



CHARTERED
SECRETARIES
特許秘書

Creating Value

Annual Report 2015

The Hong Kong Institute of Chartered Secretaries

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 the Chartered Secretary in Hong Kong and throughout Mainland China.

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

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

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

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President's Report

The theme of this report is 'creating value', and its focus will be on the value created by our Institute in its work, and on the value created by our members as they help to improve the corporate governance standards of the organisations they work for. I think we should never lose sight of the fact that the Institute and its members serve the public interest. Ultimately, the value we create comes from the fact that well-run and sustainable organisations contribute to a healthy economy and a sustainable business environment.

Our strategic focus

I was elected President of our Institute in December 2014, and I am honoured to take up this challenge at such an important juncture in the development of our Institute and profession. When I was elected, I sketched out the strategic goals I would like to pursue during my presidency, some of which I inherited from the good work of my predecessors in this role. In this President's Report, I do not propose to cover all of these goals and our progress towards achieving them – you can find more information on this in the 'Performance Review' section of this report – but I would like to highlight what I see as the salient points that our Institute needs to address, now and in the years ahead, to ensure that our members stay relevant in the emerging business environment.

The external environment in which company secretaries operate is changing and it is changing fast. The regulatory and operating environment is becoming increasingly complex, and consequently the bar is rising for our members, as it is for all corporate governance professionals. Our members need to rise to this challenge and our Institute needs to be continually



Dr Maurice Ngai FCIS FCS(PE)
President

upgrading the support we provide to them so that they are well prepared for the changes ahead.

You will notice that our Institute has initiated a few new projects this year, all designed to create value for our members, students, stakeholders and the community at large. These include our Mentorship Programme, various environmental protection projects and a number of membership activities including our Community Service Programme. More information on these initiatives can be found in the 'Performance Review' section of this report.

Of course, our Institute, as the China Division of The Institute of Chartered Secretaries and Administrators (ICSA), does not only look after our members in Hong Kong. Our 'Affiliated Persons' programme has been attracting not only board secretaries and relevant personnel of H-share companies, but also participants from red-chip, A-share and to-be-listed companies. We are also attracting increasing numbers of Mainland students taking the International Qualifying Scheme (IQS) examinations in Beijing and Shanghai.



' ULTIMATELY, THE VALUE WE CREATE
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A SUSTAINABLE BUSINESS ENVIRONMENT '

I believe our Mainland China work should remain a core part of our strategy going forward. During the year under review, I have participated in a number of very successful visits to our key stakeholders in the Mainland and I am pleased to report that our ties with these bodies are closer than ever. This work does not only benefit our members in the Mainland, it also broadens the knowledge and understanding of our members in Hong Kong about developments in the greater China region. There is an increasing demand for corporate governance professionals in Mainland China and our members are well placed to seize these opportunities as they arise.

Our message

The effectiveness of our members in their work does not only depend on their own knowledge and skills – just as important is the expectations of their role among other key stakeholders (in particular directors, senior managers, regulators, other professionals and shareholders). Another strategic focus of our Institute, therefore, is to reach out to these stakeholders to foster a better recognition and understanding of the company secretarial role.

The message we are promoting is in line with the theme of this report – a properly qualified and well-respected Chartered Secretary creates enormous value for an organisation. He or she not only ensures that the board functions effectively, but also acts as an early

warning system – flagging up potential compliance and governance risks for the attention of the board and guiding board discussions with advice where needed. This is a highly valuable commodity in today's complex and often unforgiving business environment.

In addition to promoting the role of the company secretary, our Institute also contributes to the wider debate on issues relevant to governance and corporate secretarial practice. This means not only contributing to regulatory submissions locally here in Hong Kong, but also adding to the global debate through our advocacy and research work and through our close ties with our stakeholders overseas.

To survive and thrive in the changing environment, our Institute needs to be acutely aware of the trends affecting the business environment and the profession globally. We are part of an international profession, most obviously through our status within the ICSA and the Corporate Secretaries International Association (CSIA), and that is very important to us. As part of the recent reforms to its royal charter and byelaws, implemented in 2014, the ICSA has set itself on a mission to be the leading global professional body in governance. It has also started to broaden



*Dr Maurice Ngai
presenting at the
Annual Dinner 2015*



its membership base and curriculum to make it more relevant to members who are not company secretaries.

It is too early to tell how these developments will affect us here in Hong Kong. One trend to watch, however, will be the growing momentum towards a rebranding exercise along the lines of the one that was successfully implemented in 2014 by the former Australian Division of ICSA, now renamed the 'Governance Institute of Australia'. We will continue to monitor these developments closely and to play our part in building the profile of our profession globally.

And finally...

This report will update you on our progress towards our strategic goals in 2014/2015. A review of the key metrics demonstrates that our Institute is in good health financially and operationally. We made an operating surplus of HK\$6.4 million during the year, meaning that we have the financial resources to follow through on our plans. Moreover we have been able to maintain and upgrade our student and member support services, as well as our advocacy and research work over the year.

I would like to thank my fellow Council members, the secretariat team, members of the Institute's

committees, sub-committees, panels and working groups, and as well as other volunteer members, for their commitment, contribution and continual support over the past year. I would also like to thank the regulators, relevant government departments and our fellow professional bodies and business partners for their immense support and contribution. The progress described by this report was achieved as a result of your dedicated contributions to the profession. I look forward to working with you, and indeed all our stakeholders, to take forward our work in Hong Kong, Mainland China and internationally in the year ahead.

Dr Maurice Ngai FCIS FCS(PE)
President
Hong Kong, 6 November 2015

CREATING VALUE

Ensuring that our members are properly equipped to fulfil their duties to high standards of professionalism and ethics

Supporting and enhancing good corporate governance in companies in Hong Kong and Mainland China

Engaging with regulators in Hong Kong and Mainland China in the development of regulatory initiatives and policies

Contributing to an effective regulatory regime and sustainable business environment locally and regionally

Maintaining the quality of the Chartered Secretarial qualification

Providing aspiring Chartered Secretaries with an internationally respected qualification and providing employers with well-qualified Chartered Secretaries

Engaging with local and international stakeholders to promote good governance and corporate secretaryship

Promoting good governance and increasing awareness and understanding the corporate secretarial role locally, regionally and internationally

Providing members with professional development and networking support services

Assisting our members to succeed in their careers

Assisting in the professionalisation of the board secretary role in Mainland China

Promoting our profession in Mainland China and assisting Mainland businesses to succeed in an increasingly complex regulatory environment

Educating our members on the regulatory and business environment in Mainland China

Helping our members to benefit from the growing demand for governance professionals in the Mainland



About the HKICS

The Hong Kong Institute of Chartered Secretaries (HKICS) is a leading professional body dedicated to promoting good corporate governance and corporate secretaryship in Hong Kong and Mainland China.

Principal activities

As the qualifying and professional body for Chartered Secretaries in Hong Kong and Mainland China:

- we maintain the quality of the Chartered Secretarial qualification in Hong Kong and Mainland China and help our students acquire the qualifications and skills they need for a successful career
- we provide training and career support to our members to ensure they are properly equipped to fulfil their duties to high standards of professionalism and ethics
- we ensure that our members comply with our codes of ethics and conduct
- we play an integral role in the development of regulatory policy in Hong Kong via our submissions on legislative initiatives, and

- we are a thought leader on issues related to corporate governance and company secretarial practice locally, regionally and internationally.

Place of business

Our Institute is incorporated and domiciled in Hong Kong. Its registered office and principal place of business is at 3/F, Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong. The majority of our membership and studentship base is located in Hong Kong, but, as the China Division of the Institute of Chartered Secretaries and Administrators (ICSA), our Beijing Representative Office is located at: Room 15A04, 15A/F, Dacheng Tower, No 127 Xuanwumen West Street, Xicheng District, Beijing, 100031, Mainland China.

Governance structure

Our governance structure is displayed on page 9 of this report. Council is our primary governance body, providing strategic direction and shaping our response to local and international developments. The current membership of our Council is set out on page 14 of this report.

Council is assisted in its work by six committees. The Education, Professional Development and Membership Committees are each chaired by a Council member, while the Nomination Committee is chaired by a past

About the HKICS

president. The committees report directly to Council and are responsible for implementing the Institute's strategic policies in Hong Kong and Mainland China.

Council is guided, particularly in technical areas, by experts and professionals serving on a number of working groups and panels. These include: the Company Secretaries Panel dedicated to promoting our relationship with listed issuers, regulators and the government; the Technical Consultation Panel dedicated to leading and coordinating our work

on consultation submissions and on research and guidance publications; and the Professional Services Panel dedicated to supporting and guiding members in the corporate and professional services sector and handling our relationship with the Companies Registry through the Companies Registry Customer Liaison Group.

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



GOVERNANCE STRUCTURE

Council

Professional Development Committee	Education Committee	Membership Committee	Audit Committee	Nomination Committee	Human Resources Committee	Working Group and Task Force
CSj Editorial Board	Academic Advisory Panel	Appeal Tribunal				HKICS Prize Judgement Panel
Company Secretaries Panel	Assessment Review Panel	Investigation Group				Investment Strategy Task Force
Professional Services Panel	Exemption Sub-Committee	Disciplinary Tribunal				Mainland China Focus Group
Technical Consultation Panel	Student Disciplinary Sub-Committee	Re-election to Ordinary Member Status				
Sub-Committee on CPD Curriculum and In-House Training	IOS Syllabus Review Working Group	CPD Points Exemption Assessment Panel				
Sub-Committee on CPD Exemption		Special Entry Scheme Interview Panel				

council committees

working groups and panels

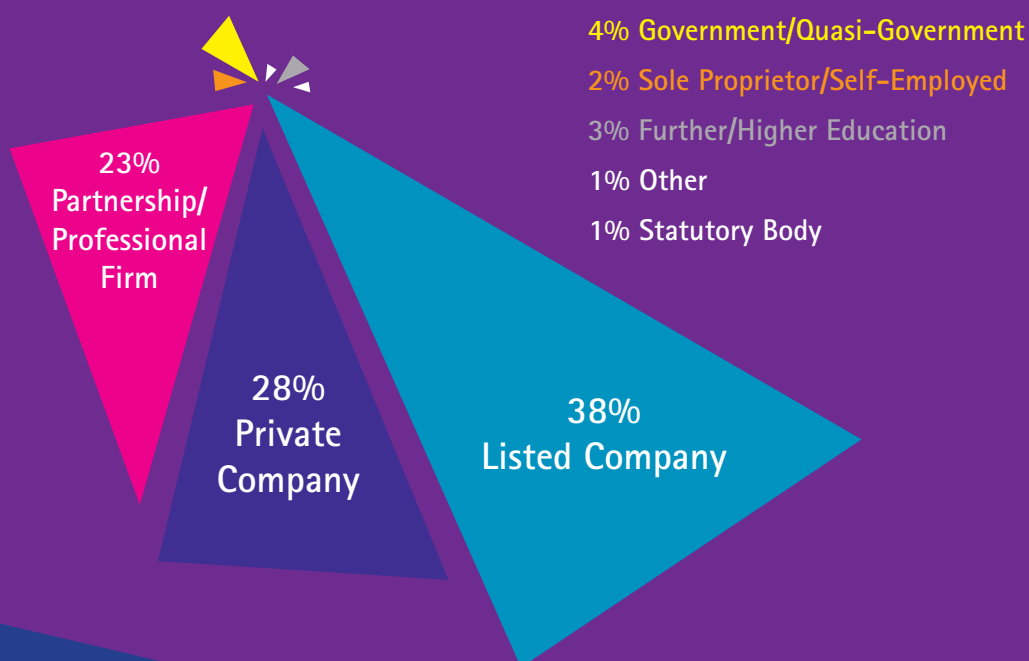
Secretariat

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

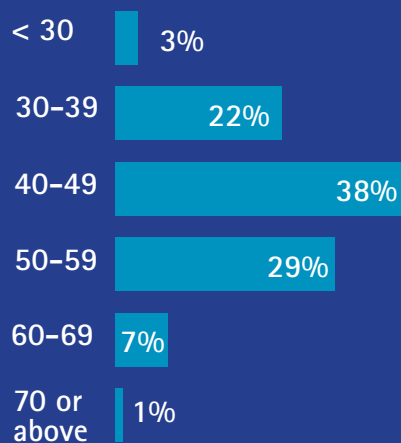
' WE ARE A THOUGHT LEADER ON ISSUES RELATED TO CORPORATE GOVERNANCE AND COMPANY SECRETARIAL PRACTICE LOCALLY, REGIONALLY AND INTERNATIONALLY '

MEMBER PROFILE

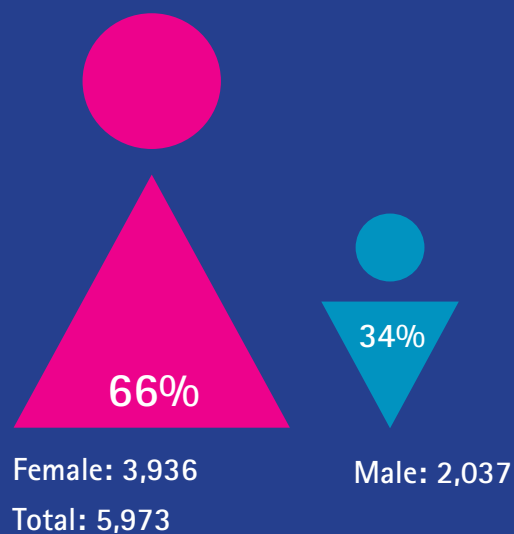
Type of employer organisation



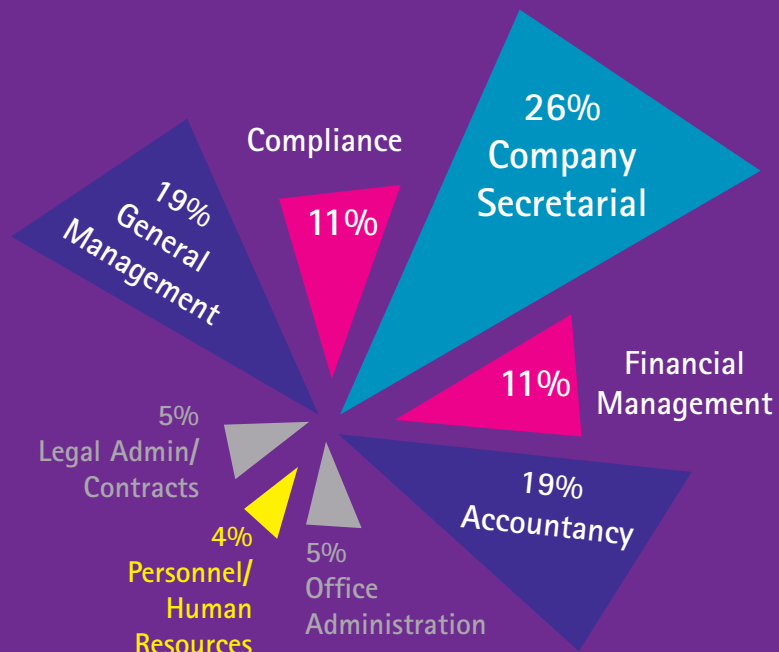
Age profile



Gender distribution

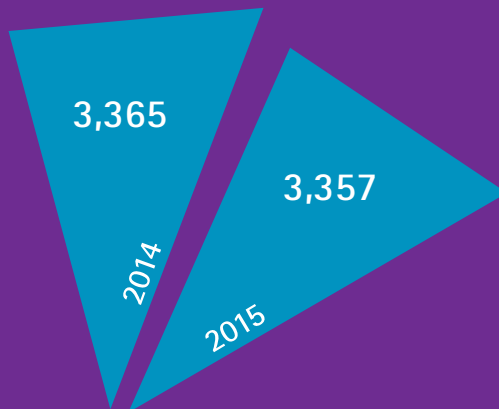


Area of activity of current job

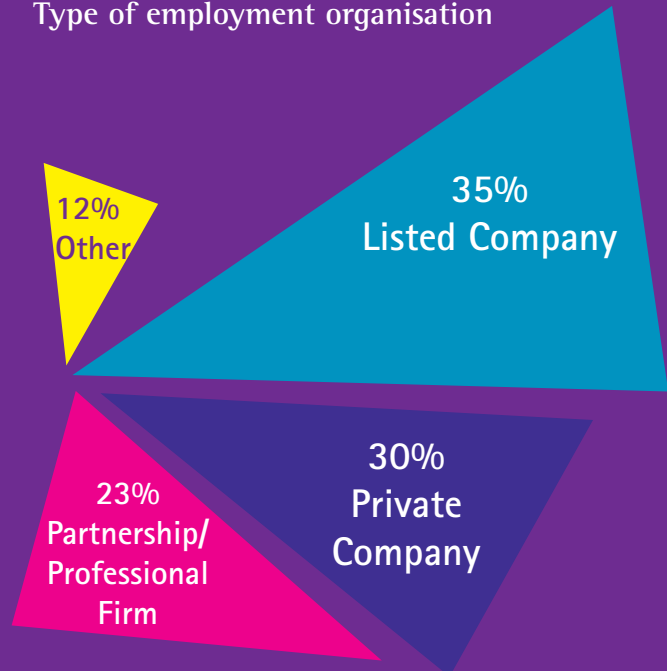


STUDENT PROFILE

Number of students



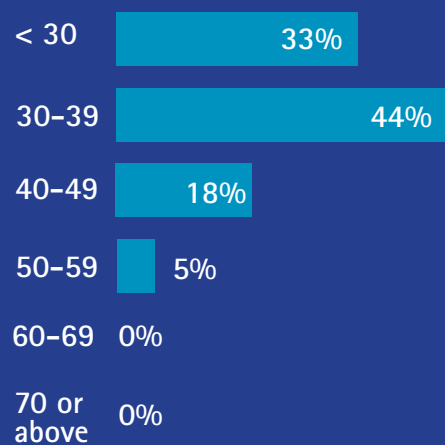
Type of employment organisation



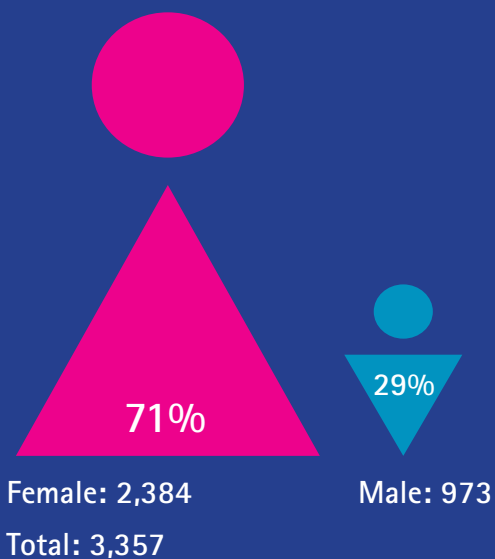
More than meets the eye.
潛能. 超越所見.



Age profile



Gender distribution



Report of Council

Our Council has pleasure in submitting its report together with the audited Financial Statements for the year ended 31 July 2015. Membership of Council during the financial year and at the date of this report is set out in the table.

At the 2015 Annual General Meeting, four Council members, Susie SF Cheung, David YH Fu, Ivan KW Tam and Polly OY Wong, will retire by rotation pursuant to Article 54.2 of the Institute's Articles of Association. David YH Fu and Ivan KW Tam, being eligible, have offered themselves for re-election.

Susie SF Cheung and Polly OY Wong have held office for more than six years and pursuant to Article 54.1 of the Institute's Articles of Association, they will retire from Council and will not be eligible for re-election without first ceasing to be a member for Council for one year.

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

Candidates for election to the 2015/2016 Council

At the close of the nomination date, in addition to the two retiring Council members mentioned above, other candidates – Frankie H Ho, Richard CW Law, Ernest CH Lee and Wendy WY Yung – have been nominated for election to the 2015/2016 Council. As the number of candidates exceeds the number of vacancies, the election shall be conducted by postal ballot. Biographical information on the candidates is available in the Notice of the 2015 Annual General Meeting accompanying this Annual Report.

Title	Name	Post-nominal
President	Dr Maurice WF Ngai*	FCIS FCS(PE)
Vice-President	Ivan KW Tam	FCIS FCS
Vice-President	Dr W Gao	FCIS FCS(PE)
Treasurer	Bernard TL Wu	FCIS FCS
Council member	Dr Eva YW Chan	FCIS FCS(PE)
Council member	Susie SF Cheung	FCIS FCS(PE)
Council member	Jack SL Chow	FCIS FCS
Council member	David YH Fu	FCIS FCS(PE)
Council member	Paul DS Moyes	FCIS FCS
Council member	Douglas C Oxley	FCIS FCS
Council member	Paul A Stafford	FCIS FCS
Council member	Polly OY Wong	FCIS FCS(PE)
Ex-officio member and Past President	Edith Shih	FCIS FCS(PE)

Interest of Council members

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

Related party transactions

Details of the significant related party transactions undertaken in the normal course of business are provided under Note 22 to the Financial Statements.

Donations

The Institute has donated HK\$175,000 to The Chartered Secretaries Foundation Limited (the Foundation), a company limited by guarantee. The Foundation awards Chartered Secretaries Scholarships and Chartered Secretaries Subject Prizes to local university students,

Gender	Ethnicity	Years on Council	Attendance at Council meetings	Skill-sets, expertise and experience
M	Chinese	16	9/10	Corporate governance/accounting & finance/company secretarial
M	Chinese	5	7/12	Corporate governance/legal/company secretarial
M	Chinese	3	10/12	Corporate governance/legal/company secretarial
M	Chinese	8	9/12	Corporate governance/accounting & finance/company secretarial
F	Chinese	3	11/12	Corporate governance/accounting & finance/investor relations/ company secretarial
F	Chinese	8	10/12	Corporate governance/legal/company secretarial
M	Chinese	6	8/12	Corporate governance/accounting & finance/company secretarial
M	Chinese	2	11/12	Corporate governance/accounting & finance/company secretarial
M	English	4	7/12	Corporate governance/accounting & finance/company secretarial
M	Australian	11	6/12	Corporate governance/accounting & finance
M	English	2	10/12	Corporate governance/company secretarial
F	Chinese	9	9/12	Corporate governance/accounting & finance/company secretarial
F	Chinese	8	12/12	Corporate governance/legal/company secretarial

* Appointment commenced on 19 December 2014

as well as subject prizes to IQS students who achieve distinction grade in their examinations.

Financial Statements

Despite the extensive operational activities and projects carried out for the benefit of our members and students during the year, the Institute has an operational surplus of HK\$6,387,698 for the year ended 31 July 2015. The Institute's performance review, management discussion and analysis, business review and the audited Financial Statements for the year ended 31 July 2015 are set out in the following pages of this Annual Report.

Non-current assets

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

Auditors

The Financial Statements for the year have been audited by Crowe Horwath (HK) CPA Limited, who retire and, being eligible, offer themselves for reappointment at the Annual General Meeting of the Institute.



By Order of the Council
Dr Maurice Ngai FCIS FCS(PE)
President
Hong Kong, 6 November 2015

Performance Review

This report covers the period 1 August 2014 – 31 July 2015. References to the previous year refer to the period 1 August 2013 – 31 July 2014.

1. Education and examinations

Our profession offers students an excellent career path and we seek to become the profession of choice for young talent in Hong Kong. A key trend during the year under review has been the expansion and upgrading of our promotional work and support services.

Promotional work

Passing the Torch. This year saw the launch of a new project to promote awareness of the role played by professional practitioners such as company secretaries in ensuring good governance and corporate ethics. The 'Passing the Torch' project, which was sponsored by The Chartered Secretaries Foundation Limited, enabled over 240 students of the Hong Kong University of Science and Technology to learn about corporate and personal ethics from the Institute's senior members and then 'pass the torch' of their knowledge gained to a further 200 sub-degree and secondary school (Form 5) students.

Student Ambassadors Programme (SAP). Launched in 2006, our SAP has been a very popular and effective way to promote the Chartered Secretarial profession among undergraduates and assist participating students to develop their potential as future leaders

of the profession. A total of 210 student ambassadors (with 105 students newly enrolled) participated in the programme during the year, and activities held included seminars, visits to relevant regulatory bodies and corporations, and social outings for SAP mentors and mentees. A total of 29 HKICS members joined the programme this year as mentors. The Student Ambassadors Summer Internship Programme also continued to prove its popularity, with 30 internees working in 13 companies during the year.

Corporate Governance Paper Competition and Presentation Award. These competitions have proved to be an effective way to engage undergraduates in the frontier issues confronting the profession. The theme of the paper competition this year was 'Risk management and corporate governance'. The top six teams of the competing papers also enter a presentation competition and the awardees of both competitions receive certificates and cash prizes. These competitions attracted 95 participants to enrol this year.

Professional seminars and networking with universities. A total of 19 career talks and seminars promoting the profession were organised at local educational institutions this year. The Education Committee and Institute executives also met with members of the

' OUR PROFESSION OFFERS STUDENTS AN EXCELLENT CAREER PATH AND WE SEEK TO BECOME THE PROFESSION OF CHOICE FOR YOUNG TALENT IN HONG KONG '



Academic Advisory Panel (comprising senior academics of local universities) on 30 October 2014 and 15 May 2015 to discuss possible future collaboration and to exchange ideas.

Scholarships and subject prizes. The Institute, via the Chartered Secretaries Foundation Limited (see page 26 of this report), awarded a total of 19 scholarships and 13 subject prizes to local university students taking our collaborative courses and relevant degree programmes. In addition, the Institute also awarded seven subject prizes to the IQS students who achieved distinction grade in their examinations.

Supporting our students

Our students represent the future of our profession and our Education and Examinations team continues to work towards improving our student support services to enable them to acquire the qualifications and skills they need for a successful career. The main initiatives of our student support work during the last year are highlighted below.

New study packs. We launched new study packs for the International Qualifying Scheme (IQS)

examination core subjects, including Hong Kong Corporate Law, Corporate Secretaryship, Corporate Governance and Corporate Administration, from the June 2015 examination diet.

Examination preparatory courses. We endorse and promote the three examination preparatory courses of the University of Hong Kong, School of Professional and Continuing Education (HKU SPACE). These courses attracted 924 attendees (up 13% from 2013/2014).

Examination technique workshops. These workshops, which the Institute organises bi-annually for all IQS subjects, attracted 292 attendees (5% down on 2013/2014).

New student orientations. We organise two student orientations per year to introduce the Institute, the IQS and students' services to new students. IQS subject prize winners are invited to receive their achievement certificates and prizes and to share their study experience with fellow students.

KEY METRICS – STUDENTSHIP

Number of new students



726
2013: 700
3.7% increase

Examination pass rate



37% (Dec 2014)
29% (Dec 2013)
8% increase

36% (June 2015)
31% (June 2014)
5% increase

Number of distinction and merit awardees



26 (Dec 2014)
27 (Dec 2013)
4% decrease

24 (June 2015)
22 (June 2014)
9% increase

2. Professional development

Our Professional Development team is committed to providing high-quality, relevant and up-to-date training and career support to our members. A key trend in the year under review has been the increasing demand for our continuing professional development (CPD) services. This reflects the successful implementation of our mandatory CPD programme and the growing recognition of the importance of CPD among our members and more broadly in the market.

In recent years, we have noted growing interest in our Enhanced Continuing Professional Development (ECPD) programme from other professionals and directors and we have broadened the scope of our services accordingly. This year, for example, 14 ECPD events targeted specifically at directors attracted more than 1,500 attendees.

Our ECPD programme, which was launched in 2004, keeps our members up to date in all relevant areas

of corporate secretaryship, compliance and corporate governance. A total of 93 ECPD events were held this year (7% increase from 2013/2014), attracting a record high of 18,306 participants (6% increase from 2013/2014). This year our Annual Corporate Regulatory Update, which brings together regulators and practitioners in a direct dialogue about the top regulatory issues facing our profession, attracted its largest ever audience with around 1,600 attendees.

The new Companies Ordinance still tops the compliance agenda for our members in Hong Kong and, accordingly, this topic featured prominently in our ECPD offerings this year – more than 3,000 participants attended the 15 ECPD events held on this topic during the year. Other topics of special interest this year were risk management (10 ECPD events were held on this topic, attracting around 1,500 attendees) and AML/CFT compliance (a series of workshops were held on this topic during the year).

This year also saw a further expansion of our mandatory CPD programme. The first and second phases of this programme have now been successfully

KEY METRICS – PROFESSIONAL DEVELOPMENT

Number of CPD events



93

+7%

Number of participants in CPD events



18,306

+6%

Number of participants at our Annual Corporate and Regulatory Update



1,612

+12%

Number of regulatory submissions



9

+12.5%

Percentage increase from 2013/2014

implemented, applying to approximately 2,500 members. By 2017, all of our members will have to comply with our mandatory CPD requirement of a minimum of 15 CPD hours per year. The programme has met with 99% compliance rate which reflects its good acceptance by members.

3. Research and advocacy

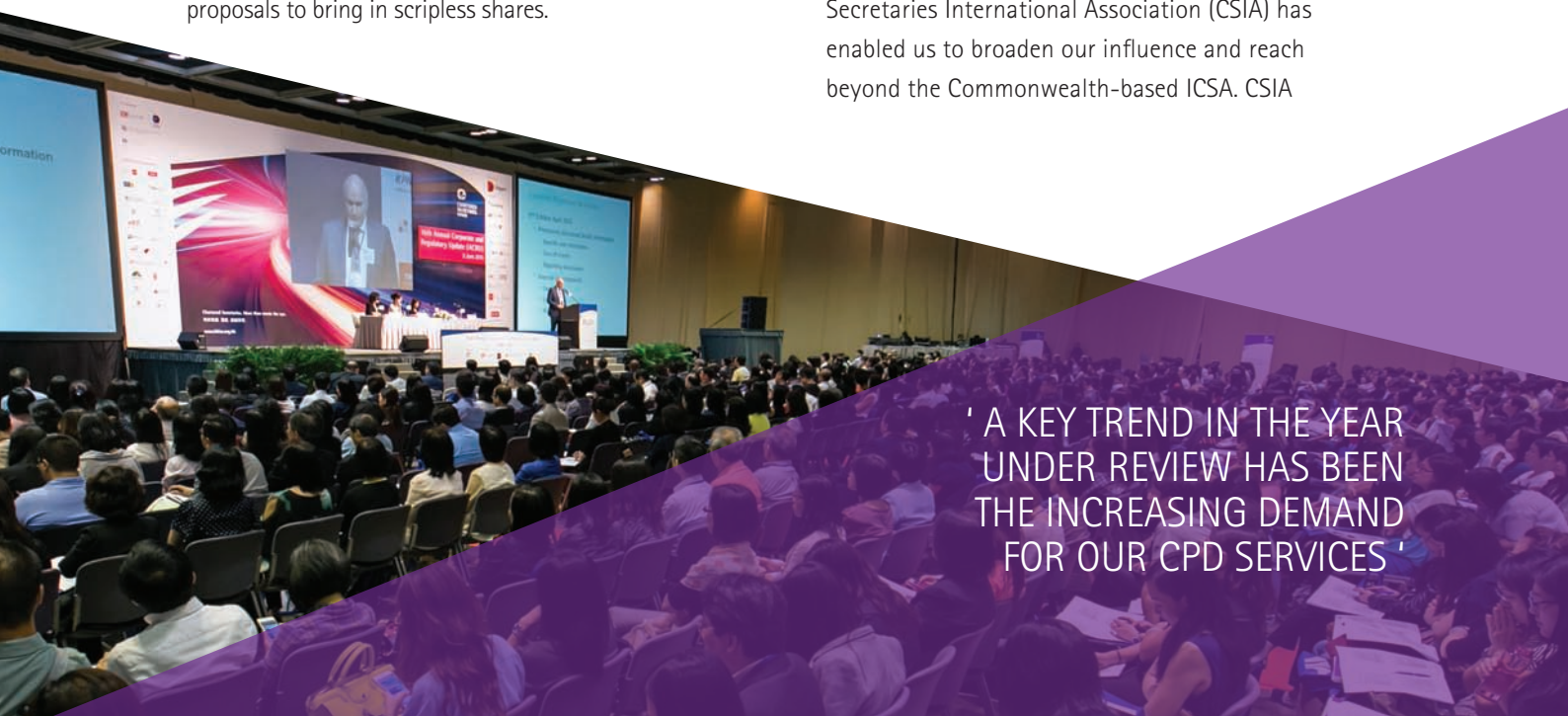
In our research and advocacy work, we take a proactive rather than a reactive approach to emerging issues. Through our submissions to regulatory consultations, our Institute plays a well-respected role in regulatory reform and policy formulation in Hong Kong. Through our conferences and publications, we are a thought leader on issues related to corporate governance and company secretaryship locally, regionally and internationally.

The year under review has been a busy one in this respect. We made submissions to Hong Kong regulators on the key regulatory changes during the year. These included the new Companies Ordinance and Competition Ordinance; the Securities and Futures Commission's proposed 'Principles of Responsible Ownership' and its consultation paper on proposals to improve the regulatory regime for listed entity auditors; Hong Kong Exchanges and Clearing's consultations on weighted voting rights and its proposed changes to the risk management and internal control requirements of the Corporate Governance Code; and the government's proposals to bring in scrippless shares.

The year under review 2014/2015 was also a 'CGC' year. Once every two years we hold our flagship Corporate Governance Conference (CGC) and, in September 2014, the ninth in this series of forums got underway here in Hong Kong. Once again, this forum showed its importance as our premier opportunity to explore the changing landscape in which members of our profession operate in the company of thought leaders from our profession and our key stakeholders. The CGC 2014 was held at the JW Marriott Hotel and attracted more than 320 participants. The theme this year was 'Changing rules, changing roles – managing it all'.

During the year under review, we also worked closely with our key stakeholders overseas on global issues facing the profession. Reforms to the Institute of Chartered Secretaries and Administrators (ICSA) royal charter and byelaws, implemented in 2014, have clarified the dividing line between UK operations and the responsibilities of ICSA Council, and have given proportional representation to the ICSA divisions. As a result we now have two representatives on the ICSA Council – our immediate past president Edith Shih (who is also ICSA Vice-President and a member of the Executive Committee) and past president Natalia Seng (up to 31 December 2014) and Paul Stafford (from 1 January 2015).

Since March 2010, our membership of the Corporate Secretaries International Association (CSIA) has enabled us to broaden our influence and reach beyond the Commonwealth-based ICSA. CSIA



'A KEY TREND IN THE YEAR UNDER REVIEW HAS BEEN THE INCREASING DEMAND FOR OUR CPD SERVICES'

' IN OUR RESEARCH AND ADVOCACY WORK, WE TAKE A PROACTIVE RATHER THAN A REACTIVE APPROACH TO EMERGING ISSUES '

published two e-magazines in December 2014 and August 2015, launched a new publication *Shareholder Engagement, Practical Steps for Corporate Secretaries*, and held a webinar titled 'Shareholder engagement: global prospective and trends', co-hosted and sponsored by Computershare on 17 April 2015 in New York. The Corporate Secretaries Toolkit was released in July 2015 for the member bodies to conduct their local trainings. Our Institute was a founding member of the CSIA and our past president April Chan was its first elected president and a current Executive Committee member.

4. Members' services

Membership is the cornerstone of the Institute and our Membership team is committed to continually upgrade the support we provide to our members. We recognise that technical knowledge is only part of the skill-set company secretaries need to acquire, and our members' services are designed to give practitioners both a social networking opportunity and the chance to develop the personal qualities they will need in their careers.

The key trend during the year under review was the expansion of our services to target the different interests and experience levels of our membership. This is evident in the 'four pillar' programmes launched this year – Mentorship, Members' Networking, Young Group and Community Service.

1. Mentorship. Mentorship is a valuable personal development tool outside the formal training process which has been an integral part of our Student Ambassadors Programme (SAP) for a number of years. This year we launched our 'Chartered Secretary Mentorship Programme' which is open to all of

our members. The pilot programme attracted 20 mentors (comprising HKICS fellows and associates possessing over 20 years of professional experience) and 39 mentees (comprising HKICS associates and graduates). Mentees will have the opportunity to learn from experienced members of the profession, while mentors will have the opportunity to 'give back' to the profession and society, and to stay in touch with the current trends of the younger generation.

2. Members' Networking. This programme aims to provide our members with a networking opportunity outside our formal CPD programme, in a relaxed and enjoyable setting, while also providing them with an opportunity to develop their personal skills. A good example of this winning formula is our 'Board and senior management readiness workshops', which provide attendees with insights and practical tips from senior executives and professionals on how to get prepared for senior appointments.

3. Young Group. This programme, as the name implies, is designed to provide a platform for members who are young, or who are 'young at heart', to mingle and to network with other professionals. A series of sports, games, social gatherings, soft skills development workshops and talks have been organised as part of this series this year.

4. Community Service. This programme gives members the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. The recent interactive visit and talk on dementia and the seminar on reverse mortgage received a tremendous response from members.

In addition to our new 'four pillar' programmes, the Institute has also maintained its regular member services initiatives such as our fellows-only events and the Institute's dragon boat team. Our dragon boat team participated in the International Dragon Boat Races in July 2015.

KEY METRICS – MEMBERSHIP

Number of
members



5,973

+2.2%

Number of fellows



532

+4.7%

Number of associates



5,012

+3%

Number of graduates



429

+8.7%

Percentage increase from 2013/2014

Maintaining professional standards

Our Investigation Group, together with our Disciplinary Tribunal and Appeal Tribunal, are dedicated to ensuring that our members comply with the requisite standards of professional conduct. During the year, four complaints were received and referred to our Investigation Group. Of these, two were closed as no *prima facie* case was established. The other two cases are still under investigation. Our Disciplinary Tribunal concluded five cases this year. No appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal.

In addition, two student disciplinary cases were referred to the Student Disciplinary Sub-group and both cases have been concluded.



保險行業協會
特許秘書公會 合作備忘錄



Mainland China

During the year under review, we continued our efforts to build professional influence in Mainland China and we received increasing recognition from Mainland stakeholders, including listed companies, regulators and peer institutions.

Further to the Memorandum of Understanding (MoU) with the Shanghai Stock Exchange (SSE), signed in 2011, our Institute signed two other MoUs in Beijing this year, namely, the MoU with the Insurance Association of China (IAC) in March 2015 and the MoU with the China Association for Public Companies (CAPCO) in July 2015. These two MoUs establish a long-term relationship of cooperation with the IAC and CAPCO in terms of corporate governance research, training, communications and resource sharing, as well as the joint promotion of Mainland board secretary professionalisation. The first joint training programme with the IAC for board secretaries of Mainland insurance companies was successfully held in July 2015 in Hong Kong.

With our increasing recognition in Mainland China and the growing number of Mainland-based companies listed in Hong Kong, the number of our Affiliated Persons (APs), Mainland members and students continued to grow this year. We now have 157 APs, up from 133 in 2013/2014. In addition to H-share companies, the AP programme continues to attract more participants from red-chip, A-share and to-be-listed companies. We organised four AP ECPD seminars in Beijing, Shanghai and Chongqing, and jointly organised a seminar with the SSE for A+H share board secretaries in Xian, attracting over 600 participants in total. We established one more regional board secretaries panel (RBSP) in Chongqing in October 2014, which is the fifth RBSP in Mainland China and aims to strengthen communication among APs and relevant stakeholders, including regulators, within the region. This year we organised four RBSP meetings in Beijing, Shanghai, Chongqing and Guangzhou respectively.

We now have 156 Mainland students, up from 145 in 2013/2014; and 29 members, up from 23 in 2013/2014 – six more Mainland students became members this year. In order to provide better service to our Mainland students, a second examination centre was established in Shanghai. The IQS examinations were held in Beijing in December 2014, and in both Beijing and Shanghai in June 2015 with a total subject enrolment of 98.

KEY METRICS – MAINLAND CHINA

Number of Mainland students



156

+7%

Number of Mainland members



29

+26%

Number of IQS subject enrolments in Mainland China



98

+8.4%

Percentage increase from 2013/2014

AFFILIATED PERSONS PROFILE

Area of activity of current job

Private enterprise

24%

76% State-owned enterprise

Age profile

< 30 0%

30-39 19%

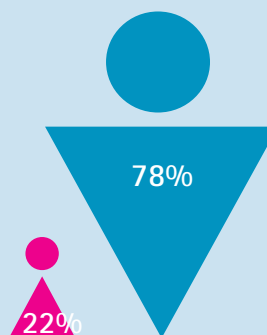
40-49 55%

50-59 24%

60-69 2%

70 or above 0%

Gender distribution



Female: 35

Male: 122

Total: 157

Management Discussion and Analysis

Revenue

The Institute's total revenue increased in 2014/2015 to reach HK\$38,341,388, representing an increase of approximately 9% from HK\$35,183,899 in 2013/2014. This increase is largely attributable to three streams: membership subscriptions, studentship subscriptions and examination fees; and continuing professional development (CPD) activities in Hong Kong and Mainland China.

Income from subscription fees rose to HK\$19,116,970 (2013/2014: HK\$18,948,663), a rise of approximately 0.9%, which was a result of a steady 1.3% growth in the number of members, graduates and students, as well as a moderate increase in the studentship subscription and related fees, whereas there was no increase in membership subscription and related fees.

As discussed in the Performance Review section of this report, a key trend this year has been the increasing demand for our CPD services partly as a result of regulatory changes and our mandatory CPD requirements. Our CPD events – including our regular evening CPD seminars and Affiliated Persons ECPD seminars in Mainland China, together with signature events such as our Annual Corporate and Regulatory Update (ACRU) and biennial Corporate Governance

Conference (CGC) – attracted a record 18,306 participants. This represented a 6% increase in CPD enrolments after the 63% increase of the previous year. The enrolment fees for Affiliated Persons ECPD seminars, ACRU and the CGC were set at cost and the surplus of these events largely derived from the sponsorship received from corporates. The ECPD seminars and other membership social activities together brought in an income of HK\$14,754,598, representing a 26.8% increase from the previous year (2013/2014: HK\$11,638,879).

Other net income of HK\$1,474,220 (2013/2014: HK\$1,610,657) mainly represents the sales of study packs to students; seminar income from a series of workshops supported by the Government of the Hong Kong Special Administrative Region, commission derived from the Institute's co-brand cards with American Express issued to members; career classified advertisement income; dividend income from financial assets and other one-off reimbursements.

Expenses

Total expenses in the year were HK\$31,953,690 (2013/2014: HK\$28,054,989), a rise of approximately 13.9% which was in line with the increase in activities held by the Institute during the year.

' THE INSTITUTE ADOPTS PRUDENT FUNDING AND TREASURY MANAGEMENT POLICIES AND CONTINUES TO MAINTAIN A HEALTHY FINANCIAL POSITION '



Staff costs

Staff costs were recorded at HK\$14,635,476 (2013/2014: HK\$13,968,124) representing a rise of approximately 4.8%. The increase in staff costs was mainly due to moderate salary increments, and additional staff members to support the increased number of functions and activities. Staff costs represent a substantial portion of the Institute's operating expenses and are incurred to enable the Institute's secretariat, headed by the Chief Executive, to operate effectively. Notwithstanding the service quality pledged to a sizable group of over 9,000 members, graduates and students in both Hong Kong and Mainland China, and the initiatives set by Council each year, Council strives to maintain a secretariat that is both lean and efficient, with a total of 37 (2013/2014: 34) staff members in Hong Kong and Beijing Offices.

Other operating expenses

Expenses relating to other operating items increased to HK\$16,871,628 (2013/2014: HK\$13,710,176). The rise

was mainly due to the increase in member and student activities held during the year. The direct cost (which includes costs for various CPD seminars, activities and functions held in Hong Kong and Mainland China) was: HK\$6,077,278 (2013/2014: HK\$3,714,921), a rise of approximately 63.6%. Including the seminar expenses for Affiliated Persons (2014/2015: HK\$1,760,383; 2013/2014: HK\$1,267,713), and the expenses for biennial Corporate Governance Conference held in September 2014 (2014/2015: HK\$1,159,777; 2013/2014: NIL).

Operating surplus

The Institute made an operating surplus of HK\$6,387,698 (2013/2014: HK\$7,128,910). Maintaining an operating surplus is a key part of our effectiveness since it means that, going forward, we will have the financial resources to achieve our strategic goals.

KEY METRICS – FINANCE

Operating surplus



HK\$6.4 million

-10.4%

Total revenue



HK\$38 million

+9%

Total expenses



HK\$32 million

+13.9%

Percentage decrease/increase from 2013/2014

Management Discussion and Analysis

During the year, the Institute set up two reserve funds, namely the building maintenance sinking fund and the education development fund. Annually, 5% of the operating surplus will be transferred to these two reserve funds respectively. Details of the two funds are presented in the 'Statement of Changes in the Reserves and Funds' section of the Financial Statements.

Liquidity and financial resources

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

During the year, the Institute recorded a cash inflow from operating activities of HK\$7,683,642 (2013/2014: HK\$6,016,813). As at 31 July 2015, cash and cash equivalents were HK\$18,435,136 compared with HK\$12,092,653 in the preceding year. The increase in cash and cash equivalents is mainly due to the surplus for the year after adjusting for non-cash flow items.

The Institute manages its available cash reserves prudently. It holds financial assets, which at 31 July 2015 comprised principal guaranteed short-term investments at a fair value of HK\$9,327,349 (2013/2014: HK\$9,320,287). These funds are managed by an

independent external professional fund manager on behalf of the Institute.

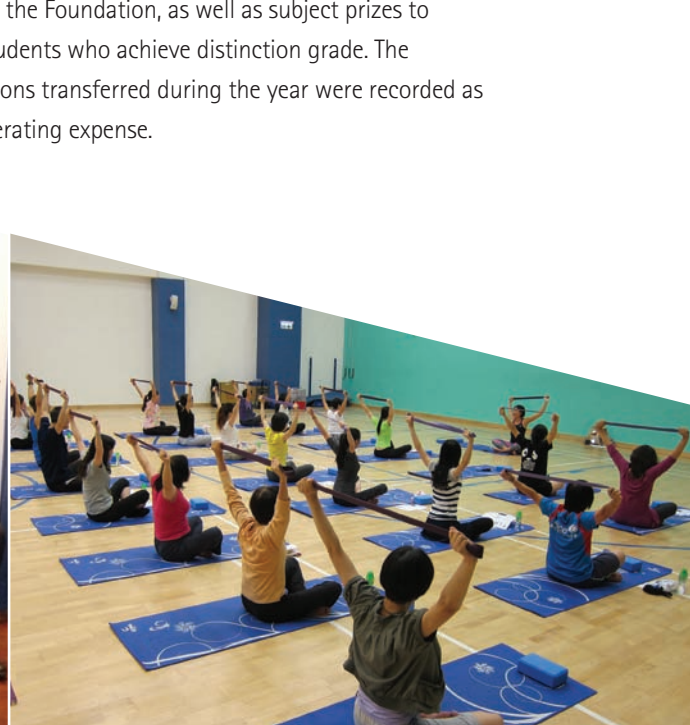
The balance of the general funds stood at HK\$42,917,742 as of 31 July 2015 (2013/2014: HK\$37,568,814) which is adequate for both operational and capital needs. The Council regularly reviews the need to increase revenue and enhance cost effectiveness from various means to ensure requisite and proper operational and capital needs are fully covered.

Non-current assets

As at 31 July 2015, property revaluation resulted in a surplus of HK\$911,916 (2013/2014: deficit of HK\$808,154). Details of movements of property, plant and equipment are included in Note 11 to the Financial Statements.

Donations

The Institute has donated HK\$175,000 (2013/2014: HK\$186,500) to The Chartered Secretaries Foundation Limited (the Foundation), a company in Hong Kong limited by guarantee, whose purpose is to raise funds to support education and research in company secretarial, legal, accounting and business studies generally, and in particular in the area of corporate governance. The Foundation awards Chartered Secretaries Scholarships and Chartered Secretaries Subject Prizes to selected local university students who have achieved the standards set out by the Foundation, as well as subject prizes to IQS students who achieve distinction grade. The donations transferred during the year were recorded as an operating expense.





Chartered Secretaries.
More than meets the eye.
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The HKICS Council

Business Review

Key risks and controls

The key risks identified in the annual review for 2014/2015, and the controls put in place to manage those risks, are set out below.

Strategic and operational risk

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

During the year, our Institute has enhanced its information technology (IT) security and related measures, including IT security assessment, IT security training and the procedures for handling personal data.

The secretariat has also undertaken an internal work process review to improve its efficiency and effectiveness, and to address potential operational risks.

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

Information technology risk

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

Financial risk

In the course of business activities, the Institute is exposed to a variety of financial risks, including credit

and currency risks. Details of the exposure to financial risk and the policies and practices adopted to manage these risks are described in Note 21 to the Financial Statements (on pages 53 to 55).

Manpower and retention risk

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

Environmental, social and governance report

As a professional body dedicated to promoting good governance and ethics, we recognise that we need to maintain high standards of corporate social

responsibility and run our operations in an ethical and sustainable manner.

Workplace quality

Enhancement of workplace. Our secretariat completed its office renovation in late February 2015 to enhance its working environment.

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

Training and development. An induction programme is conducted for new staff members to provide them with a better understanding of the Institute and its work. Ongoing in-house training is also provided on the Institute's latest initiatives and new or revised work

KEY METRICS – ENVIRONMENT

Electricity usage



HK\$102,637

–19.6%

Paper usage



705 reams

–28%

Percentage decrease from 2013/2014

' GETTING TALENTED PERSONNEL WITH RELEVANT EXPERIENCE AND KNOWLEDGE IS KEY TO OUR ABILITY TO IMPLEMENT OUR OBJECTIVES '

procedures. Staff members are also encouraged to attend external training and development courses to continually improve their knowledge and skills. Training on personal effectiveness, management and coaching skills, data privacy and IT security issues were arranged during the year for the personal development of staff. In addition to this in-house training, the Institute also fosters a culture of continuous learning and self-development of staff. The Institute nominates staff to attend seminars and conferences to broaden their perspectives and widen their exposure.

Environmental protection

As an environmentally conscious organisation, the Institute has launched a number of initiatives to raise green awareness among staff and members, and to reduce its resource consumption and carbon footprint. The Institute has implemented green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, and reducing energy consumption by switching off unnecessary lighting and electrical appliances. To conserve the environment, we encourage our members to receive corporate communications electronically via the Institute's website, and an automatic footnote has been appended to all secretariat emails requesting recipients to consider the environment before printing. With the sponsorship of ICSA Boardroom Apps Limited, the Council and Committee members have also joined

the green initiative to using ICSA BoardPad for receiving meeting papers.

The Institute also supports WWF's 'Earth Hour', a global campaign calling for climate change solutions and a commitment to combatting global warming. As a corporate participant, the secretariat turned off its lights from 8.30pm – 9.30pm on 28 March 2015.

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

Community involvement

The Institute has launched a new series of events under its Members' Services Programme giving members the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. A Community Service Sub-group was set up under the Membership Committee and launched a series of community services initiatives, including visits and talks on dementia and a seminar on reverse mortgage. The Institute also participated in a 'Reading Mom' programme this year, in which secretariat staff read English story books to Primary One students to arouse their interest in reading. The Institute will increase its participation in voluntary and charitable services in the future.



Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF
CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of The Hong Kong Institute of Chartered Secretaries (the "Institute") set out on pages 31 to 56, which comprise the statement of financial position as at 31 July 2015, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in reserves and funds for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council members' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 July 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 6 November 2015

Lam Cheung Shing
Practising Certificate Number P03552

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2015

	Note	2015 HK\$	2014 HK\$
Subscriptions and fees	5	19,116,970	18,948,663
Other revenue	6	17,750,198	14,624,579
Other net income	6	1,474,220	1,610,657
Staff costs	7	(14,635,476)	(13,968,124)
Depreciation expenses		(446,586)	(376,689)
Other operating expenses	8	(16,871,628)	(13,710,176)
Surplus for the year		6,387,698	7,128,910
Other comprehensive income/(loss) for the year (after tax)			
Item that will not be reclassified to profit or loss:			
Surplus/(deficit) on revaluation of land and buildings held for own use		911,916	(808,154)
Other comprehensive income/(loss) for the year		911,916	(808,154)
Total comprehensive income for the year		7,299,614	6,320,756

The notes on pages 35 to 56 form an integral part of these financial statements.

Statement of Financial Position

At 31 July 2015

	Note	2015 HK\$	2014 HK\$
Non-current assets			
Property, plant and equipment	11	83,181,771	81,347,881
Current assets			
Inventories	12	795,034	96,683
Financial assets at fair value through profit or loss	13	9,327,349	9,320,287
Accounts and other receivables	14	1,520,960	3,139,632
Amounts due from related associations	15	56,245	62,107
Cash and cash equivalents	16	18,435,136	12,092,653
		30,134,724	24,711,362
Current liabilities			
Accounts and other payables		758,976	498,231
Amount due to a related association	17	17,671	-
Subscriptions and fees received in advance	18	2,615,856	2,936,634
		3,392,503	3,434,865
Net current assets		26,742,221	21,276,497
NET ASSETS		109,923,992	102,624,378
RESERVES AND FUNDS			
General fund		42,917,742	37,568,814
Properties revaluation reserve		65,967,480	65,055,564
Building maintenance sinking fund		619,385	-
Education development fund		419,385	-
		109,923,992	102,624,378

The financial statements were approved and authorised for issue by the Council on 6 November 2015 and are signed on its behalf by:



Maurice Ngai
President



Bernard Wu
Treasurer

The notes on pages 35 to 56 form an integral part of these financial statements.

Statement of Changes in Reserves and Funds

For the year ended 31 July 2015

	General fund HK\$	Property revaluation reserve HK\$	Building maintenance sinking fund HK\$ (Note a)	Education development fund HK\$ (Note b)	Total HK\$
At 31 July 2013	30,439,904	65,863,718	-	-	96,303,622
Surplus for the year	7,128,910	-	-	-	7,128,910
Other comprehensive loss for the year	-	(808,154)	-	-	(808,154)
Total comprehensive income/(loss) for the year	7,128,910	(808,154)	-	-	6,320,756
At 31 July 2014 and 1 August 2014	37,568,814	65,055,564	-	-	102,624,378
Surplus for the year	6,387,698	-	-	-	6,387,698
Other comprehensive income for the year	-	911,916	-	-	911,916
Total comprehensive income for the year	6,387,698	911,916	-	-	7,299,614
Transfer from general fund	(1,038,770)	-	619,385	419,385	-
At 31 July 2015	42,917,742	65,967,480	619,385	419,385	109,923,992

Notes:

- The building maintenance sinking fund represents funds for the purpose of renovation, repair and maintenance of Institute's office premises. HK\$300,000 was transferred from the general fund on 1 August 2014 as a start-up fund and 5% of the surplus will be transferred from the general fund annually thereafter.
- The education development fund represents funds for the purpose of the development of the education programme. HK\$100,000 was transferred from the general fund on 1 August 2014 as a start-up fund and 5% of the surplus will be transferred from the general fund annually thereafter.

The notes on pages 35 to 56 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 July 2015

	Note	2015 HK\$	2014 HK\$
Operating activities			
Surplus for the year		6,387,698	7,128,910
Adjustments for:			
Depreciation of property, plant and equipment		446,586	376,689
Bank interest income		(27,401)	(842)
Loss on sale of financial assets at fair value through profit or loss		-	9,981
Dividend income on financial assets at fair value through profit or loss		(93,001)	(93,399)
Unrealised loss/(gain) on financial assets at fair value through profit or loss		85,939	(218,195)
		6,799,821	7,203,144
Changes in working capital:			
Increase in inventories		(698,351)	(89,400)
Decrease/(increase) in accounts and other receivables		1,618,672	(1,407,714)
Decrease in amounts due from related associations		5,862	45,455
Increase/(decrease) in accounts and other payables		260,745	(159,630)
(Decrease)/increase in subscriptions and fees received in advance		(320,778)	627,832
Increase/(decrease) in amount due to a related association		17,671	(202,874)
Net cash flow generated from operating activities		7,683,642	6,016,813
Investing activities			
Interest received		27,401	842
Purchases of property, plant and equipment		(1,368,560)	(194,481)
Proceeds on sale of financial assets at fair value through profit or loss		-	1,251,741
Net cash (used in)/generated from investing activities		(1,341,159)	1,058,102
Financing activities		-	-
Net increase in cash and cash equivalents		6,342,483	7,074,915
Cash and cash equivalents at the beginning of the year		12,092,653	5,017,738
Cash and cash equivalents at the end of the year	16	18,435,136	12,092,653

The notes on pages 35 to 56 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 July 2015

1. Corporate status and principal activities

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

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

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

2. Significant accounting policies

a. Statement of compliance

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

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

b. Basis of preparation of the financial statements

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

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

2. Significant accounting policies (continued)

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

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

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

c. Financial assets at fair value through profit or loss

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

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

d. Recognition and derecognition of financial instruments

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

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

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

e. Property, plant and equipment

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair values at the

2. Significant accounting policies (continued)

e. Property, plant and equipment (continued)

date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of reporting date.

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in surplus or deficit to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to general fund.

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

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

f. Impairment of non-financial assets

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

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

2. Significant accounting policies (continued)

f. Impairment of non-financial assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

g. Leased assets

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

i. Classification of assets leased to the company

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

ii. Operating lease charges

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

iii. Leasehold land and building

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

h. Inventories

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

2. Significant accounting policies (continued)

h. Inventories (continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i. Accounts and other receivables

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

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

j. Accounts and other payables

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

k. Cash and cash equivalents

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

l. Employee benefits

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

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

m. Provisions and contingent liabilities

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

2. Significant accounting policies (continued)

m. Provisions and contingent liabilities (continued)

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

n. Revenue recognition

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

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

o. Translation of foreign currencies

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

p. Related parties

A person or an entity is related to the Institute if:

- a. A person, or a close member of that person's family, is related to the Institute if that person:
 - i. has control or joint control over the Institute;
 - ii. has significant influence over the Institute; or
 - iii. is a member of the key management personnel of the Institute or the Institute's parent.

2. Significant accounting policies (continued)

p. Related parties (continued)

- b. An entity is related to the Institute if any of the following conditions applies:
 - i. The entity and the Institute are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the Institute or an entity related to the Institute.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

In the current year, the Institute has applied the following new interpretation and amendments to HKFRSs issued by HKICPA that are effective for the current accounting period.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) 21	Leases

The adoption of the new interpretation and amendments to HKFRSs in the current year has had no material impact on the Institute's financial performance and positions for the current and prior years and/or disclosures set out in the financial statements.

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

The Institute has not early applied any of the following new and revised standards or amendments that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual improvements to HKFRSs 2012-2014 Cycle ²
HKAS 1 (Amendments)	Disclosure Initiative ²
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ²
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ²
HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture ²
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ²
HKFRS 15 (Amendments)	Revenue from Contract with Customers ³

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

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

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

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

4. Critical accounting estimates and judgements

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

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

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

i. Property, plant and equipment and depreciation

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

4. Critical accounting estimates and judgements (continued)

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

ii. Fair value of property

At the reporting date, the Institute's leasehold land and buildings under long-term lease are stated at fair value of HK\$75,500,000 and HK\$6,200,000 (2014: HK\$74,900,000 and HK\$6,100,000) respectively based on the valuation performed by an independent firm of qualified professional valuers. In determining the fair value, the valuers have assessed the market value of the property in its existing state by direct comparison approach assuming sale of the property with the benefit of vacant possession. They have made reference to the appropriate comparable sales transactions as available in the market and have made due adjustments for differences between the subject property and comparable premises. In relying on the valuation, the Council has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

b. Key sources of estimation uncertainty

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

Allowances for impairment of doubtful debts

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

The carrying amount of accounts and other receivables as at 31 July 2015 was HK\$1,064,419 (2014: HK\$1,545,484).

5. Subscriptions and fees

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

6. Other revenue and other net income

	2015 HK\$	2014 HK\$
Other revenue		
Income from examinations	2,995,600	2,985,700
Income from seminars, courses, member and student activities and functions held	14,754,598	11,638,879
	17,750,198	14,624,579
Other net income		
Bank interest income	27,401	842
Total interest income on financial assets not at fair value through profit or loss	27,401	842
Net foreign exchange gain	9,665	75,860
Realised loss on disposal of financial assets at fair value through profit or loss	–	(9,981)
Sales of goods	844,186	498,882
Dividend income on financial assets at fair value through profit or loss	93,001	93,399
Sundry income	585,906	733,460
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(85,939)	218,195
	1,474,220	1,610,657

7. Staff costs

	2015 HK\$	2014 HK\$
Salaries, allowances and other benefits	13,900,722	13,261,264
Contributions to the Mandatory Provident Fund Scheme	734,754	706,860
	14,635,476	13,968,124

8. Other operating expenses

	2015 HK\$	2014 HK\$
Auditor's remuneration	86,000	37,000
Direct costs #	6,077,278	3,714,921
Donations	175,350	187,500
Institute's service charges	980,068	901,536
Operating leases - Buildings	508,834	426,131
Legal and professional fees	825,793	580,181
Promotion and public relations	712,306	655,491
Publications and printing	3,740,106	3,584,915
Student services	1,252,806	1,189,488
Sundry expenses	2,002,295	1,950,649
Utilities	510,792	482,364
	16,871,628	13,710,176

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

9. Taxation

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

10. Key management personnel remuneration

	2015 HK\$	2014 HK\$
Salaries	5,543,822	5,730,849
Performance benefits, other allowances and benefits in kind	1,413,977	1,259,114
Contributions to the Mandatory Provident Fund Scheme	443,405	447,805
	7,401,204	7,437,768

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

11. Property, plant and equipment

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
Cost or valuation						
At 1 August 2014	74,900,000	6,100,000	2,090,033	487,390	3,004,097	86,581,520
Additions	-	-	1,262,572	19,377	86,611	1,368,560
Write-off	-	-	-	(32,986)	(33,536)	(66,522)
Surplus on revaluation	600,000	100,000	-	-	-	700,000
At 31 July 2015	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Representing:						
Cost	-	-	3,352,605	473,781	3,057,172	6,883,558
Revaluation	75,500,000	6,200,000	-	-	-	81,700,000
	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Accumulated depreciation						
At 1 August 2014	-	-	2,090,033	467,966	2,675,640	5,233,639
Charge for the year	89,916	122,000	100,928	10,170	123,572	446,586
Elimination on revaluation	(89,916)	(122,000)	-	-	-	(211,916)
Write-off	-	-	-	(32,986)	(33,536)	(66,522)
At 31 July 2015	-	-	2,190,961	445,150	2,765,676	5,401,787
Carrying amount						
At 31 July 2015	75,500,000	6,200,000	1,161,644	28,631	291,496	83,181,771
Cost or valuation						
At 1 August 2013	76,600,000	5,400,000	2,090,033	484,366	2,924,274	87,498,673
Additions	-	-	-	3,024	191,457	194,481
Write-off	-	-	-	-	(111,634)	(111,634)
Surplus/(deficit) on revaluation	(1,700,000)	700,000	-	-	-	(1,000,000)
At 31 July 2014	74,900,000	6,100,000	2,090,033	487,390	3,004,097	86,581,520
Representing:						
Cost	-	-	2,090,033	487,390	3,004,097	5,581,520
Revaluation	74,900,000	6,100,000	-	-	-	81,000,000
	74,900,000	6,100,000	2,090,033	487,390	3,004,097	86,581,520

11. Property, plant and equipment (continued)

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
Accumulated depreciation						
At 1 August 2013	-	-	2,024,751	455,174	2,680,505	5,160,430
Charge for the year	91,846	100,000	65,282	12,792	106,769	376,689
Elimination on revaluation	(91,846)	(100,000)	-	-	-	(191,846)
Write-off	-	-	-	-	(111,634)	(111,634)
At 31 July 2014	-	-	2,090,033	467,966	2,675,640	5,233,639
Carrying amount						
At 31 July 2014	74,900,000	6,100,000	-	19,424	328,457	81,347,881

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

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

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

At 31 July 2015, the Institute's leasehold land and buildings were revalued at HK\$75,500,000 and HK\$6,200,000 respectively (2014: HK\$74,900,000 and HK\$6,100,000 respectively).

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

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

11. Property, plant and equipment (continued)

Fair value hierarchy (continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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

Fair value measurements at 31 July 2014 using			
	Quoted prices in value markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$
Description			
Recurring fair value measurements			
Leasehold land and buildings in Hong Kong	-	-	81,000,000

There were no transfers between Levels 1, 2 and 3 during the year (2014: Nil).

Fair value measurement using significant unobservable inputs (Level 3)

	2015 HK\$	2014 HK\$
At 1 August	81,000,000	82,000,000
Depreciation	(211,916)	(191,846)
Surplus/(deficit) from fair value adjustment	911,916	(808,154)
At 31 July	81,700,000	81,000,000

Valuation processes of the Institute

The Institute's leasehold land and buildings were valued at 31 July 2015 by DTZ Debenham Tie Leung Limited, the independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the location and segments of the leasehold land and buildings valued. For all leasehold land and buildings, their current use equates to the highest and best use.

11. Property, plant and equipment (continued)

Valuation processes of the Institute (continued)

The Institute's finance department considers and discusses the valuations performed by the independent valuers for financial reporting purposes, including all key inputs to the valuations and property valuations movements as compared to the prior year. At 31 July 2015, the fair values of the properties have been determined by DTZ Debenham Tie Leung Limited.

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

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Leasehold land and buildings in Hong Kong	Direct comparison approach	Premium on characteristic of the properties	-6% to 15% (2014: - 6% to 15%)

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

Surplus of HK\$911,916 (2014: deficit of HK\$808,154) arising on revaluation has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

Had the Institute's leasehold land and buildings been measured on a historical cost basis, their carrying amounts would have been HK\$14,270,274 and HK\$2,073,736 respectively (2014: HK\$14,340,627 and HK\$2,074,800 respectively) at the end of the reporting period.

12. Inventories

Inventories comprise publications held for sale.

13. Financial assets at fair value through profit or loss

Investments

	2015 HK\$	2014 HK\$
Franklin Templeton Global Bond	3,964,951	4,094,200
Schroder ISF - HK Dollar Bond	5,362,398	5,226,087
	9,327,349	9,320,287

As at 31 July 2015, investments represented funds set aside for investment by TTG (HK) Limited, an independent external professional fund manager, on behalf of the Institute. TTG (HK) Limited was incorporated in 1993 and since then has developed into an independent wealth management and financial planning organisation. TTG (HK) Limited is regulated by the Hong Kong Securities and Futures Commission and the Hong Kong Confederation of Insurance Brokers.

14. Accounts and other receivables

	2015 HK\$	2014 HK\$
Accounts receivable	522,902	757,938
Other receivables	541,517	787,546
Loans and receivables	1,064,419	1,545,484
Prepayments	284,193	1,445,924
Deposits	172,348	148,224
	1,520,960	3,139,632

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

	2015 HK\$	2014 HK\$
Not past due	510,262	670,539
Within three months past due	2,580	6,460
Over three months past due	10,060	80,939
	522,902	757,938

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

15. Amounts due from related associations

	2015 HK\$	2014 HK\$
Corporate Secretaries International Association	56,245	56,245
The Chartered Secretaries Foundation Limited	-	5,862
	56,245	62,107

The amounts are unsecured, non-interest bearing and repayable on demand.

16. Cash and cash equivalents

	2015 HK\$	2014 HK\$
Fixed deposits at banks with an original maturity of three months or less	14,142,554	116,364
Cash and bank balances	4,292,582	11,976,289
Cash and cash equivalents in the statement of financial position and statement of cash flows	18,435,136	12,092,653

The interest rates on the cash at banks ranged from 0.001% to 1% (2014: 0.001% to 0.01%) per annum.

17. Amount due to a related association

	2015 HK\$	2014 HK\$
The Chartered Secretaries Foundation Limited	17,671	-

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

18. Subscriptions and fees received in advance

	2015 HK\$	2014 HK\$
Subscription fees received in advance from new student members	309,152	277,608
Annual subscription fees received in advance for renewal of studentship	1,022,515	978,888
Other fees received in advance	1,284,189	1,680,138
	2,615,856	2,936,634

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

19. Financial instruments by category

	2015 HK\$	2014 HK\$
Financial assets		
– measured at amortised cost		
Accounts and other receivables	1,064,419	1,545,484
Amounts due from related associations	56,245	62,107
Cash and cash equivalents	18,435,136	12,092,653
	19,555,800	13,700,244
– measured at fair value		
Financial assets at fair value through profit or loss	9,327,349	9,320,287
	28,883,149	23,020,531
Financial liabilities		
– measured at amortised cost		
Accounts and other payables	758,976	498,231
Amount due to a related association	17,671	-
	776,647	498,231

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

20. Operating lease arrangements

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

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

	2015 HK\$	2014 HK\$
Within one year	442,042	429,506
In the second to fifth year, inclusive	515,716	965,062
	957,758	1,394,568

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

21. Financial risk management objectives and policies

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

a. Credit risk

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

b. Currency risk

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

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

	Exposure to foreign currency (expressed in HK\$)					
	2015 USD	2014 USD	2015 GBP	2014 GBP	2015 RMB	2014 RMB
Assets						
Cash and cash equivalents	2,106,615	2,378,558	1,009,811	1,006,475	226,977	614,665
Financial assets at fair value through profit or loss	3,964,951	4,094,200	-	-	-	-
Overall exposure arising from recognised assets and liabilities	6,071,566	6,472,758	1,009,811	1,006,475	226,977	614,665

c. Sensitivity analysis on foreign exchange risk management

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

21. Financial risk management objectives and policies (continued)

c. Sensitivity analysis on foreign exchange risk management (continued)

	GBP	
	2015 HK\$	2014 HK\$
Surplus or deficit	50,491	50,324

	RMB	
	2015 HK\$	2014 HK\$
Surplus or deficit	11,349	30,733

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

d. Liquidity risk

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

	Within 1 year HK\$	Total contractual undiscounted cash flow HK\$	Total carrying amount HK\$
At 31 July 2015			
Accounts and other payables	758,976	758,976	758,976
Amount due to a related association	17,671	17,671	17,671
	776,647	776,647	776,647
At 31 July 2014			
Accounts and other payables	498,231	498,231	498,231

At 31 July 2015 and 2014, the Institute did not have any banking facilities.

21. Financial risk management objectives and policies (continued)

e. Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

Fair value at as 31 July				
	2015 HK\$	2014 HK\$	Fair value hierarchy	Valuation technique and key input
Financial assets at fair value through profit or loss	9,327,349	9,320,287	Level 2	Dealing price of fund derived from the net asset value of the fund, where the underlying investments are mainly bonds with quoted price in an active market

During the years ended 31 July 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Institute's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

f. Fair values

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

22. Related party transactions

a. Transactions with key management personnel

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

b. Transactions with members of the Council

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

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

During the year ended 31 July 2015, professional fee of HK\$13,970 (2014: HK\$52,500) was incurred with Tricor Services Limited for accounting services rendered for the Institute. One Council member is a director of Tricor Services Limited.

During the year ended 31 July 2015, an amount of HK\$175,000 (2014: HK\$186,500) was donated to the Chartered Secretaries Foundation Limited (the "Foundation") which is principally involving in providing scholarships and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects. Five Council members are the executive committee members of the Foundation.

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

23. Capital management

The Institute's objectives when managing capital are:

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

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

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

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

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