

the hong kong society of
financial analysts limited

香港財經分析師學會

ANNUAL REPORT 2005



A MEMBER SOCIETY OF CFA INSTITUTE

the hong kong society of financial analysts limited

香港財經分析師學會

MISSION STATEMENT

- * To raise the standards of practice of financial analysis and investment advice and uphold ethical standards in the financial services industry in Hong Kong.
- * To promote the CFA® designation in Hong Kong and the rest of China and to assist CFA® candidates.
- * To provide a convenient communication channel among our members and with CFA Institute, other investment practitioners, Hong Kong authorities and securities market regulators.

Cover Photo:

“RMB business in Kong Kong is expending rapidly with the blessings from the Central Government”.

REPORT OF THE PRESIDENT

Dear Society Members,

On behalf of the Board, I am pleased to report to you that the Society had another successful year in FY2005. The membership base has grown to more than 3,000, making us probably the largest association for investment professionals in Hong Kong. With our continuous effort on advocacy issues, the Society is well respected and well recognized within the financial community. The help of additional staff also allowed us to organize more events and functions which contribute towards our main mission of raising the standards of practice of the financial services industry in Hong Kong.

The Society's most important milestone in FY2005 was our becoming the official sponsor of the GIPS® Standards in Hong Kong. Thanks to the effort of the GIPS® Committee, the Society, in conjunction with the CFA Institute, delivered a full day seminar on GIPS® Standards in February 2005 to promote awareness and raise the level of knowledge in Hong Kong. This event was followed by further meetings with stakeholders, additional seminars on GIPS® topics, and events related to performance measurement. We have received solid support in this effort, and have made significant progress in encouraging money managers in Hong Kong to be GIPS® compliant.

On continuing education, the Society continued to organise high quality programmes for members. Despite the popularity of our seminars and luncheons, we maintained our low fee structure for our members with the aim of facilitating participation for those who may have difficulties in getting sponsorship from their employers. At the same time, we also explored the possibility of working with consultants and/or academics to offer formal and structured training courses.

We have also strengthened our relationship with the local universities to help train and prepare students to enter the finance industry. In FY2005, we organized our first University Investment Research Competition to promote the practice of professional research and analysis among university students and raise their awareness of the CFA programme and the Society. Six universities participated in the competition and their teams were required to analyse a listed company, with the opportunity to visit the company with the help of an investment professional as mentor. They were then required to submit a written research report followed by a presentation. The winner was determined based on the quality of the analysis, justification of the recommendation and ability to handle questions. With the success of the first competition, we are already on the way of running the second competition and participants include all seven universities from Hong Kong as well as Shanghai Jiaotong University.

During the year, the Membership Services Committee provided a wide variety of social activities to facilitate the building of a members' community. On top of the monthly happy hour gathering at the Society office on the second Thursday of each month, there were also special events such the CFA Award and Forecast Dinner, dragon boat racing, dolphin watching, wine tasting, post-summer BBQ, golf tournament etc. We also kept up our support of the community through our participation in the 2004 Oxfam Trailwalker that raised HK\$164,430 for charity.

In the coming year, the Society will further strengthen our efforts on advocacy and education issues. The most important is the formation of the Business Valuation Forum with the Hong Kong Institute of Surveyors and Royal Institute of Chartered Surveyors to address the increasing demand of business valuation services in Hong Kong. Other initiatives include promoting ethics and professional practice among university students and taking more active roles in investor education events. Meanwhile, we will continue our effort to offer more high quality continuing education programmes to members.

I would like to take this opportunity to thank my fellow board members and all the committee members for their invaluable contribution to the Society. I would like to give special recognition to Richard Mak, our immediate Past President, who had contributed tremendously towards the current success of the Society. Finally, I would like to thank the staff office for their hard work in organizing Society events and maintaining the administrative work.

The Society's future counts on your continuous support. Please feel free to contact us for any feedback on our work or should you have any interest to join our various committees. I look forward to meeting you soon in our upcoming events!

Yours sincerely,

Karl Lung, CFA
President

REVIEW OF OPERATIONS

CONTINUING EDUCATION

2005 was an eventful year for continuing education. The HKSFA organised a total of 17 programmes: 6 webcasts, 5 half-day seminars, 5 luncheons and 1 whole-day conference. We invited 29 guest speakers for all the events, of which 7 were from overseas. The year also saw good member participation. A total of 518 members took part in the various events with a participation rate of 19.2%. That compared with 687 and 29.9% in the previous year, the participation of which was boosted by the deferring of some events due to SARS outbreak. Financially, most of the events were either break-even or registered revenue surplus. Feedback from the attendees was largely positive as well.

The CE committee is committed to raising member participation by hosting events that appeal to our broad-based membership during the year. Topics of the CE events ranged from equity to fixed income, from portfolio management to corporate finance, and from accounting to regulatory and corporate governance subjects.

For the mainstream programmes, we recorded a high turnout at GIPS Conference and China related seminars. Some notable events were China Banking, China Auto, China M&A, Meeting the Financial Secretary, Insurance Investment, and Investing in Funds of Hedge Funds. The low-cost luncheons continued to be well received with participation approaching levels to our popular half-day seminars.

Last but not least, thanks to the board's efforts, we successfully hosted 6 webcasts for different interest groups. While the general participation is lower than other educational events, webcasts are low cost and group focused events, although they do require a high degree of time commitment by HKSFA directors.

Continuing Education Programmes (July 04 - June 05)

Date	Seminar Topic	Speaker / Panelist	CPT/PDP -Credit Hours	No. of Attendants
Year 2004				
7 Jul 04 (webcast)	Success in Investment Management: The New Definition	Mr. John Casey Barra RogersCasey Mr. Richard Mak, CFA HKSFSA	1	9
15 Jul 04 (webcast)	Arranging a Successful Securitization	Mr. Christopher Chau Nomura International (HK) Ltd	1	17
11 Aug 04 (luncheon)	Investing in Fund of Hedge Funds - Some Observations	Mr. James Hong, CFA UBS Global Asset Management	1	70
28 Aug 04 (half-day seminar)	Insurance Investment	Mr. Peter Luk Plan-B Consulting Ltd Ms. Karen Chan Nomura International (HK) Ltd	2.5	80
7 Sep 04 (webcast)	The Future of Financial Reporting: What Investment Professionals Need to Know Now	Ms. Patricia A. McConnell Bear, Stearns & Company, Inc Mr. Jacky K.Y. Tsang, CFA HKSFSA	1	13
20 Sep 04 (luncheon)	Changes to the CFA Institute Code of Ethics and Standards of Professional Conduct	Mr. Jonathan Boersma, CFA CFA Institute	1	54
6 Oct 04 (webcast)	Measuring Governance Risk	Ms. Nell Minow The Corporate Library Mr. Joey Y.C. Chan, CFA HKSFSA	1	7
23 Oct 04 (half-day seminar)	“Does Investor Relation Add Value?”	Mr. Jamie Allen Asian Corporate Governance Association, Hong Kong Mr. Francis Kwong China Resources Enterprises Ltd Mr. David M. Webb Webb-site.com Mr. Richard Tsang Strategic Financial Relations Group Mr. Dennis Lai Allianz Dresdner Asset Management	2.5	45
10 Nov 04 (webcast)	The Road Ahead: Asset Allocation in the New Millennium	Mr. Lee R. Thomas III Pacific Investment Management Co. Mr. Wallace Woo, CFA HKSFSA	1.5	13
Year 2005				
22 Jan 05 (half-day seminar)	The Latest Trends of China Mergers & Acquisitions	Mr. Yi Zhang O'Melveny & Myers (Hong Kong Office) Mr. Philip Wan Macquarie (Hong Kong) Ltd Mr. Michael Ng Tom Group	2.5	84
22 Feb 05 (webcast)	Meeting the Challenges of Fixed Income Management - A CEO's Perspective	Mr. Kenneth R. Meyer Lincoln Capital Management Company	1	8

Date	Seminar Topic	Speaker / Panelist	CPT/PDP Credit Hours	No. of Attendants
Year 2005				
26 Feb 05 <i>(whole-day conference)</i>	Global Investment Performance Standards (GIPS®) Conference	Mr. Jeff Diermeier, CFA CFA Institute Mr. Carl Bacon CFA Centre for Financial Performance Standards Mr. Francis Chung Schroders Mr. Jerome Chung PricewaterhouseCoopers Mr Yoh Kuwabara PricewaterhouseCoopers Mr. Louis Boulanger, CFA CFA Centre for Financial Performance Standards Mrs. Alexa Lam The Securities and Future Commission of Hong Kong Ms. Winnie Pao HK Hospital Authority Provident Fund Scheme Ms Naomi Denning Watson Wyatt Mr. Tony Leung, CFA Northern Trust	5 (CPT/PDP/SER)	134
7 Mar 05 <i>(luncheon)</i>	Style and Style Analysis in Global Markets	Mr. Robert Jean Schwob Style Research Limited	1	60
13 Apr 05 <i>(luncheon)</i>	Joint Luncheon	The Hon. Mr. Henry Tang, GBS, JP Financial Secretary of the HKSAR	N/A	86
23 Apr 05 <i>(half-day seminar)</i>	China Banking	Dr. Wei S. Yen Moody's Investors Service Mr. Anthony Lok BOC International	2.5	98
26 May 05 <i>(luncheon)</i>	The Role of Performance Attribution in the Investment Process	Mr. Chris Ellis FactSet Research System.	1	64
18 Jun 05 <i>(half-day seminar)</i>	China Auto	Mr. Richard Ahmad Bates KPMG Mr. Charles Cheung Citigroup Smith Barney	2.5	83

ADVOCACY

The reach and scope of the Society's advocacy effort continues to grow, as we participate in the continuous and complex evolution of the regulatory framework in Hong Kong. In the past year, we have seen our attendance at LegCo Bills Committee meetings increase and our input becoming important in government debates. Of particular note was our participation in the debate over the separation of the roles of Chairman and Chief Executive Officer (CEO) of the Hong Kong Securities and Futures Commission. We attended four sessions in LegCo on this issue alone, as we feel strongly that serious consideration needs to be taken as to how the securities regulator is to be structured in the future. We were also active in discussions on the tax structure for offshore funds managed in Hong Kong, and more recently have started working on a number of consultation papers published after our fiscal year end. We also continue to be represented on the Hong Kong Management Association's best annual report award, a position we have held since 1998.

Given the key role in the regulatory framework that we have now earned, and the attention that policy makers give to our views, Society members have an exceptional opportunity to influence the course of regulatory development in Hong Kong. There cannot be too many jurisdictions in the world where investment practitioners can become rapidly involved in the highest level of securities market regulation and reform. Yet in Hong Kong, despite clear evidence of such access, very few people, including our own members take advantage of the opportunities available. It does take a bit of time to read the various government papers and consider their ramifications, but those of us who have been involved in the process have gained enormous satisfaction. We urge all active members to consider joining the Advocacy Committee and participate actively in this crucial area.

Last year saw the disbandment of the Asia Pacific Advocacy Committee, which used to meet regularly to discuss regional regulatory matters. This group was disbanded due to the CFA Institute's establishment of the CFA Centre for Financial Market Integrity on a global basis. The Centre's Asian operations will be headquartered in Hong Kong, giving us increased access to the resources of the CFA Institute. While it is vital for the Society to maintain an independent local based advocacy voice, we will be working with the Centre to help raise issues when appropriate.

HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

The GIPS® Committee began with a few people interested in promoting a standardised framework for presenting performance information in accordance with best practices adopted globally. We are now an official Committee of the HKSFA and also a strong contributor to the Asia Pacific region and globally in the continuing development of GIPS® Standards.

Our main objective was to get Hong Kong recognised as a sponsor of GIPS® Standards - to be put on an equal platform amongst other well recognised investment centres around the world and to have standards governing the presenting of performance information which was comparable and allowed cross border transportability.

With the help of the industry and the CFA Institute, we were able to quickly meet our objective and timing was well coordinated with the publication of the revised GIPS® released in February 2005, which includes HKSFA as the official sponsor of GIPS® Standards in Hong Kong.

On 26 February 2005, the Committee organised a GIPS® Standards Conference at the JW Marriott in Hong Kong. The event was co-hosted by the CFA Centre for Financial Market Integrity and the HKSFA. Over 120 industry specialists covering both local and international investment companies, local regulators and industry experts attended the event.

The Conference provided an overview of the development of the GIPS® Standards globally and also provided insight into experiences from around the Asia Pacific region. Speakers representing the CFA Institute, the Investment Performance Council (IPC - body responsible for the GIPS® Standards) and

regional Country Sponsors were present to explain in detail the opportunities for adoption of the standards in Hong Kong.

Since then, our efforts are still ongoing, with discussions over the establishment of the Regional Investment Performance Sub Committee in Asia Pacific, with representatives from Hong Kong, Singapore, Japan, Australia and New Zealand.

We envisage that over the next few months, more activities will be initiated by different members of the GIPS Committee. One key thing for all members of the Committee is that the more involvement we have from those working in this industry and wanting to promote strong controls and put Hong Kong as a key financial centre in Asia Pacific, the more likely we will be able to bring more positive changes to our dynamic industry.

UNIVERSITY INVESTMENT RESEARCH COMPETITION

During the year, the HKSFA organised the first University Investment Research Competition. The objective of the competition was to promote the practice of professional investment research and analysis among university students in Hong Kong and raise awareness of the CFA program and the HKSFA. A total of six universities in Hong Kong participated in the competition.

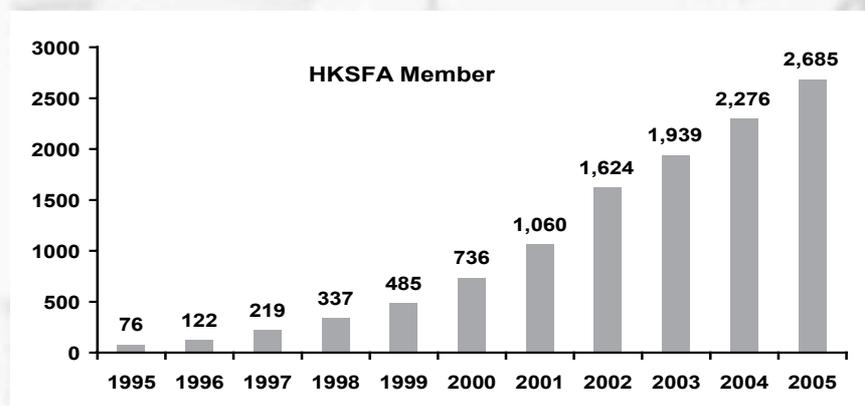


Participating universities formed teams consisting of four full-time undergraduate students. Each team was then required to research and analyse a Hong Kong listed company. To facilitate their work, each team had the help of an experienced investment professional as mentor and the opportunity to visit the company. Each team was then required to submit a written research report followed by presentation to the judges, who were either fund managers or heads of research. The judging criteria were based on the quality of the analysis, justification of the recommendation and ability to handle questions. The competition was won by the team from the University of Science and Technology, and each team member received a CFA scholarship plus \$2,000 of book coupons.

With the success of the first competition, the HKSFA is already on the way of running the second competition. Participants include all seven universities from Hong Kong as well as Shanghai Jiaotong University. The participation of a mainland university will further enhance the value of the competition by offering the students from Hong Kong and China an opportunity to exchange their ideas, thoughts and experiences.

MEMBERSHIP

The membership base of the Society continued to grow in a healthy manner in 2005, adding 387 new members during the year to reach 2,685 by the end of the period. The HKSFA is now ranked the sixth largest society among all the local societies of CFA Institute and it is the largest society in Asia.



Top Ten Societies of CFA Institute as at 30 August 2005.

Society:	Member count:	Growth (from 2004)
1. New York	10,007	+ 402
2. Toronto	5,602	+ 368
3. United Kingdom	4,460	+ 471
4. Boston	4,244	+ 112
5. Chicago	2,983	+ 212
6. Hong Kong	2,740	+ 442
7. San Francisco	2,394	+ 139
8. Singapore	1,820	+ 12
9. Los Angeles	1,732	+ 33
10. Philadelphia	1,620	+ 43

The continued strong growth was supported by the rapid expansion of our membership base in mainland China. Indeed, the Society has added 103 new members residing in China which represent 27% of the net additions during the year. This is a four-fold increase from 38 members in 2004. Currently there are more than four thousand candidates in China. With the abolishment of the 50-miles rule, and the absence of local society in the mainland, our membership base in the mainland is expected to see continued growth in the near future.

MEMBERSHIP SERVICES

The Membership Services Committee had another busy year as the volunteers continue to explore interesting programming activities for our members. A wine-tasting dinner, golf day, and forecast event were the programming activities that the Membership Services Committee has introduced this year to meet the needs of HKSFA members. We hope the variety of programming activities will bring more members to participate and eventually broaden their social network. We are happy to report that the following programming activities were held during the year.

Happy Hour

Our new office has become the venue for our Monthly Happy Hour to get our members familiar with the new environment. This year, the new policy of free drink and food has boosted the participation from our members. Speakers from various fields have shared their experiences and expertise that tie in closely with our members' lives. We believe the Monthly Happy Hour will continue to be one of the most popular programming activities among our members.

CFA® Charter Award and Forecast Dinner 2004

The Annual CFA® Charter Award Dinner was held on the last Saturday of November to allow more members to attend this spectacular event. More than 140 members, graduates, and guests attended the event. This was the first time that candidates received their CFA® Charter Awards in the afternoon followed by the Forecast Dinner at night.



Mr. Paul Chow, the Chief Executive of the Hong Kong Exchanges and Clearing Limited, presented the CFA® Charter Awards and gave his keynote speech to the 2004 graduates. At the Forecast Dinner, we were honored to have Mr. Frederick Ma, the Secretary for Financial Services and the Treasury, HKSAR, giving the keynote speech. Prizes from various sponsors were also given away at the Dinner. We hope the CFA® Charter Award and Forecast Dinner can be a show-case programming activity for HKSFA.



The debut of Annual Forecast Event was the result of the hard work by the Membership Services Committee. We were glad to have four panelists from different investment professions to present their twelve-month outlook on major indexes, interest rates, and exchange rates. The panelist with the most accurate view will come to the event next year to share his view with the audience again. The audience also had the opportunity to test their investment instinct by providing their targets for the Hang Seng Index. The winner will be announced at the next Annual Forecast Event. We believe that the Annual Forecast Event will be highlighted programming activity for HKSFA every year.



CFA Post Examination Party

The Membership Services Committee continued their efforts to bring in new members for the HKSFA. For a second year in a row, the CFA candidates were able to relax at the CFA Post Examination Party. We had more candidates attend the party than we did last year as the candidates were better informed about the party.



Post-Summer BBQ Party

The Annual Summer BBQ is one of the legendary events for the HKSFA. More than sixty members and guests attended the BBQ and enjoyed a night at the poolside where they meet some new contacts and caught with their old friends. We will continue to host the BBQ as a regular event for our members.



Dragon Boat Team

11 June 2005 - This day was nothing more than a public holiday to most people here in Hong Kong; however, to the 26 members of the HKSFA Dragon Boat team, it was surely a day not to be forgotten.



The HKSFA Dragon Boat team, aka “The Pink Army”, underwent months of intensive training and the effort paid off: at the annual Discovery Bay Dragon Boat Races the team competed with firm will and determination and, for the first time in three years, made way to finalist in the CRC Cup (Open Category) competition and the top six among the twenty teams competing for the trophy.

But the HKSFA team will not be complacent; it will certainly work harder next year and take that trophy home!

Trailwalker

Three teams consisting of the HKSFA members participated in the 2004 Oxfam Trail-walker charity walk. The 12 people in our teams battled the 100km MacLehose Trail, and all of them managed to complete the hike within the 48 hour limit! A total of \$164,430 was raised for Oxfam, making HKSFA one of the major fund raisers of the event. The money will be used to support their long-term development and humanitarian relief programmes to help people in Hong Kong, China, other parts of Asia and Africa. We would like to take this opportunity to thank those who participated in the hike, the supporters, as well as those who generously made donations.



Golf Day

Golf has been one of the most popular sports among our HKSFA members. The first golf day was held in December to satisfy the craving of the golf enthusiasts among our members. 16 members have participated to test out their swings and putts on the golf course with some winter breeze.



Wine Tasting Dinner

The HKSFSA organized a wine tasting dinner for our members in January 2005 hosted by renowned wine specialist, Mr. Wilson Kwok. A total of 34 people enjoyed a fabulous evening of fine wine and food with other fellow members.

New Members Orientation

As our membership continues to grow at a fast pace, we started a bi-monthly happy hour gathering for new members at the society office to introduce various functions of the Society. New members can take the opportunity for to network and develop a deeper understanding of the kind of activities available to them. Those who have interest to help in organizing society functions can also sign up at that time.

Membership Services Functions

Date	Programme Topic	No. of Attendants
27 Jul 2004	Employer Outreach Luncheon - "Ways to Enhance a High Caliber Investment Professional Team"	29
5 Sep 2004	Dolphin Watching Boat Trip	36
9 Oct 2004	Post-summer BBQ Party	61
27 Nov 2004	CFA® Charter Award Ceremony	147
27 Nov 2004	Forecast Dinner 2004	138
1 Dec 2004	Fixed Income Job Market: 2004 Review & 2005 Outlook	12
3 Dec 2004	Golf Day	16
5 Jun 2005	Post Exam Party	50
21 Jun 2005	Wine Tasting Dinner	34
22 Jun 2005	Discover Bay Dragon Boat Race	27

MEMBER COMMUNICATION

The Board has been working diligently to provide information to our members about the finance industry and the latest developments of the Society. In the second half of the year, members started receiving our monthly E-Newsletters, which feature quick updates on the upcoming CE events, relevant announcements and member benefits. This new E-Newsletter compliments the HKSFSA Newsletter, which will be issued on a bi-yearly basis instead of on a quarterly basis.

We hope you have a chance to visit the new HKSFSA website. The project team spent two months' time to redesign the layout and make it more user-friendly. The Member Communication Committee has kept improving the contents of the Website and our staff office has helped to maintain it. We urge members to visit the HKSFSA website to access more job vacancies in Jobline area, photos of the Society's activities, seminar speaker notes, responses to SFC consultation papers, member benefit packages and other interesting information.

The Board would like to thank the members of Member Communication Committee for their continued support and contributions to the Society over the past few years. It is not easy to make time for this kind of volunteer work amidst of their busy business schedules without the passion to serve. We look forward to having all your support to continue the high quality of the HKSFSA's publications.

CANDIDATE EDUCATION

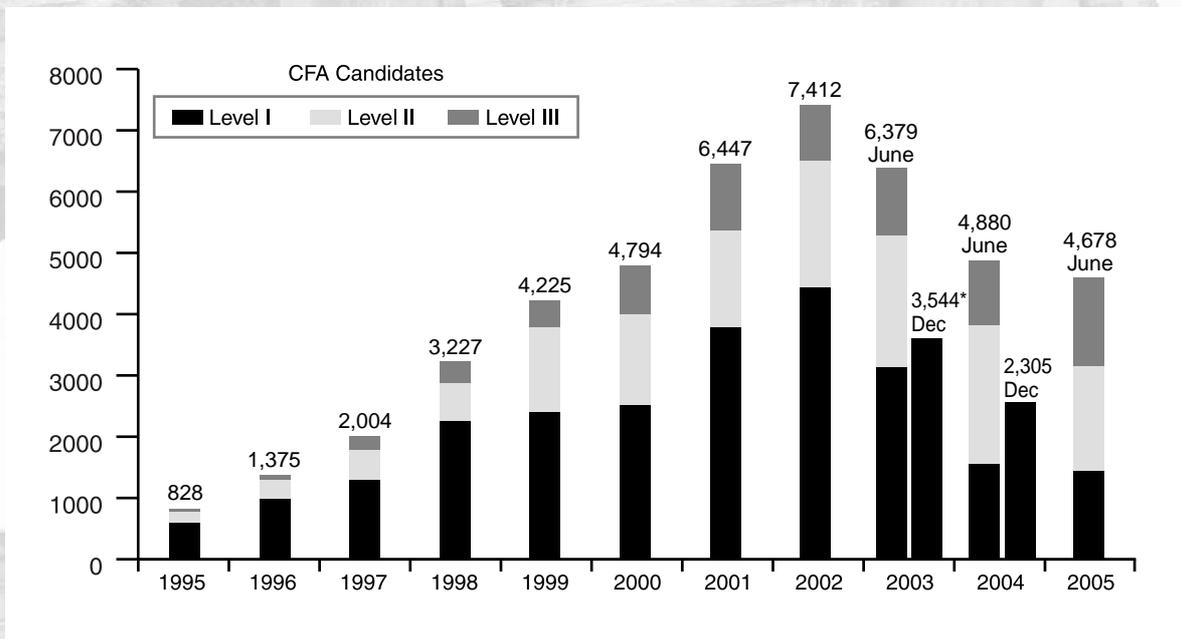
A total of 4,678 candidates enrolled for the June 2005 CFA examination. There was a decline in the number of candidates for Level 2 & 3 due to lower passing rates last year. 2,305 candidates registered for December 2004 examination, making a total of 7,185 candidates for the whole year of 2004.

HKSFA organised two information sessions to brief the CFA candidates on the examination programme and to share with them the experience of preparing the examination. The information sessions were held on 15 Oct 2004 and 12 Jan 2005 with good attendance.

The Society also formed 17 study groups for 85 candidates that registered for June 2005 examination. 8 study groups were also formed for 40 candidates that registered for December 2004 examination.

We also held a practice examination on 14 May 2005 to give the candidates a chance of simulating the examination. 30 candidates joined the practice examination while 41 candidates purchased the practice examination paper.

We expanded the scholarship programme by granting 10 scholarships compared to the 5 scholarships from the previous year. There were 66 applications for the scholarships this year. The Board granted the scholarships to candidates residing in Hong Kong and China who were seeking financial assistance in their pursuit for the CFA designation.



* Include those deferred due to SARS

FINANCE

The Society reported a very solid set of financial numbers in the last fiscal year, with the surplus for the year reversing a downward trend and increasing to HKD437,766 from HKD396,549 in 2004. As a result, Members' General Funds also continued to grow from HKD2,468,760 to HKD2,906,526.

During the year, total administrative expenses continued to grow at a faster pace of 23% as the number started to reflect the full year impact of an expanded staff base and larger office. Offsetting the higher administrative expenses, however, was a more moderate increase in other operating expenses of 12%. In addition, reversing a downward trend in 2004, growth of membership fees accelerated from 14% in 2004 to 17% in 2005. With the abolishment of the 50 miles rule, the Society was adding more members from overseas in 2005. Given the pool of candidates in both Hong Kong and in the mainland, we believe the healthy growth in membership fees is likely to continue.

In addition to higher membership fees, the surplus from both candidate education and continuing education also contributed to the steady growth of total income. Helped by a larger surplus and a rising interest rate, interest income also reported a significant increase in 2005. On the expenses side, postages and printing shown a major reduction as CFA Institute had implemented a more flexible sponsorship scheme to support the societies. Overseas travelling expenses, on the other hand, reported a bigger increase as the Society sent more staff and directors to attend conference and meeting organised by the CFA Institute during the year.

CORPORATE GOVERNANCE

The Hong Kong Society of Financial Analysts is a non-profit organisation under the laws of Hong Kong, run for the benefit of its members. While affiliated with CFA Institute, the Society is a separate legal entity.

The affairs of the Society are managed by the Board of Directors, which is elected from among the members of the Society. Directors do not receive remuneration for their office and do not receive any benefits of any kind. According to the Articles of Association of the Society,

“Subject to Article 59 and Article 55, at each annual general meeting of the Society, new members of the Board of Directors shall be elected from amongst the Regular Members who by notice under Article 58 have indicated a willingness to be so elected.”

“Not more than sixty days before each annual general meeting of the Society the Board of Directors shall send a notice to each Regular Member requesting such Regular Member to indicate by notice to the Society within fourteen days from the date of such notice whether such Regular Member is willing to be elected as a member of the Board of Directors. Any Regular Member who does not so indicate within fourteen days from the date of such notice shall be deemed not to be willing.”

Directors resign after a two-year term, but are eligible to offer themselves up for re-election.

The Board meets once per month, on the first Thursday of each month. Each director is required to report on his or her area of responsibilities, and any decision involving a commitment by the Society requires a majority vote of the Board in order to be executed.

The finances of the Society are the responsibility of the Treasurer, who reports monthly to the Board on the Society's P&L and Balance Sheet. Cheques drawn on the Society's account require the signature of two directors, and all expenses of over HK\$ 50,000 require the approval of the Board.

STAFF DEVELOPMENT

There are over 4,000 candidates in mainland China taking CFA examination last year. Due to Hong Kong's proximity to mainland China and the elimination of the 50-mile radius exemption rule on membership requirement, we expect that we will receive more membership applications and enquiries from these candidates. As a result, there will be high demand for our office staff to communicate with candidates and members from mainland China in Putonghua. In view of this, we have arranged Putonghua classes for our staff to develop and improve their language skills.

This summer, we have hired a summer intern to assist us in setting up and entering our accounting entries into an accounting system to ease our auditing process and automate our financial reporting. It also provides an opportunity for our staff to increase her accounting knowledge with on-job training.

FIVE YEAR SUMMARY

	2005	2004	2003	2002	2001
No. of Members	2,685	2,276	1,939	1,624	1,060
No. Continuing Education Programmes	17	18	12	9	11
No. of Membership Services Functions	10	5	4	2	4
Income	HK\$	HK\$	HK\$	HK\$	HK\$
Membership Fees	1,785,556	1,524,966	1,342,888	1,165,208	757,924
Surplus from Education & Programmes	216,880	198,355	189,881	158,234	328,843
Interest & Sundry Income	58,283	12,230	18,389	14,496	44,349
	2,060,719	1,735,551	1,551,158	1,337,938	1,131,116
Expenditure					
Administrative Expenses	1,344,674	1,090,365	746,797	693,458	419,866
Other Operating Expenses	278,279	248,637	280,778	200,585	147,028
Total Operating Expenses	1,622,953	1,339,002	1,027,575	894,043	566,894
SURPLUS FOR THE YEAR	437,766	396,549	523,583	443,895	564,222
ASSETS					
Total of Non-Current Asssets	1,467,903	1,276,315	544,441	104,850	145,617
Total of Current Assets	1,630,860	1,285,538	1,560,880	1,809,798	980,171
Total of Current Liabilities	192,237	93,093	33,110	366,020	21,055
Total of Net Current Assets	1,438,623	1,192,445	1,527,770	1,443,778	959,116
Total of Net Assets	2,906,526	2,468,760	2,072,211	1,548,628	1,104,733
TOTAL OF MEMBERS' GENERAL FUNDS	2,906,526	2,468,760	2,072,211	1,548,628	1,104,733

REPORT OF THE BOARD OF DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements of the Society for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

The Society is an independent non-profit making organisation set up with its primary goal being to promote and raise standards in the practice of financial analysis in Hong Kong through the setting up of codes of conduct and educational programmes. The branch names of the Society are The Hong Kong Society of Financial Analysts (香港財經分析師學會) and HKSFA (香港財經分析師學會).

The Society is a member society of the CFA Institute, a Virginia non-stock and not-for-profit corporation in the United States of America.

RESULTS

The results of the Society for the year ended 30 June 2005 and the state of its affairs at that date are set out in the financial statements on pages 17 to 23.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year are set out in note 8 to the financial statements.

MEMBERS OF THE BOARD OF DIRECTORS

The directors who held office during the financial year are :-

President	Hak Kau LUNG, CFA	(elected as President on 3 February 2005)
Vice-president	Wai Kee JIM, CFA	(elected as Vice-president on 3 February 2005)
Treasurer	Pui Leung LO, CFA	
Secretary	Man HO, CFA	(elected as Secretary on 3 February 2005)
Members	Richard Kan Chong MAK, CFA Sin Man TSANG, CFA Tom Chang WU, CFA Kwok Yuk TSANG, CFA Wallace Chong Keung WOO, CFA Yung Chuen CHAN, CFA James Alexander SOUTAR, CFA Frederick Sui Cheong TSANG, CFA	(resigned as President on 3 February 2005)

In accordance with articles 56, 57(a), (b) and (c) of the Society's articles of association, one-half of the directors for the time being and who have been longest in office since their last appointment, shall retire from office and the retiring directors are eligible for re-election.

Accordingly, Mr. Hak Kau Lung, Mr. Pui Leung LO, Mr. Frederick Sui Cheong TSANG, Ms. Sin Man TSANG, Mr. Wallace Chong Keung WOO and Mr. Yung Chuen CHAN shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. All other remaining directors shall continue in office.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Society or the CFA Institute was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Society a party to any arrangements to enable the directors of the Society to acquire benefits by means of the acquisition of shares in or debentures of any body corporate.

AUDITORS

The financial statements were audited by Messrs. Chan, Li, Law & Co., Certified Public Accountants (Practising), who retire and, being eligible, offer themselves for re-appointment.

By order of the Board of Directors

President
Hong Kong, 17 October 2005

***REPORT OF THE AUDITORS TO THE MEMBERS OF
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
(incorporated in Hong Kong with liability limited by guarantee)***

We have audited the financial statements set out on pages 17 to 23 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the directors and auditors

The Companies Ordinance requires the directors to prepare financial statements for each year which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Society's affairs as at 30 June 2005 and of its results for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Chan, Li, Law & Co.
Certified Public Accountants (Practising)
Hong Kong, 17 October 2005

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005
(Expressed in Hong Kong dollars)

	Note	2005 HK\$	2004 HK\$
INCOME			
Membership fees	9	1,785,556	1,524,966
Surplus from candidate education	9	199,463	158,858
Surplus from continuing education	9	85,070	109,339
Deficit from social functions	9	(56,441)	(69,842)
Deficit from university competition	9	(11,212)	-
		2,002,436	1,723,321
Interest income	6	46,611	9,617
Sundry income		11,672	2,613
		58,283	12,230
		2,060,719	1,735,551
EXPENDITURE			
Administrative expenses			
Depreciation		123,385	137,391
Electricity		9,832	6,358
Personnel costs	7	843,103	691,008
Rent, rates and building management fee		346,698	227,186
Telephone and internet		21,656	28,422
		1,344,674	1,090,365
Other operating expenses			
Accountancy fee		5,300	7,200
Audit fee		8,000	7,500
Bank charges		5,898	2,630
Business registration fee		3,946	3,946
Cleaning		-	6,350
Foreign exchange loss		370	4,656
Insurance		9,069	10,407
Legal and professional fees		6,785	17,371
Local traveling		2,365	1,694
Meeting expenses		9,993	12,137
Overseas traveling		112,789	16,779
Postages, printing and stationery		73,336	134,425
Repairs and maintenance		30,511	16,220
Sundry expenses		9,917	7,322
		278,279	248,637
Total operating expenses		1,622,953	1,339,002
SURPLUS FOR THE YEAR		437,766	396,549

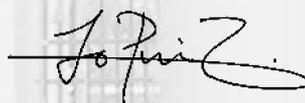
The notes on pages 20 to 23 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
BALANCE SHEET AS AT 30 JUNE 2005
(Expressed in Hong Kong dollars)

	Note	2005 HK\$	2004 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	117,911	225,974
Investment securities	10	1,349,992	1,050,341
		<u>1,467,903</u>	<u>1,276,315</u>
Current assets			
Accounts and other receivables		104,143	92,822
Rental and utility deposits		109,380	109,380
Fixed deposit		507,000	-
Cash and bank balances		910,337	1,083,336
		<u>1,630,860</u>	<u>1,285,538</u>
Current liabilities			
Accounts payable and accruals		174,972	93,093
Temporary receipt		17,265	-
		<u>192,237</u>	<u>93,093</u>
Net current assets		<u>1,438,623</u>	<u>1,192,445</u>
NET ASSETS		<u>2,906,526</u>	<u>2,468,760</u>
REPRESENTED BY:-			
MEMBERS' GENERAL FUNDS		<u>2,906,526</u>	<u>2,468,760</u>



Hak Kau LUNG, CFA
 President



Pui Leung LO, CFA
 Treasurer

The notes on pages 20 to 23 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' GENERAL FUNDS
FOR THE YEAR ENDED 30 JUNE 2005
(Expressed in Hong Kong dollars)

	Members' general funds HK\$
Balance at 1 July 2003	2,072,211
Surplus for the year	396,549
Balance at 30 June 2004	<u>2,468,760</u>
Surplus for the year	437,766
Balance at 30 June 2005	<u><u>2,906,526</u></u>

The notes on pages 20 to 23 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Hong Kong dollars)

1. LIABILITY OF MEMBERS

The Society is a company incorporated under the Companies Ordinance and is limited by guarantee with no share capital. Under the provision of the Society's memorandum of association, every member of the Society undertakes to contribute, if required, an amount not exceeding HK\$100 to the assets of the Society in the event of its being wound up.

2. NUMBER OF MEMBERS

The maximum number of members which the Society has registered is 10,000. The number of members as at 30 June 2005 was 2,685 (2004 : 2,276).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to the profit and loss account in the period 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 assets, the expenditure is capitalised as an additional cost of the assets. When assets are sold or retired, their carrying amounts are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Depreciation is calculated to write off the cost of the assets after impairment loss on the straight line basis at an annual rate of 33 1/3%.

(b) Investment securities

Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at amortised cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the profit and loss account, such provisions being determined for each investment individually.

(c) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave and the cost to the company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.
- (ii) Contributions to mandatory provident fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the profit and loss account as incurred.

(d) Operating lease payments

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payment made.

(e) Recognition of income

- (i) Income from members' renewal fee received on behalf of the Society by the CFA Institute is recognised on the accrual basis.
- (ii) Income from new members' subscription fee, educational programmes and social functions are accounted for on the accrual basis.
- (iii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the rate applicable.

(f) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the year end are translated into Hong Kong dollars at approximately the market rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into Hong Kong dollars at the rates ruling at the transaction dates. Differences on foreign currency translation are dealt with in the income statement.

4. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

No directors' remuneration was incurred by the Society during the current and preceding years.

5. INCOME TAX

The directors consider that the Society is exempted from profits tax under Section 24(2) of the Inland Revenue Ordinance.

6. INTEREST INCOME

	2005 HK\$	2004 HK\$
Bank interest income	2,500	548
Interest on certificates of deposit and bonds	32,981	9,069
Interest on fixed deposit	11,130	-
	<u>46,611</u>	<u>9,617</u>
	=====	=====

7. PERSONNEL COSTS

	2005 HK\$	2004 HK\$
Salaries	787,866	647,747
Mandatory provident fund contributions	33,953	29,069
Staff welfare and allowances	21,284	14,192
	<u>843,103</u>	<u>691,008</u>
	=====	=====

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
At cost :-			
At 1 July 2004	281,212	367,951	649,163
Additions	-	15,322	15,322
At 30 June 2005	<u>281,212</u>	<u>383,273</u>	<u>664,485</u>
Accumulated depreciation :-			
At 1 July 2004	135,904	287,285	423,189
Charge for the year	72,655	50,730	123,385
At 30 June 2005	<u>208,559</u>	<u>338,015</u>	<u>546,574</u>
Net book value :-			
At 30 June 2005	<u>72,653</u>	<u>45,258</u>	<u>117,911</u>
At 30 June 2004	<u>145,308</u>	<u>80,666</u>	<u>225,974</u>

9. INCOME

	2005 HK\$	2004 HK\$
Membership fees		
New members' subscription fee income	224,827	193,726
Members' renewal fee income	1,567,176	1,332,240
Uncollected fees recovered	500	1,124
Less : Uncollected fees	(6,947)	(2,124)
	<u>1,785,556</u>	<u>1,524,966</u>
Surplus from candidate education		
Programme income	1,056,640	830,380
Less : Programme expenses	(857,177)	(671,522)
	<u>199,463</u>	<u>158,858</u>
Surplus from continuing education		
Programme income	282,329	349,442
Less : Programme expenses	(197,259)	(240,103)
	<u>85,070</u>	<u>109,339</u>
Deficit from social functions		
Programme income	156,410	153,846
Less : Programme expenses	(212,851)	(223,688)
	<u>(56,441)</u>	<u>(69,842)</u>
Deficit from university competition		
Competition income	50,000	-
Less : Competition expenses	(61,212)	-
	<u>(11,212)</u>	<u>-</u>
	<u>2,002,436</u>	<u>1,723,321</u>

10. INVESTMENT SECURITIES

	2005 HK\$	2004 HK\$
Certificate of deposit and bonds	1,349,992	1,050,341

11. LEASE COMMITMENTS

At 30 June 2005, the total future minimum lease payments under a non-cancellable operating lease are payable as follows :-

	2005 HK\$	2004 HK\$
Not later than one year	217,908	217,908
Later than one year and not later than five years	145,271	363,179
	<u>363,179</u>	<u>581,087</u>

12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 October 2005.

MEMBERS OF THE BOARD OF DIRECTORS



*Back from left:
Wallace Woo
Joey Y.C. Chan
Karl Lung
James Soutar
Pheona Tsang
Tom Wu
Frederick Tsang*

*Front from left:
Charles Lo
Jacky Tsang
Richard Mak
Alvin Ho
Jimmy Jim*

President	Karl H. K. LUNG, CFA
Vice President	Jimmy W. K. JIM, CFA
Treasurer	Charles P. L. LO, CFA
Secretary	Alvin M. HO, CFA
Members	Richard K. C. MAK, CFA Pheona S. M. TSANG, CFA Tom C. WU, CFA Jacky K. Y. TSANG, CFA Wallace C. K. WOO, CFA Joey Y. C. CHAN, CFA James A. SOUTAR, CFA Frederick S. C. TSANG, CFA

Board Meeting Attendance July 2004 – June 2005

Board of Directors	3-Jul-04	5-Aug-04	2-Sep-04	7-Oct-04	4-Nov-04	6-Dec-04	15-Jan-05	3-Feb-05	3-Mar-05	7-Apr-05	11-May-05	2-Jun-05
Karl LUNG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Called in	Attended
Jimmy JIM		Attended	Called in	Attended		Attended	Attended	Attended	Attended	Attended	Attended	Attended
Alvin HO	Attended		Attended	Called in	Attended	Attended	Attended				Attended	
Charles LO	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended			Attended
Joey Y.C. CHAN	Attended		Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Called in	Attended
Richard MAK	Attended	Attended	Attended		Attended	Attended	Attended		Attended	Attended	Attended	
James SOUTAR		Attended				Attended	Attended	Attended	Attended	Attended		Attended
Frederick TSANG	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended	Attended
Jacky TSANG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended
Pheona TSANG					Attended	Attended	Attended		Attended	Attended	Attended	Attended
Wallace WOO		Attended	Attended		Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Tom WU	Attended	Called in	Called in	Called in	Attended	Called in				Called in		Called in



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