

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

Annual Report 2019



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.

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

香港特許秘書公會

(于香港注册成立的担保有限公司)

香港特許秘書公會(公會)是一個獨立專業團體，一直致力於訂定與執行良好公司治理政策，在香港以至內地提升會員所擔當的角色，同時推動「特許秘書」及「Chartered Governance Professional」專業的發展。

公會於1949年成立，最初為設立在英國倫敦的特許公司治理公會(CGI)(原稱為：特許秘書及行政人員公會(ICSA))的屬會，於1990年成為CGI的香港分會，並於1994年在香港正式註冊成為獨立專業團體，亦從2005年至今為CGI的中國屬會。

公會亦是公司秘書國際聯合會(CSIA)的創會成員之一，CSIA於2010年3月於瑞士日內瓦成立，從2017年CSIA遷移至香港，並以香港担保有限公司形式運作，在國際上代表全球公司秘書和管治專業人士發聲。

公會現擁有超過6,000名會員及3,200名學員。

更多资讯，請瀏覽 www.hkics.org.hk

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Report summary

Welcome to the 2019 Annual Report of The Hong Kong Institute of Chartered Secretaries (HKICS, the Institute). This report covers the financial year from 1 July 2018 to 30 June 2019 (fiscal 2019). Figures for fiscal 2018 in this report relate to period from 1 July 2017 to 30 June 2018. The financial results contained in this report reflect the consolidated results of the Institute and its five subsidiaries.

Who we are

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

Membership growth

Our membership and studentship numbers continue to advance favourably over the long term. As of 30 June 2019, we had 6,141 members (3% increase from 2018), 331 graduates (2% decrease from 2018) and 3,513 students (3% increase from 2018).

Financial performance

The Institute, together with its subsidiaries, made an operating surplus of HK\$1,438,415 in fiscal 2019. Sustaining an operating surplus is essential to our success and ensures we have the financial resources to achieve our strategic goals, now and in the future. Total income was HK\$44,804,479 (9% increase from 2018), the majority 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 for 2019 was HK\$20,636,752 (2% increase from 2018), while income

from continuing professional development (CPD) and other activities was HK\$19,771,048 (23% increase from 2018). There was no change to our subscription fees this fiscal year. Total costs and expenses were HK\$43,366,064 (9% increase from 2018).

Our primary activities

Our International Qualifying Scheme (IQS) examinations continue to serve as an important route to qualification in our profession, both in Hong Kong and the Mainland. This year, a total of 1,829 students enrolled for the IQS examinations (6% decrease from 2018). Despite the slight drop in numbers overall, we saw a significant rise of 52% in the number of students enrolling for the examinations in the Mainland. The programmes under our Collaborative Course Agreement with the four respective universities are an increasingly popular route to membership, with 261 new students in fiscal 2019 enrolling in the programmes (19% increase from 2018). We ran 133 enhanced CPD (ECPD) events in Hong Kong and the Mainland in fiscal 2019 (21% increase from 2018), attracting 21,876 participants (4% up from 2018), and we had as many as 3,448 participants for our online CPD seminars (38% surge from 2018). This continued to be an active year in terms of our membership events, with a total of 47 events (15% decrease from 2018) attended by 2,838 participants (27% decrease from 2018). In addition, we produced two new research reports, eight guidance notes and 10 consultation submissions on various aspects of regulatory reform and policy formulation relevant to governance issues.



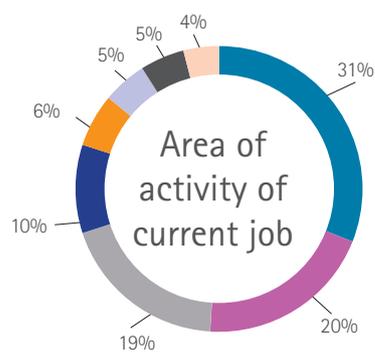
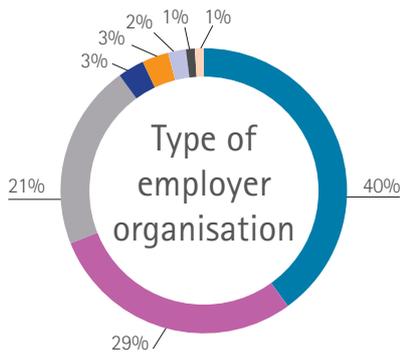
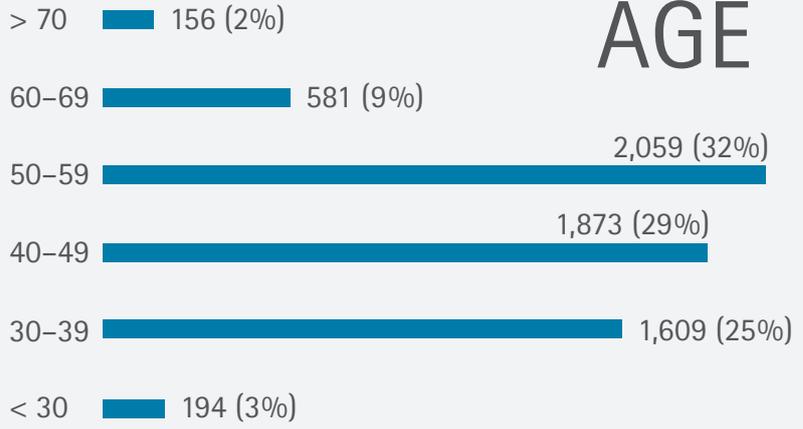
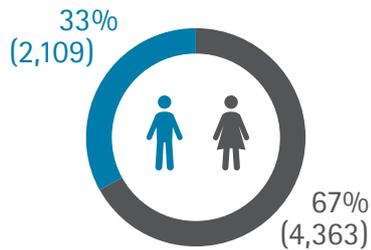
Note: Percentages in parenthesis refer to the comparison between this financial year, from 1 July 2018 to 30 June 2019, and the previous financial year, from 1 July 2017 to 30 June 2018.

NAVIGATING THIS REPORT

Following the redesign of our annual report in 2017, the data previously contained in our management discussion and analysis section can be found in the financial performance subsection (page 2) and in our key risks and challenges section (pages 32–33). Our former business review is now contained in our performance review (pages 18–31) and our corporate social responsibility report (pages 34–36).

MEMBERSHIP & GRADUATESHIP PROFILE

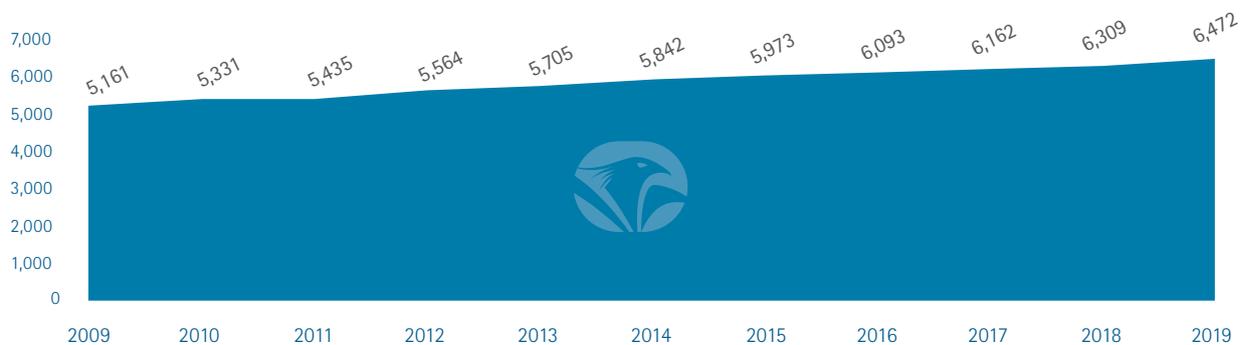
6,472
members
and graduates



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

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

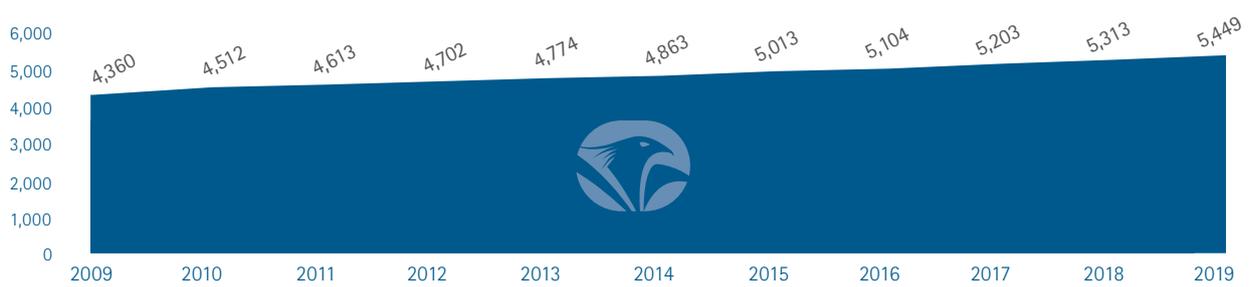
Members and graduates growth



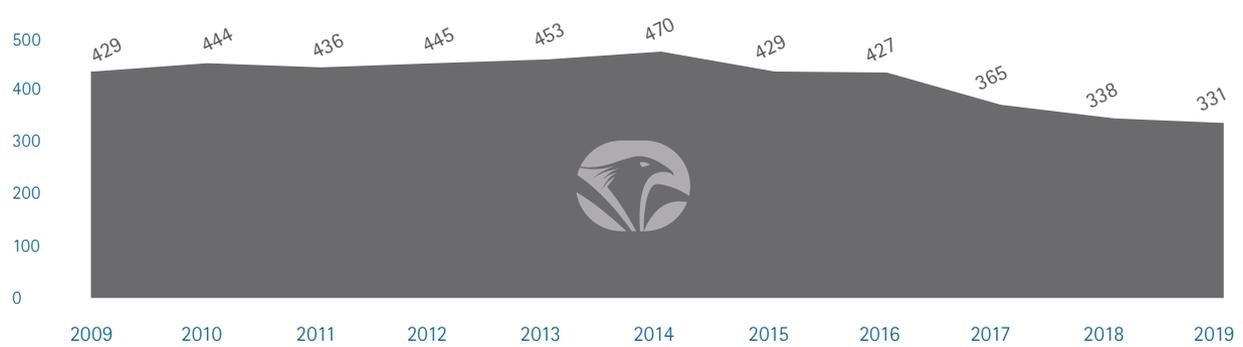
Fellows



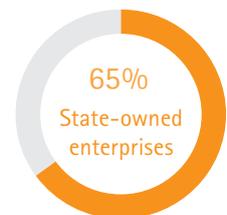
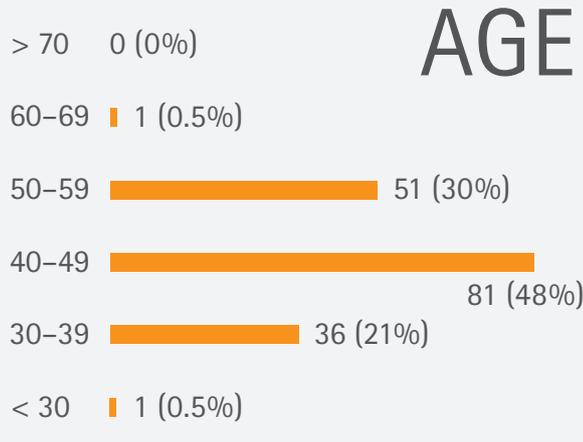
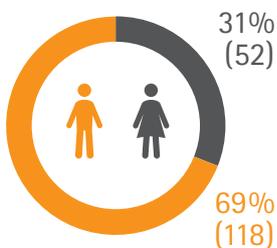
Associates



Graduates



170
Affiliated
Persons



President's report

Our strategic direction

The political, social and business environment within which we have been working over the 12 months covered by this report has been turbulent to say the least. The ongoing Sino-US trade war has hit Hong Kong businesses hard and, since June 2019, we have experienced the most serious political upheaval we have seen in Hong Kong since the 1960s. Moreover, as a backdrop to all of this, we have the ongoing disruption caused by new technologies, and the growing environmental threats of biodiversity loss, climate change and pollution.

Is any of this relevant to the governance profession? I believe it is. Firstly, it is impossible to properly discharge our duties – in particular our board advisory function – without a keen awareness of the big picture. And secondly, as Edith Shih FCIS FCS(PE), a former President of our Institute and currently International President of The Chartered Governance Institute (CGI) –

formerly The Institute of Chartered Secretaries and Administrators (ICSA) – pointed out in her speech at our Annual Dinner at the beginning of the year, governance has become all the more relevant in the current environment. Better governance is in fact exactly the prescription that is needed for many of the ills facing our society, global and local, in these testing times.

A new chapter

One of our key priorities in the year under review has been to realign the identity of our Institute with the core concept of providing excellence in governance. We commenced awarding the new Chartered Governance Professional (CGP) designation, alongside the existing Chartered Secretary (CS) designation, to eligible members in September 2018. This new designation is not just a new set of post-nominals for our members – it reflects changes that have been occurring over many decades. Governance has been taking an ever-



"better governance is in fact exactly the prescription that is needed for many of the ills facing our society, global and local, in these testing times"

higher profile in the work of our members, whether they be traditional company secretaries or one of the wide range of professionals involved in governance work, such as lawyers, accountants, directors and managers. Our members have become de facto 'chief governance officers' in the organisations they serve. In addition, our Institute has become a leading global professional institute in governance, both in terms of our qualification and our CPD training, as well as our advocacy and thought leadership work.

This repositioning of our profession is still a work in progress. In the pages that follow, our Chief Executive will report on the work we are doing to transition to our new qualifying programme – Chartered Governance Qualifying Programme (CGQP) – and to realign our CPD offerings to a broader governance curriculum. Once these are in place, it will only remain for us to consider putting 'governance' on the outside, as well as the inside, of the box. We set up a working group in 2016 to look into a possible name change for our Institute, and we plan to consult members on this initiative soon. Following member approval at the September 2018 AGM, it was agreed to change the name of our international body, ICSA, to 'The Chartered Governance Institute' (CGI), which became effective on 16 September 2019. This is also a route many divisions of CGI have already chosen – Australia, New Zealand, UKRIAT (the United Kingdom, Republic of Ireland and Associated Territories), Canada and Malaysia have been renamed as 'governance institutes'.

Our advocacy role

Our Institute remains a leading voice in the policy and intellectual debates regarding governance, and fiscal 2019 has been a busy year for this aspect of our work. We made 10 submissions to HKSAR government bureaus and departments, the Bills Committee of the Legislative Council, the Securities and Futures Commission and Hong Kong Exchanges and Clearing Ltd during the period under review. We also published two research reports – a follow-up to our 2016 report on the continuing difficulties for companies opening bank accounts in Hong Kong, and a report – in collaboration



with KPMG China and CLP Holdings Ltd – looking at the practices of businesses in Hong Kong in environmental, social and governance management and reporting. Both reports, in keeping with our research remit, do not only highlight the relevant issues but also make practical recommendations on how to improve outcomes.

In addition to these research reports, our monthly journal *CSj* continues to help our members and our wider community of stakeholders understand and keep up to date with issues relevant to governance and company secretarial practice. We have also expanded our series of guidance notes addressing specific areas of practice of relevance to our members and stakeholders. In fiscal 2019, the seven Interest Groups under our Technical Consultation Panel initiated eight new guidance notes, encompassing competition law; company law; initial public offerings; public governance; ethics, bribery and corruption; mergers and acquisitions; and technology.

Expanding horizons

Our operations are not confined to Hong Kong; fiscal 2019 has seen greater collaboration regionally and internationally. Our Mainland China Technical Consultation Panel, which operates under the Institute's Mainland China Focus Group, has been involved in three research projects this year. These have shed light on the inside information disclosure

"our Institute has become a leading global professional institute in governance, both in terms of our qualification and our CPD training, as well as our advocacy and thought leadership work"

practices and the connected transaction practices of A+H share companies, as well as regulatory issues relevant to the Stock Connect programmes linking the Shanghai, Shenzhen and Hong Kong capital markets.

We continued to have good working relationships with stakeholders in the Mainland, in particular the China Association for Public Companies, the Insurance Association of China, and the Shenzhen and Shanghai stock exchanges. We also expanded our engagement work in the Mainland to new high-tech enterprises by teaming up with Zhongguancun Science Park Administrative Committee, Shanghai Pilot Free Trade Zone Administrative Committee and Shenzhen's Nanshan Association for Public Companies.

In addition to our work in the Mainland, we have also deepened ties with other CGI divisions, as well as our peers in the ASEAN Corporate Secretaries Network. In March 2019, we held our first-ever corporate governance conference in collaboration with CGI and key stakeholder organisations in Taiwan. The Practical Corporate Governance

Conference 2019 provided a venue to share international practices and to promote our profession in Taiwan.

On the wider international stage, our work with CGI and the Corporate Secretaries International Association Ltd (CSIA), of which our Institute is a founder member, helps us build a truly global forum for issues relevant to our profession.

The work ahead

I am honoured to have served as President for two consecutive terms and it is now time to hand over the reins. Our Institute is in good financial health, making, together with its subsidiaries, an operating surplus of HK\$1,438,415 in fiscal 2019. Sustaining an operating surplus is essential to our success since it ensures we have the financial resources to achieve our current and future strategic goals.

I would like to express my gratitude to the many people I have worked with during my tenure as President. I wish my successor in this role every success and will continue to play a part in taking forward the goals of our Institute.



David YH Fu FCIS FCS(PE)

President

The Hong Kong Institute of Chartered Secretaries
1 November 2019



Double Anniversary



Gala Dinner

17 February 2019



Chief Executive's report

Work in progress

2019 marks 70 years since our global professional body, The Chartered Governance Institute (CGI) – formerly The Institute of Chartered Secretaries and Administrators (ICSA) – first set up in Hong Kong, and 25 years since our local Institute, The Hong Kong Institute of Chartered Secretaries (the Institute), was established as an independent professional body. In this double anniversary year, we have made significant progress towards our Institute's goals. Our President addressed our strategic priorities in his report; I would like to add some detail to the picture of what we have achieved in fiscal 2019 and how we hope to take forward our work in the year ahead.

A dual qualification

In September 2018, we began awarding our new Chartered Governance Professional (CGP) designation, alongside the existing

Chartered Secretary (CS) designation, to eligible members in phases. As of 30 June 2019, 77% of our members had both designations. The new CGP designation will bring better recognition of the value our members bring to the organisations they serve.

The year under review has seen progress in our efforts to ensure a smooth transition to the new combined CS/CGP designation. The major focus of our work has been to update and reshape our qualification programme. The final examination diet of our current qualification programme – the International Qualifying Scheme (IQS) – will be in December 2019. Our Secretariat team has been working closely with academics, professionals, outside consultants, and our examiners and assessment review panel members to ensure that there is a smooth transition to our new qualifying programme – Chartered Governance Qualifying Programme (CGQP) – which we are on



"joining our network not only gives you the opportunity to be a part of the evolution of our profession at an exciting and critical time, it will also directly help you develop your own career in governance"

course to launch on 1 January 2020. The first CGQP examination diet will be in June 2020.

The IQS was more focused on the knowledge needed to perform the traditional company secretary role. While this is as important today as it has always been for maintaining a well-run organisation, it is only part of the skill sets required of governance professionals. The revised syllabus of the CGQP broadens the curriculum and has a much stronger emphasis on board effectiveness and risk management. Those who successfully complete the CGQP will be awarded the dual CS/CGP designation.

In September 2018, the CGI Professional Standards Committee (PSC) granted full accreditation to our Quality Assurance Framework for the qualifying examinations, with no conditions attached until the end of 2022, other than the provision of an annual report to the PSC. This is a great achievement for our Institute and I would like to thank everyone who helped to make this possible.

Professional development

In addition to preparing for the CGQP, we have also realigned our enhanced CPD (ECPD) offerings to ensure that they build the knowledge and reinforced skill sets that our members need as governance professionals and company secretaries.

The principal ECPD event of the year was our 11th biennial Corporate Governance Conference (CGC) 2018, held on 14 and 15 September under the theme 'Corporate Governance – The New Horizon', as part of our Corporate Governance Week 2018. The conference provided a unique opportunity to our members, graduates, students and fellow governance professionals to meet and learn from some of the world's top thought leaders in the field. The focus was on how governance

“the new Chartered Governance Professional designation will bring better recognition of the value our members bring to the organisations they serve”

professionals can adapt to the emerging business environment, as well as how to seize the opportunities afforded by the rapidly advancing digital age.

Our ECPD services continue to attract an ever-larger audience. We held a total of 133 ECPD events, a rise of 21% from the previous fiscal year, attended by a total of 21,876 participants, while we also offered 22 online CPD seminars (up from 16 in fiscal 2018), which attracted 3,448 participants (38% increase). Fiscal 2019 also saw a 34% rise in the number of participants at our ECPD events in the Mainland, reflecting the growing interest in, and recognition of, our profession there.

The audience for our ECPD services also continues to diversify. We have been broadening the relevance of our ECPD events to ensure that they attract a wider spectrum of professionals involved in governance. In the Mainland, for example, we successfully held our first training session for directors, as a component of the 49th Affiliated Persons ECPD Seminars, representing a major milestone in the professional training of directors in the Mainland.





Staying relevant

In addition to providing ongoing training to our members, we recognise the value of soft skill training and networking with fellow members of our professional community. With this in mind, we expanded our popular networking luncheons in 2019. We launched a new Stakeholders Networking Luncheon to help us promote the CS and CGP designations to stakeholders in the human resources and recruitment fields. Looking ahead, we are also planning to hold more leadership series luncheons, inviting leaders in different fields to share their expertise with our members.

We also continue our efforts to reach out to the younger generation to introduce potential students to our profession. Our third annual Governance Professionals Preview Day, held on 23 February 2019, attracted 200 participants. We also held three Governance Professionals Information Sessions this year, attended by 136 participants, and organised 14 professional seminars and information sessions at local educational institutions to promote the governance profession. In addition, through The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation), we sponsor student orientation sessions at local universities and institutions, as well as help fund scholarships and subject prizes for collaborative courses and other degree programmes to encourage and financially aid promising students.

Another ongoing focus of our work in fiscal 2019 has been the adaptation to the digital era. Technology

already offers many new tools that increase the efficiency and accuracy of our members' work – including minute-taking devices; board portal and information management systems; audio/visual tools for meetings; and distributed ledger technologies and artificial intelligence. Our ECPD training and thought leadership offerings need to ensure that our members stay up to date with these trends.

Join us

In this double anniversary year, I would like to express my gratitude to the many people who have contributed to our work. The activities covered by this report involve a stellar cast of staff, members, graduates, students and stakeholders, as well as people in the wider governance community – to whom I extend heartfelt thanks. I would also urge anyone not yet involved to come on board. Joining our network not only gives you the opportunity to be a part of the evolution of our profession at an exciting and critical time, it will also directly help you develop your own career in governance.

Samantha PY Suen FCIS FCS(PE)

Chief Executive

The Hong Kong Institute of Chartered Secretaries
1 November 2019



Council as of 30 June 2019

Council's report

The Council is pleased to submit its report together with the audited financial statements for the year ended 30 June 2019.

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 by 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

Council is our primary governance body, responsible for setting strategic direction and establishing our approach to local and international developments. The three operating committees – namely the Education Committee, Membership Committee and Professional Development Committee – together with the Audit, Human Resources and Nomination committees, plus a number of working groups, support the work of Council in Hong Kong and the Mainland and report directly to Council. Delivery of the strategies set by Council is the responsibility of the Secretariat, headed by our Chief Executive, Samantha PY Suen FCIS FCS(PE).

The governance structure of Council, its committees and the Secretariat as of 30 June 2019 is set out 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 five subsidiaries.

Election to the 2020 Council

Towards the end of calendar year 2019, Bernard TL Wu FCIS FCS, Professor Alan KM Au FCIS FCS, Stella SM Lo FCIS FCS(PE) and Gillian E Meller FCIS FCS will retire from Council by rotation, pursuant to Article 54.1 of the Institute's Articles of Association. Being eligible, Professor Alan KM Au FCIS FCS, Stella SM Lo FCIS FCS(PE) and Gillian E Meller FCIS FCS have offered themselves for reelection at the Annual General Meeting to be held on 11 December 2019.

Bernard TL Wu FCIS FCS, who will have completed his maximum term of Council membership by the end of 2019, will retire from Council permanently, pursuant to Article 54.4 of the Institute's Articles of Association. Council wishes to record its appreciation of the valuable contribution made by Mr Wu to the Institute during his period of service.

As required by Article 54.4 of the Institute's Articles of Association, no elected member of Council holding office as of 30 August 2005 has held office for longer than the maximum term of 18 years, while no person who became

an elected member of Council after 30 August 2005 has held office as an elected member for a total of more than 12 years.

At the close of the nomination date, in addition to the three retiring Council members mentioned above, four other candidates – Edmond MK Chiu FCIS FCS(PE), Daniel WS Chow FCIS FCS(PE), Wendy WT Ho FCIS FCS(PE) and Bill Wang FCIS FCS – have been nominated for election to the 2020 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 2019 Annual General Meeting, is available on the Institute's website.

Interest of Council members

No member of Council was appointed to any salaried office of the Institute or any office of the Institute paid by fees, and no remuneration was given by the Institute to any member of Council. All Council members have completed an annual declaration of interest form.

Related-party transactions

Details of the significant related-party transactions undertaken in the normal course of business are provided in Note 26 to the financial statements.

Donations

Total donations made by the Institute for charitable and other purposes during the year amounted to HK\$429,360.

Business review

Notwithstanding the wide-ranging operational activities and projects carried out for the benefit of our members and students during the year, the Institute has accrued an operating surplus of HK\$1,438,415 for the year ended 30 June 2019. 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). 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). A description of the principal risks facing the Institute can be found in the key risks and challenges section (pages 32 to 33). A discussion of the Institute's environmental policies and performance, as well as an account of the Institute's key relationships with its employees, is provided in the corporate social responsibility report (pages 34 to 36).

Non-current assets

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

Permitted indemnity

A permitted indemnity provision, as defined under section 469 of the 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 the year have been audited by BDO Limited, who will retire and, being eligible, will seek reappointment at the 2019 Annual General Meeting of the Institute.

By order of the Council

David YH Fu FCIS FCS(PE)

President

Hong Kong, 1 November 2019

COUNCIL (1 July 2018 to 30 June 2019)

Title	Name	Post-nominal	Gender	Ethnicity
President	David YH Fu ^{1, 2, 3, 4, 5}	FCIS FCS(PE)	M	Chinese
Vice-President	Dr Gao Wei ^{1, 4}	FCIS FCS(PE)	M	Chinese
Vice-President	Gillian E Meller ^{1, 2, 3, 4}	FCIS FCS	F	British
Vice-President	David J Simmonds ^{1, 3, 4}	FCIS FCS	M	Australian
Treasurer	Ernest CH Lee ^{1, 3, 4}	FCIS FCS(PE)	M	Chinese
Council member	Professor Alan KM Au	FCIS FCS	M	Chinese
Council member	Dr Eva YW Chan ^{1, 2, 3, 4, 5, *}	FCIS FCS(PE)	F	Chinese
Council member	Loretta WM Chan	FCIS FCS	F	Chinese
Council member	Arthur K Lee	FCIS FCS(PE)	M	Chinese
Council member	Stella SM Lo	FCIS FCS(PE)	F	Chinese
Council member	Professor CK Low	FCIS FCS	M	Malaysian
Council member	Natalia KM Seng	FCIS FCS(PE)	F	Chinese
Council member	Bernard TL Wu	FCIS FCS	M	Chinese
Council member	Xie Bing	FCIS FCS	M	Chinese
Council member	Wendy WY Yung	FCIS FCS	F	Chinese
Ex-officio member and Past President	Ivan KW Tam ^{1, 5}	FCIS FCS	M	Chinese
Ex-officio member and Past President	Dr Maurice WF Ngai ^{1, #}	FCIS FCS(PE)	M	Chinese

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

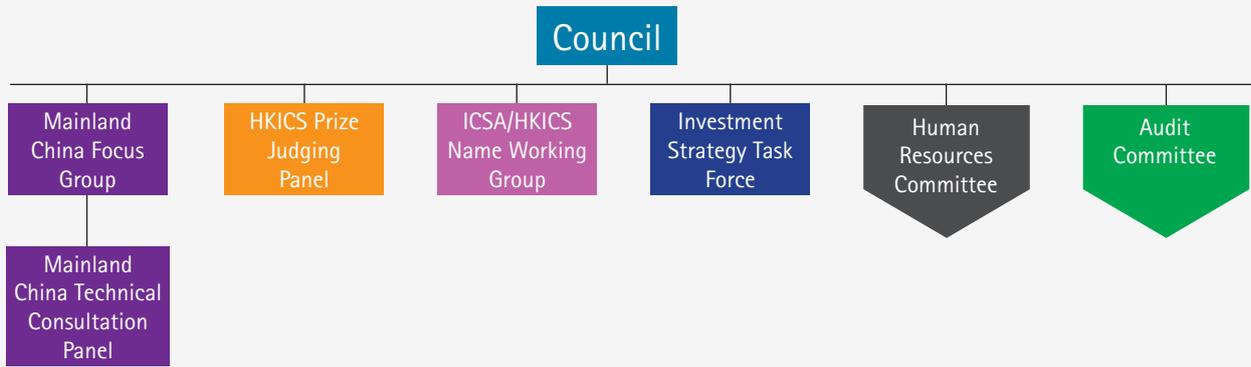
1. Council member of The Hong Kong Institute of Chartered Secretaries Foundation Limited
2. Director of The Hong Kong Institute of Chartered Secretaries (China) Limited
3. Director of The Institute of Chartered Secretaries and Governance Professionals Limited
4. Council member of The Hong Kong Institute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

Total years of service in Council as of 31 Dec 2019	Attendance at Council Meetings for 2018/2019	Skill set, expertise and experience
6	11/11	Corporate Governance/Accounting & Finance/Company Secretarial
7	3/11	Corporate Governance/Legal/Company Secretarial
3	4/11	Corporate Governance/Legal/Company Secretarial
2	9/11	Corporate Governance/Legal/Company Secretarial
4	8/11	Corporate Governance/Accounting & Finance/Company Secretarial
11	5/11	Corporate Governance/Academic/Education
7	9/11	Corporate Governance/Accounting & Finance/Investor Relations/Company Secretarial
1	9/9	Corporate Governance/Legal/Company Secretarial
2	5/11	Corporate Governance/Accounting & Finance/Company Secretarial
3	10/11	Corporate Governance/Corporate Communications/Company Secretarial
1	3/6	Corporate Governance/Legal/Academic Research/Education
17 (14 years as elected Council member & 3 years as ex-officio member)	4/9	Corporate Governance/Company Secretarial
12	8/11	Corporate Governance/Accounting & Finance/Company Secretarial
1	2/9	Corporate Governance/Finance/Company Secretarial
4	10/11	Corporate Governance/Accounting & Finance/Legal/Company Secretarial
9 (7 years as elected Council member & 2 years as ex-officio member)	8/11	Corporate Governance/Legal/Company Secretarial
19 (16 years as elected Council member & 3 years as ex-officio member)	3/5	Corporate Governance/Accounting & Finance/Company Secretarial

* Dr Eva YW Chan ceased to be a Council member and/or director of companies numbered 1, 3 and 4 above from 1 January 2019.

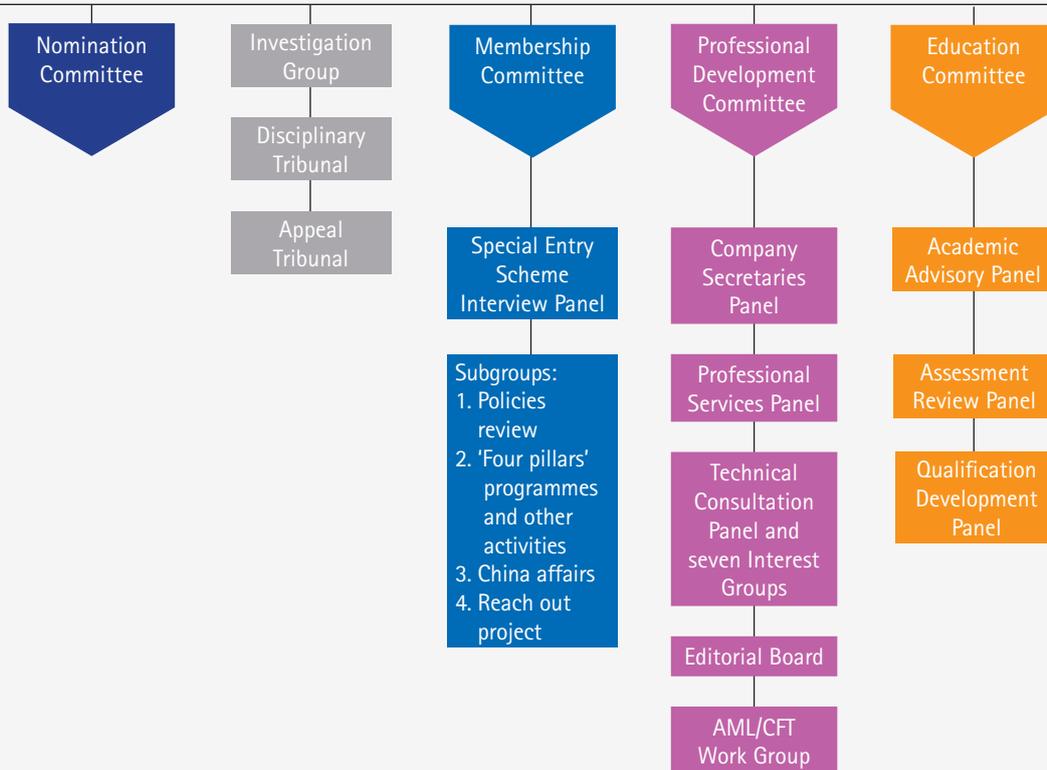
Dr Maurice WF Ngai ceased to be a Council member of the Institute and The Hong Kong Institute of Chartered Secretaries Foundation Limited from 1 January 2019.

GOVERNANCE STRUCTURE



Secretariat Chief Executive







Performance review

Education and examinations

In fiscal 2019, a total of 1,829 students in Hong Kong and the Mainland enrolled for our International Qualifying Scheme (IQS) examinations, with a significant jump in interest particularly in the Mainland, with a 52% increase in registrations. In the December 2018 diet, an impressive number of students in Hong Kong and the Mainland gained Distinction or Merit grades – 67 in all, compared with 32 in the previous period. Distinction or Merit awardees in the May 2019 diet totalled 61, compared with 22 in the previous period.

The master's degree programme under the Institute's Collaborative Course Agreement (CCA) plays a crucial role in encouraging more young people to become governance professionals and company secretaries. The four CCA programmes – in collaboration with City University of Hong Kong, Hong Kong Baptist University, The Hong Kong Polytechnic University and The Open University of Hong Kong – continued to prove highly popular.

A total of 261 students under the CCA programme registered with the Institute in fiscal 2019, a 19% rise over the previous period. Graduates of all CCA programmes

are eligible to apply for full exemptions from the IQS examinations, subject to registration requirements being met, and during the period as many as 239 of these graduates were granted full exemptions, to become graduates of the Institute. This year, 618 exemption applications were approved, a 5% increase over the previous period, for a total of 2,056 subjects.

The Education Committee, with the support of our Assessment Review Panel (ARP), oversees our studentship policies and IQS quality assurance. The ARP meets three times a year – twice to review the IQS examination scripts and discuss related matters, and a third time to deal with policy matters and the development of the IQS examinations. From 1 January 2020, the IQS will be replaced by our new qualifying programme – Chartered Governance Qualifying Programme (CGQP) – comprising six compulsory modules, with the seventh to be chosen from one of two electives.

Professional development

This year's objectives for our enhanced CPD (ECPD) work included our ongoing enrichment of members' professional competence and technical knowledge, as well as reinforcing recognition of the company secretarial and governance professional role.

ECPD activities

The Institute runs a variety of ECPD activities and events throughout the year to cater for members pursuing

"demand for the Institute's online CPD seminars – launched in October 2016 as an alternative learning platform for members, graduates and students – soared this year, with 22 seminars now available online, attracting 3,448 viewers"

different career paths. We currently hold nine to 10 seminars per month, which are open to all members, graduates and students of the Institute. Non-members who have an interest in specific areas of company secretaryship or governance-related issues are also welcome to attend. Key themes this year covered such areas as company secretarial practice, corporate governance, risk management, law, accounting and cybersecurity – all of which are necessary to ensure our members are able to perform their roles as governance professionals with proficiency.

In fiscal 2019, a total of 133 ECPD events were held in Hong Kong, the Mainland and Taiwan, attracting a total of 21,876 participants (4% increase from the previous period).

Seminars and training sessions

Our Company Secretarial Practical Training series – which aims to assist our members, graduates and students by providing essential, up-to-date technical and practical skills – saw continuing high demand this year. We also introduced a series of small, interactive practical workshops designed to support company secretaries and governance professionals at various stages of their careers, and to help them better understand the dynamic, evolving role of a governance professional. In fiscal 2019, we held 25 practical training sessions, attended by a total of 4,954 participants, with an additional 15 practical workshops, attended by 491 participants.

KEY METRICS – EDUCATION AND EXAMINATIONS

844 ^{+7%}
New students

3,513 ^{+3%}
Students in total

1,724 ^{-8%}
Students enrolled for IQS examinations in Hong Kong

105 ^{+52%}
Students enrolled for IQS examinations in the Mainland

83 ^{-7%}
Graduates who successfully completed the IQS examinations

261 ^{+19%}
New students enrolled via collaborative courses

757 ^{+0.4%}
Enrolments for HKU SPACE examination preparatory courses

EXAMINATION PASS RATE (AVERAGE):

36% (33%)
December 2018 diet

37% (33%)
May 2019 diet

NUMBER OF OUTSTANDING PERFORMANCES (DISTINCTION AND MERIT AWARDEES):

67 ^{+109%}
December 2018 diet

61 ^{+177%}
May 2019 diet

Notes: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018. Numbers in parenthesis refer to the equivalent percentage figure in the previous financial year.

With the introduction this year of our new Chartered Governance Professional qualification, we spotlighted risk management as a topic of our ECPD seminars, with 10 sessions related to this vital issue attended by 1,494 participants. Our seminars focusing on anti-money laundering and counter-financing of terrorism (AML/CFT) compliance remained popular, given the far-reaching transformations in the business environment that target greater transparency related to beneficial ownership of companies incorporated in Hong Kong, as well as more stringent regulations and best practice requirements for trust and company service providers (TCSPs). This year, five seminars related to these topics were joined by 938 attendees.

Other seminar topics of particular interest focused on developments in the Mainland, with seven seminars attended by 1,237 participants, and environmental, social and governance (ESG) reporting, with three seminars attended by 311 people.

Demand for the Institute's online CPD seminars – launched in October 2016 as an alternative learning platform for members, graduates and students – soared this year, with 22 seminars now available

online, attracting 3,448 viewers (up 38% from the previous period).

Annual Corporate and Regulatory Update

The Institute's Annual Corporate and Regulatory Update (ACRU), the most acclaimed such event of the year, brings together regulators and practitioners in direct dialogue about the most crucial regulatory issues facing our profession. Fiscal 2019 was the 20th anniversary since we launched this event and was held on 5 June 2019 at the Hong Kong Convention and Exhibition Centre, attracting a record-high attendance of over 2,000 (6% increase from the previous period).

Approximately 22% of this year's ACRU attendees were non-members from a wide range of backgrounds, including directors, managers and other professional practitioners, demonstrating the accelerating value now being placed on governance issues, as well as the intensifying interest generated by ACRU for stakeholders outside our membership.

Practitioner's Endorsement scheme

The Institute's Practitioner's Endorsement (PE) designation was first awarded in 2006 to provide recognition to

KEY METRICS – PROFESSIONAL DEVELOPMENT

	2018	2019	%
ECPD events*	110	133	+21%
Participants at ECPD events*	21,088	21,876	+4%
Online CPD seminars	16	22	+38%
Participants at online CPD seminars	2,503	3,448	+38%
Company Secretarial Practical Training sessions	21	25	+19%
Participants at Company Secretarial Practical Training sessions	4,240	4,954	+17%
ACRU attendees	1,885	2,003	+6%

Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

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



members in the company secretarial profession 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. This year, over 250 members attained the PE designation, amongst whom over 100 PE holders are company secretaries from listed companies.

Maintaining professional standards

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

Professional conduct cases under disciplinary proceedings

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

Six cases were referred to our Investigation Group, in addition to two cases brought forward. Of these, one

case was closed after investigation with no prima facie case established, three cases are under the proceedings of the Investigation Group and the remaining four cases have been referred to the Disciplinary Tribunal. No cases were brought forward at our Disciplinary Tribunal, while the four incoming cases are still under the proceedings of the Disciplinary Tribunal. No appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal. The student disciplinary case brought forward from the previous period was settled.

CPD non-compliance

Four CPD non-compliance cases were processed under disciplinary proceedings, of which two cases were closed following one member's and one graduate's compliance, and two members were removed from the membership register due to non-compliance with Disciplinary Tribunal orders and decisions.

Member, graduate and student services

Membership is the linchpin of the Institute. Recognising this, we carefully craft our services to foster and support our members, graduates and students through diverse activities that reinforce both professional and personal interests, as well as boost communication and networking skills.



Examination support services

We remained committed to supporting our students in their IQS examination preparations through our examination support services. We take a multipronged approach, encompassing online study packs; three examination preparatory courses, organised by The University of Hong Kong, School of Professional and Continuing Education (HKU SPACE), attended this year by 757 students; and two examination technique workshops per year,

each covering all eight IQS subjects, attended by a total of 278 students.

Personal and social developmental services

This fiscal year, we organised 47 events attracting 2,838 participants (due to a number of extraordinary forums, we held 55 events with 3,880 participants in fiscal 2018). We held regular events for Fellows, Associates, graduates and students, including our Annual Dinner and Annual Convocation, various members' forums and social gatherings such as our dragon boat team activities. We also cater for the different pursuits and experience levels of our members through our 'four pillars' programmes.

KEY METRICS – MEMBER, GRADUATE AND STUDENT SERVICES

47 -15% **2,838** -27%
 Membership events Participants at these events

44 -4% **77** -14%
 Mentors joining our mentorship programme Mentees joining our mentorship programme

78 -1% Summer internship opportunities (69 for members of the Institute's Student Ambassadors Programme and 9 for Form 5 students of Yuen Long/Tin Shui Wai District)

Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

1. Mentorship

Our Mentorship programme, now in its fifth term, is open to all members, graduates and students, and has remained a popular platform for fostering young professionals. A total of 44 mentors and 77 mentees (2018: 46 mentors and 90 mentees) took part this fiscal year.

2. Members' Networking

Our Members' Networking programme aims to present members, graduates and students with social networking opportunities, as well as activities to cultivate their personal skills. Activities organised this year included seminars on the business environment of the Greater Bay Area and personal cybersecurity issues; a forum on land supply; a visit to a skincare manufacturing facility; and a series of networking luncheons.



3. Fun & Interest Group

Our Fun & Interest Group offers members, graduates and students a variety of fun and interesting events during which they can interact in more informal settings and get to know each other better. In fiscal 2019, activities included bowling, a balloon twisting workshop, a baking class, stretching exercises, a dog training session and a day trip to an organic farm.

4. Community Service

Our Community Service programme enables members, graduates and students, as well as Secretariat staff, to serve and give back to the community and to support the Institute's corporate social responsibility initiatives. Activities this year included volunteer training workshops, Pink Walk for Breast Health, Dress Pink Day and a visit to children at Po Leung Kuk. In addition, a luncheon talk on harmonious working and family relationships, supported by the Narcotics Division, Security Bureau of the HKSAR Government, was also arranged.

Other activities

With the aim of enhancing communication with members, two members' forums were arranged in August 2018 to update our members on the Institute's latest developments and to solicit their views and opinions.

Apart from organising a wide range of events and activities, we also lined up exclusive benefits and services with a range of merchants for members, graduates and students.

External activities

Institute members, graduates and students participated enthusiastically in activities organised by the Hong Kong Coalition of Professional Services (HKCPS) to network with members from other professional institutions. This included a Cantonese opera networking event; dinner with the Chief Secretary for Administration of HKSAR, Mr Cheung Kin-chung Matthew GBM GBS JP; and a luncheon talk by the Financial Secretary of HKSAR, Mr Chan Mo-po Paul GBM GBS MH JP FCIS FCS.

Award of Chartered Governance Professional designation

Since the approval by members of the amended Articles of Association at the general meeting held on 29 August 2018, the Institute has – since 30 September 2018 – been awarding the Chartered Governance Professional (CGP) designation to sit alongside the Chartered Secretary (CS) designation.

The new CGP designation is being awarded in phases to all Fellows, as well as members who have been an Associate for five years. As at 30 June 2019, 4,734 out of the total membership of 6,141 (77%) had been awarded the CGP designation.

Publications

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

KEY METRICS – DONATIONS

HK\$448,860 +9%

Donations raised by the Foundation

HK\$339,017 +9%

Funds distributed by the Foundation

20 -5%

Scholarships
awarded by the
Foundation

31 -3%

Subject prizes
awarded by the
Foundation



Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

governance. Along with our website and fortnightly e-updates, the journal is one of our main communication channels with our members, graduates, students and other stakeholders, and is also available as an online version, via our e-CSj website.

Donations

The Institute supports education, research and thought leadership initiatives in a variety of applicable arenas. Our sponsorship funds are directed with optimum effect and benefit through The Hong Kong Institute of Chartered Secretaries Foundation Ltd (the Foundation) – launched in 2012 and a wholly owned subsidiary of the Institute since 9 September 2016 (see Note 1 to the financial statements).

In fiscal 2019, the Foundation raised a total of HK\$448,860 in donations (including HK\$429,360 donated to the Foundation by the Institute) and distributed HK\$339,017 in funds. The Foundation sponsored 20 scholarships to local universities and institutions, and 31 subject prizes for students of collaborative courses and relevant degree programmes (21 and 32, respectively, in 2018). On top of that, 32 subject prizes were awarded by the Foundation to students who attained the grade of

Distinction at the Institute's IQS examinations during the period, compared with 12 in fiscal 2018.

In addition, this fiscal year the Institute also sponsored 29 different student functions and activities, among which were orientation camps, annual dinners and inauguration ceremonies for student associations of local universities.

Advocacy

Advocacy is an essential aspect of the Institute's work. In our capacity as front-runner in the governance professional field, we work closely with various government and regulatory bodies, as well as with other governance organisations and members of diverse professional sectors.

In our advocacy work in fiscal 2019, we recommended and advised on a number of new licensing regulations, as well as on revised compliance standards related to ethical business practices, anti-corruption requirements, and anti-money laundering and counter-financing of terrorism (AML/CFT) regulations.

We also further enhanced our communication channels to inform and interface with our members, students

and other stakeholders, as well as with the wider public. Senior members of the Institute gave 17 media interviews on the role of the Chartered Secretary and Chartered Governance Professional, as well as associated issues, and we were actively involved in a number of panel discussions, forums and other events to ensure we remain at the cutting edge of the rapidly expanding sphere of governance.

AML/CFT Charter

The Institute was the first organisation in Hong Kong to launch a self-regulatory initiative in the form of our AML/CFT Guideline and AML/CFT Charter, launched in 2016. In the intervening period, we have continued to put every effort into advocating compliance with the AML/CFT regime, as well as keeping our members, students and stakeholders – as well as other governance professionals working in the trust and company service provider (TCSP) sector – abreast of all the latest developments. In fiscal 2019, eight accredited HKICS AML/CFT organisations subscribed to our AML/CFT Charter, which requires them to demonstrate they meet the standards set out in our Guideline – standards that are equivalent to those imposed on financial institutions.

Fostering the younger generations

Because students are our future, we concentrate much of our advocacy work on reaching out to and fostering our current and potential students, as well as inspiring the younger generation to learn more about corporate governance and what it entails.

Potential students

On 23 February 2019, the Institute held its third annual Governance Professionals Preview Day – during which company secretaryship and the governance profession are presented as desirable career options, and local university undergraduates and potential employers are given the opportunity to interact through lively practical sharing and activities. This year, the event attracted 200 participants, and received an overwhelmingly positive response from undergraduates, sponsors and supporting organisations.

“in our capacity as front-runner in the governance professional field, we work closely with various government and regulatory bodies, as well as with other governance organisations and members of diverse professional sectors”

Also during the year, and to further promote the career of the Chartered Secretary and Chartered Governance Professional to undergraduates and postgraduates, a series of 14 professional seminars and information sessions were organised at local educational institutions.

Our Education Committee and Institute executives met twice – in November 2018 and March 2019 – with the Academic Advisory Panel, which is made up of senior management from local universities, to discuss future possible collaboration and to exchange ideas about promoting the governance profession. We also held three Governance Professionals Information Sessions, attended by 136 participants, and published two advertorials in the local media to inform the general public about the opportunities offered by our profession.

Current students

For our registered students, we organised two new student orientations to introduce the Institute, the International Qualifying Scheme (IQS) and our student services. After being presented with their achievement certificates, IQS subject prize winners were invited to share their study experience and tips for passing the examinations with the new students. This year, we also initiated a new student gathering, attended by 51 students, to provide an opportunity for them to get to know each other, share ideas on examination preparation, and discover more about the online study packs and the Chartered Governance Qualifying Programme.

In addition, for each intake to our Collaborative Course Agreement (CCA) programme, we arrange new student orientations. We also circulate regular notifications to new students and would-be graduates on the Institute's newest developments and the latest technical updates. A seminar entitled 'Better Disclosures of Financial Information' was held on 22 June 2019 for all CCA students.

On another front, our Student Ambassadors Programme – which has become a very well-received scheme for us to promote our profession to local undergraduates – is now in its 13th year, during which time over 1,600 participants have become Student Ambassadors of the Institute. This year, 96 new students enrolled in the programme, while a total of 14 Institute members joined as mentors.

Our Corporate Governance Paper Competition and Best Presentation Awards engage undergraduates in Hong Kong in crucial corporate governance issues. This year, the theme for submissions was 'How is

good governance of non-governmental organisations (NGOs) similar to, and different from, good corporate governance of public companies', attracting 44 enrolments with a total of 94 participants. The top six finalists competed at the Best Presentation Awards on 21 September 2019.

Research and governance reform

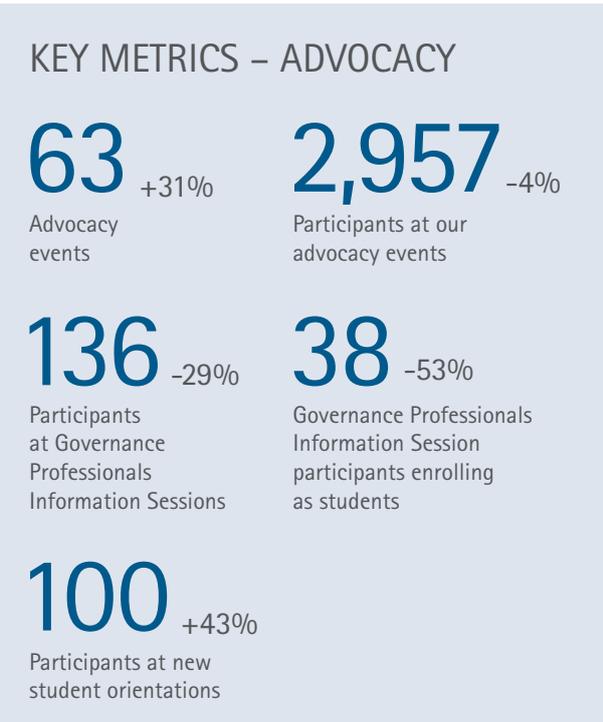
The voice of the Institute, along with that of our members and professional network, has garnered a reputation as being worthy of respect. Our insights into frontier issues in corporate governance and corporate secretaryship constitute an esteemed body of knowledge that is recognised locally, regionally and internationally.

Research reports

In fiscal 2019, we published two new research reports.

1. HKICS Bank Account Opening Survey Report 2018

In July 2018, the Institute published its second Bank Account Opening Survey report, as a follow-up to the first report published in September 2016. The majority



Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.



"the voice of the Institute, along with that of our members and professional network, has garnered a reputation as being worthy of respect"

of the 431 respondents – who open business accounts both for their own businesses and for their clients – stated that it is getting more difficult to open bank accounts in Hong Kong.

2. Environmental, Social and Governance Report
 In September 2018, the Institute, KPMG China and CLP Holdings Ltd jointly published a research report entitled *ESG: A view from the top*. The report surveyed how business leaders are addressing environmental, social and governance (ESG) concerns, as well as how they are driving ESG development in the region. The report established that there is still much work to be done and provided recommendations to help companies think holistically about their decision-making processes related to ESG issues.

Governance reform

In fiscal 2019, we continued our contribution to regulatory reform and policy formulation in Hong Kong via consultation submissions and liaison with regulators and government bodies on issues relevant to the profession. We made 10 submissions on key regulatory issues, the full submissions of which are available on our website: www.hkics.org.hk.

Guidance notes

As well as assisting our members and the wider governance profession and community, our guidance notes are also instrumental in directing governance reform. In fiscal 2019, the seven Interest Groups under our Technical Consultation Panel initiated eight new guidance notes, encompassing competition law; company law; initial public offerings; public

KEY METRICS – RESEARCH AND GOVERNANCE REFORM



Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

governance; ethics, bribery and corruption; mergers and acquisitions; and technology. These guidance notes are available on our website: www.hkics.org.hk.

The Mainland

As the China Division of The Chartered Governance Institute (CGI) – formerly The Institute of Chartered Secretaries and Administrators (ICSA) – the Institute is firmly committed to accelerating the Chartered Secretarial and Chartered Governance profession in the Mainland and is dedicating increased resources towards this goal. In fiscal 2019, the numbers of registered students and members continued to rise – as at 30 June 2019, we had 309 students and 73 members in the Mainland, representing a rise of 35% and 52%, respectively, from the previous fiscal year.

The Chartered Secretary and Chartered Governance Professional qualification

As in Hong Kong, our Institute currently runs two International Qualifying Scheme (IQS) examination diets per year, in Beijing and Shanghai. This year there were 164 subject enrolments for the examinations in December 2018 and May 2019 (56% increase from fiscal 2018), and a 52% growth in the number of candidates pursuing the Chartered Secretary and Chartered Governance Professional qualification through the IQS examinations, with 105 student enrolments, compared with 69 in the previous year.

We also saw a steady interest in our Postgraduate Programme in Corporate Governance (PGPCG), run in collaboration with The Open University of Hong Kong



KEY METRICS – THE MAINLAND

309 +35%
Students

73 +52%
Members

170 +2%
Affiliated Persons

164 +56%
IQS subject enrolments

6 +50%
Mainland ECPD events*

847 +34%
Participants at these events*

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

161 +29%
Participants at RBSP meetings**

Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

** Figures include the HKICS and Shanghai Stock Exchange joint training session for A+H share companies, and two HKICS and Insurance Association of China (IAC) joint training sessions on corporate governance practice.*

*** Figures include one RBSP meeting held in Hong Kong.*



(OUHK) in Shanghai. In September 2018, we welcomed our third cohort of PGPCG students, with 38 students (36 in the previous year). The PGPCG programme aims to provide practical knowledge and skills to those who wish to pursue, or further advance, their careers as company secretaries, board secretaries or corporate governance professionals. Students who successfully complete this programme, 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 IQS examinations, after which they are entitled to graduateship of the Institute.

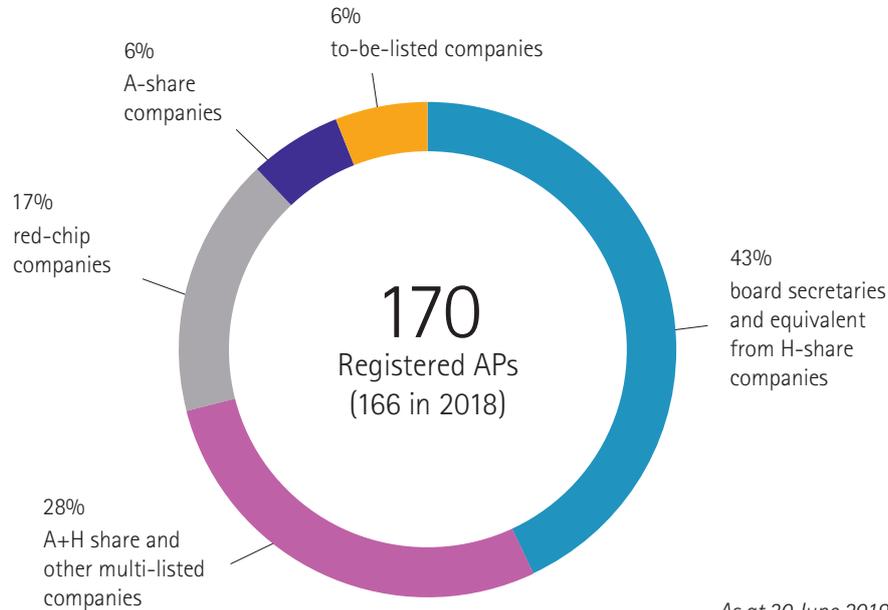
Professional development

We continued to operate our Affiliated Persons (AP) programme in the Mainland, the purpose of which was initially to provide professional training and services to board secretaries and equivalent personnel of H-share companies, and which was then expanded to include training for board secretaries and equivalent personnel, directors, supervisors and other senior management of companies listed or to-be-listed domestically or overseas.

As at 30 June 2019, we had 170 registered APs (166 in the previous fiscal year). Of these, 43% are board

“the Institute is firmly committed to accelerating the Chartered Secretarial and Chartered Governance profession in the Mainland and is dedicating increased resources towards this goal”

secretaries and equivalent personnel from H-share companies, 28% are from A+H share and other multi-listed companies, 17% from red-chip companies, 6% from A-share companies and 6% from to-be-listed companies. Interest in our AP programme expanded during the year from companies other than H-share companies, while our ECPD seminars attracted an increasing number of non-AP participants. Approximately 77% of those attending our ECPD seminars in fiscal 2019 were non-APs, the majority of whom were board secretary subordinates, directors, supervisors and other senior management who had been introduced to our programme by our APs, members, students, event partners and previous seminar attendees. These figures are testament to our excellent public



reputation and growing influence among Mainland companies, as well as the intensifying acknowledgement of our profession.

We organised three AP ECPD seminars, in Hohhot, Sanya and Xishuangbanna in September 2018, November 2018 and May 2019, respectively. In addition, in June 2019 in Beijing, under the Memorandum of Understanding (MoU) with the Shanghai Stock Exchange (SSE), we coorganised the ninth joint training session with SSE for A+H share companies. We also coorganised the third and fourth training sessions on Corporate Governance Practice with the Insurance Association of China (IAC), in July 2018 in Zhuhai and December 2018 in Shenzhen, respectively, under the MoU with IAC. These six events attracted over 847 participants from H-share, A+H share, red-chip, A-share and to-be-listed companies, and covered a wide range of topics including mergers and acquisitions, and financing; annual financial audit and annual reporting; information disclosure and insider dealing control; and regulatory updates.

As a new initiative, we successfully held our first training session for directors, themed 'Board Governance and the Practices of Directors Performing

Duties', as a component of the 49th Affiliated Persons ECPD Seminars, representing a major milestone in the professional training of directors in the Mainland and to align more closely with the new professional designation of Chartered Governance Professional.

Our five Regional Board Secretary Panels (RBSPs) – located in Beijing, Shanghai, Shenzhen, Guangzhou and the Southwest (including Chongqing and Chengdu) – serve 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 2019, we organised five RBSP meetings – one each in Hong Kong, Beijing, Shanghai, Guangzhou and Chongqing – attended by a total of 161 local APs, members, students and board secretaries, as well as a number of government officials.

Advocacy

The Institute enjoys close working relationships with stakeholders in the Mainland, where it has gained increasing recognition from regulators and listed companies. Beginning in 2011, we signed MoUs with

the Shanghai and Shenzhen stock exchanges, the China Association for Public Companies (CAPCO) and IAC. In 2019, as a result of previous good cooperation, we are working with IAC and CAPCO, as well as the Shenzhen Stock Exchange, to renew our respective MoUs.

In fiscal 2019, we continued to advocate for good corporate governance and to promote the role of the Chartered Secretary and Chartered Governance Professional to companies listed and to-be-listed in Hong Kong. Furthermore, we expanded our promotion to include a wider group – that of new high-tech enterprises and/or unicorns – by teaming up with Zhongguancun Science Park Administrative Committee (ZSPAC), Shanghai Pilot Free Trade Zone Administrative Committee and Shenzhen's Nanshan Association for Public Companies (NAPC).

On 14 June 2019, a delegation led by Institute President David Fu FCIS FCS(PE) visited the Shenzhen Stock Exchange, Shenzhen Public Companies Association (SZPCA) and NAPC in Shenzhen. Institute members

exchanged views with the three parties on the role of board secretaries in the Mainland and discussed possible future collaboration.

Research and governance reform

The Institute continued to engage in research projects on topics relevant to our APs, members and students in the Mainland. The Mainland China Technical Consultation Panel (MCTCP), which operates under the Institute's Mainland China Focus Group (MCFG), was involved in three research projects this year, namely *Guidelines for Inside Information Disclosure Practices of A+H Share Companies (2nd Edition)*, *Guidelines for Connected Transactions Practices of A+H Share Companies* and *Research on the Regulatory Practice Issues of the Shanghai–Hong Kong Stock Connect and Shenzhen–Hong Kong Stock Connect*. The first of these was published in September 2019. We aim to provide up-to-date practical guidelines to our APs, members, students and other corporate governance professionals, and also seek to contribute to regulatory decision-making in both the Mainland and Hong Kong.



Key risks and challenges

Evaluating, mitigating and taking decisive steps to counteract a variety of risk factors is becoming increasingly vital in today's political and socioeconomic climate. Businesses and organisations now face significant risk on several fronts, of which the most pertinent to the Institute are strategic and operational, information technology and financial. In addition to these potential threats, discussed below, we also actively monitor and review the potential impact of other risks, including regulatory and compliance, health and safety, reputational and third-party service provider risks. As governance professionals, we take our obligation to identify and tackle key risks and challenges seriously, whether they stem from internal or external factors.

Strategic and operational risk

Strategic risk generally arises as a consequence of the changing external environment that affects all businesses and organisations. In tandem with elevated expectations of shareholders and the general public relating to standards of governance, this drives us to ensure that our internal processes and controls are unfailingly monitored and upgraded, and that any potential external risk is analysed and effectively navigated. While we recognise that it may not always be possible to entirely eliminate operational risk, we do our utmost towards achieving this.

Our Council meets every two months to monitor our strategic risk and to set the strategic direction of the

Institute. To monitor risk effectively, the Secretariat reports all identified risk – and the action subsequently taken to mitigate such risk – to the Audit Committee, which then reports directly to Council, thus ensuring the highest level of independence and objectivity. All departments are responsible for maintaining effective internal controls through regular review of operational manuals and ensuring that adequate supervisory controls are in place to safeguard compliance with internal operational policies and procedures.

In fiscal 2019, we reevaluated and strengthened a number of operational procedures, including reinforcing our internal control measures and mechanisms. On a practical level, the Secretariat refined

KEY METRICS – INVESTMENT PORTFOLIO



Note: Percentage refers to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

"as governance professionals, we take our obligation to identify and tackle key risks and challenges seriously, whether they stem from internal or external factors"

certain policies and made relevant amendments to improve various forms, including those for payment terms, utilised by the Institute's members, graduates and students.

Information technology risk

With the world's rapidly escalating digital transformation, remedial action to avert information technology (IT) risk is increasingly crucial. For the Institute, the strength and security of our IT systems is pivotal to the smooth-running of our organisation, since any IT shortcomings or interruptions may affect the services provided to our members. To address this risk, preventative maintenance, detective monitoring and containment measures have been implemented, and are regularly reviewed and updated.

Furthermore, the Institute is subject to legislation and regulation relating to the collection, use and security of member, student and employee data, pursuant to the services we provide. For example, the Institute is required to notify individuals or regulators of any data security breach, of which none occurred during the year under review.

In fiscal 2019, the Institute maintained its contract with an independent consulting firm to systematically assess and advise on IT security issues, while our existing membership database system is being improved by an external consulting firm to provide a system upgrade. The Institute also held a number of seminars and training courses throughout the year for staff, members and students to enhance awareness of IT- and data privacy-related issues. On a practical



level, to augment security the Secretariat sent regular reminders throughout the year to Institute members, graduates and students, encouraging them to change their log-in passwords for accessing personal data from our database.

Financial risk

Financial risk is inherent in any enterprise and is subject to a number of factors, including domestic and overseas economic and political conditions. In the course of normal business activities, the Institute is exposed to a variety of financial risk, including credit and currency risks. Details of the exposure to financial risk and the policies and practices adopted to manage these risks are described in Note 29 to the financial statements (pages 71 to 74).

Being aware of potential risks, and with prudent anti-inflation investing strategies in mind, the Institute makes every effort to maintain a healthy financial position and sufficient reserves to support its ongoing activities and future development. As an extra measure to mitigate potential financial risk, we engage a professional external investment manager to oversee the Institute's surplus cash.

As at 30 June 2019, our investment portfolio totalled HK\$29,469,453. Whilst the performance of our investment portfolio improved by 4% compared with the previous year, the impact of the Sino-US trade war remains to be seen.

Corporate social responsibility report



Part of the remit of the governance profession is to consult on and oversee corporate social responsibility (CSR) issues. At the Institute, we are dedicated to upholding the highest possible standards of CSR and to conducting our activities with an ethical, responsible and sustainable approach.

Workplace quality

Workplace quality involves a number of factors, including fair remuneration and good benefits, trust and a harmonious office atmosphere, a sensible workload with achievable goals, health and general well-being, safety issues, clear direction and a good structure, and ongoing training and professional support. Ensuring a good work culture positively impacts not only our professional lives and productivity, but also our personal lives and growth as human beings.

The Institute actively promotes teamwork and good relations amongst its staff. Staff gatherings are held monthly to bolster staff morale and foster good collaboration across all departments. We also provide opportunities for professional and personal development through regular courses and seminars designed to enhance technical knowledge and skills, including soft skills. In fiscal 2019, a total of 94 enrolments in 28 training courses were provided to Secretariat staff, amounting to 298 training hours.

On a practical level, we upgraded the computers used by our Secretariat staff. This served a dual purpose – not

only did it provide a better working environment, but we were also able to benefit others by donating the old computer equipment to the Caritas Computer Workshop, an initiative subsidised by the Intensive Employment Assistance Fund of the Social Welfare Department.

Having been accredited under the Good Employer Charter 2018 by Hong Kong's Labour Department, the Institute continues to maintain its commitment to cultivating a good human resource management culture in the workplace. In addition, in acknowledgement of the importance we place on our employees' retirement needs, the Institute received the Good MPF Employer Award, MPF Support Award and e-Contribution Award for 2018–2019, presented by the Mandatory Provident Fund (MPF) Schemes Authority, of whom we are an 'Endorsing Organization'.

Environmental responsibility

In today's world, being environmentally responsible is no longer a choice – it is an imperative. Each and every one of us can and must do whatever possible to protect and preserve our planet, the Institute being no exception. As an environmentally conscious organisation, we review our environmental practices on a regular basis and are always seeking ways to implement further eco-friendly measures and practices.

We uphold the 'reuse, reduce and recycle' principle and promote the use of green products in our daily operations, and have implemented a number of

initiatives to raise green awareness among staff and members, as well as to reduce our resource consumption and carbon footprint.

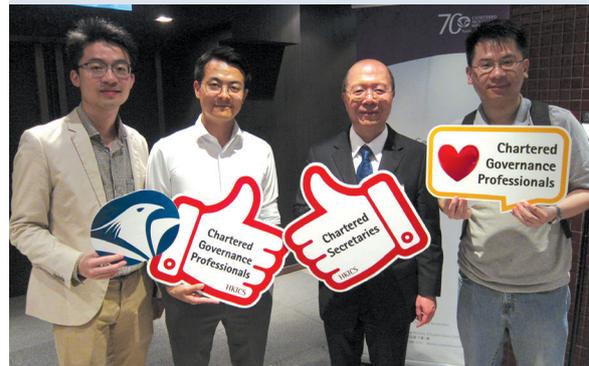
In January 2019, to supplement the traditional recycling bins in place, two of our Secretariat staff initiated an exercise to collect recyclable office waste – such as styrofoam, plastic containers and used staples – and take it to a designated collection point. We also use home-made washing-up liquid in the office and bring our own utensils to work, instead of using disposable plastic. We recycle our paper and regularly use double-sided printing, and we minimise printing of all hard copies, including communication with members and students – our membership database system is currently being revamped to allow for email transmission of annual renewal notices, in place of paper letters. We are also continuing to expand our use of e-evaluations and e-handouts for our CPD seminars. To save energy and reduce electricity usage, we maintain an average indoor temperature of between 24°C and 26°C. We firmly support Earth Hour, the annual initiative of WWF (World Wide Fund for Nature), and encourage our members, graduates and students to do so as well – this year, our offices in Hong Kong and Beijing turned off all lights on 30 March 2019 from 8.30pm to 9.30pm.

We urge our members, graduates and students to receive corporate communications electronically, via the Institute's website. The online version of our monthly journal, *CSj*, remains popular, with 4,277 subscribers opting to receive the e-version as of 30 June 2019, representing a 20% increase from fiscal 2018.

As an additional measure, the Institute collaborated with KPMG China and CLP Holdings Ltd to conduct a survey of more than 200 senior executives of Hong Kong listed companies on how they are addressing and driving environmental, social and governance (ESG) issues. The survey report, entitled *ESG: A view from the top*, was published in September 2018.

“we are dedicated to upholding the highest possible standards of CSR and to conducting our activities with an ethical, responsible and sustainable approach”

KEY METRICS – CSR



Note: Percentages refer to the comparison with the previous financial year, from 1 July 2017 to 30 June 2018.

Community involvement

The Institute, our Secretariat staff and our members are all genuinely dedicated to serving the community in which we live and grow, and to give back whenever possible. Our community service activities are organised by the Community Service subgroup, under our Membership Committee, with the support of the Secretariat team.

Within the Secretariat itself, this fiscal year marks the sixth year that we have engaged SAHK (香港耀能協會) to provide lettershop services for the Institute, handling the mail-out of renewal notices to members and students. SAHK is an association that provides comprehensive professional rehabilitation services and facilities to people with neurological impairments or other disabilities, enabling them to realise their full potential, maximise their independence and self-reliance, and become participating members of society.

Our members, graduates and students kept up their avid interest and commitment to community involvement through activities such as a volunteer programme to visit single elders, in July 2018, during which participants and elders enjoyed lunch and games together; a volunteer programme with children, in August 2018, involving training youngsters in communication skills offered through the Agency for Volunteer Service (AVS); a visit to Po Leung Kuk, in January 2019, to participate in handicraft activities with the children; and, for the fourth consecutive year, the Pink Walk for Breast Health 2018, organised by the Hong Kong Breast Cancer Foundation. In addition, with the objective of nurturing

"In today's world, being environmentally responsible is no longer a choice – it is an imperative. Each and every one of us can and must do whatever possible to protect and preserve our planet, the Institute being no exception."

future leaders in the Chartered Secretarial and Chartered Governance profession, the Institute joined the Business-School Partnership Programme – organised by The Hong Kong General Chamber of Commerce – and partnered with a secondary school. Activities included visits to the Companies Registry and a listed company; the Institute's Governance Professionals Preview Day; and briefings to secondary school students to help them understand more about our profession to assist them with career planning.

In the future, we plan to expand our community initiatives, including the introduction of a Community Service Month, initiated in October 2019.

In recognition of its commitment to caring for the community, caring for its employees and caring for the environment, the Institute was awarded the Caring Organisation logo in the 2018/2019 Caring Company Scheme of The Hong Kong Council of Social Service (HKCSS), for the second consecutive year. This award is granted to acknowledge and acclaim achievements in CSR and a clear commitment to being a good corporate citizen.





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Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the consolidated financial statements of The Hong Kong Institute of Chartered Secretaries ("the Institute") and its subsidiaries (together "the Group") set out on pages 40 to 76, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the year ended 30 June 2019, 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 2019 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 ("HKSA") 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members.
- conclude on the appropriateness of the Council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Hong Kong, 1 November 2019

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

	Note	2019 HK\$	2018 HK\$
Subscriptions and fees	6	20,636,752	20,264,133
Other revenue	7	22,475,948	19,002,836
Interest income	8	159,956	88,143
Other net income	9	1,531,823	1,861,959
Deficit on acquisition of a subsidiary	10	-	(5,332)
Staff costs	11	(19,707,034)	(18,700,430)
Depreciation expenses	15	(634,619)	(618,522)
Other operating expenses	13	(23,024,411)	(20,574,329)
Surplus for the reporting period		1,438,415	1,318,458
Other comprehensive income for the reporting period			
Items that will not be reclassified to surplus or deficit:			
Surplus on revaluation of land and buildings held for own use	15	14,232,082	17,235,952
Fair value changes of investments in listed equity securities classified as financial assets at fair value through other comprehensive income	20	172,898	-
Item that may be reclassified to surplus or deficit:			
Exchange loss on translating foreign operations		(63,661)	-
Other comprehensive income for the reporting period		14,341,319	17,235,952
Total comprehensive income for the reporting period		15,779,734	18,554,410

Consolidated Statement of Financial Position

At 30 June 2019

	Note	2019 HK\$	2018 HK\$
Non-current assets			
Property, plant and equipment	15	127,622,802	113,781,824
Held-to-maturity investments	16	-	1,553,950
Deposits for acquisition of intangible assets	17	1,027,500	543,750
Prepayments		-	136,260
		128,650,302	116,015,784
Current assets			
Inventories	18	16,750	20,885
Bond investments	16	1,561,717	-
Financial assets at fair value through profit or loss	19	19,553,668	21,522,961
Financial assets at fair value through other comprehensive income	20	4,896,594	-
Accounts and other receivables	21	3,844,635	3,784,202
Time deposits with original maturity over three months when acquired	22	5,331,773	7,208,300
Cash and cash equivalents	23	7,612,952	7,653,883
		42,818,089	40,190,231
Current liabilities			
Accounts and other payables		1,858,901	1,867,936
Contract liabilities	24	2,237,285	-
Subscriptions and fees received in advance	24	-	2,745,608
		4,096,186	4,613,544
Net current assets		38,721,903	35,576,687
NET ASSETS		167,372,205	151,592,471
Reserves and funds			
General fund		51,950,587	50,890,217
Property revaluation reserve		112,161,485	97,929,403
Financial assets at fair value through other comprehensive income reserve		453,397	-
Building maintenance sinking fund		870,397	1,000,000
Education development fund		1,000,000	991,189
IT maintenance fund		1,000,000	781,662
Exchange reserve		(63,661)	-
TOTAL RESERVES AND FUNDS		167,372,205	151,592,471

The consolidated financial statements were approved and authorised for issue by the Council on 1 November 2019 and are signed on its behalf by:

David YH Fu
President

Ernest CH Lee
Treasurer

Consolidated Statement of Changes in Reserves and Funds

For the year ended 30 June 2019

	General fund HK\$	Property revaluation reserve HK\$	Financial assets at fair value through other comprehensive income reserve HK\$
Balance as at 1 July 2017	50,187,971	80,693,451	-
Surplus for the year	1,318,458	-	-
Other comprehensive income for the year	-	17,235,952	-
Total comprehensive income for the year	1,318,458	17,235,952	-
Transfer from general fund	(616,212)	-	-
Balance as at 30 June 2018	50,890,217	97,929,403	-
Adjustment on adoption of HKFRS 9 (Note 3a)	(280,499)	-	280,499
Restated 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

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.

During the year ended 30 June 2019, HK\$192,000 was utilised for the replacement of lifts in Hong Kong Diamond Exchange Building.

- 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.

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

During the year ended 30 June 2019, HK\$120,000 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\$
988,486	788,486	379,667	-	133,038,061
-	-	-	-	1,318,458
-	-	-	-	17,235,952
-	-	-	-	18,554,410
11,514	202,703	401,995	-	-
1,000,000	991,189	781,662	-	151,592,471
-	-	-	-	-
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

- 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 during the year ended 30 June 2019.

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 HK\$	2018 HK\$
Cash flows from operating activities			
Surplus for the reporting period		1,438,415	1,318,458
Adjustments for:			
Depreciation of property, plant and equipment		634,619	618,522
Bad debts written off		-	105,650
Recovery of impairment loss previously recognised		-	(87,070)
Bank interest income		(128,545)	(56,749)
Interest income from bond investments		(31,411)	-
Interest income from held-to-maturity investment		-	(31,394)
Dividend income from financial assets at fair value through profit or loss		(738,748)	(831,573)
Dividend income from financial assets at fair value through other comprehensive income		(68,797)	-
Exchange differences		(371)	(46,220)
Deficit on acquisition of a subsidiary		-	5,332
Inventories written off		-	77,971
Gain on disposal of financial assets at fair value through profit or loss		-	(383,273)
Unrealised (gain)/loss on financial assets at fair value through profit or loss		(220,596)	694,218
Loss on disposal of plant and equipment		12,474	-
Surplus before changes in working capital		897,040	1,383,872
Decrease in inventories		4,135	23,665
Decrease/(increase) in accounts and other receivables		75,827	(1,963,735)
(Decrease)/increase in accounts and other payables		(9,035)	446,657
(Decrease)/increase in subscriptions and fees received in advance		(2,745,608)	421,393
Increase in contract liabilities		2,237,285	-
Decrease in deferred revenue		-	(240,000)
Net cash generated from operating activities		459,644	71,852
Investing activities			
Interest received		159,956	88,143
Dividends received		598,011	603,194
Purchase of property, plant and equipment		(255,989)	(180,235)
Purchase of financial assets at fair value through profit or loss		-	(10,346,687)
Purchase of financial assets at fair value through other comprehensive income		(3,712,169)	-
Payment for deposits for acquisition of intangible assets		(483,750)	(108,750)
Proceeds on sale of financial assets at fair value through profit or loss		-	8,125,112
Proceeds on sale of financial assets at fair value through other comprehensive income		1,380,500	-
Decrease/(increase) in time deposits with original maturity over three months when acquired		1,876,527	(7,208,300)
Net cash used in investing activities		(436,914)	(9,027,523)
Net increase/(decrease) in cash and cash equivalents		22,730	(8,955,671)
Cash and cash equivalents at the beginning of the reporting period		7,653,883	16,564,089
Effect of foreign exchange rate change, net		(63,661)	45,465
Cash and cash equivalents at the end of the reporting period	23	7,612,952	7,653,883

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 held	Principal activities
		Directly	Indirectly		
1. The Hong Kong Institute of Chartered Secretaries Foundation Limited (香港特許秘書基金有限公司) ("HKICSFL")	Hong Kong	As the sole member	-	Limited by guarantee	Provide scholarship and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects
2. The Hong Kong Institute of Company Secretaries Limited (香港公司秘書公會有限公司) ("HKICSL")	Hong Kong	As the sole member	-	Limited by guarantee	Has not yet commenced any activity
3. The Hong Kong Institute of Chartered Secretaries (China) Limited (香港特許秘書公會(中國)有限公司) ("HKICS China")	Hong Kong	100%	-	Ordinary shares	Investment holding
4. 思治企业咨询(北京)有限公司 (HKICS Consulting (Beijing) Limited) ("HKICS BJ")	Beijing, China	-	100%	Registered capital	Promote the Institute's qualifying programme and provision of services to members in Mainland China
5. The Institute of Chartered Secretaries and Governance Professionals Limited (特許秘書及企業管治公會有限公司) ("ICSGPL")	Hong Kong	100%	-	Ordinary shares	Dormant

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Statement of compliance

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

b. Basis of measurement

The financial statements have been prepared under the historical cost basis except for the leasehold land and buildings and certain financial instruments, which are measured at fair value as explained in the significant accounting policies in Note 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 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarification of HKFRS 15)
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration

Except for HKFRS 9 and HKFRS 15, the adoption of other new/revised HKFRSs does not have any material impact on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

Classification and measurement of financial assets and financial liabilities

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion").

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2018 – continued

HKFRS 9 – Financial Instruments – continued

Classification and measurement of financial assets and financial liabilities – continued

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVPL.

The following accounting policies would be applied to the Group's financial assets as follows:

FVPL	FVPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in surplus or deficit.
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 surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in surplus or deficit 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 surplus or deficit.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2018 – continued

HKFRS 9 – Financial Instruments – continued

Classification and measurement of financial assets and financial liabilities – continued

On 1 July 2018, management assessed the Group's business models and contractual cash flow characteristics of each of the Group's financial instruments, and has classified them into the appropriate categories under HKFRS 9 and elected to present fair value gains and losses from investment in listed equity securities in other comprehensive income, which led to changes in accounting policies (Note 4(d)(i)).

- Listed equity securities investments previously classified as financial assets at FVPL with a carrying amount of HK\$2,391,657 was reclassified to financial assets at FVOCI on 1 July 2018 as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. Such reclassification has no impact on the measurement categories.
- Unlisted fund investments classified as financial assets at FVPL continue to be measured at fair value with fair value gains or losses recognised in surplus or deficit.
- Bond investments classified as held-to-maturity investments continue to be carried at amortised costs since the bond investments are held under a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding.
- All other financial assets and financial liabilities are measured on the same basis as were measured under HKAS 39.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018:

	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 HK\$	Carrying amount as at 1 July 2018 under HKFRS 9 HK\$
Bond investments	Held-to-maturity	Amortised cost	1,553,950	1,553,950
Investments in listed equity shares	FVPL	FVOCI	2,391,657	2,391,657
Investments in unlisted funds	FVPL	FVPL	19,131,304	19,131,304
Deposits for acquisition of intangible assets	Loans and receivables	Amortised cost	543,750	543,750

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2018 – continued

HKFRS 9 – Financial Instruments – continued

Classification and measurement of financial assets and financial liabilities – continued

	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 HK\$	Carrying amount as at 1 July 2018 under HKFRS 9 HK\$
Prepayments	Loans and receivables	Amortised cost	136,260	136,260
Accounts and other receivables	Loans and receivables	Amortised cost	3,784,202	3,784,202
Time deposits with original maturity over three months when acquired	Loans and receivables	Amortised cost	7,208,300	7,208,300
Cash and bank balances	Loans and receivables	Amortised cost	7,653,883	7,653,883

The effect of the adoption of HKFRS 9 on the Group's financial position is as follows:

Consolidated statement of financial position (extract)

Financial assets	Note	As at 30 June 2018 HK\$	Effect of adoption of HKFRS 9 HK\$	As at 1 July 2018 HK\$
Held-to-maturity		1,553,950	(1,553,950)	-
Bond investments		-	1,553,950	1,553,950
Financial assets at FVPL	(a)	21,522,961	(2,391,657)	19,131,304
Financial assets at FVOCI	(a)	-	2,391,657	2,391,657
Reserves:				
Financial assets at FVOCI reserve	(a)	-	280,499	280,499
General fund	(a)	50,890,217	(280,499)	50,609,718

Note (a):

The Group elected to present in other comprehensive income subsequent changes in the fair value of investment in listed equity securities. Fair value gains of HK\$280,499 previously recognised in general fund were reclassified to financial assets at FVOCI reserve on 1 July 2018 upon adoption of HKFRS 9.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2018 – continued

HKFRS 9 – Financial Instruments – continued

Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the incurred loss accounting model in HKAS 39.

The Group's financial assets classified as at amortised cost are subject to the new expected credit loss model for impairment assessment, leading to changes in accounting policies (Note 4(d)(ii)). However, adopting the new impairment model as at 1 July 2018 has not resulted in material impact on the carrying amount of the Group's financial assets.

Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 30 June 2018, but are recognised in the consolidated statement of financial position on 1 July 2018. This means that differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in general fund and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted HKFRS 15 using the cumulative effect method without practical expedients which means that the cumulative impact of the adoption, if any, would be recognised in general fund as of 1 July 2018 and that comparatives would not be restated. The Group assessed that adopting HKFRS 15 has no significant impact on its financial statements.

The major changes to the accounting policies in relation to the Group's revenue are set out below:

Income from examinations

The Group previously recognised the income from examinations when the examinations were held. Upon adoption of HKFRS 15, the Group recognises the revenue over time based on the cost-to-cost method. Part of the income and costs for examinations held in June 2018 and May 2019 are deferred to the year ended 30 June 2019 and the year ending 30 June 2020 respectively when post-examination services are rendered.

The impact from recognition of examinations income under HKFRS 15 was insignificant as at 1 July 2018.

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

a. Adoption of new/revised HKFRSs – Effective 1 July 2018 – continued

HKFRS 15 – Revenue from Contracts with Customers – continued

Presentation of contract liabilities

	At 30 June 2018 under HKAS 18 HK\$	Effect of adoption of HKFRS 15 HK\$	At 1 July 2018 under HKFRS 15 HK\$
Contract liabilities	-	2,745,608	2,745,608
Subscriptions and fees received in advance	2,745,608	(2,745,608)	-

Subscriptions and fees received in advance are presented as contract liabilities upon adopting HKFRS 15 (Note 24).

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

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

HKFRS 16	Leases ¹
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatment ¹
Amendments to HKAS 1 and HKAS 8	Definition of "Material" ²

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

² Effective for annual periods beginning on or after 1 January 2020

Based on preliminary assessment, no significant impact on the financial statements is anticipated for the adoption of the new standards other than HKFRS 16.

HKFRS 16 Leases

HKFRS 16 requires lessees to account for all leases in a similar way to the current finance lease accounting. The adoption of HKFRS 16 will affect the Group's accounting as a lessee of the office and equipment leases which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of expense recognition over the period of the lease.

As set out in note 25, the total operating lease commitment of the Group in respect of rented offices and office equipment as at 30 June 2019 amounted to HK\$1,148,140 with original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the surplus or deficit in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term.

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

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

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

b. Property, plant and equipment

Leasehold land and buildings

Leasehold land and buildings are stated in the consolidated statement of financial position at their revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed at the reporting date.

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

- 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
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

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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

d. Financial instruments (accounting policies applied from 1 July 2018)

i. Financial assets

Classification

Classification of financial assets depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group has three types of financial assets:

Financial assets at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets at amortised cost.

Financial assets at fair value through profit or loss ("FVPL")

Financial assets that do not meet the criteria for amortised cost measurement, or not being debt investment meeting the criteria for measurement at fair value through other comprehensive income are classified as financial assets at FVPL.

Financial assets at fair value through other comprehensive income ("FVOCI")

Investments in equity instruments not held for trading are elected to have the fair value changes presented in other comprehensive income and classified as financial assets at FVOCI.

Initial measurement

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 FVPL, 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.

Subsequent measurement

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses, impairment losses, and gain or loss on derecognition are recognised in surplus or deficit.

Impairment loss

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

d. Financial instruments (accounting policies applied from 1 July 2018) – continued

i. Financial assets – continued

Subsequent measurement - continued

Impairment loss - continued

ECL 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 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 applied the simplified approach to recognise lifetime ECL for accounts receivable.

For other debt financial assets, the Group considers that they have low credit risk and recognises 12-month ECL for such items.

Financial assets at fair value through profit or loss ("FVPL")

Subsequent changes in fair value of financial assets at FVPL, dividends and interest income are recognised in surplus or deficit.

Financial assets at fair value through other comprehensive income ("FVOCI")

Fair value changes of equity investments elected as financial assets at FVOCI are recognised in other comprehensive income. Dividend income are recognised in surplus or deficit unless the dividend income clearly represents a recovery of part of the cost of the investments.

ii. Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in surplus or deficit.

e. Financial instruments (accounting policies applied until 30 June 2018)

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading or it is designated as fair value through profit or loss upon initial recognition.

Financial assets at fair value through profit or loss are measured at fair value subsequent to initial recognition. Changes in fair value, dividends and interest income are recognised in surplus or deficit.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially measured at fair value plus transaction costs, and subsequently carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

e. Financial instruments (accounting policies applied until 30 June 2018) – continued

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any identified impairment losses.

iv. Impairment loss of loans and receivables and held-to-maturity investments

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

v. Financial liabilities at amortised cost

Financial liabilities at amortised cost including accounts and other payables initially measured at fair value and subsequently at amortised cost, using the effective interest method. The related interest expense is recognised in surplus or deficit.

f. 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.

g. Revenue recognition (accounting policies applied from 1 July 2018)

- 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.

h. Revenue recognition (accounting policies applied until 30 June 2018)

Revenue is measured at the fair value of the consideration received and receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable can be measured reliably, revenue is recognised in the profit and loss section of the consolidated statement of comprehensive income as follows:

4. SIGNIFICANT ACCOUNTING POLICIES – continued

h. Revenue recognition (accounting policies applied until 30 June 2018) – continued

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

i. Contract liabilities (accounting policies applied from 1 July 2018)

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.

j. 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. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the reporting date.

k. 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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

I. Employee benefits

Short term employee benefits

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

Defined contribution retirement plan

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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

Fair value of landed property

The Group's leasehold land and buildings are stated at fair value based on professional valuation performed. In determining the fair value, the valuers have assessed the market value of the property in its existing state by 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.

b. Key sources of estimation uncertainty

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

	2019	2018
	HK\$	HK\$
Subscriptions, recognised over time	14,481,912	14,293,333
Admission and registration fees, recognised at a point in time	6,154,840	5,970,800
	20,636,752	20,264,133

7. OTHER REVENUE

	2019 HK\$	2018 HK\$
Income from examinations, recognised over time	2,704,900	2,891,300
Income from seminars, courses, member and student activities and functions held, recognised over time	19,771,048	16,111,536
	<u>22,475,948</u>	<u>19,002,836</u>

8. INTEREST INCOME

	2019 HK\$	2018 HK\$
Bank interest income	128,545	56,749
Interest income from held-to-maturity investments	-	31,394
Interest income from bond investments	31,411	-
	<u>159,956</u>	<u>88,143</u>

9. OTHER NET INCOME

	2019 HK\$	2018 HK\$
Dividend income on financial assets at fair value through profit or loss	738,748	831,573
Dividend income on financial assets at fair value through other comprehensive income	68,797	-
Donations	19,500	273,800
Gain on disposal of financial assets at fair value through profit or loss	-	383,273
Loss on disposal of plant and equipment	(12,474)	-
Net foreign exchange (loss)/gain	(63,144)	79,645
Sales of study materials	16,010	66,530
Sponsorship income	-	573,030
Sundry income	543,790	348,326
Unrealised gain/(loss) on financial assets at fair value through profit or loss	220,596	(694,218)
	<u>1,531,823</u>	<u>1,861,959</u>

10. OBTAINING CONTROL OF A SUBSIDIARY

For the year ended 30 June 2018

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

Fair values of net identifiable assets acquired were as follows:

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

Note:

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

11. STAFF COSTS

	2019 HK\$	2018 HK\$
Salaries, allowances and other benefits	18,610,874	17,644,420
Contributions to defined contribution retirement scheme:		
Hong Kong Mandatory Provident Fund	1,096,160	1,056,010
	19,707,034	18,700,430

Staff costs included key management personnel remuneration (Note 12).

12. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2019	2018
	HK\$	HK\$
Salaries	6,131,429	6,039,075
Performance benefits, other allowances and benefits-in-kind	1,768,556	1,740,077
Contributions to defined contribution retirement schemes	550,520	637,509
	8,450,505	8,416,661

13. OTHER OPERATING EXPENSES

	2019	2018
	HK\$	HK\$
Auditor's remuneration	162,097	159,668
Bad debts written off	-	105,650
Direct costs (Note)	8,184,420	5,952,256
Donations	1,000	2,000
Government rent and rates	93,525	106,250
Investment handling charges	356,206	359,144
Legal and professional fees	312,910	840,894
Credit card merchant fees	670,990	568,320
Operating leases – Buildings	677,280	687,882
Postage and courier	166,015	175,968
Promotion and public relations	1,458,460	1,441,070
Publications and printing	3,286,957	3,300,499
Repairs and maintenance	107,101	116,349
Service fees charged by The Institute of Chartered Secretaries and Administrators	910,508	842,514
Service fees in PRC	2,748,500	2,327,742
Scholarship, sponsorship and subject prizes	335,500	578,240
Student services	1,688,766	1,252,261
Sundry expenses	882,178	868,422
Travelling	404,731	365,758
Utilities	577,267	523,442
	23,024,411	20,574,329

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

14. TAXATION

The Institute

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

HKICSFL

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

HKICSL, HKICS China and ICSGPL

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

HKICS BJ

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

15. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2019

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total 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

15. PROPERTY, PLANT AND EQUIPMENT - continued

Year ended 30 June 2018

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

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 2019 and 2018, 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.

15. PROPERTY, PLANT AND EQUIPMENT - continued

Fair value measurement - continued

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
		Premium on characteristics of the properties	
Leasehold land and buildings in Hong Kong	Direct comparison approach		-10.5% to 15% (2018: -6.5% to 15%)

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 2017	96,000,000
Depreciation	(235,952)
Valuation surplus	17,235,952
At 30 June 2018 and 1 July 2018	113,000,000
Depreciation	(232,082)
Valuation surplus	14,232,082
At 30 June 2019	127,000,000

Valuation surplus of HK\$14,232,082 (2018: surplus of HK\$17,235,952) 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\$14,202,658 and HK\$1,844,976 respectively (2018: HK\$14,219,810 and HK\$1,899,240 respectively) at the end of the reporting period.

16. BOND INVESTMENTS/HELD-TO-MATURITY INVESTMENTS

	2019	2018
	Bond investments	Held-to-maturity investments
	HK\$	HK\$
Bonds measured at amortised cost	1,561,717	1,553,950

The bonds had contractual interest rate of 2.005% per annum with maturity on 18 September 2019.

17. DEPOSITS FOR ACQUISITION OF INTANGIBLE ASSETS

At 30 June 2019, deposits of HK\$1,027,500 (2018: HK\$543,750) were paid for acquiring management information system from an external vendor.

18. 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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK\$	HK\$
Listed equity securities	-	2,391,657
Unlisted fund investments	19,553,668	19,131,304
	19,553,668	21,522,961

As disclosed in Note 3(a), on adoption of HKFRS 9, investment in listed equity securities were reclassified as financial assets at FVOCI (Note 20) as at 1 July 2018.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK\$	2018 HK\$
Listed equity securities	4,896,594	-

i. Disposal of equity investments

During the year ended 30 June 2019, 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\$1,270,212 at the time of the sale and the Group realised a gain of HK\$85,294.

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

	2019 HK\$
Gain recognised in other comprehensive income	172,898
Dividends from equity investments held at FVOCI recognised in surplus or deficit:	
Relating to investments derecognised during the year	28,186
Relating to investments held at the end of the reporting period	40,611
	68,797

21. ACCOUNTS AND OTHER RECEIVABLES

	2019 HK\$	2018 HK\$
Accounts receivables (Note i)	1,203,572	727,852
Other receivables (Note ii)	1,295,934	1,092,461
Deposits	248,503	377,433
Prepayments	1,096,626	1,586,456
	3,844,635	3,784,202

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:

21. ACCOUNTS AND OTHER RECEIVABLES - continued

Note - continued

i.	2019 HK\$	2018 HK\$
Current	325,010	546,816
1-3 months	737,747	174,186
Over 3 months	140,815	6,850
	878,562	181,036
	1,203,572	727,852

The Council members considered that credit risk is not significant.

- 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.

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

	2019 HK\$	2018 HK\$
Time deposits with original maturity over three months when acquired	5,331,773	7,208,300

As at 30 June 2019, the Group's time deposits earned interest at bank deposit rate of 2.0% (2018: 1.3%) per annum and had original maturity of six months (2018: six months).

23. CASH AND CASH EQUIVALENTS

	2019 HK\$	2018 HK\$
Cash and bank balances	4,155,477	2,495,997
Cash at custodians	3,457,475	5,157,886
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	7,612,952	7,653,883

Cash at banks earned interest ranging from 0.125% to 0.3% (2018: 0.001%) per annum.

Included in the Group's cash and bank balances is an amount of HK\$1,252,846 (2018: HK\$1,234,856) which is held by HKICSFL that can be used to fulfil the objects of HKICSFL as set out in its Articles of Association.

24. CONTRACT LIABILITIES/SUBSCRIPTIONS AND FEES RECEIVED IN ADVANCE

	2019	2018
	HK\$	HK\$
Contract liabilities	2,237,285	-
Subscriptions received in advance from new student members	-	228,280
Annual subscriptions received in advance		
for renewal of studentship	-	931,905
Other fees received in advance	-	1,585,423
	2,237,285	2,745,608

The balances in the current year reflect the adoption of HKFRS 15 while the comparative information has not been restated.

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.

Movements in contract liabilities:

	2019
	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	2,237,285

25. OPERATING LEASE ARRANGEMENTS

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

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

	2019	2018
	HK\$	HK\$
Within one year	751,750	779,032
In the second to fifth year, inclusive	396,390	1,175,055
	1,148,140	1,954,087

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

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 2019, the Institute had a commitment of HK\$960,000 (2018: HK\$543,750) in respect of purchases of management information system contracted for, but not provided for in the consolidated financial statements.

28. FINANCIAL INSTRUMENTS BY CATEGORY

	2019	2018
	HK\$	HK\$
Financial assets		
– at amortised cost		
Held-to-maturity investments	-	1,553,950
Bond investments	1,561,717	-
Accounts and other receivables	2,499,506	-
Time deposits with original maturity over three months when acquired	5,331,773	-
Cash and cash equivalents	7,612,952	-
	17,005,948	1,553,950
– loans and receivables		
Accounts and other receivables	-	1,820,313
Time deposits with original maturity over three months when acquired	-	7,208,300
Cash and cash equivalents	-	7,653,883
	-	16,682,496
– at fair value		
Financial assets at fair value through other comprehensive income	4,896,594	-
Financial assets at fair value through profit or loss	19,553,668	21,522,961
	24,450,262	21,522,961
Financial liabilities – measured at amortised cost		
Accounts and other payables	1,858,901	1,867,936

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.

29. 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.

In the prior years, the impairment of accounts receivables was assessed based on the incurred loss model. The accounts receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The adoption of the new impairment model as 1 July 2018 has not resulted in material impact on the carrying amount of the loss allowance. The movements in the loss allowance during the year are as follows:

	HK\$
At 1 July 2017	87,070
Recovery of impairment loss in the year ended 30 June 2018	(87,070)
At 30 June 2018 and 1 July 2018	-
Provision for impairment loss in the year ended 30 June 2019	-
At 30 June 2019	-

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:

29. 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	1,256,302
Account receivables	-	-	163,296
Other receivables	-	-	1,529,446
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	2,949,044

Exposure to foreign currency (expressed in HK\$)			
At 30 June 2018	USD	GBP	RMB
Assets			
Accounts receivables	-	-	69,466
Cash and cash equivalents	822,611	855,962	72,754
Other receivables	-	-	1,030,370
Held-to-maturity investments	1,553,950	-	-
Financial assets at fair value through profit or loss	9,311,513	-	-
	11,688,074	855,962	1,172,590

Sensitivity analysis on foreign exchange risk management

The Council considers the main foreign currency risk the Group was exposed to at the reporting date were GBP and RMB. If Hong Kong dollars strengthened against these currencies by 5%, the Group's surplus would be increased by approximately HK\$200 (2018: HK\$43,000) and HK\$108,300 (2018: HK\$59,000), respectively. If Hong Kong dollars had weakened against these currencies by 5%, the Group's surplus would be decreased 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.

29. FINANCIAL RISK MANAGEMENT - continued

c. Liquidity risk - continued

	Within 1 year HK\$	Total contractual undiscounted cash flow HK\$	Total carrying amount HK\$
As at 30 June 2019			
Accounts and other payables	1,858,901	1,858,901	1,858,901
As at 30 June 2018			
Accounts and other payables	1,867,936	1,867,936	1,867,936

d. 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.

	Level 1 HK\$	Level 2 HK\$	Total HK\$
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

29. FINANCIAL RISK MANAGEMENT - continued

d. Fair value measurement – continued

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

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.

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

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

31. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE

	Note	2019 HK\$	2018 HK\$
Non-current assets			
Property, plant and equipment		127,622,802	113,781,824
Interests in subsidiaries		22	22
Held-to-maturity investments		-	1,553,950
Deposits for acquisition of intangible assets		1,027,500	543,750
Prepayments		-	136,260
		128,650,324	116,015,806
Current assets			
Inventories		13,450	16,535
Bond investments		1,561,717	-
Financial assets at fair value through profit or loss		19,553,668	21,522,961
Financial assets at fair value through other comprehensive income		4,896,594	-
Accounts and other receivables		3,687,040	3,612,126
Amounts due from subsidiaries		1,839,596	473,294
Time deposits with original maturity over three months when acquired		5,331,773	7,208,300
Cash and cash equivalents		4,613,165	6,370,877
		41,497,003	39,204,093
Current liabilities			
Accounts and other payables		1,504,535	1,664,196
Amounts due to subsidiaries		11	11
Contract liabilities		2,179,768	-
Subscriptions and fees received in advance		-	2,745,608
		3,684,314	4,409,815
Net current assets		37,812,689	34,794,278
NET ASSETS		166,463,013	150,810,084
Reserves and funds			
General fund	32	50,977,734	50,107,830
Financial assets at fair value through other comprehensive income reserve	32	453,397	-
Property revaluation reserve	32	112,161,485	97,929,403
Building maintenance sinking fund	32	870,397	1,000,000
Education development fund	32	1,000,000	991,189
IT maintenance fund	32	1,000,000	781,662
TOTAL RESERVES AND FUNDS		166,463,013	150,810,084

The financial statements were approved and authorised for issue by the Council on 1 November 2019 and are signed on its behalf by:

David YH Fu
President

Ernest CH Lee
Treasurer

32. 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 at							
1 July 2017	49,182,205	-	80,693,451	988,486	788,486	379,667	132,032,295
Surplus for the year	1,541,837	-	-	-	-	-	1,541,837
Other comprehensive income for the year	-	-	17,235,952	-	-	-	17,235,952
Total comprehensive income for the year	1,541,837	-	17,235,952	-	-	-	18,777,789
Transfer from general fund	(616,212)	-	-	11,514	202,703	401,995	-
Balance as at 30 June 2018	50,107,830	-	97,929,403	1,000,000	991,189	781,662	150,810,084
Adjustment on adoption of HKFRS 9 (Note 3a)	(280,499)	280,499	-	-	-	-	-
Restated 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

We welcome any feedback you may have on our report.
Please tell us what you think by email: ask@hkics.org.hk.

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