



CHARTERED
SECRETARIES
特許秘書

Annual Report

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

017

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

(Incorporated in Hong Kong with limited liability by guarantee)

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

HKICS was first established in 1949 as an association of Hong Kong members of The Institute of Chartered Secretaries and Administrators (ICSA) of London. It was a branch of ICSA in 1990 before gaining local status in 1994 and has also been ICSA's China/Hong Kong Division since 2005.

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

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

香港特許秘書公會

(于香港注册成立的担保有限公司)

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

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

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

公會現擁有超過5,800名會員及3,200名學員。

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Report summary

Welcome to the 2017 Annual Report of The Hong Kong Institute of Chartered Secretaries (the Institute). Due to the change in the Institute's year-end date from 31 July to 30 June to match that of our global body – The Institute of Chartered Secretaries and Administrators (ICSA) – the figures in this report relate to an 11-month period (1 August 2016 to 30 June 2017), rather than the usual 12. Also, the financial results contained in this report reflect the consolidated results of the Institute and its three subsidiaries as acquired or set up during the period.

Who we are

The Institute is the leading professional body dedicated to promoting good corporate governance and corporate secretaryship in Hong Kong and Mainland China. We offer a route to qualification for Chartered Secretaries in Hong Kong and Mainland China.

We also offer a professional development training programme dedicated to the core areas of governance and company secretarial practice. Our core activities also include member and student services, advocacy, research and governance reform.

Membership growth

We continue to see a steady long-term growth curve in our membership and studentship numbers. We currently have 5,797 members (2% increase from 2016), 365 graduates (1% decrease from 2016) and 3,352 students (2% decrease from 2016). The dip in this year's figures is attributable to the shorter reporting period.

Financial performance

The Institute, together with its subsidiaries, made an operating surplus of HK\$4,166,699 in 2017. 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. The total income was HK\$37,629,571 (2.6% decrease from 2016). Our income comes mainly from membership and studentship subscriptions, examination fees and professional development and

membership activities in Hong Kong and Mainland China. Income from subscriptions and fees for the 11-month period was HK\$18,029,861 (8.3% decrease from 2016), and income from CPD activities was HK\$15,156,750 (1.1% increase from 2016). Since there was no change to our subscription fees in the period under review, and our membership numbers remained on a par with last year, these decreases are attributable to the shorter reporting period. Total costs were 34,497,673 (0.18% increase from 2016).

Our core activities

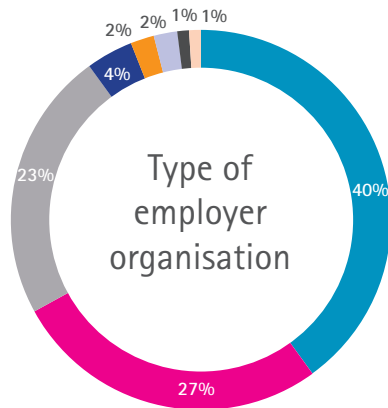
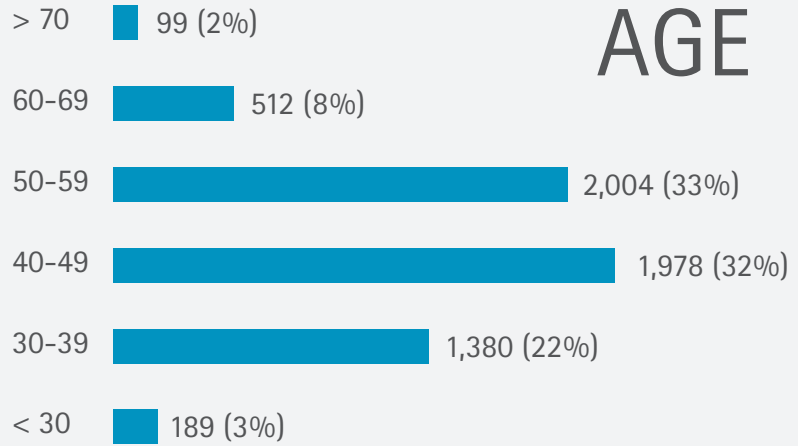
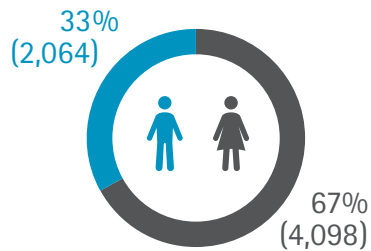
We have seen continued interest in our International Qualifying Scheme (IQS) examinations in Hong Kong and Mainland China. This fiscal year we had 2,021 students enrolling for the IQS examinations (4% decrease from 2016). Our collaborative course programmes continue to be an increasingly popular route to membership – we had 184 new students enrolled for these courses (27% increase from 2016). The fourth collaborative course agreement was entered into with Hong Kong Baptist University and the first cohort commenced in September 2017. We ran 98 Enhanced Continuing Professional Development events in Hong Kong and Mainland China this fiscal year (0% decrease from 2016), attracting 19,043 participants (5% increase from 2016). 2017 was a busy year for our advocacy and membership events – we ran 90 such events in 2017 attracting 5,540 participants. In addition, we produced three research reports and five guidance notes.



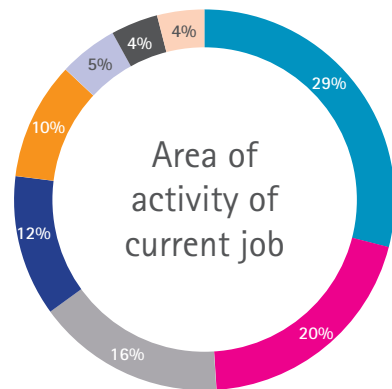
Navigating this report. This year we have adopted a more user-friendly structure for our annual report. The data previously contained in our 'management discussion and analysis' section can be found in the 'financial performance' section on page 2 and in our new 'key risks and challenges' section (pages 30–31). Our former 'business review' section is now contained in our 'corporate social responsibility report' section (pages 32–34).

MEMBERSHIP & GRADUATESHIP PROFILE

6,162
members
and graduates

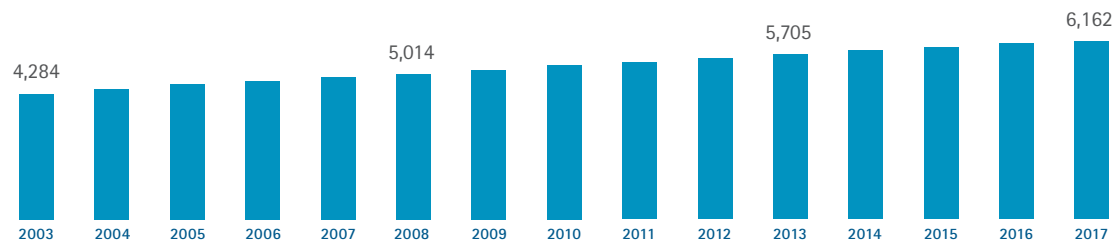


- Listed company
- Private company
- Partnership/Professional firm
- Government/Quasi-government organisation
- Further/Higher education
- Sole proprietor/Self-employed
- Statutory body
- Others

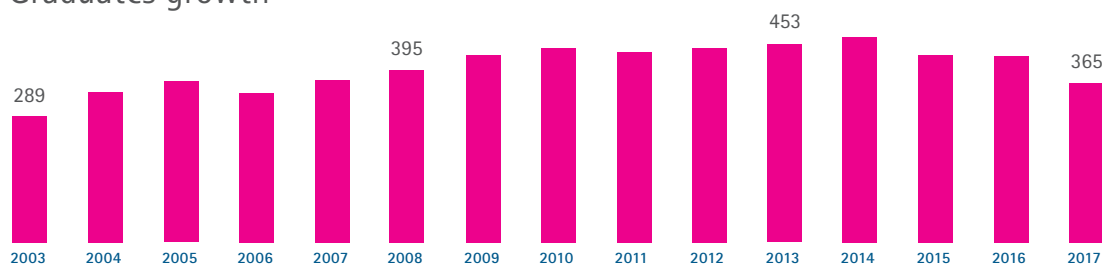


- Company secretarial
- Accountancy
- General management
- Compliance
- Financial management
- Office administration
- Personnel/Human resources
- Legal Administration/Contracts

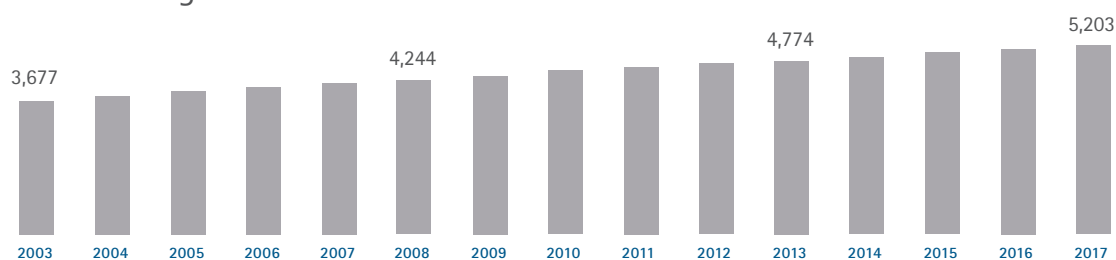
Members and graduates growth



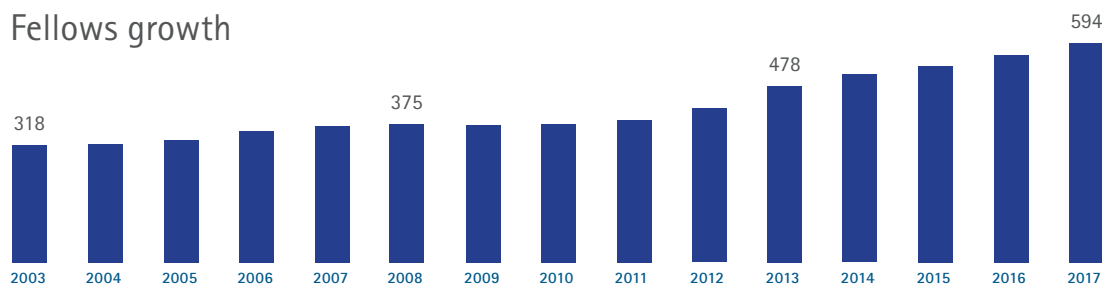
Graduates growth



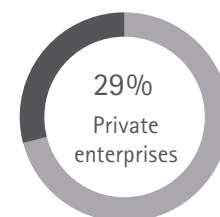
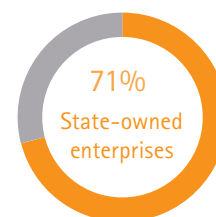
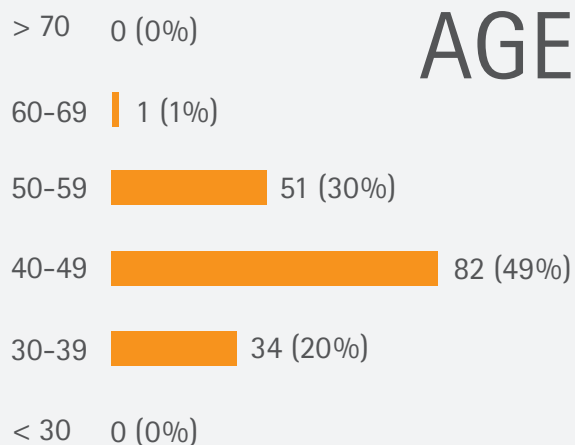
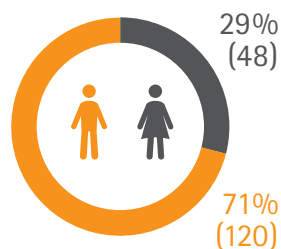
Associates growth



Fellows growth



168
Affiliated
Persons





President's report – a vision for the future

I am very pleased to present our Annual Report 2017. This year we changed our year-end date from 31 July to 30 June to match that of our global body – The Institute of Chartered Secretaries and Administrators (ICSA). The year under review in this report is therefore 1 August 2016 to 30 June 2017, but we have packed a lot into the slightly shorter review period of 11 months rather than the usual 12. Also, the financial results contained in this report reflect the consolidated results of the Institute and its three subsidiaries as acquired or set up during the period.

Vital signs

First of all, I am pleased to report that our Institute is in good health. We made another operating surplus this fiscal year: HK\$4,166,699. This is the fourth successive year that we have made a surplus and this financial resource lays a good foundation for our work going forward. Our membership, graduateship and studentship numbers are holding steady – we currently have 5,797 members, 365 graduates and 3,352 students – this is on par with last year when calculated on a year-on-year basis and we expect the upward trend to continue in the years ahead due to the rising demand for qualified Chartered Secretaries in Mainland China.

A look ahead

A detailed analysis of our progress towards our strategic goals can be found in the chief executive's report (see pages 8–9) and the performance review (see pages 16–29) of this report. I would like to take a look at the

bigger picture – in particular our suggested course for our Institute in the years ahead.

As we go to press with this report, uppermost in our members' minds must surely be the outcome of the vote at the 2017 ICSA Annual General Meeting held in London, UK, on 4 October 2017. The global membership of ICSA has voted in favour of the new proposals of our global body to create a new designation to be called 'Chartered Governance Professional' (CGP) and the introduction of an intermediate grade of membership to be called 'Affiliated Membership'. These new proposals will be implemented subject to Privy Council approval. This, no doubt, indicates a growing recognition among our membership that we need to adapt to the changing trends in governance and the role of Chartered Secretarial practitioners.

There are two main drivers of these trends. Firstly, in the current, highly regulated business environment increasing reliance has been put on the work of Chartered Secretaries to ensure good governance. Governance has therefore been taking an ever higher profile in the work of Chartered Secretaries in recent decades. Our role has been evolving away from a primarily administrative role and towards a role as the 'chief governance officer' in all but name.

The second driver has been the broadening of the membership of our profession. The current ICSA

"if we don't stake our claim to the governance space, it will be claimed by others"



range of professionals, and promoting the value that we bring under the governance banner, will help us remain recognised and relevant in the emerging business environment. While there is a good recognition of the meaning of Chartered Secretaryship among our principal stakeholders in Hong Kong and Mainland China – the term is still relatively little known in our broader stakeholder community. The term 'governance' has a much wider recognition and the rebranding would therefore help with our efforts to promote our profession in Mainland China, Hong Kong and nearby regions. Moreover, if we don't stake our claim to the governance space, it will be claimed by others.

proposals regarding new pathways to membership and the new CGP professional designation followed a worldwide review of the relevance and effectiveness of the syllabus of our International Qualifying Scheme programme. The review sought to assess whether we need to update the syllabus to ensure that our students have the skills and knowledge they will need in their subsequent careers. The review not only highlighted the need to expand our curriculum to include, for example, more risk management elements, but also the need to be more inclusive of professionals in other areas of practice within the governance, risk and compliance arena.

So, should our Institute rebrand – as the Australia, New Zealand and UK divisions have – as a 'governance' institute? This will be a major question which our membership as a whole will need to consider in the year ahead. In any event, I am confident that the long-term trend for our profession will be to better harness the wider recognition that will come from being both a Chartered Secretary and a Chartered Governance Professional.

Preparing for the future

What does this mean for us here in Hong Kong and Mainland China? We do, of course have some very special characteristics in our jurisdiction which have sheltered us from the effects of some of the trends affecting our profession globally. For example, I, together with our Council, do not believe that the introduction of the new 'Affiliated Membership' proposal will be necessary for us. This proposal is aimed at reversing the falling membership in other ICSA divisions, but here in Hong Kong and Mainland China the demand for governance professionals, and in particular appropriately qualified corporate secretaries, is intense and increasing.

However, we are certainly not immune from the broader global trends and we need to adapt to the changing landscape. Broadening our membership to include a wider

A word of thanks

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

A stylized, handwritten signature in black ink, appearing to read 'Ivan Tam'.

Ivan Tam FCIS FCS

President

The Hong Kong Institute of Chartered Secretaries



Chief executive's report – strategic update

As the President mentions, 2017 has been a busy year for us at the Institute. The picture, I am pleased to report, has generally been one of expanding horizons. We are fortunate to have a growing membership base, moreover the potential for growth is very significant due to the scarcity of qualified Chartered Secretaries in Mainland China as well as in Hong Kong. I believe our route to qualification will become increasingly important in the years ahead.

I would like to take this opportunity to take a look at our progress towards our strategic goals over the last year.

Expanding horizons

In 2017 we put more resources into developing the profession in Mainland China. We are expanding our collaboration with academic institutions in the Mainland to offer more postgraduate programmes in corporate governance as this is an increasingly popular route into the Chartered Secretarial profession. We launched, in collaboration with The Open University of Hong Kong (OUHK), the first such postgraduate programme in Shanghai in September 2016. For the first intake in 2016, 33 students registered with this programme. In Hong Kong, we signed a collaborative course agreement with Hong Kong Baptist University, launching its Master of Science in Corporate Governance and Compliance in September 2017. This is in response to the increasing demand for Chartered Secretaries and governance professionals in the local market.

We have also been working to upgrade our services to our members, graduates, students and Affiliated Persons (APs) in the Mainland. We are looking at the possibility of forming more local committees to address local issues of relevance to board secretaries in their work. The Institute currently has five Regional Board Secretary Panels (RBSPs) in Beijing, Shanghai, Guangzhou, Shenzhen and the Southwest (including Chengdu and Chongqing) which serve as local hubs for members, graduates, students and APs working and living in those regions. We will continue to engage conveners and members of these RBSPs and consider setting up other relevant local committees, panels or working groups to further enhance our work and services in the Mainland.

We also work closely with our international body the ICSA and Corporate Secretaries International Association Limited, of which our Institute is a founder member, addressing global issues for corporate secretaries and governance professionals. Both of these bodies help us to build a truly international forum with a universal voice on the promotion of the value of corporate, and of course Chartered, Secretaries.

We also saw a continued trend in 2017 towards greater collaboration regionally and internationally. We joined the ASEAN Corporate Secretaries Network (ACSN), in 2016 with ICSA divisions in Singapore and Malaysia, as well as peer associations in Indonesia and Thailand as members. Since then, we have been able to work together with

peer bodies in Asia to promote better governance and corporate secretaryship.

Serving our members

These developments will not only benefit our profession, they will also be of direct benefit to our members. Improving our services to members, graduates and students has been a focus over the last year – in particular we have improved online access to these services. For example we launched our new online (e-CPD) seminars in October 2016. This project – organised in collaboration with OUHK – enables members, graduates, students as well as non-members to access selected video-recorded seminars with any smart devices anytime, anywhere. During the period, a total of eight seminars were made available on this new platform with over 850 participants.

We also launched an online version of four International Qualifying Scheme study packs in January 2017. This new service, which is free to all our students, enables them to schedule their professional learning and studies more flexibly, economically and in an environment-friendly manner.

Looking ahead, we will continue the upgrade of our IT database system and continue to monitor social media trends and shift our communication channels to social media platforms to encourage more interaction and engagement with our members, graduates, students and the general public.

Serving the community

We believe strongly in promoting social responsibility initiatives for our local community. Our network of members and stakeholders make a significant contribution to our community in a variety of ways. Since the launch of The Hong Kong Institute of Chartered Secretaries Foundation Limited (the Foundation) in 2012, for example, we have been able to, among other things, channel funds to recognise the academic achievements of students and assist them financially in their studies. We have also continued to promote social responsibility via our 'Community

"while there is a limit to what one individual can achieve, together we can help shape the future of our profession and community"



Service' sub-group under our 'four pillar' programmes. We have also been working towards receiving the 2017/2018 Caring Organisation Logo organised by The Hong Kong Council of Social Services.

This year, our efforts to support our secretariat team were recognised when the Institute was granted the 'Good MPF Employer Award' and the 'Support for MPF Management Award' by the Mandatory Provident Fund Schemes Authority.

Join us

I would like to thank our members and our wider network of stakeholders for all the hard work they put into our initiatives over the last year. There is, inevitably, still a lot of work ahead of us and I look forward to continue working with you. I would also like to appeal to all our members, irrespective of seniority or experience, to get involved in the Institute's work. This is an exciting time to be involved in the governance and corporate secretarial arena, and while there is a limit to what one individual can achieve, together we can help shape the future of our profession and community.

Samantha Suen FCIS FCS(PE)

Chief Executive

The Hong Kong Institute of Chartered Secretaries



Report of Council

Our governance structure

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

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

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

Council disclosures

Council diversity and other directorships

The current membership of our Council is set out on the following pages (12 and 13) of this report. The directors or Council members of the Institute's subsidiaries included in the consolidated financial statements during the period and up to the date of this report are also indicated on pages 12 and 13. In addition, Samantha Suen is a Council member of The Hong Kong Institute of Chartered Secretaries Foundation Limited, and a director of The Institute of Chartered Secretaries and Governance Professionals Limited.

Election to the 2018 Council

At the 2017 Annual General Meeting, Dr Gao Wei FCIS FCS(PE) and Dr Eva YW Chan FCIS FCS(PE) will retire from Council by rotation pursuant to Article 54.1 of the Institute's Articles of Association. Being eligible, they have offered themselves for re-election.

Edith Shih FCIS FCS(PE), who will have been an ex-officio member of Council for three years by the end of 2017, will retire pursuant to Article 50.2 of the Institute's Articles of Association. Council wishes to record its appreciation of the valuable contribution made by Ms Shih to the Institute during her period of service. Ms Shih has indicated her willingness to assist the Council in other roles.

The Council is deeply saddened by the loss of Paul DS Moyes, who was a member of Council from December 2011 to April 2017. He resigned as a Council member with effect from 1 May 2017 due to work rearrangements. Mr Moyes contributed to the Institute in different roles. The Institute and Council extend our deepest condolences to his family.

Pursuant to Article 54.4 of the Institute's Articles of Association, no elected member of Council holding office as of 30 August 2005 has held office for longer than the maximum term of 18 years 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.

At the close of the nomination date, in addition to the two retiring Council members mentioned above, other candidates – Arthur K Lee FCIS FCS, David J Simmonds FCIS FCS, and Doris WN Wong FCIS FCS – have been nominated for election to the 2018 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 2017 Annual General Meeting accompanying this Annual Report.

Interest of Council members

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

Related-party transactions

Details of the significant related-party transactions undertaken in the normal course of business are provided under Note 27 to the financial statements.

Donations

Total donations made by the Institute for charitable and other purposes during the period amounted to HK\$264,874.

Business Review

Despite the extensive operational activities and projects carried out for the benefit of our members and students during the period, the Institute has an operational surplus of HK\$4,166,699 for the period ended 30 June 2017. A fair review of the Institute's business and particulars of important events affecting the Institute during the reporting period are provided in the performance review (on pages 16 to 29). An indication of the likely future development of the Institute's business is provided in the president's report (on pages 6 to 7). Description of the principal risks facing the Institute can be found in the section headed key risks and challenges (on pages 30 and 31). A discussion of the Institute's environmental policies and performance and an account of the Institute's key relationships with its employees are provided in the corporate social responsibility report (on pages 32 to 34).

Non-current assets

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

Permitted indemnity

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

Auditors

The financial statements for the period have been audited by BDO Limited, who will retire and, being eligible, seek reappointment at the 2017 Annual General Meeting of the Institute.

By Order of the Council
Ivan Tam FCIS FCS
President
Hong Kong, 30 October 2017

2017 COUNCIL

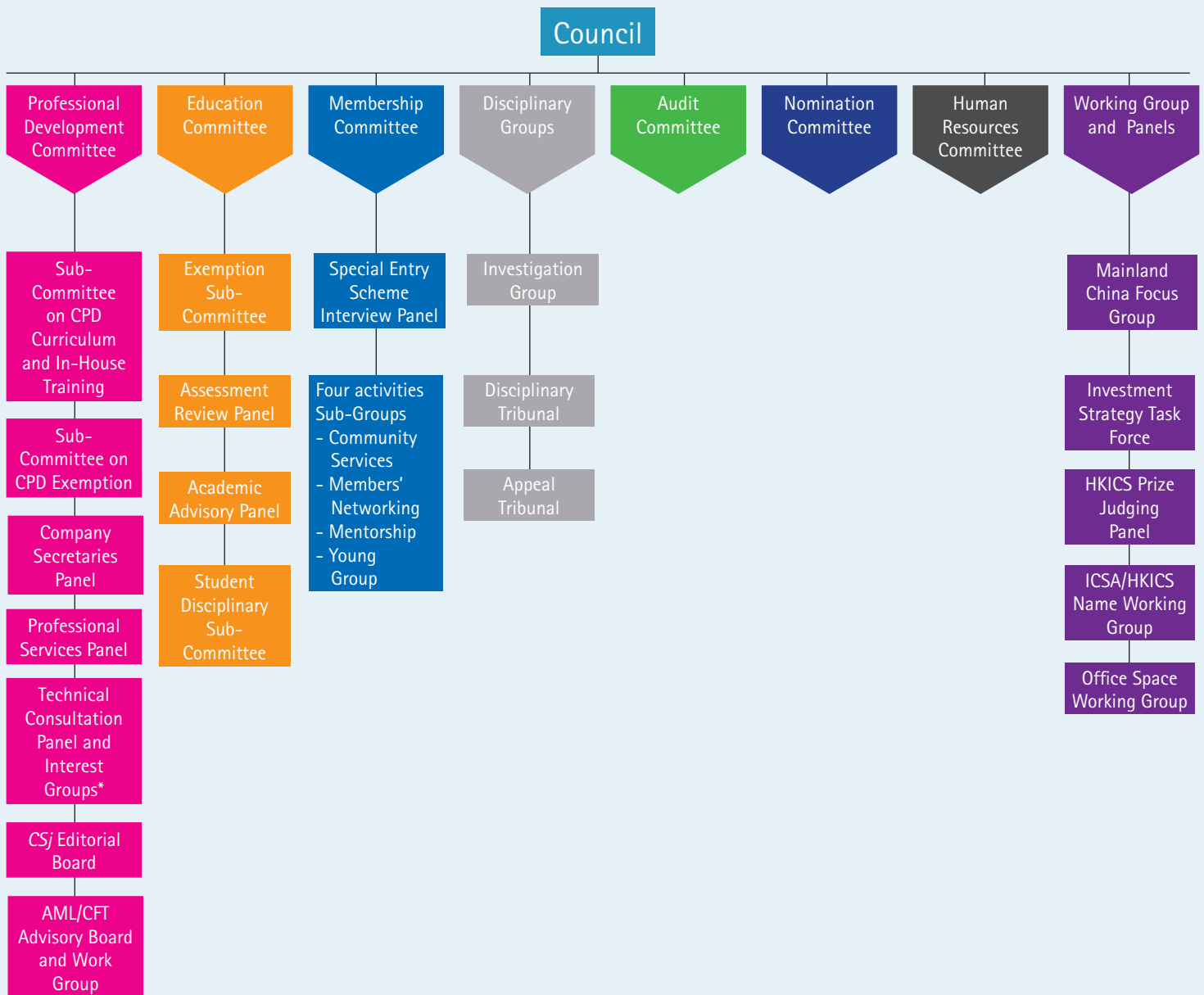
Title	Name	Post-nominal	Gender	Ethnicity
President	Ivan KW Tam ¹²³	FCIS FCS	M	Chinese
Vice-President	Dr W Gao ¹	FCIS FCS(PE)	M	Chinese
Vice-President	Paul A Stafford ¹²³	FCIS FCS(PE)	M	British
Treasurer	Dr Eva YW Chan ¹²³	FCIS FCS(PE)	F	Chinese
Council member	Prof Alan KM Au	FCIS FCS	M	Chinese
Council member	David YH Fu	FCIS FCS(PE)	M	Chinese
Council member	Ernest CH Lee	FCIS FCS(PE)	M	Chinese
Council member	Paul DS Moyes (Resigned on 1 May 2017)	FCIS FCS(PE)	M	British
Council member	Stella SM Lo	FCIS FCS	F	Chinese
Council member	Gillian E Meller	FCIS FCS	F	British
Council member	Bernard TL Wu	FCIS FCS	M	Chinese
Council member	Wendy WY Yung	FCIS FCS	F	Chinese
Ex-officio member and Past President	Edith Shih ¹	FCIS FCS(PE)	F	Chinese
Ex-officio member and Past President	Dr Maurice WF Ngai ¹	FCIS FCS(PE)	M	Chinese

Numerals indicate that the relevant Council member is also a Council member and a director of the following company(ies) during the period of this report:

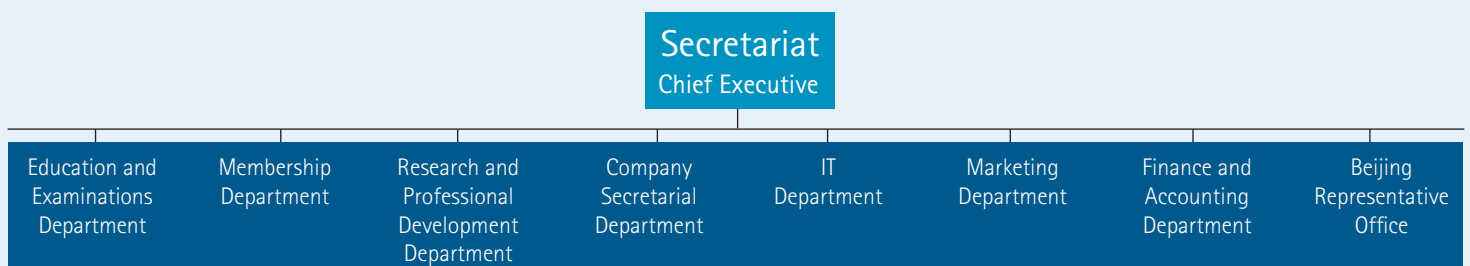
1. Council member of The Hong Kong Institute of Chartered Secretaries Foundation Limited
2. Director of The Hong Kong Institute of Chartered Secretaries (China) Limited
3. Director of The Institute of Chartered Secretaries and Governance Professionals Limited

Total years of service in Council as of 2017 AGM	Attendance at Council Meetings for 2016/2017	Skill-set, expertise and experience
7	9/10	Corporate Governance/Legal/Company Secretarial
5	0/10	Corporate Governance/Legal/Company Secretarial
4	10/10	Corporate Governance/Company Secretarial
5	8/10	Corporate Governance/Accounting & Finance/Investor Relations/Company Secretarial
9	3/5	Corporate Governance/Academic/Education
4	8/10	Corporate Governance/Accounting & Finance/Company Secretarial
2	9/10	Corporate Governance/Accounting & Finance/Company Secretarial
6	3/8	Corporate Governance/Accounting & Finance/Company Secretarial
1	9/10	Corporate Governance/Corporate Communications/Company Secretarial
1	2/5	Corporate Governance/Legal/Company Secretarial
10	8/10	Corporate Governance/Accounting & Finance/Company Secretarial
2	7/10	Corporate Governance/Accounting & Finance/Legal/Company Secretarial
10 (7 years as elected Council members)	10/10	Corporate Governance/Legal/Corporate Finance/Company Secretarial
18 (16 years as elected Council members)	7/10	Corporate Governance/Accounting & Finance/Company Secretarial

GOVERNANCE STRUCTURE



* Seven Interest Groups were formed





Performance review



1. Education and examinations

We have seen continued interest in our International Qualifying Scheme (IQS) examinations in Hong Kong and Mainland China during 2017. A total of 2,021 students enrolled for the IQS examinations in the review period. An interesting trend in 2017 has been the increasing popularity of our collaborative course programmes. The Institute runs collaborative courses with City University of Hong Kong, The Open University of Hong Kong and The Hong Kong Polytechnic University. During the fiscal year, a total of 184 (27% increase from 2016) new students of these collaborative course programmes registered with us as our students. The increasing popularity of our collaborative course programme is a welcome development since this is a primary means for us to nurture more young people to become governance professionals and company secretaries. We have therefore been keen to expand this programme and this year we have launched a fourth collaborative course – Master of Science in Corporate Governance and Compliance with Hong Kong Baptist University. The first intake will be in September 2017.

Our Education Committee, with the support from our Assessment Review Panel and Exemption Sub-Committee, oversees our studentship policies and IQS quality assurance. With the increasing number of students joining us via our collaborative course programme, the Exemption Sub-Committee has been

busy – during the period. A total of 548 exemption applications were approved for a total of 1,760 subjects.

2. Professional development

The key themes for our professional development work in 2017 were the increasing demand for our continuing professional development (CPD) services and improvements in our utilisation of technology.

Rising demand

We established our Enhanced Continuing Professional Development (ECPD) programme in 2004 and we currently run seven to eight seminars per month. These seminars, which are open to all members, graduates and students of the Institute, cover a broad range of topics to cater for the requirements of different members, graduates and students pursuing different career paths. Core topics include: company secretarial practice, corporate governance, risk management, law, accounting and cybersecurity.

A total of 98 ECPD events were held in Hong Kong and Mainland China this fiscal year, attracting 19,043 participants (5% increase from 2016). This year also saw the final phase of the implementation of the Institute's mandatory CPD programme. This programme was launched in 2011 and a staged approach was adopted for members to comply. From 1 July 2017, all members and graduates of the

"the increasing popularity of our collaborative course programme is a very welcome development since this is a primary means for us to nurture more young people to become governance professionals and company secretaries"

Institute became subject to our mandatory CPD requirements of 15 CPD hours (including 3 ECPD hours from the Institute's ECPD courses) per year.

Seminar trends

We saw an increase in interest in our 'Company Secretarial Practical Training' series of seminars in 2017. This series aims to give more support to members, graduates and students in the technical and practical skills they need to acquire in their work. We held 18 training sessions in this area during the fiscal year, attracting more than 4,400 participants.

The topic of anti-money laundering and counter-financing of terrorism (AML/CFT) was a major draw in 2017 ahead of the introduction of new rules aimed at more stringent supervision of trust and corporate service providers and to improve the transparency of beneficial ownership of companies incorporated in Hong Kong. Our seminars focused on the new regulations and best practice in the corporate services sector in Hong Kong. Six seminars were held this fiscal year on related topics attracting more than 1,050 participants.

Other seminar topics of particular interest this year were environmental, social and governance (ESG) reporting (we held four seminars with 690 attendees); risk management (we held four

KEY METRICS – EDUCATION AND EXAMINATIONS

623 -16% **3,352** -2%
New students Registered students

1,957 -4% **64** -4%
Students enrolled for IQS examinations in Hong Kong Students enrolled for IQS examinations in the Mainland

84 -13% **184** +27%
Graduates who successfully completed the IQS by examinations New students enrolled for collaborative courses

781 -12%
Enrolments for HKU SPACE examination preparatory courses

EXAMINATION PASS RATE (AVERAGE):

29% +0% **32%** -22%
December 2016 diet June 2017 diet

NUMBER OF OUTSTANDING PERFORMANCES (DISTINCTION AND MERIT AWARDEES):

23 -8% **32** +28%
December 2016 diet June 2017 diet

Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).

"our latest ACRU was held in June 2017 and set a new record as the largest scale event our Institute has ever organised"



seminars with more than 740 attendees); and the new Companies Ordinance (we held three seminars with over 500 attendees).

This fiscal year, the Institute introduced online CPD (e-CPD) seminars as an alternative learning platform to members, graduates and students. A total of eight e-CPD seminars were held with 858 participants.

Major forums

In addition to our regular seminars, our professional development team organises a number of larger-scale forums throughout the year. The most popular of these is our Annual Corporate and Regulatory Update (ACRU) seminar which brings together regulators and practitioners in a direct dialogue about the top regulatory issues facing our profession. The latest ACRU was held in June 2017 and set a new record as the largest-scale event our Institute has ever organised. Hall 5G of the Hong Kong Convention and Exhibition Centre was filled to capacity with over 1,800 attendees (6% increase from 2016). This year's event demonstrated the appeal of ACRU to stakeholders outside our membership, with attendees coming

from many different backgrounds in addition to the company secretarial field, in particular directors.

Our flagship event is our Corporate Governance Conference (CGC) which is held on a biennial basis. Our CGC 2016 was held on 23–24 September at the JW Marriott Hotel in Hong Kong. Over 280 participants attending this event which addressed the theme: 'Corporate governance inside and out – forces shaping the corporate governance landscape'. The forum looked at the roles of key governance players internal and external to the corporate entity – namely company secretaries, directors, managers, shareholders and stakeholders – asking what they bring to the governance table and how their roles interact.

3. Member and student services

In 2017 we focused on targeting our member services to the different interests and experience levels of our membership, and on providing more activities designed for our younger members, graduates and students. In addition, we have improved online accessibility of our member, graduate and student services.

KEY METRICS – PROFESSIONAL DEVELOPMENT

	2016	2017	%
CPD events	99	98	0%
Participants at CPD events	18,048	19,043	+5%
Online CPD (e-CPD) seminars	Nil	8	N/A
Participants at e-CPD seminars	Nil	858	N/A
Company secretarial practical training	12	18	+50%
Participants at company secretarial practical training	2,445	4,466	+83%
ACRU attendees	1,727	1,825	+6%

Note: The figures include RBSP meetings in Hong Kong and Mainland China. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).



"in keeping with our new focus on technology, the Institute launched an online version of four IQS study packs in January 2017"

Student services

We continue to work with The University of Hong Kong, School of Professional and Continuing Education (HKU SPACE) to assist our students in preparing for the IQS examinations. There are currently three examination preparatory courses and two examination technique workshops per year for all IQS subjects. In addition, our study packs continue to be a useful resource for students preparing for the IQS examinations and we launched an online version of four of these study packs in January 2017 to make them more accessible to our students.

Member services

This fiscal year, we organised 33 events (11% decrease from 2016) with about 2,000 participants (11% increase from 2016). These events included our regular events for fellows, associates, graduates and students, our annual dinner, annual convocation and activities for our dragon boat team. They also included events under the 'four pillar' programmes, launched in 2015, which aim to reorient our activities to target the

different interests and experience levels of our membership. The four pillar programmes are:

1. Mentorship. This programme now in its third term, was also opened to our students in 2017. A total of 41 mentors (14% increase from 2016) and 77 mentees (114% increase from 2016) participated in the programme this fiscal year.

2. Members' Networking. This programme provides members, graduates and students with social networking opportunities, as well as deepening their personal skills. Activities organised during the year ranged from asset management, personal IT security management, personal health care and visits to Geopark and Tsz Shan Monastery.

3. Young Group. As the name implies, this programme is designed to provide a platform for members, graduates and students who are young, or 'young at heart', to mingle and network with other professionals. A series of sports, games, soft skills

Mentorship



Members' Networking



development workshops and talks were organised during the period.

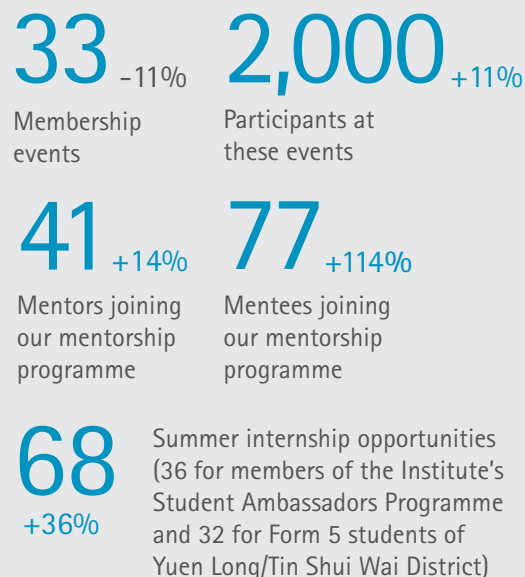
4. Community Service. This programme gives members, graduates and students the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. Activities organised during the period included: Pink Walk for Breast Health; talk on breast cancer; cookies bakery workshop with disabled children; movie screening and discussion with teenagers; and a beach cleaning exercise on Earth Day.

In June 2017, the Institute joined the Hong Kong Council of Volunteering, a joint committee established in 2004 by Agency for Volunteer Service, with a view to build a cross-sectoral platform for exchange and collaboration to cultivate broader participation in volunteering.

Publications

In addition to events, we assist our members, graduates and students via our publications. Our monthly journal CSj is a valued publication dedicated to the core areas of company secretarial practice and strategic issues in corporate governance. Along with our website, the

KEY METRICS – MEMBER AND STUDENT SERVICES



Note: Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).

journal is also a main communication channel with our members, graduates, students and other stakeholders. We launched our online CSj (e-CSj) in August 2015 and



Young Group



Community Service



currently 1,529 members, graduates and students (12% increase from 2016) have opted to receive the journal in electronic rather than paper form. Our e-CSj website enables members, graduates and students to access archive articles online and to provide feedback on the issues addressed.

Maintaining professional standards

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

Complaint cases under disciplinary proceedings.

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

Six complaints were received and referred to our Investigation Group in addition to three complaints brought forward. Of these, three cases were closed with no *prima facie* case established, one case was closed after investigation, one case was closed as the member concerned was removed from our membership register by the Disciplinary Tribunal on another issue investigated. Two cases are still under investigation and the remaining two cases have been

referred to the Disciplinary Tribunal. In addition to the four cases brought forward to our Disciplinary Tribunal, three cases were concluded during the period and three cases are still under review. No appeals against Disciplinary Tribunal decisions were made to the Appeal Tribunal.

Mandatory Continuing Professional Development (MCPD) non-compliance. The total number of MCPD non-compliance cases processed under disciplinary proceedings was 51, of which 13 cases were closed following members' compliance and two members were removed from membership register due to non-compliance with Disciplinary Tribunal orders and decisions.

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

4. Donations

Since the launch of The Hong Kong Institute of Chartered Secretaries Foundation Limited (the Foundation) in 2012, we have been able to channel

KEY METRICS – DONATIONS

HK\$265,764 +29%

Donations raised by the Foundation

HK\$241,500 +13%

Funds distributed by the Foundation

19 +12%

Scholarships
awarded by the
Foundation

21 +0%

Subject prizes
awarded by the
Foundation

Note: Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).

sponsorship funds more efficiently to support education, research and thought leadership initiatives in relevant fields. This fiscal year the Foundation has raised a total of HK\$265,764 in donations (including HK\$264,874 donated to the Foundation by the Institute) and has distributed HK\$241,500 in funds. The Foundation sponsored 19 scholarships and 14 subject prizes to local universities and institutions for students of collaborative courses and relevant degree programmes this year. Furthermore, seven subject prizes were awarded by the Foundation to students with distinction grade at the Institute's IQS examinations during the period.

In September 2016, the Institute became the sole member of the Foundation after obtaining the required approval from the Companies Registry. The Institute has recorded a surplus of HK\$1,034,801 from the acquisition. Details of the acquisition is included in Note 10 to the financial statements.

The Institute also supported university students' functions including orientation camps, annual dinners and inauguration ceremonies for inter-tertiary students' associations of local universities.

5. Advocacy

In 2017, we focused our advocacy work on reaching a wider audience through channels such as TV, radio, newspapers and social media. This fiscal year senior members of the Institute have given 10 media interviews on the Chartered Secretarial profession and related issues. The Institute also used various social media platforms and its website to improve communication and networking with our members, graduates, students and other stakeholders. We will continue to reform and upgrade the existing communication channels to service and connect with all our stakeholders in all levels.

AML Charter

The period under review has also seen a continuation of our promotion of AML/CFT in the corporate service providers sector in Hong Kong. We launched our AML/CFT Guideline and AML/CFT Charter in 2016. The Charter, Hong Kong's first AML/CFT self-regulatory initiative, requires subscribing organisations to demonstrate that they meet the Charter's standards on AML/CFT – as set out in our AML/CFT Guideline – and these standards are equivalent to those imposed on financial institutions. We now have



eight accredited HKICS AML/CFT organisations subscribing to our AML/CFT Charter.

Reaching out to potential students

The future of our profession will depend on our younger members so a core part of our advocacy work is dedicated to reaching out to young people and potential students. On 18 February 2017, the Institute held its inaugural 'Chartered Secretaries Preview Day – launching a professional career path'. The preview day brings our students, undergraduates of local universities and potential employers together via lively practical sharing and activities to introduce the Chartered Secretarial profession as a career choice. We received an enthusiastic response to this new initiative, which was supported by the Registrar of Companies and the Companies Registry as they participated as Guest of Honour and supporting organisation respectively, with over 100 young people participating.

We also continued to reach out to potential students with our IQS information sessions and to registered students with new student orientations. Three IQS information sessions introducing the Chartered Secretarial profession to potential students were held. Two new student orientations were organised to introduce the Institute, the IQS and student

"the future of our profession will depend on our younger members so a core part of our advocacy work is dedicated to reaching out to young people and potential students"

services to new students. IQS subject prize winners were invited to receive their achievement certificates and prizes and to share their study experience with fellow students.

The Institute also organises new student orientations for collaborative course students. A seminar on 'Corporate Governance and Corporate Social Responsibility in Profit- and in Non-Profit-Organisations' was organised for all collaborative course students on 20 May 2017. In addition, we published six advertorials in the local media during the period to inform the general public of the opportunities offered by the profession of Chartered Secretary.

As part of the Institute's work promoting the Chartered Secretarial profession to undergraduates, a total of 13 career talks and professional seminars were organised at local educational institutions this fiscal year. The Education Committee and Institute executives also met with the Academic Advisory Panel, comprising senior management of local universities, to discuss possible future collaboration.

Our Student Ambassadors Programme (SAP) and Corporate Governance Paper Competition and Presentation Award have proved to be very popular

KEY METRICS – ADVOCACY

57

Advocacy events

3,540

Participants in our advocacy events

137

-46%

Participants in IQS information sessions

38

-47%

IQS information session participants enrolling as students

103

-2%

Participants in new student orientations

Note: Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).



ways for us to promote the Chartered Secretarial profession among undergraduates. Our SAP has been running for eight years during which over 1,400 participants have become Student Ambassadors of the Institute. A total of 236 students enrolled in the programme during the current year. In the programme, a total of 27 Institute members joined as mentors for the programme. Our Corporate Governance Paper Competition and Presentation Award engages undergraduates in Hong Kong in frontier corporate governance issues. The 2017 competition, on the theme 'Corporate Governance and Business Sustainability', has attracted 34 enrolments with 80 participants. The top six finalists will compete for the Best Presenter award on 21 October 2017.

6. Research and governance reform

Members of our Institute, together with our professional network, represent a unique body of expertise in corporate governance and corporate secretaryship, and we have a respected voice in the areas of our expertise locally, regionally and internationally.

Research reports

This year we published the three new research reports highlighted below.

1. *Shareholder Communications Survey.*

In September 2016, we published the report *Shareholder Communications for Listed Issuers – Five Imperatives to Break the Monologue*. The report, based on a survey of company secretaries and senior management personnel in listed companies, revealed significant room for improvement in shareholder communications practices in Hong Kong and Mainland China. The report also provided a roadmap for improving shareholder communications practices.

2. *Risk management survey with KPMG.*

In November 2016, in conjunction with KPMG China, we conducted a survey of risk management practices in Hong Kong a year after the implementation of new risk management requirements in the listing rules. The resulting report, *Risk Management: navigating change in Hong Kong*, was launched on 6 July 2017. This was the second report on the topic of risk management jointly published with KPMG China.

3. *Minuting Board Meetings Survey.*

In April 2017, we conducted a survey of minute taking practices among our members. The survey looked at how far local minute taking practices match international best practice as set out in the guidance note on minute taking published by The Institute of Chartered

Secretaries and Administrators (ICSA) in September 2016. The resulting report *Minuting Board Meetings – Survey on Best Practices and Practical Suggestions* was published on 28 June 2017.

Governance reform

In 2017 we continued to contribute to regulatory reform and policy formulation in Hong Kong via consultation submissions and liaising with regulators and the government on issues relevant to the profession. During the year, we made submissions to the following consultations:

- *Proposed Enhancements to the Exchange's Decision-Making and Governance Structure for Listing Regulation* (16 November 2016)
- *Enhancing Anti-Money Laundering Regulation of Designated Non-Financial Businesses and Professions* (27 February 2017), and
- *Enhancing Transparency of Beneficial Ownership of Hong Kong Companies* (27 February 2017).

In addition to formal consultations, we were involved in regular soft consultations with regulators. In 2017, we consulted all the major regulatory bodies on the implications of the ICSA proposals regarding new pathways to membership and the new Corporate Governance Professional designation.

KEY METRICS – RESEARCH AND GOVERNANCE REFORM



Note: Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).

"members of our Institute, together with our professional network, represent a unique body of expertise in corporate governance and corporate secretaryship, and we have a respected voice in the areas of our expertise locally, regionally and internationally"

Guidance notes

We also contribute to governance reform, as well as assisting our members and the wider profession and community, via our guidance notes. We have stepped up our activity in this area since the launch in July 2016 of seven new Interest Groups under the Technical Consultation Panel. These groups bring together senior members and professional peers with a view to producing guidance notes on key topics in governance and company secretarial practice. Five new guidance notes were rolled out during the review period covering the following topics:

1. the governance of non-governmental organisations (published 4 August 2016)
2. the role of the company secretary in technology governance (published 1 November 2016)
3. compliance with Hong Kong's Competition Ordinance (published 1 December 2016)
4. an introduction to mergers and acquisitions (published 4 January 2017), and
5. the role of the company secretary in mergers and acquisitions (published 10 May 2017).

These guidance notes are available on our website: www.hkics.org.hk. Further guidance notes are under preparation.

MAINLAND METRICS

172 +4%
STUDENTS

39 +8%
MEMBERS

168 +2%
AFFILIATED
PERSONS

92 -11%
IQS SUBJECT
ENROLMENTS

4 +0%
MAINLAND
CPD EVENTS

578
PARTICIPANTS IN
THESE EVENTS

5 +0%
REGIONAL BOARD SECRETARY
PANELS (RBSP) MEETINGS

127 -1%
PARTICIPANTS IN
RBSPs

Note: Percentages refer to comparison with 2015/2016. Please note the reporting period this year covered 11 months (1 August 2016 to 30 June 2017)

7. Mainland China

As the China/Hong Kong division of the ICOSA we have been devoting increasing resources to develop the Chartered Secretarial profession in Mainland China. The number of our registered Affiliated Persons (APs), members, and students in the Mainland continued to rise in 2017. As at 30 June 2017, we had 168 registered APs, 39 Mainland members and 172 Mainland registered students, representing 2%, 8% and 4% increases on the figures for year 2016 respectively.

The Chartered Secretarial qualification

As in Hong Kong, our Institute currently runs two International Qualifying Scheme (IQS) examination diets per year in Beijing and Shanghai. This year there were 92 subject enrolments for the examinations in December 2016 and June 2017 (11% decrease from 2016). As in Hong Kong, we are seeing a swing towards the postgraduate degree route to membership in Mainland China. The Institute is working to expand the number of postgraduate programmes available in the

Mainland. The first such programme – the Postgraduate Programme in Corporate Governance (PGPCG) – was launched in collaboration with The Open University of Hong Kong (OUHK) in Shanghai in September 2016 with 33 students enrolling for the programme. The second cohort of this PGPCG programme commenced in September 2017. This programme aims to provide practical knowledge and skills for those who wish to pursue, or further advance, their careers as company secretaries, board secretaries or corporate governance professionals. Students who successfully complete this programme and a one-week Residential School held in the OUHK Hong Kong campus, and subsequently obtain the Master of Corporate Governance degree are eligible to apply for full exemption from the IQS examinations, and then progress to graduateship and membership thereafter.

Professional development

Our ECPD seminars and workshops in the Mainland continue to be very popular with our members and APs, as well as other parties such as board secretaries (and equivalent personnel), directors, supervisors, senior executives and other professionals.

“the Institute is working to expand the number of postgraduate master’s degrees available in the Mainland”

We organised two AP ECPD seminars in Sanya and Hangzhou in December 2016 and May 2017 respectively. Under the Memorandum of Understanding (MoU) with Insurance Association of China (IAC) and Shanghai Stock Exchange (SSE), we co-organised a second joint training with IAC for insurance companies in February 2017 in Shenzhen, and a sixth joint training with SSE for A+H share companies in June 2017 in Suzhou. These four events attracted 578 participants in total from H-share, A+H share, red-chip, A-share and to-be-listed companies and covered a wide range of themes including annual financial audit and annual reporting; mergers and acquisitions; risk management and systematic corporate governance practice for conglomerates; information disclosure and insider dealing control; as well as regulatory updates. In addition, the Institute held a tailor-made training for 34 directors, independent non-executive directors, supervisors and senior managers of China Huarong Asset Management Co Limited in Beijing in May 2017.

This year we also increased the time allotted for group discussions at our training events in order to provide





more practical experience sharing from senior board secretaries and among attendees.

Member and student services

Our Regional Board Secretary Panels (RBSPs) – currently we have five RBSPs in Beijing, Shanghai, Shenzhen, Guangzhou and the Southwest (including Chongqing and Chengdu) – continue to provide valuable networking opportunities among board secretaries and a valuable communication channel between board secretaries and regulatory bodies. We organised five RBSP meetings in Hong Kong, Beijing, Shanghai, Guangzhou and Chongqing this year. Over 120 local APs, members, students and board secretaries as well as government officials attended.

Advocacy

Our Institute has been cultivating close working relationships with stakeholders in the Mainland. Since 2011, we have signed MoUs with the Shanghai and Shenzhen stock exchanges, the China Association of Public Companies (CAPCO) and the IAC. During the period under review, we continued to promote good corporate governance and the Chartered Secretarial profession, as well as lobbying for the professional development of board secretaries in Mainland China.

In June 2017, the Institute participated in the Corporate Access Day in Shanghai as one of the co-organisers. The event was hosted by *New Fortune* and aimed to improve communication between Hong Kong listed companies and Mainland investors. The Hong Kong Stock Exchange

was one of the supporting organisations. Over 200 representatives from 80 Hong Kong listed companies attended this event.

Research and governance reform

The Institute continues to engage in research projects on topics relevant to our members, APs and students in the Mainland. This year we continued our effort in lobbying for the amendment of the *Prerequisite Clauses for the Articles of Association of Companies Seeking Listings outside the PRC*. We originally produced a research report (in collaboration with the Board Secretary Committee of CAPCO) on this in 2014. Over the past fiscal year, the Institute has collected signatures from H-share companies in support of the above amendments. These have been submitted, along with an updated report by CAPCO to the Legal Office of the National People's Congress to promote the adoption of the amendments.

Another new initiative we have been laying the groundwork for this period is the creation of a technical consultation panel in Mainland China to provide a channel for the Institute's members and APs to comment on relevant legislative and regulatory proposals in Hong Kong. The Institute has within its membership and wider stakeholder community in the Mainland a high level of expertise particularly on the complex area of governance and compliance for companies dual listed in the Mainland and Hong Kong. The panel will also study practical issues faced by board secretaries in the Mainland.



Key risks and challenges

Strategic and operational risk

The strategic risks facing our Institute come mainly from the changing external environment in which all organisations operate. A key trend in recent years has been the rising expectations organisations 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.

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

Information technology risk

The effectiveness and security of our information technology (IT) systems is instrumental to the smooth operation of the 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, the Institute is subject to legislation and regulation relating to the collection, use, and security of member, student and employee data, pursuant to the services we provide. For example, the Institute is required to notify individuals or regulators of a data security breach. The Institute has engaged an independent consulting firm to review and provide advice on IT security regularly. In addition, our existing database system is in the process of a revamp and upgrade by an external consulting firm.

During the period, the Institute has enhanced its IT security and related measures. These have involved data privacy awareness training events, IT security assessments and annual IT security training to all secretariat staff members. All existing and new secretariat staff members attended, and will be required to attend, training courses provided by the Office of the Privacy Commissioner for Personal Data.

INVESTMENT PORTFOLIO
HK\$27,679,933

"a key trend in recent years has been the rising expectations organisations are under regarding their standards of governance and ethics"

Financial risk

The Institute maintains a healthy financial position and sufficient reserve to support its ongoing development needs. During 2016/2017, the Institute has engaged a professional external investment manager to manage the surplus cash of the Institute. An investment portfolio has been set up with prudent investing, which aims at anti-inflation as well as providing an ancillary income to the Institute for future development. The investment portfolio as at 30 June 2017 was HK\$27,679,933.

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 30 to the financial statements (on pages 62-65).



Corporate social responsibility 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

Engaging 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. Necessary adjustments were made in the annual pay review to ensure the salary structure of the Institute is in line with the prevailing market conditions.

An induction programme is conducted for new staff members to provide them with a better understanding of the Institute and its work. Ongoing in-house training is also provided on the Institute's latest initiatives and new or revised work procedures. Staff members are also encouraged to attend training and development courses to continually improve their knowledge and skills. Training on personal effectiveness, management and coaching skills, data privacy, anti-corruption, service enhancement and IT security issues have been provided this year, to ensure a good match of skills to our work requirements and better serve our members. During the period, a total of 161 training enrolments

in 34 training courses were provided to staff members, which amounted to 318 training hours.

Our Institute also promotes teamwork and good relations among its staff. During the period under review, staff gatherings were held monthly to maintain staff morale and promote staff team building. Activities at these staff gatherings include playing games and celebrating the birthdays of staff members.

This year, for the first time, the Institute was granted a 'Good MPF Employer Award' and a 'Support for MPF Management Award' by the Mandatory Provident Fund Schemes Authority in recognition of the high value we place on our employees' retirement needs.



"This year, for the first time, the Institute was granted a 'Good MPF Employer Award' and a 'Support for MPF Management Award' by the Mandatory Provident Fund Schemes Authority in recognition of the high value we place on our employees' retirement needs"

Environmental protection

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

To protect the environment, we encourage our members to receive corporate communications electronically via the Institute's website. In the same spirit, we have launched an online version of our monthly journal *CSJ*, and have switched to using a digital board portal for meeting papers by the Council and Committee members. During the period, the Institute has also started to provide electronic handouts for seminars and to use electronic evaluation forms to obtain feedback for further improvements to our seminars and activities. This year we also introduced online versions of four study packs for student preparing for the IQS examinations.

The Institute continued to support World Wildlife Fund's 'Earth Hour', a global campaign calling for climate

change solutions and a commitment to combatting global warming. As a corporate participant, the secretariat offices in Hong Kong and Beijing turned off its lights from 8.30pm to 9.30pm on 25 March 2017.

The Institute reviews its environmental practices on a regular basis and will consider implementing further eco-friendly measures and practices. We uphold the 'reuse, reduce and recycle' principle and promote the use of green products in our daily operations.

Community involvement

The Institute has launched a new series of events under its member services programme, giving members the opportunity to get involved in events designed to serve the community and to support the Institute's corporate social responsibility initiatives. The Community Service sub-group, set up under the Membership Committee, has launched a series of community service initiatives as described in the performance review section on page 21 in this annual report. At the 2017 Annual Dinner, there was collaboration with a social enterprise, Les Beatitudes

KEY METRICS – CSR

161 ^{+52%} **318** ^{+30%}

Staff training enrolments Training hours

639 ^{+6%} **REAMS**

Paper usage

HK\$74,147 ^{-29%}

Electricity usage

Note: Percentages refer to comparison with 2015/2016. Due to the change of the Institute's financial year end, the reporting period covered 11 months (1 August 2016 to 30 June 2017).

Limited, which supports women who want and need more flexibility in their working arrangements. A booth was set up to promote their handmade products and a collage activity was held. The Institute will continue to increase its participation in voluntary and charitable services in the future.

The Institute is applying for the 'Caring Organisation' award by The Hong Kong Council of Social Service in recognition of its achievements in corporate social responsibility and commitments as a corporate citizen.

As stated in the performance review section on page 23 in this annual report, the Foundation, one of the Institute's subsidiaries, has channeled sponsorship funds to support education, research and thought leadership initiatives in relevant fields. The Foundation also organised the 'Passing the Torch' project in collaboration with two universities – the Hong Kong University of Science and Technology and Hong Kong Baptist University – to pass on knowledge and expertise in corporate governance and business ethics to the younger generation, including undergraduates, sub-degree and senior secondary school students.





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Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the consolidated financial statements of The Hong Kong Institute of Chartered Secretaries ("the Institute") and its subsidiaries (together "the Group") set out on pages 38 to 68, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the period from 1 August 2016 to 30 June 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance and its consolidated cash flows for the period from 1 August 2016 to 30 June 2017 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Other Information

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

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

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

Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

Council Members' Responsibilities for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES

香港特許秘書公會

(Incorporated in Hong Kong and limited by guarantee)

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

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

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

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

Hong Kong, 30 October 2017

Consolidated Statement of Comprehensive Income

For the period from 1 August 2016 to 30 June 2017

	Note	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Subscriptions and fees	7	18,029,861	19,659,457
Other revenue	8	18,131,850	18,117,573
Other net income	9	1,467,860	880,398
Surplus on acquisition of a subsidiary	10	1,034,801	-
Staff costs	11	(17,344,819)	(16,836,994)
Depreciation expenses	15	(568,636)	(600,853)
Other operating expenses	13	(16,584,218)	(16,998,182)
Surplus for the reporting period		4,166,699	4,221,399
Other comprehensive income for the reporting period			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings held for own use	15	13,211,226	1,514,745
Other comprehensive income for the reporting period		13,211,226	1,514,745
Total comprehensive income for the reporting period		17,377,925	5,736,144

Consolidated Statement of Financial Position

At 30 June 2017

	Note	30/06/2017 HK\$	31/07/2016 HK\$
Non-current assets			
Property, plant and equipment	15	96,984,159	84,282,303
Held-to-maturity investments	16	1,558,306	-
Deposits for acquisition of intangible assets	17	435,000	217,500
		98,977,465	84,499,803
Current assets			
Inventories	18	122,521	316,587
Financial assets at fair value through profit or loss	19	19,378,841	10,307,002
Accounts and other receivables	20	1,975,307	2,239,491
Amount due from a related association	21	-	680
Cash and cash equivalents	22	16,564,089	21,644,442
		38,040,758	34,508,202
Current liabilities			
Accounts and other payables		1,415,947	494,634
Deferred revenue	23	240,000	-
Subscriptions and fees received in advance	24	2,324,215	2,852,229
Amount due to a related association	25	-	1,006
		3,980,162	3,347,869
Net current assets		34,060,596	31,160,333
NET ASSETS		133,038,061	115,660,136
Reserves and funds			
General fund		50,187,971	46,522,333
Property revaluation reserve		80,693,451	67,482,225
Building maintenance sinking fund		988,486	830,455
Education development fund		788,486	630,455
IT maintenance fund		379,667	194,668
TOTAL RESERVES AND FUNDS		133,038,061	115,660,136

The consolidated financial statements were approved and authorised for issue by the Council on 30 October 2017 and are signed on its behalf by:

Ivan Tam
President

Eva Chan
Treasurer

Consolidated Statement of Changes in Reserves and Funds

For the period from 1 August 2016 to 30 June 2017

	General fund HK\$	Property revaluation reserve HK\$	Building maintenance sinking fund HK\$ (Note a)	Education development fund HK\$ (Note b)	IT maintenance fund HK\$ (Note c)	Total HK\$
Balance at 1 August 2015	42,917,742	65,967,480	619,385	419,385	-	109,923,992
Surplus for the year ended 31 July 2016	4,221,399	-	-	-	-	4,221,399
Other comprehensive income for the year ended 31 July 2016	-	1,514,745	-	-	-	1,514,745
Total comprehensive income for the year ended 31 July 2016	4,221,399	1,514,745	-	-	-	5,736,144
Transfer from general fund	(616,808)	-	211,070	211,070	194,668	-
Balance as at 31 July 2016	46,522,333	67,482,225	830,455	630,455	194,668	115,660,136
Surplus for the period from 1 August 2016 to 30 June 2017	4,166,699	-	-	-	-	4,166,699
Other comprehensive income for the period from 1 August 2016 to 30 June 2017	-	13,211,226	-	-	-	13,211,226
Total comprehensive income for the period from 1 August 2016 to 30 June 2017	4,166,699	13,211,226	-	-	-	17,377,925
Transfer from general fund	(501,061)	-	158,031	158,031	184,999	-
Balance as at 30 June 2017	50,187,971	80,693,451	988,486	788,486	379,667	133,038,061

Notes:

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

Consolidated Statement of Cash Flows

For the period from 1 August 2016 to 30 June 2017

	Note	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Cash flows from operating activities			
Surplus for the reporting period		4,166,699	4,221,399
Adjustments for:			
Depreciation of property, plant and equipment		568,636	600,853
Bad debts written off		177,419	56,325
Provision for bad debts		87,070	-
Bank interest income		(42,829)	(102,488)
Dividend income on financial assets at fair value through profit or loss		(219,322)	(181,806)
Exchange differences		(18,342)	214,571
Surplus on acquisition of a subsidiary		(1,034,801)	-
Loss/(gain) on disposal of financial assets at fair value through profit or loss		37,109	(6,580)
Unrealised (gain)/loss on financial assets at fair value through profit or loss		(363,045)	397,795
Surplus before changes in working capital		3,358,594	5,200,069
Decrease in inventories		194,066	478,447
Decrease/(increase) in accounts and other receivables		26	(774,856)
Decrease in amount due from a related association		680	55,565
Increase/(decrease) in accounts and other payables		875,812	(264,342)
(Decrease)/increase in subscriptions and fees received in advance		(528,014)	236,373
Decrease in amount due to a related association		-	(16,665)
Net cash generated from operating activities		3,901,164	4,914,591
Investing activities			
Cash from obtaining control of a subsidiary	10	1,318,965	-
Interest received		42,829	102,488
Dividends received		70,506	181,806
Purchase of property, plant and equipment		(59,266)	(186,640)
Purchase of held-to-maturity investments		(1,569,521)	-
Purchase of financial assets at fair value through profit or loss		(11,296,809)	(1,445,324)
Payment for deposits for acquisition of intangible assets		(217,500)	(217,500)
Proceeds on sale of financial assets at fair value through profit or loss		2,710,937	74,456
Net cash used in investing activities		(8,999,859)	(1,490,714)
Net (decrease)/increase in cash and cash equivalents		(5,098,695)	3,423,877
Cash and cash equivalents at the beginning of the reporting period		21,644,442	18,435,136
Effect of foreign exchange rate change, net		18,342	(214,571)
Cash and cash equivalents at the end of the reporting period	22	16,564,089	21,644,442

Notes to the Consolidated Financial Statements

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES

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

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

During the reporting period, the Institute became the sole member of The Hong Kong Institute of Chartered Secretaries Foundation Limited ("HKICSFL"), incorporated two subsidiaries companies, The Hong Kong Institute of Chartered Secretaries (China) Limited ("HKICS China") and The Institute of Chartered Secretaries and Governance Professionals Limited ("ICSGPL").

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

Name	Place of incorporation and operations	Percentage of share capital /interest held directly by the Institute	Description of shares held	Principal activities
1. The Hong Kong Institute of Chartered Secretaries Foundation Limited (香港特許秘書基金有限公司) ("HKICSFL")	Hong Kong	As the sole member	Limited by guarantee	Provide scholarship and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects
2. The Hong Kong Institute of Chartered Secretaries (China) Limited (香港特許秘書公會(中國)有限公司) ("HKICS China")	Hong Kong	100%	Ordinary shares	Promote the Institute's qualification programme and provision of services to members in Mainland China
3. The Institute of Chartered Secretaries and Governance Professionals Limited (特許秘書及企業管治公會有限公司) ("ICSGPL")	Hong Kong	100%	Ordinary shares	Dormant

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

2. CHANGE OF REPORTING DATE

The reporting date of the Institute was changed from 31 July to 30 June because the Council members of the Institute determined to bring the annual financial year end date of the Institute in line with that of The Institute of Chartered Secretaries and Administrators. Accordingly, the current reporting period covers an eleven-month period from 1 August 2016 to 30 June 2017. The comparative amounts (which cover a twelve-month period from 1 August 2015 to 31 July 2016) for the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds, consolidated statement of cash flows and related notes are not entirely comparable with those of the reporting period.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Statement of compliance

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

b. Basis of measurement

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

c. Functional and presentation currency

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

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

a. Adoption of new/revised HKFRSs – Effective 1 August 2016

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

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

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

HKAS 7 (Amendments)	Disclosure Initiative ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Amendments)	Revenue from Contracts with Customers (Clarification to HKFRS 15) ²
HKFRS 16	Leases ³
HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle ^{1,2}

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

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and has yet to conclude whether the application of these new or revised HKFRSs will have any material impact on the Group's financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of consolidation and subsidiaries

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

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

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

b. Property, plant and equipment

Leasehold land and buildings

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

b. Property, plant and equipment – continued

Leasehold land and buildings – continued

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

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case the increase is credited to surplus or deficit to the extent of the decrease previously charged. A decrease in carrying amount arising on revaluation of an asset is recognised in surplus or deficit to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to general fund.

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

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

Depreciation

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

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

Impairment

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

b. Property, plant and equipment – continued

Impairment – continued

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

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

c. Leasing

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

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

d. Financial instruments

i. Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

d. Financial instruments – continued

i. Financial assets – continued

Loans and receivables

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

Held-to-maturity investments

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

ii. Impairment loss on financial assets

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

For loans and receivables or held-to-maturity investments

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

iii. Financial liabilities

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

Financial liabilities at amortised cost

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

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

d. Financial instruments – continued

iv. Effective interest method

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

v. Derecognition

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

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

e. Inventories

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

f. Revenue recognition

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

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

g. Income taxes

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

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

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

h. Foreign currency

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

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

i. Employee benefits

Short term employee benefits

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

Defined contribution retirement plan

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

j. Provisions and contingent liabilities

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

j. 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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

k. Related parties

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

5. SIGNIFICANT ACCOUNTING POLICIES – continued

k. Related parties – continued

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

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

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Property, plant and equipment and depreciation

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

Fair value of property

The Group's leasehold land and buildings are stated at fair value based on professional valuation performed. In determining the fair value, the valuers have assessed the market value of the property in its existing state by direct comparison approach assuming sale of the property with the benefit of vacant possession. They have made reference to the appropriate comparable sales transactions as available in the market and have made due adjustments for differences between the subject property and comparable premises. In relying on the valuation, the Council has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

b. Key sources of estimation uncertainty

Allowances for impairment of doubtful debts

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

7. SUBSCRIPTIONS AND FEES

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Subscriptions	12,887,355	13,921,620
Admission and registration fees	5,142,506	5,737,837
	18,029,861	19,659,457

8. OTHER REVENUE

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Income from examinations	2,975,100	3,119,580
Income from seminars, courses, member and student activities and functions held	15,156,750	14,997,993
	18,131,850	18,117,573

9. OTHER NET INCOME

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Bank interest income	27,248	102,488
Interest income from held-to-maturity investments	15,581	-
Total interest income	42,829	102,488
Dividend income on financial assets at fair value through profit or loss	219,322	181,806
(Loss)/gain on disposal of financial assets at fair value through profit or loss	(37,109)	6,580
Net foreign exchange loss	(422)	(230,778)
Sales of study materials	316,644	787,745
Sundry income	563,551	430,352
Unrealised gain/(loss) on financial assets at fair value through profit or loss	363,045	(397,795)
	1,467,860	880,398

10. OBTAINING CONTROL OF A SUBSIDIARY

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

Fair values of net identifiable assets acquired are as follows:

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

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

11. STAFF COSTS

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Salaries, allowances and other benefits	16,145,970	15,683,464
Contributions to defined contribution retirement Schemes:		
Hong Kong Mandatory Provident Fund	855,788	818,322
China Social Security Fund	343,061	335,208
	1,198,849	1,153,530
	17,344,819	16,836,994

12. KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel comprise members of the Council, the Chief Executive and department directors. Council members are not remunerated. The remuneration for prior year has been restated to align with the identification of key management personnel in the current period.

12. KEY MANAGEMENT PERSONNEL REMUNERATION - continued

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
		(As restated)
Salaries	5,257,213	5,561,730
Performance benefits, other allowances and benefits-in-kind	1,562,034	1,545,678
Contributions to Hong Kong Mandatory Provident Fund	516,344	535,754
	7,335,591	7,643,162

13. OTHER OPERATING EXPENSES

	01/08/2016 to 30/06/2017 HK\$	01/08/2015 to 31/07/2016 HK\$
Auditor's remuneration	123,000	115,000
Bad debts written off	177,419	56,325
Direct costs (Note)	6,280,811	5,692,065
Donations	1,500	194,000
Government rent and rates	106,195	121,200
Investment handling charges	327,784	35,122
Legal and professional fees	531,650	794,937
Credit card merchant fee	457,165	278,096
Operating leases – Buildings	430,562	491,757
Postage and courier	136,704	147,390
Promotion and public relations	1,291,373	1,249,457
Provision for bad debts	87,070	-
Publications and printing	3,242,805	3,517,614
Repairs and maintenance	114,052	160,870
Service fees charged by The Institute of Chartered Secretaries and Administrators	181,412	1,216,788
Scholarship, sponsorship and subject prizes	241,500	-
Student services	1,294,928	1,362,638
Sundry expenses	828,005	785,173
Travelling	279,123	231,156
Utilities	451,160	548,594
	16,584,218	16,998,182

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

14. TAXATION

The Institute

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

HKICSFL

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

HKICS China and ICSGPL

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

15. 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 2016	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138
Additions	-	-	-	10,088	49,178	59,266
Write-off	-	-	-	(1,330)	-	(1,330)
Surplus on revaluation	13,100,000	(100,000)	-	-	-	13,000,000
At 30 June 2017	89,600,000	6,400,000	3,352,605	489,957	3,265,512	103,108,074
Representing:						
Cost	-	-	3,352,605	489,957	3,265,512	7,108,074
Revaluation	89,600,000	6,400,000	-	-	-	96,000,000
	89,600,000	6,400,000	3,352,605	489,957	3,265,512	103,108,074

15. 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 2016	-	-	2,443,475	454,444	2,869,916	5,767,835
Charge for the year	92,058	119,168	231,471	9,278	116,661	568,636
Elimination on revaluation	(92,058)	(119,168)	-	-	-	(211,226)
Write-off	-	-	-	(1,330)	-	(1,330)
At 30 June 2017	-	-	2,674,946	462,392	2,986,577	6,123,915
Carrying amount						
At 30 June 2017	89,600,000	6,400,000	677,659	27,565	278,935	96,984,159

	Leasehold land HK\$	Buildings HK\$	Leasehold improvements HK\$	Office furniture HK\$	Office equipment HK\$	Total HK\$
Cost or valuation						
At 1 August 2015	75,500,000	6,200,000	3,352,605	473,781	3,057,172	88,583,558
Additions	-	-	-	7,418	179,222	186,640
Write-off	-	-	-	-	(20,060)	(20,060)
Surplus on revaluation	1,000,000	300,000	-	-	-	1,300,000
At 31 July 2016	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138
Representing:						
Cost	-	-	3,352,605	481,199	3,216,334	7,050,138
Revaluation	76,500,000	6,500,000	-	-	-	83,000,000
	76,500,000	6,500,000	3,352,605	481,199	3,216,334	90,050,138

15. 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 2015	-	-	2,190,961	445,150	2,765,676	5,401,787
Charge for the year	90,745	124,000	252,514	9,294	124,300	600,853
Elimination on revaluation	(90,745)	(124,000)	-	-	-	(214,745)
Write-off	-	-	-	-	(20,060)	(20,060)
At 31 July 2016	-	-	2,443,475	454,444	2,869,916	5,767,835
Carrying amount						
At 31 July 2016	76,500,000	6,500,000	909,130	26,755	346,418	84,282,303

Fair value measurement

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

At 30 June 2017 and 31 July 2016, the fair value of leasehold land and buildings held for own use were determined using direct comparison approach to value these properties in their respective existing state and use on the market basis assuming sale with immediate vacant possession and by making reference to comparable sale evidence. The valuations took into account and adjusted for unobservable inputs for the differences in the characteristics of the properties including the location, size, view, floor level, year of completion and other factors collectively.

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Leasehold land and buildings in Hong Kong	Direct comparison approach	Premium on characteristics of the properties	-8% to 15% (2016: -9% to 15%)

15. PROPERTY, PLANT AND EQUIPMENT – continued

Fair value hierarchy

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

During the period ended 30 June 2017 or year ended 31 July 2016, there were no transfers into or out of Level 3 or any other levels. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Fair value movements

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

	HK\$
At 1 August 2015	81,700,000
Depreciation	(214,745)
Valuation surplus	1,514,745
At 31 July 2016 and 1 August 2016	83,000,000
Depreciation	(211,226)
Valuation surplus	13,211,226
At 30 June 2017	96,000,000

Valuation surplus of HK\$13,211,226 (2016: surplus of HK\$1,514,745) arising on revaluation has been recognised in other comprehensive income and accumulated in the property revaluation reserve.

Had the Group's leasehold land and buildings been measured on a historical cost basis, their carrying amounts would have been HK\$14,235,968 and HK\$1,965,208 respectively (2016: HK\$14,253,121 and HK\$2,019,472 respectively) at the end of the reporting period.

16. HELD-TO-MATURITY INVESTMENTS

	30/06/2017 HK\$	31/07/2016 HK\$
Bonds with maturity of more than 12 months	1,558,306	-

17. DEPOSITS FOR ACQUISITION OF INTANGIBLE ASSETS

At 30 June 2017, deposits of HK\$435,000 (2016: HK\$217,500) were paid for acquiring management information system from an external vendor.

18. INVENTORIES

Inventories comprise study materials held for sale.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/06/2017 HK\$	31/07/2016 HK\$
Equity securities – listed	2,860,332	1,204,020
Funds – unlisted	16,518,509	9,102,982
	19,378,841	10,307,002

20. ACCOUNTS AND OTHER RECEIVABLES

	30/06/2017 HK\$	31/07/2016 HK\$
Accounts receivable	587,158	402,364
Other receivables	504,092	789,007
Loans and receivables	1,091,250	1,191,371
Prepayments	708,709	866,296
Deposits	175,348	181,824
	1,975,307	2,239,491

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

	30/06/2017 HK\$	31/07/2016 HK\$
Current	268,743	351,134
Within three months past due	311,715	10,380
Over three months past due	6,700	40,850
Amount past due but not impaired	318,415	51,230
	587,158	402,364

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

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

	HK\$
At 1 August 2015, 31 July 2016 and 1 August 2016	-
Impairment loss recognised	87,070
At 30 June 2017	87,070

21. AMOUNT DUE FROM A RELATED ASSOCIATION

	30/06/2017 HK\$	31/07/2016 HK\$
Corporate Secretaries International Association ("CSIA")	-	680

The Institute is a member of CSIA. The amount due from the related association was unsecured, interest-free and repayable on demand.

22. CASH AND CASH EQUIVALENTS

	30/06/2017 HK\$	31/07/2016 HK\$
Fixed deposits at banks with original maturity of three months or less	4,260,379	243,998
Cash and bank balances	5,491,463	4,589,506
Cash at custodians	6,812,247	16,810,938
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	16,564,089	21,644,442

The interest rates on the cash at banks ranged from 0.001% to 1.05% (2016: 0.001% to 1%) per annum.

Included in the Group's cash and bank balances is an amount of HK\$1,369,209 (2016: Nil) which is held by HKICSFL that can be used to fulfil the objects of HKICSFL as set out in its Articles of Association.

23. DEFERRED REVENUE

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

24. SUBSCRIPTIONS AND FEES RECEIVED IN ADVANCE

	30/06/2017 HK\$	31/07/2016 HK\$
Subscriptions received in advance from new student members	233,610	291,030
Annual subscriptions received in advance for renewal of studentship	897,325	902,345
Other fees received in advance	1,193,280	1,658,854
	2,324,215	2,852,229

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

25. AMOUNT DUE TO A RELATED ASSOCIATION

	30/06/2017 HK\$	31/07/2016 HK\$
The Hong Kong Institute of Chartered Secretaries Foundation Limited ("HKICSFL")	-	1,006

The amount due to the related association was unsecured, interest-free and repayable on demand. During the year ended 31 July 2016, six Council members of the Institute were the executive committee members of HKICSFL.

26. OPERATING LEASE ARRANGEMENTS

The Institute leased its Beijing representative office under operating leases with an average term of three years. The terms of the leases require the Institute to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

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

	30/06/2017 HK\$	31/07/2016 HK\$
Within one year	608,873	414,579
In the second to fifth year, inclusive	1,519,624	69,096
	2,128,497	483,675

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

27. RELATED PARTY TRANSACTIONS

a. Transactions with members of the Council

Members of the Council did not receive any fees or other remuneration for serving as a member of the Council. Other than the information disclosed elsewhere in the financial statements, the Institute received income in the ordinary course of business, such as sponsorship, subscriptions and fees from Council members or parties related to Council members. The total amount received from Council members or parties related to Council members in this regard was not significant.

b. HKICSFL

During the period from 1 August 2016 to 8 September 2016, the Institute donated Nil (Year ended 31 July 2016: HK\$194,000) to HKICSFL for scholarship and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects.

28. CAPITAL COMMITMENT

At 30 June 2017, the Institute had a commitment of HK\$652,500 (31 July 2016: HK\$870,000) in respect of purchases of management information system contracted for, but not provided for in the consolidated financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

	30/06/2017 HK\$	31/07/2016 HK\$
Financial assets		
– measured at amortised cost		
Held-to-maturity investments	1,558,306	-
Accounts and other receivables	1,091,250	1,191,371
Amount due from a related association	-	680
Cash and cash equivalents	16,564,089	21,644,442
	19,213,645	22,836,493
– measured at fair value		
Financial assets at fair value through profit or loss	19,378,841	10,307,002
	38,592,486	33,143,495
Financial liabilities – measured at amortised cost		
Accounts and other payables	1,415,947	494,634
Amount due to a related association	-	1,006
Deferred revenue	240,000	-
	1,655,947	495,640

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

30. FINANCIAL RISK MANAGEMENT

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

a. Credit risk

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

30. FINANCIAL RISK MANAGEMENT – continued

b. Currency risk

The Group is exposed to foreign currency risk arising from translating bank balances, held-to-maturity investments, financial assets at fair value through profit or loss, and accounts payable which are denominated in Great British Pounds ("GBP"), United States dollars ("USD") or Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the Council monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

Exposure to foreign currency (expressed in HK\$)			
At 30 June 2017	USD	GBP	RMB
Assets			
Cash and cash equivalents	774,821	841,817	1,196,439
Other receivables	-	-	493,995
Held-to-maturity investments	1,558,306	-	-
Financial assets at fair value through profit or loss	5,940,134	-	-
	8,273,261	841,817	1,690,434
Liabilities			
Accounts payable	-	-	(36,255)

Exposure to foreign currency (expressed in HK\$)			
At 31 July 2016	USD	GBP	RMB
Assets			
Cash and cash equivalents	806,869	850,721	792,276
Other receivables	-	-	761,488
Financial assets at fair value through profit or loss	3,684,415	-	-
	4,491,284	850,721	1,553,764

Sensitivity analysis on foreign exchange risk management

The Council considers the main foreign currency risk the Group was exposed to at the end of the reporting period were GBP and RMB. If Hong Kong dollars strengthened against these currencies by 5%, the Group's surplus would be increased by approximately HK\$42,000 (2016: HK\$43,000) and HK\$83,000 (2016: HK\$78,000), respectively. If Hong Kong dollars had weakened against these currencies by 5%, the Group's surplus would be decreased by the same amount.

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

30. FINANCIAL RISK MANAGEMENT – continued

c. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Council to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The following table details the Group's remaining contractual maturity for its financial liabilities. 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 Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year HK\$	Total contractual undiscounted cash flow HK\$	Total carrying amount HK\$
As at 30 June 2017			
Accounts and other payables	1,415,947	1,415,947	1,415,947

	Within 1 year HK\$	Total contractual undiscounted cash flow HK\$	Total carrying amount HK\$
As at 31 July 2016			
Accounts and other payables	494,634	494,634	494,634
Amount due to a related association	1,006	1,006	1,006
	495,640	495,640	495,640

d. Fair value measurement

The Group's financial assets and liabilities measured at fair value are categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement" in the table below. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

30. FINANCIAL RISK MANAGEMENT – continued

d. Fair value measurement – continued

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

At 31 July 2016	Level 1 HK\$	Level 2 HK\$	Total HK\$
Financial assets at fair value through profit or loss:			
- Equity securities - listed (Note i)	1,204,020	-	1,204,020
- Funds - unlisted (Note ii)	-	9,102,982	9,102,982
	1,204,020	9,102,982	10,307,002

Note:

- i. Fair values of the listed equity securities are determined by reference to their quoted bid prices at the reporting date in an active market.
- ii. Dealing price of fund derived from the net asset value of the fund, where the underlying investments are mainly bonds with quoted price in an active market.

During the period ended 30 June 2017 and year ended 31 July 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

31. CAPITAL RISK MANAGEMENT – continued

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

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

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

32. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE

	Note	30/06/2017 HK\$	31/07/2016 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		96,984,159	84,282,303
Interests in subsidiaries	12	-	-
Held-to-maturity investments		1,558,306	-
Deposits for acquisition of intangible assets		435,000	217,500
		98,977,477	84,499,803
CURRENT ASSETS			
Inventories		122,521	316,587
Financial assets at fair value through profit or loss		19,378,841	10,307,002
Accounts and other receivables		1,971,723	2,239,491
Amounts due from subsidiaries		15,517	-
Amount due from a related association		-	680
Cash and cash equivalents		15,194,880	21,644,442
		36,683,482	34,508,202
CURRENT LIABILITIES			
Accounts and other payables		1,304,447	494,634
Amounts due to subsidiaries	2	-	-
Amount due to a related association		-	1,006
Subscriptions and fees received in advance		2,324,215	2,852,229
		3,628,664	3,347,869
NET CURRENT ASSETS		33,054,818	31,160,333
NET ASSETS		132,032,295	115,660,136

32. STATEMENT OF FINANCIAL POSITION OF THE INSTITUTE - continued

		30/06/2017	31/07/2016
	Note	HK\$	HK\$
RESERVES AND FUNDS			
General fund	33	49,182,205	46,522,333
Property revaluation reserve	33	80,693,451	67,482,225
Building maintenance sinking fund	33	988,486	830,455
Education development fund	33	788,486	630,455
IT maintenance fund	33	379,667	194,668
		132,032,295	115,660,136

The financial statements were approved and authorised for issue by the Council on 30 October 2017 and are signed on its behalf by:

Ivan Tam
President

Eva Chan
Treasurer

33. SUMMARY OF THE INSTITUTE'S RESERVES AND FUNDS

	General fund HK\$	Property revaluation reserve HK\$	Building maintenance sinking fund HK\$	Education development fund HK\$	IT maintenance fund HK\$	Total HK\$
Balance at 1 August 2015	42,917,742	65,967,480	619,385	419,385	-	109,923,992
Surplus for the year ended 31 July 2016	4,221,399	-	-	-	-	4,221,399
Other comprehensive income for the year ended 31 July 2016	-	1,514,745	-	-	-	1,514,745
Total comprehensive income for the year ended 31 July 2016	4,221,399	1,514,745	-	-	-	5,736,144
Transfer from general fund	(616,808)	-	211,070	211,070	194,668	-
Balance as at 31 July 2016	46,522,333	67,482,225	830,455	630,455	194,668	115,660,136
Surplus for the period from 1 August 2016 to 30 June 2017	3,160,933	-	-	-	-	3,160,933
Other comprehensive income for the period from 1 August 2016 to 30 June 2017	-	13,211,226	-	-	-	13,211,226
Total comprehensive income for the period from 1 August 2016 to 30 June 2017	3,160,933	13,211,226	-	-	-	16,372,159
Transfer from general fund	(501,061)	-	158,031	158,031	184,999	-
Balance as at 30 June 2017	49,182,205	80,693,451	988,486	788,486	379,667	132,032,295

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