and/or unicorns.

Research and governance reform

Research in issues pertinent to our APs, members and students in the Mainland is a pivotal aspect of the Institute's work. In fiscal 2020, we continued to conduct research projects and provide up-to-date practical guidelines, as well as doing our utmost to contribute to regulatory decision-making in both the Mainland and Hong Kong. The quality of our analyses and our practical support greatly enhances our professional influence with listed companies and regulators.

Our Mainland China Technical Consultation Panel (MCTCP), which operates under the MCFG, was involved in four research projects this year, the first of which – Guidelines for Inside Information Disclosure Practices of A+H Share Companies (2nd Edition) – was published in September 2019. The second – Guidelines for Connected Transactions Practices of A+H Share Companies – is still underway, with a preliminary publication date in late 2020.

Our third and fourth research projects – Survey Report: Shanghai–Hong Kong Stock Connect and Shenzhen–Hong Kong Stock Connect Regulatory Practices; and, Guidelines for the Amendment of the Notice Period of Shareholder Meetings in H share Companies' Articles of Associations and Related Practices (Articles of Association Guidelines) – were instigated after a request from Mainland regulators, attesting to their trust in our professional capabilities. The original survey report for the third project was based on responses from selected enterprises, focusing on applied information disclosure practices of A+H share companies and taking into account the differences in the regulatory regimes in Shanghai, Shenzhen and Hong Kong. The survey was completed and submitted to the Mainland regulators, as well as those in Hong Kong, in February 2020.

Our fourth research project was aimed at providing suggestions for amendments to the Articles of Association for H share companies listed overseas. With the backing of the China Securities Regulatory Commission, the Institute's MCTCP prepared and circulated the Articles of Association Guidelines to H share companies in February 2020, to assist those companies as a matter of urgency and to support their best practice. These guidelines were welcomed by the board secretaries of the H share companies and by related professionals in the field.

Key risks and challenges

The effective management of key risks and challenges, both internal and external, is high on our agenda, as it is increasingly so for the governance profession as a whole, particularly in today's environment. Alongside the three potential threats most germane to the Institute – that is, strategic and operational, information technology and financial risk, outlined below – we also take proactive steps to identify, assess, mitigate and, where possible, prevent the possible impact of other risks, such as those related to regulatory and compliance, health and safety, reputational and third-party service provider issues.

Strategic and operational risk

All businesses and organisations are inherently susceptible to strategic risk, which stems from a rapidly changing economic, social and geopolitical environment. This hard truth, coupled with the higher standards of governance expected by members, regulators and the general public, spurs our unflagging commitment to analysing the wider implications of current events, as well as identifying and addressing any associated risk exposure. We scrutinise our internal processes and controls carefully, updating where necessary, and strive to eliminate operational risk to the greatest possible extent.

Our Council meets once every two months to evaluate a wide range of strategic, operational and other risk, and to determine the Institute's strategic direction. To guard most effectively against risk exposure, whilst ensuring the highest levels of independence and objectivity, the Secretariat reports all identified risk – along with any measures taken to minimise such risk – to the Audit Committee, which in turn reports directly to Council. Each department upholds its own internal and supervisory controls, and is responsible for fulfilling compliance obligations relevant to its specific internal operational policies and procedures.

In fiscal 2020, to safeguard the health and well-being of our members, graduates and students in the face of the COVID-19 pandemic, we converted our physical seminars and events to webinars and other online meetings, cancelled the June 2020 examination diet, and urged our members, graduates and students to communicate electronically, rather than in person.

Information technology risk

The need to anticipate and forestall information technology (IT) risk has intensified in the current business environment, with the number and complexity of potential risks expanding to include not just data privacy threats and technological disruption, but also cyberattacks, malware, phishing scams and data breaches. However, the opportunities for companies to maximise their online presence have also

KEY METRICS – INVESTMENT PORTFOLIO

HK$ 29,673,396

+1%

Note: Percentage refers to the comparison with the previous financial year.

"the effective management of key risks and challenges, both internal and external, is high on our agenda"

proliferated – as have related compliance requirements, encompassing legislation and regulations regarding the collection, use and security of user and employee data.

The ease and efficacy of the Institute's services are contingent upon having a secure and robust IT system. We perform scrupulous preventative maintenance, detective monitoring and containment measures, which are regularly reviewed and updated, to address any risk of interruption or threat to the IT services we provide. In fiscal 2020, we continued our contract with an independent consulting firm to analyse and advise on IT security issues, as well as to take responsibility for the security of our online platforms. No data security breaches occurred in the year under review.

We completed the revamp of our membership database system, resulting in a more secure and convenient IT environment, with a number of additional features slated for the near future. In terms of IT risk mitigation during the COVID-19 pandemic, during which time the bulk of our communications necessarily shifted to cyberspace, the Secretariat specified procedures for Zoom meetings, including setting a strong meeting password, using a system-generated meeting ID and blocking participants from joining before the host.

Financial risk

Financial risk is an inevitable aspect of business, affected by multiple elements covering various socioeconomic and political conditions both domestically and internationally. In times of standard business activity, the Institute is exposed to such financial risk as 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 77 to 80).

Accordingly, the Institute does its utmost to observe judicious anti-inflation investment strategies, retain a healthy financial position and keep adequate reserves to sustain its ongoing activities and future development. We also engage a professional external investment manager to supervise our surplus cash, which adds an additional mitigation layer to any potential financial risks we may face.

Despite the difficulties posed by the Sino-US trade war and the COVID-19 pandemic, thanks to the strategic shepherding of our resources, we maintained our investment portfolio at a level equivalent to that of fiscal 2019 – as at 30 June 2020, this totalled HK$29,673,396 (up approximately 1%).

Corporate social responsibility report

As governance professionals, we consider the promotion and practice of meaningful corporate social responsibility (CSR) to be an integral part of our role. Acting with an ethical, responsible and sustainable mindset is pivotal to the work of the Institute – to us, this is not simply a box-ticking exercise.

Workplace quality

Various international studies, not to mention our own experience, reveal that a good work culture correlates with higher professional satisfaction and increased productivity, as well as benefiting our personal lives and growth. The Institute strives to foster good relations amongst our staff, holding monthly gatherings to improve cooperation and collaboration across all departments, and to boost team spirit.

We also ensure our staff have access to professional and personal development opportunities through frequent courses and seminars that augment technical knowledge and skills, including soft skills. In fiscal 2020, a total of 159 enrolments in 31 training courses were provided to Secretariat staff, amounting to 280 training hours.

One of the many factors that contributes to workplace quality is the health and well-being of our staff. In the face of the COVID-19 outbreak, we were swift to take proactive and precautionary measures, including implementing work-from-home arrangements, providing clear direction and guidelines, undertaking regular sanitisation of the office, routine temperature checks, and distributing personal protection kits to every member of our Secretariat staff in both Hong Kong and Beijing.

In recognition of our commitment to good human resource management, the Institute is accredited with the Good Employer Charter 2020, organised by the Labour Department of Hong Kong. Furthermore, we are an 'Endorsing Organization' of the Mandatory Provident Fund (MPF) Schemes Authority, which was established

"acting with an ethical, responsible and sustainable mindset is pivotal to the work of the Institute – to us, this is not simply a box-ticking exercise" in 1998 to support retirement living for Hong Kong's working population. We are pleased to report that, to acknowledge our role in enhancing our employees' retirement benefits, the Institute received the Good MPF Employer Award and the MPF Support Award for 2019–2020.

Environmental responsibility

We review our environmental practices regularly and seek to continually upgrade our eco-friendly initiatives, as well as to raise the environmental awareness of staff, members, graduates and students.

We maintain the 'reuse, reduce, recycle and replace' principle, use green products wherever possible in our daily operations, and make every effort to curb our resource consumption and carbon footprint. Measures include utilising recycled paper and double-sided printing in our office, taking recyclable office waste to designated collection points and minimising hard-copy printing, including communication with members and students. The Institute has now completed its membership database system upgrade, so correspondence such as annual renewal notices and receipts can be sent exclusively by email, while enrolment for seminars and activities can be done online. Meanwhile, e-evaluations and e-handouts for our CPD seminars have become the norm. More subscribers are choosing to receive our monthly journal, *CSj*, by email, as opposed to a print version – as of 30 June 2020, the e-version was being sent to 4,493 readers, representing a 5% increase from fiscal 2019. These measures help save paper and time, improving efficiency and effectiveness.

As regards energy savings and the reduction of electricity, our average office temperature is fixed at between 24°C and 26°C. We also continue to support Earth Hour, the annual initiative of WWF (World Wide Fund for Nature), and invite our members, graduates and students to do likewise. The Institute's Hong Kong and Beijing offices turned off all lights on 28 March 2020 from 8.30pm to 9.30pm.

Additionally, in January 2020, the Institute jointly launched an ESG report with KPMG and CLP Holdings Limited entitled 'Integrating ESG into your business: A step-by-step ESG guide for Hong Kong-listed issuers', which collates a wealth of information relevant to ESG performance and reporting, with recommendations and insights from leading practitioners in the field. The report is available on our website.

Community involvement

The Institute's community service activities – organised by the Community Service subgroup of our Membership Committee – would not be possible without the wholehearted support of our Secretariat team, as well as

KEY METRICS – CSR

Staff training enrolments	Training hours	Volunteer hours	Paper usage	Electricity usage
159	280 hours	350 hours	430 reams	HK$ 87,134
+69%	-6%	+14%	-32%	+6%

Note: Percentages refer to the comparison with the previous financial year.

the dedication of our members, graduates and students to serving the community in which we live.

Fiscal 2020 is the seventh consecutive year that the Secretariat has enlisted SAHK (香港耀能協會) as an outsourced agency to handle various office duties, such as mailing and photocopying. Social welfare association SAHK assists people with neurological impairment through world-class professional rehabilitation services, with an emphasis on education, welfare, and the advancement of independence and a greater participation in society.

We began this fiscal year with a volunteer training workshop through the Agency for Volunteer Service (AVS), a non-profit organisation that plays a pivotal role in the development of sustainable volunteerism. The July 2019 workshop (服務智障人士技巧工作坊) gave our members, graduates and students an insight into community service with the mentally challenged.

To mark our double anniversary year in calendar 2019 – celebrating 70 years since the first informal grouping of Chartered Secretaries in Hong Kong and 25 years since the incorporation of our Institute as a local professional body – we inaugurated a Community Service Month in October 2019. Events during the month included a 'Graceful meal workshop and visit to the elderly', in collaboration with St James' Settlement; Dress Pink Day, to support the Hong Kong Cancer Fund; a day of community service with mentally challenged individuals, in conjunction with The Mental Health Association of Hong Kong; and, for the fifth consecutive year, the Pink Walk for Breast Health 2019 fundraising event, organised by the Hong Kong Breast Cancer Foundation. The following month we teamed up with the Tung Wah Group of Hospitals and organised a fun-day with children.

As a further extension to our usual community service events, in February 2020 the Institute brought together a group of enthusiastic members, graduates and students to establish the Community Service Core Group (Core Group), for the purpose of advancing ideas for additional community service activities, as well as to reinforce

involvement among members, graduates and students in our community service initiatives.

In March 2020, the Institute donated HK$50,000 to The Hong Kong Council of Social Service (HKCSS) for the purchase of hygiene and protective supplies for the needy. Also in March, through our subsidiary in Beijing, the Institute donated RMB10,000 to the Red Cross Society of China (中國紅十字基金會) to support the frontline medical staff in Wuhan fighting COVID-19. In April, as a member organisation of the Hong Kong Council of Volunteering under AVS, we donated 100 disinfectant packs to AVS in aid of its campaign, Fight Coronavirus Together Volunteer Care Action (「同心抗疫」 義工關懷行動), for distribution to the underprivileged. Members of the Core Group volunteered their time to pack and deliver the kits.

In terms of our role of cultivating future leaders in the governance professions, as a participating member of the Business-School Partnership Programme organised by The Hong Kong General Chamber of Commerce, we partnered with St Mary's Canossian College in fiscal 2019. Although we maintained our involvement in this programme in fiscal 2020, the planned activities with our paired secondary school students were suspended due to COVID-19, with resumption scheduled for 2020/2021.

We are delighted to announce that, for the third consecutive year, the Institute was awarded the Caring Organisation Logo in the 2019/2020 Caring Company Scheme of HKCSS. This award commends and gives public acknowledgement to organisations that demonstrate good corporate citizenship.

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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 40 to 84, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the year then ended, 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 2020 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.

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 HKSAs 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 HKSAs, 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
Yu Tsui Fong
Practising Certificate Number: P05440

Hong Kong, 3 November 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	**2020 HK$**	2019 HK$
Subscriptions and fees	6	**22,270,548**	20,636,752
Other revenue	7	**16,471,352**	22,475,948
Interest income	8	**150,321**	159,956
Other net income	9	**502,879**	1,531,823
Staff costs	10	**(20,685,674)**	(19,707,034)
Depreciation expenses	14	**(1,173,167)**	(634,619)
Amortisation expenses	15	**(647,887)**	-
Other operating expenses	12	**(17,661,383)**	(23,024,411)
Finance costs	25	**(17,011)**	-
(Deficit)/Surplus before income tax expense		**(790,022)**	1,438,415
Income tax expense	13	**(64,488)**	-
(Deficit)/Surplus for the reporting period		**(854,510)**	1,438,415
Other comprehensive (loss)/income for the reporting period			
Items that will not be reclassified to surplus or deficit:			
(Deficit)/Surplus on revaluation of land and buildings held for own use	14	**(14,783,788)**	14,232,082
Fair value changes of investments in listed equity securities classified as financial assets at fair value through other comprehensive income	19	**371,956**	172,898
Item that may be reclassified subsequently to surplus or deficit:			
Exchange gain/(loss) on translating foreign operations		**3,189**	(63,661)
Other comprehensive (loss)/income for the reporting period		**(14,408,643)**	14,341,319
Total comprehensive (loss)/income for the reporting period		**(15,263,153)**	15,779,734

Consolidated Statement of Financial Position

At 30 June 2020

	Note	**2020 HK$**	2019 HK$
Non-current assets			
Property, plant and equipment	14	**112,522,151**	127,622,802
Intangible assets	15	**3,446,883**	-
Financial assets at fair value through other comprehensive income	19	**6,435,575**	4,896,594
Deposits for acquisition of intangible assets		**-**	1,027,500
		122,404,609	133,546,896
Current assets			
Inventories	17	**7,557**	16,750
Bond investments	16	**-**	1,561,717
Financial assets at fair value through profit or loss	18	**21,402,493**	19,553,668
Accounts and other receivables	20	**2,964,211**	3,844,635
Time deposits with original maturity over three months when acquired	21	**-**	5,331,773
Cash and cash equivalents	22	**11,343,794**	7,612,952
		35,718,055	37,921,495
Current liabilities			
Accounts and other payables	23	**3,548,066**	1,858,901
Contract liabilities	24	**2,263,479**	2,237,285
Lease liabilities	25	**202,067**	-
		6,013,612	4,096,186
Net current assets		**29,704,443**	33,825,309
NET ASSETS		**152,109,052**	167,372,205
Reserves and funds			
General fund		**51,361,119**	51,950,587
Property revaluation reserve		**97,377,697**	112,161,485
Financial assets at fair value through other comprehensive income reserve		**773,333**	453,397
Building maintenance sinking fund		**870,397**	870,397
Education development fund		**786,978**	1,000,000
IT maintenance fund		**1,000,000**	1,000,000
Exchange reserve		**(60,472)**	(63,661)
TOTAL RESERVES AND FUNDS		**152,109,052**	167,372,205

The consolidated financial statements were approved and authorised for issue by the Council on 3 November 2020 and are signed on its behalf by:

Gillian E Meller
President

Ernest CH Lee
Treasurer

Consolidated Statement of Changes in Reserves and Funds

For the year ended 30 June 2020

	General fund HK$	Property revaluation reserve HK$	Financial assets at fair value through other comprehensive income reserve HK$
Balance as at 1 July 2018	50,609,718	97,929,403	280,499
Surplus for the year	1,438,415	-	-
Other comprehensive income for the year	-	14,232,082	172,898
Total comprehensive income for the year	1,438,415	14,232,082	172,898
Transfer to general fund	312,000	-	-
Transfer from general fund	(409,546)	-	-
Balance as at 30 June 2019	51,950,587	112,161,485	453,397
Balance as at 30 June 2019 and 1 July 2019	51,950,587	112,161,485	453,397
Deficit for the year	(854,510)	-	-
Other comprehensive income for the year	-	(14,783,788)	371,956
Total comprehensive income for the year	(854,510)	(14,783,788)	371,956
Transfer to general fund	388,478	-	-
Transfer upon disposal of financial assets at fair value through other comprehensive income	52,020	-	(52,020)
Transfer from general fund	(175,456)	-	-
Balance as at 30 June 2020	51,361,119	97,377,697	773,333

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.

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 was 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.

During the year ended 30 June 2020, HK$388,478 was utilised for setting up the new qualifying programme.

	Building maintenance sinking fund HK$ (Note a)	Education development fund HK$ (Note b)	IT maintenance fund HK$ (Note c)	Exchange reserve HK$	Total HK$
	1,000,000	991,189	781,662	-	151,592,471
	-	-	-	-	1,438,415
	-	-	-	(63,661)	14,341,319
	-	-	-	(63,661)	15,779,734
	(192,000)	(120,000)	-	-	-
	62,397	128,811	218,338	-	-
	870,397	1,000,000	1,000,000	(63,661)	167,372,205
	870,397	1,000,000	1,000,000	(63,661)	167,372,205
	-	-	-	-	(854,510)
	-	-	-	3,189	(14,408,643)
	-	-	-	3,189	(15,263,153)
	-	(388,478)	-	-	-
	-	-	-	-	-
	-	175,456	-	-	-
	870,397	786,978	1,000,000	(60,472)	152,109,052

c. The IT maintenance fund represents funds for the purpose of maintenance of the Institute's IT systems. From 1 August 2015 to 30 June 2017, 0.5% of the gross income was 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.

The fund is capped at HK$1,000,000 and the Group has reached the cap since the year ended 30 June 2019.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 HK$	2019 HK$
Cash flows from operating activities			
(Deficit)/Surplus before income tax expense		**(790,022)**	1,438,415
Adjustments for:			
Depreciation of property, plant and equipment		**1,173,167**	634,619
Amortisation of intangible assets		**647,887**	-
Bad debts written off		**50,500**	-
Bank interest income		**(127,492)**	(128,545)
Interest income from cash at custodian		**(7,108)**	-
Interest income from bond investments		**(15,721)**	(31,411)
Lease interest expense		**17,011**	-
Loss on disposal of plant and equipment		**-**	12,474
Dividend income from financial assets at fair value through profit or loss		**(476,505)**	(738,748)
Dividend income from financial assets at fair value through other comprehensive income		**(127,566)**	(68,797)
Exchange differences		**(6,486)**	(371)
Inventories written off		**8,585**	-
Loss on disposal of financial assets at fair value through profit or loss		**564,964**	-
Unrealised loss/(gain) on financial assets at fair value through profit or loss		**217,065**	(220,596)
Surplus before changes in working capital		**1,128,279**	897,040
Decrease in inventories		**608**	4,135
Decrease in accounts and other receivables		**829,924**	75,827
Increase/(Decrease) in accounts and other payables		**1,689,165**	(9,035)
Decrease in subscriptions and fees received in advance		**-**	(2,745,608)
Increase in contract liabilities		**26,194**	2,237,285
Cash generated from operating activities		**3,674,170**	459,644
Income tax paid		**(64,488)**	-
Net cash generated from operating activities		**3,609,682**	459,644
Cash flows from investing activities			
Interest received		**150,321**	159,956
Dividends received		**469,991**	598,011
Purchase of property, plant and equipment		**(19,984)**	(255,989)
Purchase of intangible assets		**(3,067,270)**	-
Purchase of financial assets at fair value through profit or loss		**(4,139,060)**	-
Purchase of financial assets at fair value through other comprehensive income		**(3,359,953)**	(3,712,169)
Payment for deposits for acquisition of intangible assets		**-**	(483,750)
Proceeds on redemption of bond investments		**1,568,180**	-
Proceeds on sale of financial assets at fair value through profit or loss		**1,642,286**	-
Proceeds on sale of financial assets at fair value through other comprehensive income		**2,192,928**	1,380,500
Decrease in time deposits with original maturity over three months when acquired		**5,331,773**	1,876,527
Net cash from/(used in) investing activities		**769,212**	(436,914)
Cash flows from financing activities			
Interest paid	32	**(17,011)**	-
Repayment of principal portion of lease liabilities	32	**(634,230)**	-
Net cash used in financing activities		**(651,241)**	-
Net increase in cash and cash equivalents		**3,727,653**	22,730
Cash and cash equivalents at the beginning of the reporting period		**7,612,952**	7,653,883
Effect of foreign exchange rate change, net		**3,189**	(63,661)
Cash and cash equivalents at the end of the reporting period	22	**11,343,794**	7,612,952

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.

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/ interest 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	100%	-	As the sole member of the company (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	100%	-	As the sole member of the company (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
4.	思治企业谘询（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
6.	The Chartered Governance Institute of Hong Kong Limited ("CGIHKL")	Hong Kong	100%	-	Ordinary shares	Dormant
7.	The Hong Kong Chartered Governance Institute Limited (香港公司治理公會有限公司) ("HKCGIL")	Hong Kong	100%	-	Ordinary shares	Dormant

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES – continued

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. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Statement of compliance

The consolidated financial statements of the Institute and its subsidiaries (collectively referred to as "the Group") 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 Hong Kong Companies Ordinance.

b. Basis of measurement

The financial statements have been prepared under the historical cost basis except for the leasehold land and buildings which is held for own use and certain financial instruments, which are measured at fair value as explained in the significant accounting policies in Note 4.

c. Functional and presentation currency

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

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features and Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements to HKFRSs 2015-2017 Cycle

Except for as explained below, the adoption of these new or revised HKFRSs has no material impact on the Group's consolidated financial statements.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019 – continued

HKFRS 16 Leases

i. Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019.

On transition, the Group chose to apply HKFRS 16 under the modified retrospective approach of measuring right-of-use assets at an amount equal to the lease liabilities. Lease liabilities were measured at the present value of lease payments that are unpaid on 1 July 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as at 30 June 2019 to that as at 1 July 2019 as follows:

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019 – continued

HKFRS 16 Leases - continued

i. Impact of the adoption of HKFRS 16 – continued

Statement of consolidated financial position	As at 30 June 2019 HK$	Adoption of HKFRS 16 HK$	As at 1 July 2019 HK$
Assets			
Property, plant and equipment			
- Other properties leased for own use, carried at depreciated cost	-	726,250	726,250
- office equipment, carried at depreciated cost	-	132,604	132,604
Liabilities			
Lease liabilities (non-current)	-	208,057	208,057
Lease liabilities (current)	-	650,797	650,797

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$
Operating lease commitment as of 30 June 2019 (restated)	975,628
Non-lease component	(39,613)
Payments made previously	(60,005)
Future interest expenses (include in finance costs)	(18,392)
Others	1,236
Total lease liabilities as of 1 July 2019	858,854

The weighted average lessee's incremental borrowing rates applied to lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 are 3.96% for the copier machines leased in Hong Kong and 3.65% for the properties leased in Mainland China.

ii. The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019 – continued

HKFRS 16 Leases - continued

ii. The new definition of a lease – continued

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

iii. Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of where they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value. The adoption of HKFRS 16 therefore does not

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019 – continued

<u>HKFRS 16 Leases - continued</u>

iii. Accounting as a lessee - continued

Right-of-use asset - continued

have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased certain properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from a change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

iv. Transition

As mentioned above, the Group has applied HKFRS 16 using the modified retrospective approach. The initial recognition involves calculating the present value of all remaining lease payments using the lessee's incremental borrowing rate at the date of initial application and stating the lease liability at the calculated amount on the consolidated statement of financial position. The Group measures the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2019 – continued

HKFRS 16 Leases - continued

iv. Transition – continued

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases of low-value assets; (iii) excluded the initial direct costs from the measurement of the right-of-use asset at 1 July 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

Other than the above, the Group has applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[2]
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018-2020[3]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 June 2020

[3] Effective for annual periods beginning on or after 1 January 2022

[4] Effective for annual periods beginning on or after 1 January 2023

The Group has already commenced an assessment of the impact of adopting the above amendments to HKFRSs to the Group. The Council members of the Group anticipate that the application of these amendments to HKFRSs will have no material impact on the Group's consolidated financial performance and position and/or the disclosure to the consolidated financial statements of the Group.

4. 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 has power over the entity, has exposure, or 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

<u>Leasehold land and buildings</u>

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:

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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

b. Property, plant and equipment – continued

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
Other properties held for own use	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.

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 (accounting policies applied from 1 July 2019)

The Group as lessee

All leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

c. Leasing (accounting policies applied from 1 July 2019) – continued

The Group as lessee – continued

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from a change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

d. Leasing (accounting policies applied until 30 June 2019)

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 surplus or deficit 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.

e. Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Computer system	5 years
Online study materials	3 years

Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(l)).

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

f. Financial instruments

i. Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

i. Financial assets – continued

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

ii. Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

iii. Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group has one category of financial liabilities being financial liabilities at amortised cost.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

f. Financial instruments – continued

iii. Financial liabilities – continued

Financial liabilities at amortised cost are initially recognised at fair value, net of directly attributable transaction costs incurred and 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.

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 HKFRS 9.

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

g. Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchases 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.

h. Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

h. Revenue recognition – continued

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Revenue is recognised as follows:

i. Subscription income is recognised over time on a straight-line basis over the subscription period.
ii. Admission and registration fees are recognised at a point in time on completion of assessment services by granting the qualification to the applicants.
iii. Income from examinations is recognised over time based on the cost-to-cost method.
iv. Income from functions, seminars and courses, member and student activities is recognised over time as the services are rendered.
v. Interest income is recognised as it accrues using the effective interest method.
vi. Dividend income is recognised when the right to receive payment is established.
vii. Government subsidy are recognised as income when it is probable that the subsidy will be received and all attaching conditions will be complied with. It is recognised on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

Contract assets and liabilities

A contract liability represents the Group's obligation to transfer services or goods to a service user or customer for which the Group has received consideration (or an amount of consideration is due) from the service user or customer.

A contract liability is recognised when the service user or customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

i. 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.

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. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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 end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

i. Income taxes – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

j. 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 surplus or deficit in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in surplus or deficit 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.

k. Employee benefits

<u>Short term employee benefits</u>

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. Where payment is deferred and the effect would be material, these amounts are stated at their present values.

<u>Defined contribution retirement plan</u>

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

l. Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that this asset has 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 of disposal and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

l. Impairment of assets (other than financial assets) – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, 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.

m. 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.

n. 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Classification of leasehold land and buildings held for own use

In accordance with HKAS 16, *Property, Plant and Equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold land and buildings and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with Notes 4(b) and 4(c). Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

b. Key sources of estimation uncertainty

Fair value of leasehold land and buildings held for own use in Hong Kong

The Group's leasehold land and buildings held for own use in Hong Kong 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 the 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 judgement and is satisfied that the valuation reflects the current market conditions.

Impairment of accounts receivable

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. An estimate of the loss arising on default is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account of cash flows from collateral and integral credit enhancements. Probability of default, being a key input in measuring ECL, is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

6. SUBSCRIPTIONS AND FEES

	2020 **HK$**	2019 HK$
Subscriptions, recognised over time	15,303,425	14,481,912
Admission and registration fees, recognised at a point in time	6,967,123	6,154,840
	22,270,548	20,636,752

7. OTHER REVENUE

	2020 HK$	2019 HK$
Income from examinations, recognised over time	1,261,400	2,704,900
Income from seminars, courses, member and student activities and functions held, recognised over time	15,209,952	19,771,048
	16,471,352	22,475,948

8. INTEREST INCOME

	2020 HK$	2019 HK$
Bank interest income	127,492	128,545
Interest income from cash at custodian	7,108	-
Interest income from bond investments	15,721	31,411
	150,321	159,956

9. OTHER NET INCOME

	2020 HK$	2019 HK$
Dividend income on financial assets at fair value through profit or loss	476,505	738,748
Dividend income on financial assets at fair value through other comprehensive income	127,566	68,797
Donations	42,950	19,500
Government subsidy	297,000	-
Loss on disposal of plant and equipment	-	(12,474)
Net foreign exchange loss	(59,806)	(63,144)
Sales of study materials	2,060	16,010
Sundry income	398,633	543,790
Loss on disposal of financial assets at fair value through profit or loss	(564,964)	-
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(217,065)	220,596
	502,879	1,531,823

10. STAFF COSTS

	2020	2019
	HK$	HK$
Salaries, allowances and other benefits	19,499,927	18,610,874
Contributions to defined contribution retirement scheme:		
Hong Kong Mandatory Provident Fund	1,185,747	1,096,160
	20,685,674	19,707,034

Staff costs included key management personnel remuneration (Note 11).

11. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2020	2019
	HK$	HK$
Salaries	5,954,056	6,131,429
Performance benefits, other allowances and benefits-in-kind	1,642,162	1,768,556
Contributions to defined contribution retirement schemes	469,432	550,520
	8,065,650	8,450,505

12. OTHER OPERATING EXPENSES

	2020	2019
	HK$	HK$
Auditor's remuneration	237,170	162,097
Bad debts written off	50,500	-
Write off of inventories	8,585	-
Direct costs (Note)	4,015,672	8,184,420
Donations	62,865	1,000
Government rent and rates	89,275	93,525
Investment handling charges	361,547	356,206
Legal and professional fees	277,027	312,910
Credit card merchant fees	772,335	670,990
Operating leases – Buildings (under HKAS 17)	-	677,280
Postage and courier	121,901	166,015
Promotion and public relations	1,334,018	1,458,460
Publications and printing	3,107,108	3,286,957

12. OTHER OPERATING EXPENSES - continued

	2020 **HK$**	2019 HK$
Repairs and maintenance	113,443	107,101
Service fees charged by The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators)	848,136	910,508
Service fees in PRC	2,995,353	2,748,500
Scholarship, sponsorship and subject prizes	364,030	335,500
Student services	1,125,424	1,688,766
Sundry expenses	1,078,420	882,178
Travelling	158,149	404,731
Utilities	540,425	577,267
	17,661,383	23,024,411

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

13. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of comprehensive income represents:

	2020 **HK$**	2019 HK$
Current tax		
Overseas tax		
- Tax for the current year	64,488	-
Income tax expense	64,488	-

The income tax expense for the year can be reconciled to the (deficit)/surplus before income tax expense in the consolidated statement of comprehensive income as follows:

	2020 **HK$**	2019 HK$
(Deficit)/Surplus before income tax	(790,022)	1,438,415
Tax calculated at Hong Kong profits tax rate of 16.5%	(130,354)	237,338
Effect of different tax rate of a subsidiary operating in other jurisdiction	27,236	9,830
Effect of tax exemptions granted	183,223	(218,257)
Tax effect of concessionary tax rate	(64,085)	(23,129)
Others	48,468	(5,782)
Income tax expense	64,488	-

13. INCOME TAX EXPENSE – continued

No deferred tax liability has been recorded on certain temporary differences of HK$117,056 (2019: Nil) relating to the undistributed earnings of a foreign subsidiary because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

HKICS BJ
HKICS BJ is subject to PRC Enterprise Income Tax at 25%. HKICS BJ is qualified as a small and thin-profit enterprise, and the tax authorities have granted HKICS BJ preferential CIT rate of 5% for first RMB1,000,000 of assessable profits and 10% for the assessable profits between RMB1,000,000 to RMB3,000,000.

14. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2020

	Leasehold land held for own use carried at fair value HK$	Buildings held for own use carried at fair value HK$	Other properties leased for own use carried at cost HK$	Leasehold improvements HK$	Office furniture HK$	Office equipment HK$	Total HK$
Cost or valuation							
At 1 July 2019	121,100,000	5,900,000	-	3,352,605	487,853	3,488,817	134,329,275
Initial adoption of HKFRS 16 (Note 3(a))	-	-	726,250	-	-	132,604	858,854

14. PROPERTY, PLANT AND EQUIPMENT – continued

Year ended 30 June 2020

	Leasehold land held for own use carried at fair value HK$	Buildings held for own use carried at fair value HK$	Other properties leased for own use carried at cost HK$	Leasehold improvements HK$	Office furniture HK$	Office equipment HK$	Total HK$
At 1 July 2019 (re-stated)	121,100,000	5,900,000	726,250	3,352,605	487,853	3,621,421	135,188,129
Additions	-	-	-	-	3,966	16,018	19,984
Write-off	-	-	-	-	-	(5,005)	(5,005)
Deficit on revaluation	(14,500,000)	(500,000)	-	-	-	-	(15,000,000)
Exchange alignment	-	-	(27,491)	-	-	-	(27,491)
At 30 June 2020	106,600,000	5,400,000	698,759	3,352,605	491,819	3,632,434	120,175,617
Representing:							
Cost	-	-	698,759	3,352,605	491,819	3,632,434	8,175,617
Revaluation	106,600,000	5,400,000	-	-	-	-	112,000,000
	106,600,000	5,400,000	698,759	3,352,605	491,819	3,632,434	120,175,617
Accumulated depreciation							
At 1 July 2019	-	-	-	3,179,974	470,184	3,056,315	6,706,473
Charge for the year	108,212	108,000	553,982	172,631	8,341	222,001	1,173,167
Elimination on revaluation	(108,212)	(108,000)	-	-	-	-	(216,212)
Write-off	-	-	-	-	-	(5,005)	(5,005)
Exchange alignment	-	-	(4,957)	-	-	-	(4,957)
At 30 June 2020	-	-	549,025	3,352,605	478,525	3,273,311	7,653,466
Carrying amount							
At 30 June 2020	106,600,000	5,400,000	149,734	-	13,294	359,123	112,522,151

14. PROPERTY, PLANT AND EQUIPMENT – continued

Year ended 30 June 2019

	Leasehold land held for own use carried at fair value	Buildings held for own use carried at fair value	Leasehold improvements	Office furniture	Office equipment	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Cost or valuation						
At 1 July 2018	106,800,000	6,200,000	3,352,605	497,843	3,434,811	120,285,259
Additions	-	-	-	2,810	253,179	255,989
Write-off	-	-	-	(12,800)	(199,173)	(211,973)
Surplus on revaluation	14,300,000	(300,000)	-	-	-	14,000,000
At 30 June 2019	121,100,000	5,900,000	3,352,605	487,853	3,488,817	134,329,275
Representing:						
Cost	-	-	3,352,605	487,853	3,488,817	7,329,275
Revaluation	121,100,000	5,900,000	-	-	-	127,000,000
	121,100,000	5,900,000	3,352,605	487,853	3,488,817	134,329,275
Accumulated depreciation						
At 1 July 2018	-	-	2,927,460	473,379	3,102,596	6,503,435
Charge for the year	108,082	124,000	252,514	9,605	140,418	634,619
Elimination on revaluation	(108,082)	(124,000)	-	-	-	(232,082)
Write-off	-	-	-	(12,800)	(186,699)	(199,499)
At 30 June 2019	-	-	3,179,974	470,184	3,056,315	6,706,473
Carrying amount						
At 30 June 2019	121,100,000	5,900,000	172,631	17,669	432,502	127,622,802

Right-of-use assets

Right-of-use assets, included in the property, plant and equipment, by class of underlying asset are as follows:

	Leasehold land held for own use carried at fair value	Other properties held for own use carried at cost	Office equipment	Total
	HK$	HK$	HK$	HK$
Cost or valuation				
At 1 July 2019	121,100,000	726,250	132,604	121,958,854
Deficit on revaluation	(14,500,000)	-	-	(14,500,000)
Exchange alignment	-	(27,491)	-	(27,491)
At 30 June 2020	106,600,000	698,759	132,604	107,431,363

14. PROPERTY, PLANT AND EQUIPMENT – continued

Right-of-use assets – continued

	Leasehold land held for own use carried at fair value HK$	Other properties held for own use carried at cost HK$	Office equipment HK$	Total HK$
Representing:				
Cost	–	698,759	132,604	831,363
Revaluation	106,600,000	–	–	106,600,000
	106,600,000	698,759	132,604	107,431,363
Accumulated depreciation				
At 1 July 2019	–	–	–	–
Charge for the year	108,212	553,982	83,750	745,944
Elimination on revaluation	(108,212)	–	–	(108,212)
Exchange alignment	–	(4,957)	–	(4,957)
At 30 June 2020	–	549,025	83,750	632,775
Carrying amount				
At 30 June 2020	106,600,000	149,734	48,854	106,798,588

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 2020 and 2019, the fair value of leasehold land and buildings held for own use were determined using the 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.

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Leasehold land and buildings in Hong Kong	Direct comparison approach	Premium on characteristics of the properties	-6.5% to 7% (2019: -10.5% to 15%)

14. PROPERTY, PLANT AND EQUIPMENT – continued

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 in the reporting period.

Fair value movements

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

	HK$
At 1 July 2018	113,000,000
Depreciation	(232,082)
Valuation surplus	14,232,082
At 30 June 2019 and 1 July 2019	127,000,000
Depreciation	(216,212)
Valuation deficit	(14,783,788)
At 30 June 2020	112,000,000

Valuation deficit of HK$14,783,788 (2019: surplus of HK$14,232,082) 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$14,185,505 and HK$1,790,712 respectively (2019: HK$14,202,658 and HK$1,844,976 respectively) at the end of the reporting period.

15. INTANGIBLE ASSETS

	Computer system HK$	Online study materials HK$	Total HK$
Cost			
At 1 July 2019	-	-	-
Addition	2,464,500	1,630,270	4,094,770
At 30 June 2020	2,464,500	1,630,270	4,094,770
Accumulated amortisation			
At 1 July 2019	-	-	-
Charge for the year	376,175	271,712	647,887
At 30 June 2020	376,175	271,712	647,887
Carrying amount			
At 30 June 2020	2,088,325	1,358,558	3,446,883

16. BOND INVESTMENTS

	2020	2019
	HK$	HK$
Bonds measured at amortised cost	-	1,561,717

As at 30 June 2019, the bonds had contractual interest rate of 2.005% per annum with maturity on 18 September 2019.

17. 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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$	HK$
Unlisted fund investments	21,402,493	19,553,668

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK$	HK$
Listed equity securities	6,435,575	4,896,594

i. Disposal of equity investments

During the year ended 30 June 2020, the Group sold certain of its equity investments in order to suit the Group's investment strategy. The equity securities had a fair value of HK$2,192,928 (2019: HK$1,270,212) at the time of the sale.

ii. Amount recognised in surplus or deficit, and other comprehensive income

	2020	2019
	HK$	HK$
Gain recognised in other comprehensive income	371,956	172,898
Dividends from equity investments held at FVOCI recognised in surplus or deficit:		
Relating to investments derecognised during the year	7,244	28,186
Relating to investments held at the end of the reporting period	120,322	40,611
	127,566	68,797

20. ACCOUNTS AND OTHER RECEIVABLES

	2020	2019
	HK$	HK$
Accounts receivables (Note i)	513,567	1,203,572
Other receivables (Note ii)	684,316	1,295,934
Deposits	244,257	248,503
Prepayments	1,522,071	1,096,626
	2,964,211	3,844,635

Note:

i. Invoices are due on presentation. At the end of the reporting period, ageing analysis of the accounts receivables (net of impairment losses), based on invoice dates, are as follows:

	2020	2019
	HK$	HK$
Current	170,522	325,010
1-3 months	187,716	737,747
Over 3 months	155,329	140,815
	343,045	878,562
	513,567	1,203,572

The Council members considered that credit risk is not significant.

The Group assessed impairment loss based on the accounting policy stated in note 4(f)(ii). Further details on the Group's credit policy and credit risk arising from accounts receivables are set out in note 30(a).

ii. Other receivables represented seminar income receivable from an external seminar organiser. Credit risk is not significant.

The Group did not hold any collateral as security or other credit enhancement over these balances.

21. TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS WHEN ACQUIRED

	2020	2019
	HK$	HK$
Time deposits with original maturity over three months when acquired	-	5,331,773

As at 30 June 2019, the Group's time deposits earned interest at bank deposit rate of 2.0% per annum and had original maturity of six months.

22. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$	HK$
Cash and bank balances	7,055,730	4,155,477
Time deposits with original maturity three months or less when acquired	2,452,736	–
Cash at custodians	1,835,328	3,457,475
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	11,343,794	7,612,952

Cash at banks earned interest ranging from 0.1% to 0.3% (2019: ranged from 0.125% to 0.3%) per annum.

Time deposits with original maturity three months or less when acquired earned interest of 2.0% per annum (2019: Nil).

Included in the Group's cash and bank balances is an amount of HK$1,848,822 (2019: HK$1,252,846) which is held by HKICSFL that can be used to fulfil the objects of HKICSFL as set out in its Articles of Association.

23. ACCOUNTS AND OTHER PAYABLES

	2020	2019
	HK$	HK$
Accruals and other payables	2,674,066	1,858,901
Deferred income	874,000	–
	3,548,066	1,858,901

24. CONTRACT LIABILITIES

	2020	2019
	HK$	HK$
Contract liabilities	2,263,479	2,237,285

Contract liabilities represent fees received or entitled to for which the Group has not delivered the related services in respect of the unexpired subscription period of student members, registration applications to be assessed, and examinations, seminars or functions to be completed.

24. CONTRACT LIABILITIES – continued

Movements in contract liabilities during the year:

	HK$
Balance at 1 July 2018 upon adopting HKFRS 15	2,745,608
Decrease in contract liabilities as a result of recognising revenue	(2,745,608)
Increase in contract liabilities as a result of advanced consideration received/billing in advance during the year	2,237,285
Balance at 30 June 2019 and 1 July 2019	2,237,285
Decrease in contract liabilities as a result of recognising revenue	(2,237,285)
Increase in contract liabilities as a result of advanced consideration received/billing in advance during the year	2,263,479
Balance at 30 June 2020	2,263,479

25. LEASES LIABILITIES

The Group has initially applied HKFRS 16 using the modified retrospective approach and recognise lease liabilities relating to a lease which was previously classified as operating leases under HKAS 17. Refer to Note 3 (a)(iv) for further details about transition.

	Other properties leased for own use in Mainland China HK$	Copiers leased for own use in Hong Kong HK$	Total HK$
Initial application of HKFRS 16 on 1 July 2019 (Note 3(a)(i))	726,250	132,604	858,854
Interest expenses	13,536	3,475	17,011
Lease payments	(564,985)	(86,256)	(651,241)
Exchange alignment	(22,557)	–	(22,557)
At 30 June 2020	152,244	49,823	202,067

Future lease payments are due as follows:

At 30 June 2020	Minimum lease payments HK$	Interest HK$	Present value HK$
Not later than one year	203,024	(957)	202,067
	203,024	(957)	202,067

25. LEASES LIABILITIES – continued

At 1 July 2019	Minimum lease payments HK$	Interest HK$	Present value HK$
Not later than one year	668,214	(17,417)	650,797
Later than one year and not later than two years	209,032	(975)	208,057
	877,246	(18,392)	858,854

The present value of future lease payments are analysed as:

	30 June 2020 HK$	1 July 2019 HK$
Current liabilities	202,067	650,797
Non-current liabilities	-	208,057
	202,067	858,854

26. 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.

27. CAPITAL COMMITMENT

At 30 June 2020, the Institute had no capital commitment (2019: HK$960,000 in respect of purchases of management information system).

28. LEASES

Operating leases – As lessee (accounting policies applied until 30 June 2019)

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.

28. LEASES – continued

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

	2019 HK$
Within one year	751,750
In the second to fifth year inclusive	396,390
	1,148,140

29. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 **HK$**	2019 HK$
Financial assets		
– at amortised cost		
Bond investments	–	1,561,717
Accounts and other receivables	1,442,140	2,748,009
Time deposits with original maturity over three months when acquired	–	5,331,773
Cash and cash equivalents	11,343,794	7,612,952
	12,785,934	17,254,451
– at fair value		
Financial assets at fair value through other comprehensive income	6,435,575	4,896,594
Financial assets at fair value through profit or loss	21,402,493	19,553,668
	27,838,068	24,450,262
Financial liabilities – measured at amortised cost		
Accounts and other payables	2,674,066	1,858,901
Lease liabilities	202,067	–
	2,876,133	1,858,901

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 financial assets 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.

The Council reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Council considers that the Group's exposure credit risk have been significantly reduced.

b. Currency risk

The Group is exposed to foreign currency risk arising from translating bank balances, bond 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.

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 2020	USD	GBP	RMB
Assets			
Cash and cash equivalents	1,061,508	480,747	102,648
Deposits and other receivables	-	-	756,672
Financial assets at fair value through profit or loss	12,256,168	-	-
Financial assets at fair value through other comprehensive income	1,812,781	-	-
	15,130,457	480,747	859,320

Exposure to foreign currency (expressed in HK$)			
At 30 June 2020	USD	GBP	RMB
Liabilities			
Lease liabilities	-	-	53,670

30. FINANCIAL RISK MANAGEMENT – continued

b. Currency risk – continued

Exposure to foreign currency (expressed in HK$) At 30 June 2019	USD	GBP	RMB
Assets			
Cash and cash equivalents	776,982	3,532	111,332
Account receivables	-	-	163,296
Deposits and other receivables	-	-	1,372,837
Bond investments	1,561,717	-	-
Financial assets at fair value through profit or loss	9,410,782	-	-
Financial assets at fair value through other comprehensive income	365,704	-	-
	12,115,185	3,532	1,647,465

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 deficit (2019: surplus) would be increased by approximately HK$24,000 (2019: decreased by HK$200) and HK$40,300 (2019: decreased by HK$82,400), respectively. If Hong Kong dollars had weakened against these currencies by 5%, the Group's deficit (2019: surplus) would be decreased (2019: increased) by the same amount.

The Group's exposure to currency risk arising from financial assets denominated in USD is insignificant, as HK$ is pegged to USD.

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 or on demand HK$	Total contractual undiscounted cash flow HK$	Total carrying amount HK$
As at 30 June 2020			
Accounts and other payables	2,674,066	2,674,066	2,674,066
Lease liabilities	203,024	203,024	202,067
	2,877,090	2,877,090	2,876,133
As at 30 June 2019			
Accounts and other payables	1,858,901	1,858,901	1,858,901

30. FINANCIAL RISK MANAGEMENT – continued

d. Market risk

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Other price risk

The Group is exposed to price risk through financial assets at fair value through profit or loss which are run and operated by fund managers. The Council of the Institute manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on the dealing price of listed and unlisted fund investments derived from the net asset values of the investments, with reference to observable quoted prices of underlying investment portfolio in active markets.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting date.

If the prices of the financial assets at fair value through profit or loss had been 5% (2019: 5%) higher/lower, the Group's deficit for the year would decrease/increase by approximately HK$1,070,000 (2019: surplus for the year would increase/decrease by HK$978,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

e. Fair value measurement

The Group's financial assets and liabilities measured at fair value are categorised into the three-level fair value hierarchy 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 unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using 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.

30. FINANCIAL RISK MANAGEMENT – continued

e. Fair value measurement – continued

At 30 June 2020	Level 1 HK$	Level 2 HK$	Total HK$
Financial assets at fair value through profit or loss:			
- Funds - unlisted (Note ii)	-	21,402,493	21,402,493
Financial assets at fair value through other comprehensive income:			
- Equity securities - listed (Note i)	6,435,575	-	6,435,575
	6,435,575	21,402,493	27,838,068
At 30 June 2019			
Financial assets at fair value through profit or loss:			
- Funds - unlisted (Note ii)	-	19,553,668	19,553,668
Financial assets at fair value through other comprehensive income:			
- Equity securities - listed (Note i)	4,896,594	-	4,896,594
	4,896,594	19,553,668	24,450,262

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 unlisted fund investments derived from the net asset values of the investments, with reference to observable quoted prices of underlying investment portfolio in active markets.

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.

31. CAPITAL RISK MANAGEMENT – continued

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. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$ (Note 25)
At 30 June 2019	-
Impact of initial application of HKFRS16	858,854
At 1 July 2019	858,854
Changes from cash flows:	
Repayment of principal portion of the lease liabilities	(634,230)
Repayment of interest portion of the lease liabilities	(17,011)
Total changes from financing cash flow	(651,241)
Other non-cash movements:	
Interest on lease liabilities	17,011
Exchange alignment	(22,557)
Total other non-cash movements	(5,546)
At 30 June 2020	202,067

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

34. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE

		2020 HK$	2019 HK$
Non-current assets			
Property, plant and equipment		112,425,103	127,622,802
Interests in subsidiaries		24	22
Intangible assets		3,446,883	-
Financial assets at fair value through other comprehensive income		6,435,575	4,896,594
Deposits for acquisition of intangible assets		-	1,027,500
		122,307,585	133,546,918
Current assets			
Inventories		4,557	13,450
Bond investments		-	1,561,717
Financial assets at fair value through profit or loss		21,402,493	19,553,668
Accounts and other receivables		2,776,253	3,687,040
Amounts due from subsidiaries		1,062,999	1,839,596
Time deposits with original maturity over three months when acquired		-	5,331,773
Cash and cash equivalents		8,398,867	4,613,165
		33,645,169	36,600,409
Current liabilities			
Accounts and other payables		3,074,001	1,504,535
Amounts due to subsidiaries		13	11
Lease liabilities		103,392	-
Contract liabilities		2,109,715	2,179,768
		5,287,121	3,684,314
Net current assets		28,358,048	32,916,095
NET ASSETS		150,665,633	166,463,013
Reserves and funds			
General fund	35	49,857,228	50,977,734
Financial assets at fair value through other comprehensive income reserve	35	773,333	453,397
Property revaluation reserve	35	97,377,697	112,161,485
Building maintenance sinking fund	35	870,397	870,397
Education development fund	35	786,978	1,000,000
IT maintenance fund	35	1,000,000	1,000,000
TOTAL RESERVES AND FUNDS		150,665,633	166,463,013

The financial statements were approved and authorised for issue by the Council on 3 November 2020 and are signed on its behalf by:

Gillian E Meller
President

Ernest CH Lee
Treasurer

35. SUMMARY OF THE INSTITUTE'S RESERVES AND FUNDS

	General fund HK$	Financial assets at fair value through other comprehensive income reserve HK$	Property revaluation reserve HK$	Building maintenance sinking fund HK$	Education development fund HK$	IT maintenance fund HK$	Total HK$
Balance as at 1 July 2019	50,977,734	453,397	112,161,485	870,397	1,000,000	1,000,000	166,463,013
Deficit for the year	(1,385,548)	-	-	-	-	-	(1,385,548)
Other comprehensive income for the year	-	371,956	(14,783,788)	-	-	-	(14,411,832)
Total comprehensive income for the year	(1,385,548)	371,956	(14,783,788)	-	-	-	(15,797,380)
Transfer to general fund	388,478	-	-	-	(388,478)	-	-
Transfer from general fund	(175,456)	-	-	-	175,456	-	-
Transfer upon disposal of financial assets at fair value through other comprehensive income	52,020	(52,020)	-	-	-	-	-
Balance as at 30 June 2020	49,857,228	773,333	97,377,697	870,397	786,978	1,000,000	150,665,633

35. SUMMARY OF THE INSTITUTE'S RESERVES AND FUNDS – continued

	General fund HK$	Financial assets at fair value through other comprehensive income reserve HK$	Property revaluation reserve HK$	Building maintenance sinking fund HK$	Education development fund HK$	IT maintenance fund HK$	Total HK$
Balance as at 1 July 2018	49,827,331	280,499	97,929,403	1,000,000	991,189	781,662	150,810,084
Surplus for the year	1,247,949	–	–	–	–	–	1,247,949
Other comprehensive income for the year	–	172,898	14,232,082	–	–	–	14,404,980
Total comprehensive income for the year	1,247,949	172,898	14,232,082	–	–	–	15,652,929
Transfer to general fund	312,000	–	–	(192,000)	(120,000)	–	–
Transfer from general fund	(409,546)	–	–	62,397	128,811	218,338	–
Balance as at 30 June 2019	50,977,734	453,397	112,161,485	870,397	1,000,000	1,000,000	166,463,013

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Please tell us what you think by email: ask@hkics.org.hk.

Printed on sustainably sourced paper, and published in consultation and cooperation with Ninehills Media Ltd.

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