

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED
(Incorporated in Hong Kong with limited liability by guarantee)

**Council Members' Report and
Financial Statements
For the year ended 31 December 2016**

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED
COUNCIL MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

COUNCIL MEMBERS' REPORT

The council members present their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the Company is to promote good corporate governance practice in Asia. The Company is non-profit making and any surplus generated will be used for future promotion of corporate governance.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 December 2016 and its financial position of the Company at that date are set out on pages 6 to 23.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 8 to the financial statements.

COUNCIL MEMBERS

The council members during the year and up to the date of this report were:-

Douglas Curry HENCK

Pote Punyagupta VIDET

MUH Yi Tong

Steven Thomas WATSON

Robert William Bentley MORRISON

Chen-Jung SHIH

Stephen Albert FULLER

Peter K. YAM

Yuwen Elizabeth SUN

Yuelin T YANG

Ka Shi LAU

(Appointed on 31 May 2016)

Janet Marie DE SILVA

(Resigned on 31 May 2016)

In accordance with articles 39 and 61 of the Company's articles of association, all remaining council members continue in office until expiration of their terms of office.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

COUNCIL MEMBERS' REPORT

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which a council member of the Company or an entity connected with a council member is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDITOR

The financial statements have been audited by BDO Limited. A resolution will be proposed at next annual general meeting to re-appoint BDO Limited as the Company's auditor.

On Behalf of the Council



Douglas Curry HENCK
Council Chairman

Hong Kong, 18 April 2017



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED**

(Incorporated in Hong Kong with limited liability by guarantee)

Opinion

We have audited the financial statements of Asian Corporate Governance Association Limited (the "Company") set out on pages 6 to 23, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 Company as at 31 December 2016, and of its financial performance and 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 (the "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 Financial Statements" section of our report. We are independent of the Company 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 council members' report only.

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 ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED**

(Incorporated in Hong Kong with limited liability by guarantee)

Council Members' Responsibility for the Financial Statements

The council members 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 Company'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 Company 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 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 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 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 Company's internal control;



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

(Incorporated in Hong Kong with limited liability by guarantee)

- 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 Company'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 Company to cease to continue as a going concern; and
- 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

Shiu Hong NG

Practising Certificate no. P03752

Hong Kong, 18 April 2017

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2016


	Notes	2016 HK\$	2015 HK\$
Income			
Membership fees		8,093,094	6,446,248
Project and conference sponsorship		2,017,142	1,123,750
Sponsorship received		968,967	968,750
Seminar fees		472,081	366,402
Delegation income		-	181,683
Research sponsorship		-	155,000
		11,551,284	9,241,833
Sundry income			
Other income		111,771	26,240
Net exchange gains		2,393	-
Bank interest		57	58
		114,221	26,298
Total income		11,665,505	9,268,131
Expenditure			
Salaries and allowances		4,754,442	3,982,083
Seminar and conferences		2,206,667	1,072,715
Consultancy fees		1,288,967	1,276,066
Rent, management fees and rates		801,231	917,366
Traveling		594,484	391,398
Mandatory provident fund contribution		184,015	128,415
Software services		173,493	99,027
Meals and entertainment		94,583	94,701
Telephone and fax		83,162	80,513
Insurance		80,565	76,803
Postage and delivery		70,473	19,095
Depreciation		65,753	79,073
Bank charges		43,357	26,528
Publication		40,870	-
Accountancy fee		39,500	50,500
Audit fee		38,000	28,000
Office expenses		32,702	4,095
Printing and photocopying		29,357	16,698
Office cleaning		19,500	12,000
Membership dues		18,178	8,223
Company secretarial fee		14,415	13,461
Newspaper and magazine		12,816	13,241
Staff training		12,731	47,600
Electricity		8,176	11,513
Translation fee		5,917	-
Repairs and maintenances		2,500	33,085
Delegation expenses		-	105,645
Sundry expenses		-	48,110
Legal and professional fees		-	8,681
Net exchange losses		-	1,722
Total expenditure		(10,715,854)	(8,646,357)
Surplus before taxation	6	949,651	621,774
Taxation	7	-	-
Surplus for the year		949,651	621,774

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

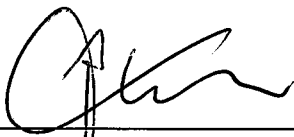
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016 HK\$	2015 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	<u>54,054</u>	<u>106,321</u>
Current assets			
Deposits, prepayments and other receivables	9	<u>710,011</u>	<u>286,086</u>
Cash at bank and in hand		<u>6,197,343</u>	<u>5,081,969</u>
		6,907,354	5,368,055
Current liabilities			
Creditors, other payables and accruals		<u>773,828</u>	<u>655,085</u>
Membership fees received in advance		<u>2,817,133</u>	<u>2,398,495</u>
Research sponsorship received in advance		<u>232,500</u>	<u>232,500</u>
		3,823,461	3,286,080
Net current assets		<u>3,083,893</u>	<u>2,081,975</u>
Net assets		<u><u>3,137,947</u></u>	<u><u>2,188,296</u></u>
EQUITY			
Members' surplus		<u><u>3,137,947</u></u>	<u><u>2,188,296</u></u>

These financial statements were approved and authorised for issue by the council members on 18 April 2017.



Douglas Curry HENCK
Member of Council



MUH Yi Tong
Member of Council

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Members' surplus HK\$
Balance at 1 January 2015	1,566,522
Surplus for the year	<u>621,774</u>
Balance at 31 December 2015	2,188,296
Surplus for the year	<u>949,651</u>
Balance at 31 December 2016	<u><u>3,137,947</u></u>

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	HK\$	HK\$
Operating activities		
Surplus before taxation	949,651	621,774
Adjustments for:		
Depreciation	65,753	79,073
Bank interest income	<u>(57)</u>	<u>(58)</u>
Operating cash flows before working capital changes	1,015,347	700,789
(Increase)/decrease in deposits, prepayments and other receivables	(423,925)	99,150
Increase/(decrease) in creditors, other payables and accruals	118,743	(100,074)
Increase in membership fees received in advance	418,638	399,033
Increase in research sponsorship received in advance	<u>-</u>	<u>232,500</u>
Net cash generated from operating activities	1,128,803	1,331,398
Investing activities		
Payments to acquire property, plant and equipment	(13,486)	(45,158)
Interest received	57	58
Net cash used in investing activities	<u>(13,429)</u>	<u>(45,100)</u>
Net increase in cash at bank and in hand	1,115,374	1,286,298
Cash at bank and in hand at beginning of year	<u>5,081,969</u>	<u>3,795,671</u>
Cash at bank and in hand at end of year	<u><u>6,197,343</u></u>	<u><u>5,081,969</u></u>

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

1. ORGANISATION AND OPERATIONS

The Company was incorporated under the Hong Kong Companies Ordinance and is limited by guarantee without share capital. In the event of the Company being wound up, the liability of each member is limited to HK\$1.

The address of its registered office is Room 1801, Wilson House, 19-27 Wyndham Street, Hong Kong.

The Company engages in promoting good corporate governance practice in Asia. It is a non-profit making company and any surplus generated will be used for future promotion of corporate governance.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs - effective 1 January 2016

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 14	Regulatory Deferral Accounts

The adoption of these new or revised HKFRSs has no material impact on the Company’s financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Company’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 15	Revenue from Contracts with Customers ⁴
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³

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 Company is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the council members so far concluded that the application of these new/revised HKFRSs will have no material impact on the financial statements.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

3. BASIC OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereafter 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 convention.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of a property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant and equipment to its present working condition and location for its intended use. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is charged to statement of income and expenditure in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of the property, plant and equipment.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:-

Computer equipment	33 1/3%
Office equipment	20%
Leasehold improvements	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income and expenditure.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(b) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income and expenditure.

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

(c) Financial assets

(i) Loans and receivables

Debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(c) Financial assets - Continued

(ii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower.

If any such evidence exists, any impairment loss for debtors and other receivables and other financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through statement of income and expenditure. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determines had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of debtors included in debtors and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance and subsequent recoveries of amounts previously written off directly are recognised in the statement of income and expenditure.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(c) Financial assets - Continued

(iii) Effective interest method

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

(iv) De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(d) Financial liabilities and equity instrument issued by the Company

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangement. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

All the Company's financial liabilities are classified as other financial liabilities. Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method (Note 4(c)(iii)), with interest expense recognised on an effective yield basis.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(d) Financial liabilities and equity instrument issued by the Company - Continued

(iv) De-recognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with bank, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(f) Leases

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.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of income and expenditure.

Rentals payable under operating leases are charged to statement of income and expenditure on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(g) Provision

A provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(h) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(i) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) **Current tax**

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in the statement of income and expenditure because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

(ii) **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

4. PRINCIPAL ACCOUNTING POLICIES - Continued

(i) **Taxation - Continued**

(ii) **Deferred tax - Continued**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) **Translation of foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than Hong Kong dollars, being the Company's functional currency, (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. 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 retranslation of monetary items, are included in the statement of income and expenditure for the year.

(k) **Employees' benefits**

(i) **Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of reporting period.

(ii) **Pension obligations**

The Company operates defined contribution retirement schemes and contributions made to the Mandatory Provident Fund scheme as required under the Hong Kong and Mandatory Provident Fund Schemes Ordinance are charged to the statement of income and expenditure as incurred.

(l) **Borrowing costs**

Borrowing costs are expensed in statement of income and expenditure in the period in which they are incurred.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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4. PRINCIPAL ACCOUNTING POLICIES - Continued

(m) Related parties

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

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.

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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4. PRINCIPAL ACCOUNTING POLICIES - Continued

(n) Revenue recognition

- (i) Sponsorship is recognised when the relevant sponsored activities or projects are held and completed.
- (ii) Seminar fees, which represents amounts received from participants for seminars held, are recognised on an accrual basis when the seminars were conducted.
- (iii) Membership fees are recognised on an accrual basis.
- (iv) Delegation income is recognised when it is received.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies, the council members are required to make judgments, 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 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.

There are no significant effects on amounts recognised in the financial statements arising from the judgment or estimates used by management.

6. SURPLUS BEFORE TAXATION

	2016 HK\$	2015 HK\$
Surplus before taxation is arrived at after charging:-		
Auditor's remuneration		
Current year	36,000	26,000
Under provision in prior year	2,000	2,000
Depreciation	65,753	79,073
Net exchange losses	-	1,722
	<u> </u>	<u> </u>
after crediting:-		
Bank interest income	57	58
Net exchange gains	2,393	-
	<u> </u>	<u> </u>

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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7. TAXATION

No provision has been made for Hong Kong profits tax as the Company is exempt from Hong Kong profits tax on the ground that not more than half of its subscriptions are from persons who claim or would be entitled to claim the subscriptions as allowable deductions under section 16 of the Inland Revenue Ordinance.

8. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> HK\$	<u>Computer equipment</u> HK\$	<u>Office equipment</u> HK\$	<u>Total</u> HK\$
Cost:				
At 1 January 2015	184,080	288,918	148,642	621,640
Additions	-	23,058	22,100	45,158
At 31 December 2015	184,080	311,976	170,742	666,798
Additions	-	13,486	-	13,486
At 31 December 2016	184,080	325,462	170,742	680,284
Accumulated depreciation:				
At 1 January 2015	97,108	239,810	144,486	481,404
Charge for the year	36,816	39,050	3,207	79,073
At 31 December 2015	133,924	278,860	147,693	560,477
Charge for the year	36,816	22,784	6,153	65,753
At 31 December 2016	170,740	301,644	153,846	626,230
Carrying amount:				
At 31 December 2016	<u>13,340</u>	<u>23,818</u>	<u>16,896</u>	<u>54,054</u>
At 31 December 2015	<u>50,156</u>	<u>33,116</u>	<u>23,049</u>	<u>106,321</u>

9. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK\$	2015 HK\$
Membership fee receivables	403,260	14,854
Rental deposits	197,887	197,887
Prepayments	64,688	24,804
Other receivables	38,208	42,573
Other deposits	5,968	5,968
	<u>710,011</u>	<u>286,086</u>

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016**

10. OPERATING LEASE ARRANGEMENTS

	2016 HK\$	2015 HK\$
Minimum lease payment paid under operating leases	<u>670,464</u>	<u>792,840</u>

At 31 December 2016, the Company had total future minimum lease payments under non-cancellable operating lease payable as follows:-

	2016 HK\$	2015 HK\$
Within one year	167,616	670,464
After one year but within five years	<u>-</u>	<u>167,616</u>
	<u>167,616</u>	<u>838,080</u>

Operating lease payments represent rental payable by the Company for its premises. The lease is negotiated for a term of two years and at fixed rental.

11. MATERIAL INTERESTS OF COUNCIL MEMBERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company was a party and in which a council member of the Company or an entity connected with a council member had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

12. RELATED PARTY TRANSACTIONS

The remuneration of key members of management during the year was as follows:

	2016 HK\$	2015 HK\$
Salaries and bonus	2,437,000	2,140,000
Mandatory provident fund contributions	<u>86,850</u>	<u>83,100</u>
	<u>2,523,850</u>	<u>2,223,100</u>

ASIAN CORPORATE GOVERNANCE ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The main risks arising from the Company's financial instruments in the normal course of the Company's business are credit risk, liquidity risk, interest rate and currency risk.

These risks are limited by the Company's financial management policies and practises described below:

(i) Credit risk

The Company's principal financial assets are cash at bank and debtors.

The Company has no significant concentration of credit risk. It has policies in place to ensure that services are provided to members with an appropriate credit history.

(ii) Liquidity risk

The Company's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(iii) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest bearing financial assets are mainly bank balances which are all short-term in nature. Therefore, any future variations in interest rates may impact on the income and operating cash flows of the Company.

(iv) Currency risk

The Company is exposed to foreign currency risk primarily through membership and sponsorship fees that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars. Considering that the exchange rate between Hong Kong dollars and United States dollars is pegged, the Company believes its exposure to exchange rate risk is normal.

(b) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2016 and 2015.

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NOTES TO THE FINANCIAL STATEMENTS
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14. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and financial liabilities as recognised at 31 December 2016 and 2015 may be categorised as follows:

	2016 HK\$	2015 HK\$
<u>Financial assets</u>		
Loans and receivables (including cash at bank and in hand)	<u>6,842,666</u>	<u>5,343,251</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>773,828</u>	<u>655,085</u>