THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED

(香港特許秘書基金有限公司)
(incorporated in Hong Kong and limited by guarantee)

Report of the Council and Financial Statements For the year ended 30 June 2018



THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) REPORT OF THE COUNCIL

The Council members have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2018.

PRINCIPAL PLACE OF ACTIVITY

The Hong Kong Institute of Chartered Secretaries Foundation Limited ("the Foundation") is an institute incorporated and domiciled in Hong Kong and has its registered office and principal place of activity at 3/F., Hong Kong Diamond Exchange Building, 8 Duddell Street, Central, Hong Kong.

PRINCIPAL ACTIVITY

The principal activity of the Foundation is providing awards and/or scholarships and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Foundation for the year ended 30 June 2018 and the financial position of the Foundation as at that date are set out in the financial statement on pages 6 to 17.

COUNCIL MEMBERS

The Council members who held office during the financial period and up to date of this report are:

Fu Yat Hung David

(appointed on 1 January 2018)

Gillian Elizabeth Meller

(appointed on 1 March 2018)

Chan Yee Wah

Suen Pui Yee

Gao Wei

Ngai Wai Fung

Tam Kwok Wing

Shih Edith

(resigned on 1 January 2018)

Stafford Paul Andrew

(resigned on 1 March 2018)

In accordance with Article 30 of the Foundation's Articles of Association, all Council members shall retire, and being eligible, offer themselves for re-election.

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) REPORT OF THE COUNCIL

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Council members of the Foundation is in force throughout this year.

BUSINESS REVIEW

INDEMNITY OF COUNCIL MEMBERS

No business review is presented for the year ended 30 June 2018 as the Foundation has been able to claim an exemption under s. 388(3) of the Hong Kong Companies Ordinance (Cap. 622).

AUDITOR

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

On behalf of the Council

Fu Yat Hung David

President

Hong Kong, 29 November 2018



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED

(香港特許秘書基金有限公司)

(incorporated in Hong Kong and limited by guarantee)

Opinion

We have audited the financial statements of The Hong Kong Institute of Chartered Secretaries Foundation Limited ("the Foundation") set out on pages 6 to 17, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in reserves and funds and statement of cash flows for the year ended 30 June 2018, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Foundation 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 Report of the Council.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 FOUNDATION LIMITED

(香港特許秘書基金有限公司)

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Council Members' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Council members are responsible for assessing the Foundation'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 Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED

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Auditor's Responsibilities for the Audit of the Financial Statements - Continued

- obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of the Foundation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members.
- conclude on the appropriateness of the Council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation'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 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 Foundation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council members 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, 29 November 2018

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 НК\$	01/08/2016 to 30/06/2017 HK\$
Revenue	7	681,266	265,774
Other revenue	8	1,024	25
Operating expenses		(644,581)	(294,806)
Surplus/(Deficit) and total comprehensive income/(loss) for the reporting period	9	37,709	(29,007)

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 HK\$	2017 HK\$
CURRENT ASSETS			
Inventories	12	4,350	-
Prepayments		317	282
Bank balances		1,234,856	1,369,209
		1,239,523	1,369,491
CURRENT LIABILITIES			
Accrued expenses		195,340	107,500
Amount due to holding company	13	-	15,517
Deferred revenue			240,000
		195,340	363,017
NET CURRENT ASSETS		1,044,183	1,006,474
NET ASSETS		1,044,183	1,006,474
RESERVES AND FUNDS General fund		1,044,183	1,006,474
General rand		1,044,103	1,000,174

On behalf of the Council

Fu Yat Hung David

President

Chan Yee Wah Treasurer

STATEMENT OF CHANGES IN RESERVES AND FUNDS FOR THE YEAR ENDED 30 JUNE 2018

	General fund HK\$
Balance as at 1 August 2016	1,035,481
Deficit and total comprehensive loss for the period from 1 August 2016 to 30 June 2017	(29,007)
Balance as at 30 June 2017 and 1 July 2017	1,006,474
Surplus and total comprehensive income for the year ended 30 June 2018	37,709
Balance as at 30 June 2018	1,044,183

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

		01/08/2016 to
	2018 HK\$	30/06/2017 HK\$
Cash flows from operating activities Surplus/(Deficit) for the reporting period Adjustments for:	37,709	(29,007)
Bank interest income	(24)	(25)
Operating surplus/(deficit) before changes in working capital Increase in inventories	37,685 (4,350)	(29,032)
(Increase)/decrease in prepayments Decrease in amount due from a related institute Decrease in deferred revenue	(35) - (240,000)	91 1,006 -
Increase in accrued expenses (Decrease)/increase in amount due to holding company	87,840 (15,517)	52,500 15,517
Net cash (used in)/generated from operating activities	(134,377)	40,082
Investing activities Interest received	24	25
Net cash generated from investing activities	24	25
Net (decrease)/increase in cash and cash equivalents	(134,353)	40,107
Cash and cash equivalents at the beginning of the reporting period	1,369,209	1,329,102
Cash and cash equivalents at the end of the reporting period		
- representing bank balances	1,234,856	1,369,209

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

1. CORPORATE STATUS AND PRINCIPAL ACTIVITIES

The Hong Kong Institute of Chartered Secretaries Foundation Limited (the "Foundation") 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 Foundation is providing awards and/or scholarships and subsidies to people in need to pursue studies in company secretarial and corporate governance and related subjects.

The Hong Kong Institute of Chartered Secretaries ("The HKICS"), a company limited by guarantee incorporated in Hong Kong, became the holding company of the Foundation on 9 September 2016. The Council considers The HKICS to be the ultimate controlling entity.

2. CHANGE OF REPORTING DATE

On 30 March 2016, the reporting date of the Foundation was changed from 31 July to 30 June to align with that of its holding company, The Hong Kong Institute of Chartered Secretaries. Accordingly, the reporting period of last year covers an eleven-month period from 1 August 2016 to 30 June 2017. The current year's reporting amounts (which cover a twelve-month period from 1 July 2017 to 30 June 2018) for the statement of comprehensive income, statement of changes in reserves and funds, statement of cash flows and related notes are not entirely comparable with those of the prior reporting period.

3. BASIS OF PREPARATION

(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 certain financial instruments, which are measured at fair values as explained in the significant accounting policies set out in Note 5.

(c) Functional and presentation currency

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

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

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

(a) Adoption of revised HKFRSs - Effective 1 July 2017

The adoption of the following revised standard has no significant impact on the Foundation's financial statements:

Amendments to HKAS 7

Disclosure Initiative

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

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

HKFRS 9

Financial Instruments¹

HKFRS 15

Revenue from Contracts with Customers¹

HKFRS 15 (Amendments)

Revenue from Contracts with Customers

(Clarification to HKFRS 15)1

HK(IFRIC) - Int 23

Uncertainty Over Income Tax Treatment²

The Foundation has assessed the potential impact of these new or revised HKFRSs and the Council members so far considered that the application of these new or revised HKFRSs will not have any material impact on the Foundation's financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial instruments

(i) Financial assets

Loans and receivables

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

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

² Effective for annual periods beginning on or after 1 January 2019

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

5. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Financial instruments - Continued

(ii) Impairment loss on financial assets

The Foundation 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.

An impairment loss is recognised in profit or loss when there is objective evidence that the 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 a financial asset is reduced through the use of an allowance account. When any part of a financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost including other payables and amount due to holding company, are inititally recognised at fair value and subsequently carried at amortised cost, using the effective interest method. The related interest expense is recognised in arriving at the surplus or deficit.

Gains or losses are recognised in arriving at the surplus or deficit when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

5. SIGNIFICANT ACCOUNTING POLICIES - Continued

(a) Financial instruments - Continued

(v) Derecognition

The Foundation 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.

(b) 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.

(c) 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 Foundation and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- unconditional donation/sponsorship income is recognised in surplus or deficit in the year in which it was received. Conditional donation/sponsorship income is recognised in the statement of financial position as deferred revenue initially and recognised in surplus or deficit when the conditions are fulfilled; and
- (ii) interest income is recognised as it accrues using the effective interest method.

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED

(香港特許秘書基金有限公司)

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

5. SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Related parties

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

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.

THE HONG KONG INSTITUTE OF CHARTERED SECRETARIES FOUNDATION LIMITED (香港特許秘書基金有限公司) NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

5. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Provisions and contingent liabilities

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

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

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Foundation's accounting policies, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Council members are of the opinion that there are no significant effects on the amounts recognised in the financial statements arising from management judgement.

7. REVENUE

Revenue represents unconditional donation and sponsorship received during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

8. OTHER REVENUE

	01/07/2017 to 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
Bank interest income Sundry income	24 1,000	
	1,024	25

9. SURPLUS/(DEFICIT) FOR THE REPORTING PERIOD

Surplus/(deficit) for the reporting period is arrived at after charging auditor's remuneration of HK\$16,600 (2017: HK\$14,000).

10. COUNCIL MEMBERS' REMUNERATION

During the year ended 30 June 2018, no fees or other remuneration for serving as a member of the Council have been paid to Council members (2017: Nil).

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax have been made in the financial statements, as the Foundation is exempt from Hong Kong Profits Tax under section 88 of the Inland Revenue Ordinance.

12. INVENTORIES

Inventories comprised wine charms held for charity sale. The sale proceeds will be used in pursuing the Foundation's principal activities.

13. AMOUNT DUE TO HOLDING COMPANY

The amount due to the holding company was unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2018

14. RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Council members are the key management personnel of the Foundation. No remuneration was paid or payable to the Council members for the year ended 30 June 2018 (2017: Nil).

b) During the reporting period, the Foundation had the following material related party transactions:

01/07/2017 to 30/06/2018 HK\$	01/08/2016 to 30/06/2017 HK\$
377,466	264,874
	to 30/06/2018 HK\$

15. FINANCIAL RISK MANAGEMENT

The Foundation's bank balances are held in a major financial institution in Hong Kong with high credit rating. The Council members do not consider the credit risk is significant.

16. CAPITAL RISK MANAGEMENT

The Foundation's objectives when managing capital are:

- to safeguard the Foundation's ability to continue as a going concern to enable its obligations under the Hong Kong Companies Ordinance are fulfilled; and
- to provide capital for the purpose of strengthening the Foundation's operational efficiency.

The Foundation 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 obtain donations from the holding company and Council members to ensure operational needs are fully covered.

The Council regards the funds and reserves as capital of the Foundation.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Council on 29 November 2018.