



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

The background of the cover is a low-angle photograph of several modern skyscrapers in a city, likely Hong Kong. In the foreground, a large, clear glass of beer is shown, filled with golden beer and topped with a thick layer of white foam. Two black rectangular markers with red and yellow text are stuck into the foam. The text on the markers includes "↑ 0.50", "↓", "0 CHINA R", and "0 CITIC PAC". The title "ANNUAL REPORT 2007" is printed in blue serif font across the foam. The glass itself is partially filled with beer, and the background buildings are visible through the clear glass.

ANNUAL REPORT 2007

A MEMBER SOCIETY OF CFA INSTITUTE



香港財經分析師學會
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

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.

REPORT OF THE PRESIDENT

Dear Society Members,

On behalf of the Board, I am pleased to report that FY2007 has been another successful year for the Society. Our membership base grew strongly, from 3,319 to 4,835, making us the 4th largest member society of CFA Institute. To achieve our main mission of raising the standards of practice of the financial services industry in Hong Kong, the Society remains active in advocacy issues and continuing education. We also raised our effort to serve the increasing number of members based in mainland China.

Among our most significant advocacy efforts is the translation of the GIPS Standards into simplified Chinese, which has subsequently been endorsed by the GIPS Executive Committee of CFA Institute. The availability of GIPS Standards in local language will be a significant help in the promotion of the GIPS Standards in mainland China. We also extended our education effort to the public. Together with the Securities and Futures Commission and the LiPACE of Open University of Hong Kong, we offered three investor education seminars to the public.

With our focus on quality, our education events are well received. Despite the popularity of our programmes, we maintain a low fee structure for our members with the aim of facilitating access to members who may have difficulties in getting sponsorship from their employers. During the year, we have also organized 13 programmes in Beijing and Shanghai to serve the need of our members there.

Our University Investment Research Competition has entered the third year with more universities from mainland China participating. The winning team also had the opportunity to go to New York and participated in the first Global Investment Research Challenge organized by the CFA Institute. We also offered talks to universities students on career developments and ethics and professional practice. These efforts helped train and prepare local students to enter the finance industry and raise their awareness of the CFA programme.

The Membership Services Committee continued to provide a wide variety of social activities to facilitate the building of a members' community. In addition to the monthly happy hour gathering at the Society office on the second Thursday of each month, there are also events like the Forecast Dinner, wine tasting, post-summer BBQ, etc. We also maintain our support for the community and our participation in Oxfam Trailwalker and Matilda Sedan Chair Race has raised more than HK\$500,000 for charity purposes.

In June this year, we also hosted a series of events in Hong Kong, Beijing and Shanghai, such as cocktail receptions, exhibitions, public seminars, and advertorials, to celebrate CFA Day: the 60th anniversary of the formation of CFA Institute, as well as the 15th anniversary of HKSFA.

In October, we introduced a new logo for the society. The new logo is simpler in design and should be easier to remember and recognize, and represents unity among financial analysts. Meanwhile, the Society board has decided not to follow the practice of other societies, which changed their names to include the word "CFA." The main reason is that with the CFA Institute Asia Pacific office located in Hong Kong, such a name change will cause significant confusion to others and will affect the well established awareness and identity of the Society.

In the coming year, our biggest challenge remains to provide services to the growing number of members in mainland China. At the same time we will also work closely with CFA Institute to explore the possibility of forming local societies there. Back in Hong Kong, our focus will be to continue to provide high quality education programmes and be an active advocate of the local investment industry.

I would like to take this opportunity to thank my fellow board members, committee members and other volunteers for their invaluable contribution to the Society. Their contribution is critical for the success of the Society. I would also like to thank the staff office for their hard work; many of them have to work late evenings and over weekends, to organize Society events and maintain 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

As usual, the continuing education committee worked very hard to bring as many Continuing Education programmes as possible to our members. Given the rapid rise in membership, this has certainly proved challenging. Adding to the challenge was the difficulty to source good speakers at a time when the global economy and worldwide stock markets were booming. The committee managed to organize a total of 34 continuing education events, up from 25 last year. As many as 1,970 attendees participated in all of our events, as compared with 1,416 last year. Out of the total events, 21 were held in Hong Kong, 7 in Beijing and 6 in Shanghai. As our membership in mainland China grew rapidly, there was great demand for Continuing Education programmes across the border. Seminars remained as the most popular format, making up two-thirds of the events.

During the year, we saw more members than non-members participating in our events. This was due to the increase in charges for non-members, as a way to solve venue constraints. Also, there were more new faces appearing in our ever diverse programmes. Overall, feedbacks for our programmes were quite positive, although there was still room for improvement. While fewer guest speakers were invited, 31 as compared with 36 last year, our events offered 90 hours of PD/CPT, up from 76.

There were several programmes that were quite rewarding for those who attended. The most notable one was Global Investment Markets: A Technical Perspective. Our guest speaker, Mr. Mark Stevenson, CFA, of brokerage firm CLSA, provided us with a timely analysis prior to the big recovery of the global equity market in the second half of 2007. This, together with the excellent presentation, Perfect Landing, by Mr. Chen Zhao, of BCA Research, certainly helped our members make good investment decisions. Another notable event was a high yield bonds seminar conducted by Mr. Frank Reilly of the University of Notre Dame, and Mr. Tony Watson, CFA, of Morgan Stanley Debt Research (HK), which was held in May this year, two months before the collapse of the high yield bond market that caused a severe disruption to the global equity market as well. Our two speakers for the China Property Market Seminar also gave good insights on the confusing developments in the sector. Apart from these exciting events, we also offered a variety of programmes that helped members develop their professional knowledge and skills.

We thank those who have helped us organize the events and look forward to another successful year.



Continuing Education Programmes (July 06 - June 07)

Date	Seminar Topic	Speaker / Panelist	Location	CPT/PDP Credit Hours	No. of Attendants
Year 2006					
4 Jul 06 (luncheon)	Global Investment Markets: A Technical Perspective	Mr. Mark Stevenson, CFA CLSA	Hong Kong	1	56
24 & 25 Jul 06 (joint program with HKUST)	Securitization Workshops 1. Cash Securitization 2. Synthetic Securitization	Ms. Ann Rutledge	Hong Kong	6 (per workshop)	26 19
7 Aug 06 (seminar)	Accounting Tomfoolery and Financial Statement Analysis	Mr. Jay Taparia, CFA Sanskar Investment Inc.	Shanghai	1.5	73
9 Aug 06 (seminar)	Accounting Tomfoolery and Financial Statement Analysis	Mr. Jay Taparia, CFA Sanskar Investment Inc.	Beijing	1.5	41
19 Aug 06 (seminar)	Private Wealth Management - "A Different View"	Ms. Cynthia D'Anjou-Brown HSBC Private Bank Mr. Simon Rae Private Client Lawyer	Hong Kong	2.5	84
24 Aug 06 (luncheon)	Perfect Landing	Mr. Chen Zhao BCA Research	Hong Kong	1	75
9 Sep 06 (seminar)	Avoid the Trap of Non-public Price-sensitive Information	Mr. Richard Chalk Freshfields Bruckhaus Deringer Mr. Eugene Goynes Securities and Futures Commission	Hong Kong	2.5 (CPT/PD/SER)	84
13 Sep 06 (luncheon)	Alpha Transprot	Mr. Michael Litt FrontPoint Partners LLC.	Hong Kong	1	82
15 & 16 Sep 06 (workshops)	Strategic Decision & Risk Analysis Workshops 1. Risk Analysis 2. Real Options Analysis	Dr. Johnathan Mun Real Options Valuation, Inc.	Hong Kong	6 (per workshop)	23 17
14 Oct 06 (seminar)	Identifying Risks Through Forensic Accounting – Financial Shenanigans	Mr. Marc Siegel Centre for Financial Research & Analysis	Hong Kong	2.5 (CPT/PD/SER)	104
16 Oct 06 (seminar)	Identifying Risks Through Forensic Accounting – Financial Shenanigans	Mr. Marc Siegel Centre for Financial Research & Analysis	Beijing	1.5	35
18 Oct 06 (seminar)	Identifying Risks Through Forensic Accounting – Financial Shenanigans	Mr. Marc Siegel Centre for Financial Research & Analysis	Shanghai	1.5	62
4 Nov 06 (seminar)	China Property Market - "The Crossroad"	Mr. Andrew Ness CB Richard Ellis Mr. David Ng, CFA UBS Securities Asia Ltd.	Hong Kong	2	116
7 Nov 06 (seminar)	Optimal Currency Hedging	Dr. Bruno Solnik HEC-School of Management in France	Beijing	1.5	35
10 Nov 06 (seminar)	Optimal Currency Hedging	Dr. Bruno Solnik HEC-School of Management in France	Shanghai	1.5	64
22-24 Nov 06 (workshops)	Performance Measurement Training Workshop 1. Performance Measurement 2. Advance Performance Measurement 3. Fixed Income Attribution	Mr. Carl Bacon StatPro Group Plc	Hong Kong	6 (per workshop)	18 17 16
5 Dec 06 (luncheon)	Optimal Currency Hedging	Dr. Bruno Solnik HEC-School of Management in France	Hong Kong	1	82

Date	Seminar Topic	Speaker / Panelist	Location	CPT/PDP Credit Hours	No. of Attendants
Year 2007					
27 Jan 07 (seminar)	Highlights and Impact of the New PRC GAAP	<u>Speaker:</u> Ms. Yvonne Kam, CPA PricewaterhouseCoopers <u>Panelists:</u> Ms. Annie Chan, CPA Leadway Professional Company Ms. Frances Lee, CPA Mr. Roy Wa-Kei Lo, CPA SHINEWING (HK) CPA Ltd. <u>Moderator:</u> Mr. Raymond Yuen, CFA The Hong Kong Society of Financial Analysts	Hong Kong	2.5	131
30 Jan 07 (workshop)	Derivatives and Risk Management in the CFA Programme – What's New?	Mr. David M. Hetherington, CFA Hetherington Inc.	Hong Kong	5.5	25
5 Feb 07 (seminar)	Fair Value Measurements for International Financial Report	Mr. Sammy Lai, CFA, CPA Financial Valuation Group, American Appraisal China Ltd.	Beijing	1.5	69
6 Feb 07 (seminar)	Highlights and Impact of the New PRC GAAP	Ms. Yvonne Kam, CPA PricewaterhouseCoopers	Shanghai	1.5	78
10 Feb 07 (seminar)	Managing the Risk of Hedge Funds	Mr. George Chan Ward Ferry Management Ltd. Mr. Cedric Wong, CFA SAIL Advisors Ltd. Mr. Benoit Descourtieux, CFA Calypso Capital Ltd. Mr. James A. Soutar, CFA The Hong Kong Society of Financial Analysts	Hong Kong	2.5	105
5 March 07 (seminar)	A Behaviour Finance Approach to Asset Allocation	Mr. Jean L. P. Brunel, CFA Brunel Associates, LLC.	Beijing	1.5	33
19 April 07 (luncheon)	Applying Earnings Quality Analysis to Asian Portfolio Management	Mr. Tim Gaumer, CFA StarMine	Hong Kong	1	91
26 April 07 (seminar)	Applying Earnings Quality Analysis to Asian Portfolio Management	Mr. Tim Gaumer, CFA StarMine	Shanghai	1.5	42
12 May 07 (seminar)	An Analysis of the Interest Rate Sensitivity of Common Stocks	Mr. Frank Reilly University of Notre Dame Mr. Tony Watson, CFA Morgan Stanley Debt Research (HK)	Hong Kong	2.5	90
14 May 07 (seminar)	An Analysis of the Evolving Characteristics of the High Yield Bond Market	Mr. Frank Reilly University of Notre Dame	Beijing	1.5	32
16 May 07 (seminar)	An Analysis of the Evolving Characteristics of the High Yield Bond Market	Mr. Frank Reilly University of Notre Dame	Shanghai	1.5	48
17 May 07 (seminar)	A-Share Index Futures	Mr. Xu Jing-gang China International Future Company	Beijing	1.5	60
6 Jun 07 (luncheon)	An Overview of Lloyd's as One of the Alternative Asset Classes	Mr. David Herratt, FIRM, FCCII, Chartered Insurer Asia of Hampden Agencies Ltd.	Hong Kong	1	37

ADVOCACY

HKSFSA continues to be a significant force in the advocacy area in Hong Kong. As usual, we have participated in a number of regulatory and corporate governance events and also maintain a constant direct dialogue with securities market regulators. Since the establishment of the CFA Institute Centre for Financial Market Integrity in Hong Kong, we have been making joint responses to recent consultation papers. This cooperation allows us easier access to much of the work the CFA Institute has done globally on the impact of various regulation changes on market behaviour. We note, however, that such cooperation does not lessen in any way the local impact that members of the Advocacy Committee has in crafting responses. As always, interested members can make their views known on issues of market regulation at any time. The CFA Institute Centre for Financial Market Integrity also arranges regular conference calls with Advocacy Committee members in other Asian cities, allowing us to keep in touch with regulatory developments elsewhere.

We have also just completed our tenth year as a contributor to the Hong Kong Management Association's Best Annual Reports Awards in Hong Kong. Corporate disclosure has improved dramatically over the years, and we notice this trend quite clearly when judging over 100 annual reports every year. Of course some of this improvement is driven by improved disclosure regulation, but we also find that many companies recognize the advantages of clearer disclosure and are voluntarily improving their disclosure. However, Hong Kong still lags other regional markets in some areas of disclosure, with quarterly reporting being one clear example. We believe that Hong Kong will adopt quarterly reporting at some point in the near future, a step which is long overdue.

HKSFSA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

It all began in mid 2004 with a few interested people in promoting GIPS Standards, we now have been an official committee of the Society for over three years.

Back then, our main objective was to have 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. Locally, we continue to educate the public about general performance measurements. Globally, we are regularly involved with various Subcommittees of GIPS Executive Committee of CFA Institute, in addition to our presence and contribution at the GIPS sponsor gathering in Cape Town in March 2007.

However, our most notable achievements this year are our efforts related to China. Many of our members have professional involvements with the growing investment management industry in China, and through them we know there is an emerging need for a Chinese translation of GIPS Standards. Therefore, we decided to take up the duty because we know this will have a significant impact on the adoption of GIPS Standards on the mainland. Our communication efforts also had a significant impact on the National Social Security Fund and China Securities Regulatory Commission, which had made use of GIPS Standards in offshore investing related activities.

While we now have made the first step, we envisage that over the next few years that more activities will be attended by different stakeholders in China. Certainly, the more involvement we have from those working in this industry and wanting to promote best practice, the more likely we are to be able to bring more positive changes to our dynamic industry in both China and Hong Kong.

CFA DAY

In June 2006, the HKSFA organised a series of programmes for CFA Day, which celebrated the 60th anniversary of the CFA Institute and the 15th anniversary of HKSFA. Among the events featured were cocktail receptions, advertorials, and exhibitions in both Hong Kong and mainland China. In Hong Kong we also joined with the Securities and Futures Commission and the LiPACE of Open University of Hong Kong and offered three investor education seminars to the public. These events achieved great success and raised awareness of both the HKSFA and the CFA designation.



UNIVERSITY INVESTMENT RESEARCH COMPETITION

The University Investment Research Competition has entered its third year, and participating universities have now increased to nine, including Shanghai Jiaotong University and Fudan University. The objective of the competition is to promote the practice of professional investment research and analysis among university students in Hong Kong and China and raise awareness of the CFA programme and the HKSFA. Participating teams were required to research and analyse a Hong Kong listed company, submit a written research report followed by presentation to the judges. The judging criteria were based on the quality of the analysis, justification of the recommendation and ability to handle questions.

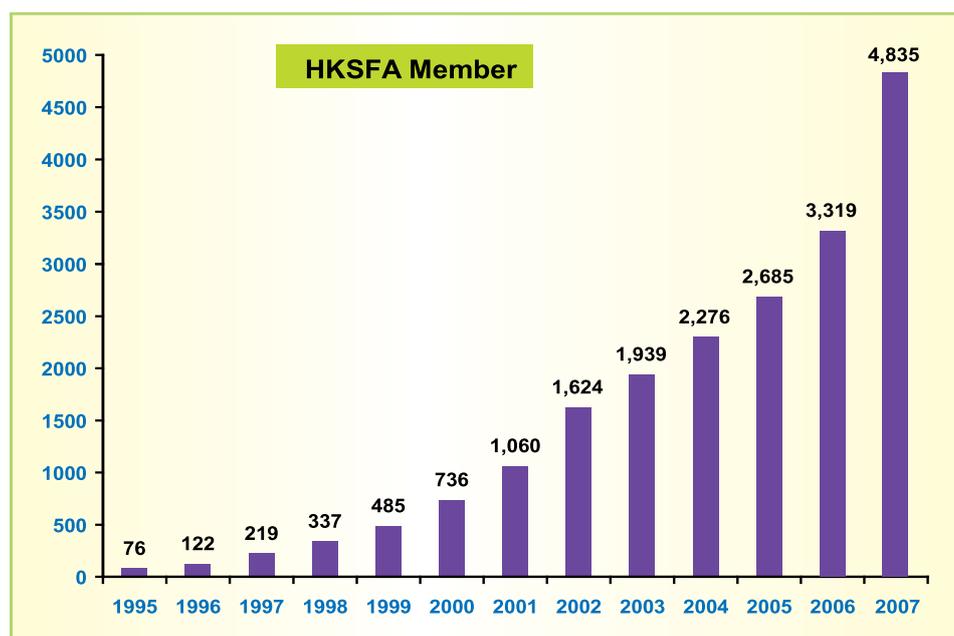
This year, the competition was once again won by the Chinese University of Hong Kong. In addition to receiving scholarships, the team had the opportunity to go to New York and competed with other teams in the first Global Investment Research Challenge organised by the CFA Institute.

The fourth competition is currently underway, and we have the pleasure of Tsinghua University from Beijing joining. The increased participation of mainland universities from different cities 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 HKSFA experienced another record growth in membership during FY 2007. Member count surged 46% to 4,835 with 1,516 new members. Among the record new additions, 37% came from mainland China and 53% from Hong Kong. The exceptional strong growth is due partly to a relatively higher level 3 passing rate in 2006 and the implementation of new working experience requirement (see below for details). Such strong growth is unlikely to be seen again in the coming years. Member attrition rate remains stable at 3.5% versus the trend in the past few years, reflecting the high mobility of the investment professionals in Hong Kong. On the other hand, 78 members have transferred from their local society membership to HKSFA over the past year.



Top Ten Societies of CFA Institute as at 3 July 2007:

Society:	Member count:	Growth (from 2006)
1. New York	11,555	+ 1000
2. Toronto	6,653	+ 632
3. United Kingdom	5,580	+ 605
4. Hong Kong	4,835	+ 1516
5. Boston	4,714	+ 246
6. Chicago	3,531	+ 302
7. San Francisco	2,844	+ 220
8. Singapore	2,228	+ 321
9. Los Angeles	1,926	+ 111
10. Montreal	1,850	+ 189

Around 20% of our members are now residing in mainland China with another 5% in other overseas locations. This presents a significant challenge to the HKSFA in terms of member servicing and society programming as local societies have yet to be established on the mainland. Thanks to the active contribution from our regional subcommittees in Beijing and Shanghai, we managed to deliver a number of excellent continuing education programmes and networking functions for the ballooning membership base in China. (Please see the Membership Services Section for details.)

Followed the establishment of the CFA Association of Taiwan in early July, we expect and encourage the 128 members currently residing in Taiwan (as of June 30, 2007) to transfer their membership to the new society. The board of the HKSFA would like to thank for the support of these members despite the

limitation of membership services due to geographical constraints.

The grandfathering provision of the required working experience for membership application as well as the for the CFA charter (36 months instead of 48 months) has been extended till the end of December 2007 for those CFA candidates who have passed their Level III examinations in June 2007.

The applicants, under the new rules, are required to demonstrate that they spend over 50% of the working hours in job functions that are related to the investment decision-making process. Data collection for investment decision-making has been excluded under the new definition. Applicants possessing “grey-zone” job experience such as auditors, corporate financial analysts, financial reporters, who have been recognized by the CFA Institute need to provide detailed job descriptions to the CFA Institute to demonstrate that their job experiences satisfy the new definitions.

The CFA Institute is counting on the due diligence exercised by the regular members who are sponsoring the new membership application to ensure the applicants possessing the proper professional working experience required. We encourage those sponsors who have queries regarding the new membership experience requirements to consult with the CFA Institute or the HKSFA Membership Committee.

MEMBERSHIP SERVICES

Given its aim of raising members’ participation in Society functions, the Membership Services Committee keeps on providing a wide variety of activities to our members, ranging from sports activities to networking gatherings and the Charter Award Ceremony and Forecast Dinner. As always, we are open to new ideas. In July 07, we were proud to hold the first interest class in dancing, which has been exceptionally well attended and over-subscribed. We do appreciate your participation in our events and by return, we invite members to let us know how we could do better. In addition, offers to help in the Committee work are more than welcome. We are happy to report that the following activities were held during the year:

CFA® Charter Award Ceremony and Forecast Dinner 2006

The annual CFA® Charter Award Ceremony was held on 18 November 2006 to celebrate new joiners to CFA Institute and the Society. Last year, more than 96 graduates were present at the ceremony. This full house event was well-attended by a total of 181 participants, including members, graduates and guests. Dr. Jan R. Squires, D.B.A, CFA, Managing Director, Asia Pacific, CFA Institute, presented the CFA® Charter Awards and gave his keynote speech to the 2006 graduates. At the Forecast Dinner, we were honoured to have Mr. Frederick Ma Si-hang, JP, Secretary for Financial Services and the Treasury of Hong Kong Government of the Special Administrative Region, giving the keynote speech.



Following the award presentation, we had the Forecast Dinner for 2007. The annual forecast event drew lots of attention when three panelists were using their crystal balls to make the forecast. Though, again, we hereby proudly announce Mr. Tim Moe, CFA, Chief Asia Pacific Regional Equity Strategist, Goldman Sachs (Asia) LLC, won the prize of making the most accurate forecast for 2006 among the panelists, we have to say that this time the win was just by a “short head”. Whilst, Mr. Patrick Ho, CFA, Head of Hong Kong/ China Equities, ABN AMRO, with assistance from one of the famous Hong Kong Feng Shui masters, was just marginally less accurate in his forecast than Tim. And, Mr. Andy Xie would have definitely won over Tim if the 2007 market had moved in the opposite direction to what actually happened. In a nut-shell, the discussions leading to the conclusion of their respective 2007 forecasts were well worth hearing and watching live.

We take this opportunity to express heartfelt appreciation to our honoured guests and panelists who made the CFA® Charter Award Ceremony and Forecast Dinner a show-case activity for the Society. We wish you will be the audience next year.

Post CFA Examination Party

The Membership Services Committee continued their efforts to bring in new members to the Society. For a fourth year in a row, CFA candidates were able to relax at the Post Examination Party. We had more candidates attending the party as we did last year as the candidates' recognition of the HKSFA brand name has increased.



Post-Summer BBQ Party

The annual Post-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 met some new contacts and caught up with their old friends. We will continue to host the BBQ Party as a regular event for our members.



Happy Hour Gathering

Free drinks and food are provided for our happy hour gathering held in our office on the second Thursday of each month. We also occasionally use this monthly event for a new member welcome reception. We believe the monthly happy hour gathering will continue to be one of the most popular activities among our members.



Trailwalker

HKSFA has four teams participated in the 2006 Oxfam Trailwalker charity walk in Hong Kong. The 16 people in our teams battled the 100km MacLehose Trail and 13 of them managed to complete the walk within the limit of 48 hours. In addition, we also have three teams joining the first Oxfam Trailwalker in Japan in 2007. Among the 12 people who attempted the 100km mountainous trails around Mount Fuji, 11 of them successfully completed the walk within 48 hours.

Over HK\$500,000 was raised for Oxfam, and HKSFA won the top fundraisers award in the Finance Category of the Oxfam Trailwalker in Hong Kong. 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 whole-heartedly thank those who participated in the hike, the supporters, as well as those who generously made donations.



Wine Tasting

The Society organised three wine tasting events for our members during the year. All of them are well received by members and full house. Everyone enjoyed a fabulous events of fine wine and food with other fellow members.



Membership Services Functions

Date	Programme Topic	No. of Attendants
4 Aug 06	Wine Tasting Dinner	34
23 Sep 06	Post-Summer BBQ 2006	58
27 Sep 06	Stress Management Workshop	19
4 Oct 06	Welcome Reception for New Members	30
4 Nov 06	Oyster and Wine Matching Dinner	18
10–12 Nov 06	Trailwalker (Hong Kong)	16
12 Nov 06	Matilda Sedan Chair Race	9
18 Nov 06	CFA® Charter Award Ceremony & Forecast Dinner 2006	181
3 Dec 06	Post CFA Examination Party	129
7 Feb 07	Welcome Reception for New Members	34
20 Apr 07	Wine Tasting Dinner	27
18-20 May 07	Trailwalker (Japan)	12
3 Jun 07	Post CFA Examination Party	182
15 Jun 07	CFA Institute 60th Anniversary cum HKSFA 15th Anniversary Cocktail Reception	60

CHINA AFFAIRS

Following last year's decision to have HKSFA serve members in mainland China, HKSFA, with help and assistance from members in Beijing and Shanghai, set up committees in these two cities. Various events were successfully held and run by the committees, ranging from Charter Award Ceremonies, seminars for continuing education and social networking events. Most of the members by way of participating in our events had a chance to meet and chat with their peers in Shanghai and Beijing. In particular, all those continuing education programmes were well-received. The following is a summary of events held in Beijing and Shanghai for the year up to 30 June 2007.



Continuing Education seminar in Beijing

Events in China - July 2006 to June 2007

Beijing

Date	Programme Topic	No. of Attendants
21 Jul 06	Member Gathering	69
15 Oct 06	Beijing International Marathon	12
25 Nov 06	Member Gathering	37
14 Dec 06	CFA® Charter Award Ceremony	132
2 Jun 07	Beijing Orienteering	30
16 Jun 07	CFA Day Exhibitions & Seminars at Tsing Hua University and Renmin University	100+
18 Jun 07	CFA Institute 60th Anniversary Cocktail Reception	92

Shanghai

Date	Programme Topic	No. of Attendants
21 Sep 06	Member Gathering	104
12 Dec 06	CFA® Charter Award Ceremony	268
21 Dec 06	Christmas Party	65
31 Jan 07	Wine Tasting Dinner	26
19 Jun 07	CFA Institute 60th Anniversary Cocktail Reception	115
22 Mar 07	Member Gathering	42

The number of HKSFA members located in mainland China has been steadily growing over the past decade. With many of our local members being relocated to mainland China on a part-time and/or permanent basis, as well as the growth of mainland Chinese candidates passing their CFA examinations and achieving their CFA status, the number of HKSFA members in China has ballooned to 938 members as of 30 June 2007, compared with 375 members as of 2006. The huge increment in number of members is creating a huge challenge for the Administration Office of HKSFA, as well



Member Gathering in Shanghai

as the Beijing and Shanghai committees. We would like to take this opportunity to deliver our heartfelt appreciation to staff and committee members in Beijing and Shanghai. The support and contribution of members in mainland China is always welcome. We invite those interested to please contact our Administration Office.

MEMBER COMMUNICATION

The Board has continued to work diligently towards providing information to our members about the industry, event updates and the latest developments of the Society. Electronic media is the best platform for us to dispatch such information. How often did you view our website (www.hksfa.org) and open the E-mails sent by the Society?

We understand that there are hundreds of E-mail messages that arrive in your inbox every day. It is important to find a way of attracting you to view the electronic messages sent by HKSFA while refraining from constantly bombarding you with emails. To this end, the Society has exercised tight control over the number of mails we sent to our members. Information contained in the monthly E-Newsletter is condensed to get you the best overview on job openings, the upcoming CE events, relevant announcements and member benefits.

If you happen to view our website, there are more details on job vacancies in JobLine area, photos of the Society's activities, seminar speaker notes, response to consultation papers and member benefit packages. The website often has more than 20 job vacancies advertised exclusively to members. This is certainly one of the top value-added services to our members.

The Board has approved the new Society logo which is now uploaded in our website. The new logo better represents our professional image and status. The Society has the clear mission to serve our members and industry better through constant evolutions. We have done this only with the support from the volunteers and the members. We wish to take this opportunity to thank all the participants involved.

CANDIDATE EDUCATION

A total of 9,851 candidates enrolled for the December 2006 (3,433 Level I) and June 2007 (6,418 Level I, II and III) CFA examinations compared to 7,904 candidates enrolled in the two examination sessions for fiscal year ending June 2006, representing an increase of 24.6%. These figures exclude the number of candidates from mainland China which had a dramatic growth from 7,619 candidates in Fiscal Year 2006 to a current 9,980 candidates in Fiscal Year 2007, representing an increase of 31%. We believe the popularity of the CFA Programme in mainland China and the CFA candidate growth will continue in the near future, similar to the growth trend as that of Hong Kong in the late 90's.



Information Session on CFA Programme

For the scholarship programme, we increased the total scholarships given this year to 35 from 20 last year in view of the growth in number of candidates. We received 73 applications for the scholarships this year. The eligibility criteria were based on (a) school grades (b) financial needs and (3) the candidate's reason for entering the CFA Programme. The scholarships consisted of a reduction of enrollment fee into the CFA Programme. The Board was happy to grant the scholarships on behalf of CFA Institute to the 35 most eligible candidates residing in Hong Kong and mainland China who sought financial assistance in the pursuit of the CFA designation. Out of the 35 scholarships, 3



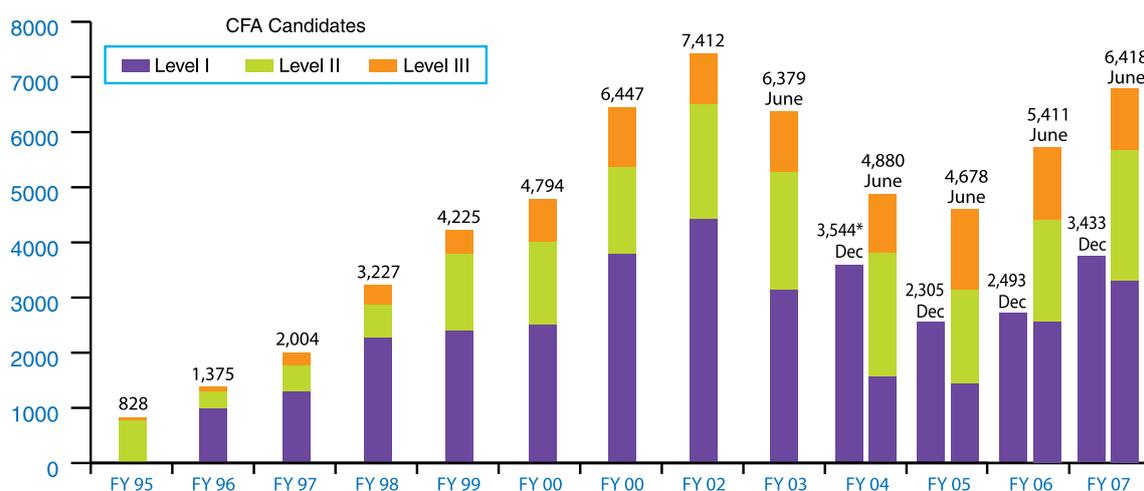
and 2 scholarships were kindly offered by the UK Society and the Melbourne Society respectively from their quota sponsored by the CFA Institute Scholarship Programme.

During the year, HKSFA organised three information sessions to brief the CFA candidates on the examination programme. Several HKSFA members and recent CFA graduates were invited to share their experiences of examination preparation strategies with the CFA candidates. The information sessions were held on 3 November 2006, 29 January 2007 and 4 May 2007 with a total attendance of 264 candidates.

HKSFA also formed 35 study groups (18 groups in Hong Kong and 17 groups in mainland China) for 168 candidates that registered for December 2006 Level I examinations and 124 study groups (31 groups in Hong Kong and 93 groups in mainland China) were formed for 534 Level I, II and III candidates for June 2007 examination.

HKSFA also held a practice examination on 28 April 2007 to give the candidates a chance to practice their examination knowledge and skills under a simulated examination condition. A total of 45 candidates registered for the practice examination while another 73 candidates purchased the practice examination paper.

Right after the examination on 3 June 2007, we held our Post Examination Party for all candidates to celebrate their efforts and achievements over the past year. A record number of 180 candidates joined us for the celebration with free food and drinks sponsored by Becker/Stalla Professional Review.



FINANCE

The Society reported solid financial results in the last fiscal year, with the surplus increasing to HKD2,015,242 from HKD1,180,123 in 2006. The main reasons for the rise in surplus was the increase in membership fees, which rose to HKD3,438,553 from HKD2,230,051. As a result, Members' General Funds grew from HKD4,086,649 to HKD6,101,891.

During the year, membership fees grew at a faster pace of 54% in 2007, compared to a 25% rise in 2006. The surplus from candidate education continued to contribute a steady growth of income, but is expected to decline in the future due to the introduction of bundling the CFA curriculum with the examination application. Surplus from continuing education posted a decline from HKD300,324 in 2006 to HKD183,710 in 2007. This is mainly the result of the rapid increase in the number of events in China which are loss making at the moment. Interest income increased from HKD119,480 in 2006 to HKD220,659 in 2007, benefiting from higher interest rate and larger surplus fund balance.

Total administrative expenses increased by 22.6% in 2007, mainly because of increase in office rental due to the renewal of the lease of our office at a higher rate, in line with Hong Kong market trends. We

also witnessed an increase in personnel costs which was due to increase in head count and salary of administrative office staff with the growth in number of members and workload. Other operating expenses saw only a mild increase of 6.3%.

Total operating expenses rose by 20.3% to support the growth of membership and funding the increased rental cost. The exceptional strong growth in membership is not expected to be repeated in coming years, and growth in income from membership dues will slow down. On the expenditure side, the new rental will have a full year impact starting in FY2008. Serving our members in China will also increase our expenditure as it has to be done remotely from Hong Kong. As we expect China will soon have their own society, it is therefore not feasible to hire permanent staff in China at this stage.

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 75 and Article 71, 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 74 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 twenty 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 twenty 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 Monday 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

After sponsoring our administration officer to complete a diploma course, we sent her to attend the CFA Institute Society Leadership Conference in September 2006. It provided her with the opportunity to enhance her interpersonal skills in the global environment in addition to learning more about the best practices of other societies.

With more new staff joining the Society in FY07, we will continue to develop our staff based on their job responsibilities, talent, knowledge and skills so as to better position them in taking up the challenges ahead.

Five-Year Summary

	2007	2006	2005	2004	2003
No. of Members	4,835	3,319	2,685	2,276	1,939
No. Continuing Education Programmes	34	25	17	18	12
No. of Membership Services Functions	27	17	10	5	4
Income	HK\$	HK\$	HK\$	HK\$	HK\$
Membership Fees	3,438,553	2,230,051	1,785,556	1,524,966	1,342,888
Surplus from Education & Programmes	309,674	407,115	216,880	198,355	189,881
Interest & Sundry Income	221,720	167,619	58,283	12,230	18,389
	3,969,947	2,804,785	2,060,719	1,735,551	1,551,158
Expenditure					
Administrative Expenses	1,716,088	1,400,141	1,344,674	1,090,365	746,797
Other operative expenses	238,617	224,521	278,279	248,637	280,778
Total Operating Expenses	1,954,705	1,624,662	1,622,953	1,339,002	1,027,575
SURPLUS FOR THE YEAR	2,015,242	1,180,123	437,766	396,549	523,583
ASSETS					
Total of Non-Current Assets	1,240,043	1,362,301	1,467,903	1,276,315	544,441
Total of Current Assets	6,801,988	4,006,572	1,630,860	1,285,538	1,560,880
Total of Current Liabilities	1,940,140	1,282,224	192,237	93,093	33,110
Total of Net Current Assets	4,861,848	2,724,348	1,438,623	1,192,445	1,527,770
Total of Net Assets	6,101,891	4,086,649	2,906,526	2,468,760	2,072,211
TOTAL OF MEMBERS' GENERAL FUNDS	6,101,891	4,086,649	2,906,526	2,468,760	2,072,211

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
(“THE SOCIETY”)
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 2007.

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 HKSFSA (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 and cash flows of the Society for the year ended 30 June 2007 and the state of its affairs at that date are set out in the financial statements on pages 19 to 28.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 10 to the financial statements.

MEMBERS OF THE BOARD OF DIRECTORS

The directors who held office during the financial year and up to the date of this report are :-

President	Hak Kau LUNG, CFA
Vice-president	Wai Kee JIM, CFA
Vice-president and Secretary	Man HO, CFA
Treasurer	Sin Man TSANG, CFA
Members	Pui Leung LO, CFA Richard Kan Chong MAK, CFA Tom Chang WU, CFA Kwok Yuk TSANG, CFA Wallace Chong Keung WOO, CFA James Alexander SOUTAR, CFA Frederick Sui Cheong TSANG, CFA Helen Yuen Yee HO, CFA (resigned on 8 January 2007) Raymond Wai Pong YUEN, CFA (appointed on 6 July 2006) Ashley Pui Wun KHOO, CFA (appointed on 13 August 2007)

In accordance with articles 72 and 73 (a), (b) and (c) of the Society's articles of association, one-half of the directors for the time being, who have been longest in office since their last appointment or election, shall retire from office and be eligible for re-election.

Accordingly, Mr. Karl Hak Kau LUNG, Mr. Pui Leung LO, Mr. Frederick Sui Cheong TSANG, Ms. Sin Man TSANG, Mr. Wallace Chong Keung WOO and Ms. Ashley Pui Wun KHOO 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, 6 November 2007

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

We have audited the financial statements of The Hong Kong Society of Financial Analysts Limited (the "Society") set out on pages 19 to 28, which comprise the balance sheet as at 30 June 2007, and the income and expenditure account, statement of changes in members' general funds and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 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 the report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and true and fair presentation of the financial statements 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 Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Society's affairs as at 30 June 2007 and of its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Chan, Li, Law & Co.
Certified Public Accountants (Practising)
Hong Kong, 6 November 2007

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
INCOME			
Membership fees	5	3,438,553	2,230,051
Surplus from candidate education	5	350,089	239,242
Surplus from continuing education	5	183,710	300,324
Deficit from social functions	5	(135,421)	(93,088)
Deficit from university investment research competition	5	(90,204)	(42,916)
Surplus from business valuation forum	5	1,500	3,553
		<hr/>	<hr/>
		3,748,227	2,637,166
OTHER REVENUE			
Interest income	6	220,659	119,480
Realised gain on disposal of listed securities		-	47,449
Sundry income		1,061	690
		<hr/>	<hr/>
		221,720	167,619
		<hr/>	<hr/>
		3,969,947	2,804,785
		=====	=====
EXPENDITURE			
Administrative expenses			
Depreciation	10	26,944	117,324
Electricity		13,551	10,332
Personnel costs	7	1,132,761	890,295
Rent, rates and building management fee		506,125	350,223
Telephone and internet		36,707	31,967
		<hr/>	<hr/>
		1,716,088	1,400,141
Other operating expenses			
Accountancy fee		-	2,500
Audit fee		13,000	10,000
Bank charges		8,440	8,354
Business registration fee		3,946	3,946
Exchange/translation loss		760	11,003
Insurance		7,156	8,783
Professional fees		9,718	5,805
Local travelling		447	1,432
Meeting expenses		26,748	13,752
Overseas travelling		44,682	43,396
Postages, printing and stationery		90,594	89,401
Repairs and maintenance		29,639	14,810
Sundry expenses		3,487	11,339
		<hr/>	<hr/>
		238,617	224,521
		<hr/>	<hr/>
Total operating expenses		1,954,705	1,624,662
		=====	=====
		2,015,242	1,180,123
		=====	=====

The notes on pages 23 to 28 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
BALANCE SHEET AS AT 30 JUNE 2007
(Expressed in Hong Kong dollars)

	Note	2007 HK\$	2006 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	10	39,151	14,150
Investment securities	11	1,200,892	1,348,151
		<u>1,240,043</u>	<u>1,362,301</u>
Current assets			
Accounts and other receivables		812,530	144,940
Deposits and prepayments		217,466	110,380
Fixed deposits		2,687,970	2,277,292
Cash and bank balances		3,084,022	1,473,960
		<u>6,801,988</u>	<u>4,006,572</u>
Current liabilities			
Accounts payable and accruals		1,342,255	820,841
Temporary receipts		15,069	15,847
Receipts in advance		582,816	445,536
		<u>1,940,140</u>	<u>1,282,224</u>
Net current assets		<u>4,861,848</u>	<u>2,724,348</u>
NET ASSETS		<u>6,101,891</u> =====	<u>4,086,649</u> =====
REPRESENTED BY:-			
MEMBERS' GENERAL FUNDS		<u>6,101,891</u> =====	<u>4,086,649</u> =====



Hak Kau LUNG, CFA
President



Sin Man TSANG, CFA
Treasurer

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' GENERAL FUNDS
FOR THE YEAR ENDED 30 JUNE 2007
(Expressed in Hong Kong dollars)

	Members' general funds HK\$
Balance at 1 July 2005	2,906,526
Surplus for the year	1,180,123

Balance at 30 June 2006	4,086,649
Surplus for the year	2,015,242

Balance at 30 June 2007	6,101,891
	=====

The notes on pages 23 to 28 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007
(Expressed in Hong Kong dollars)

	2007 HK\$	2006 HK\$
Cash flows from operating activities		
Surplus for the year	2,015,242	1,180,123
Adjustments for :-		
Interest income	(220,455)	(119,480)
Depreciation	26,944	117,324
	1,821,731	1,177,967
(Increase) in accounts and other receivables	(667,590)	(40,797)
(Increase) in rental and utility deposits and prepayments	(107,086)	(1,000)
Increase in accounts payables and accruals	521,414	645,869
(Decrease) in temporary receipts	(778)	(1,418)
Increase in receipts in advance	137,280	445,536
	1,704,971	2,226,157
Investing activities		
Payments to acquire property, plant and equipment	(51,945)	(13,563)
Decrease in investment securities	147,259	1,841
Decrease/(increase) in fixed deposits matured over three months when acquired	1,000,000	(993,000)
Interest received	220,455	119,480
	1,315,769	(885,242)
Net cash (used in) investing activities		
Increase in cash and cash equivalents	3,020,740	1,340,915
Cash and cash equivalents at beginning of the year	2,251,252	910,337
	5,271,992	2,251,252
Cash and cash equivalents at end of the year	5,271,992	2,251,252
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	3,084,022	1,473,960
Fixed deposits matured within three months when acquired	2,187,970	777,292
	5,271,992	2,251,252

The notes on pages 23 to 28 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007
(Expressed in Hong Kong dollars)

1. SOCIETY INFORMATION

The Society is a company incorporated and domiciled in Hong Kong 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. The registered office and principal place of business of the Society are located at Suite 1604, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong. The principal activities of the Society are to promote and raise standards in the practice of financial analysis in Hong Kong.

The maximum number of members which the Society has registered is 10,000. The number of members of the Society as at 30 June 2007 was 4,835 (2006 : 3,319).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

The estimates and underlying assumptions are reviewed on a going concern 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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 asset has been put into operation, such as repairs and maintenance, is

normally charged to the income and expenditure 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 asset, the expenditure is capitalised as an additional cost of the asset.

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment is determined as the difference between the net proceeds from disposal and the carrying amount of the item and is recognised in the income and expenditure account on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows :-

- Leasehold improvements over 36 months
- Furniture and equipment over 36 months

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(b) Investment in securities

Investments in securities held for long term purpose are stated at amortised cost less any accumulated impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the income and expenditure account. This impairment loss is written back to income and expenditure account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is a persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(c) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of an asset is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. An impairment loss is recognised in the income and expenditure account whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is credited to the income and expenditure account in the period in which the reversal is recognised.

(d) Accounts and other receivables

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment loss except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment loss.

(e) Accounts and other payables

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

(f) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income and expenditure account, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in term of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(g) Recognition of income

Revenue is recognised when it is probable that the economic benefits will flow to the Society and when the revenue can be measured reliably on the following bases:-

- (i) Membership fee income is recognised on accrual basis when it is due.
- (ii) Income from programmes and functions is recognised when the programmes and functions are completed.
- (iii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the applicable interest rate.

(h) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to mandatory provident fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income and expenditure account on the straight line basis over the lease terms.

(j) Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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 notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of cash flow statement, bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Society's accounting policies, the directors have to make assumptions, estimates and judgements that have significant impact on the amounts of assets, liabilities, income and expenses recognised in the financial statements. The assumptions, estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, reviewed on a continuous basis and revised when they are significantly different from the actual results. At the balance sheet date, the directors have not noted any of the assumptions, estimates and judgement that have a significant risk of material adjustment in next year.

5. INCOME

	2007 HK\$	2006 HK\$
Membership fees		
New members' joining fee income	772,835	310,939
Members' annual fee income	2,671,248	1,925,040
Uncollected fees recovered	3,292	2,028
Less : Uncollected fees	(8,822)	(7,956)
	<hr/> 3,438,553	<hr/> 2,230,051
Surplus from candidate education		
Programme income	1,594,537	1,198,170
Less : Programme expenses	(1,244,448)	(958,928)
	<hr/> 350,089	<hr/> 239,242
Surplus from continuing education		
Programme income	596,700	651,030
Less : Programme expenses	(410,440)	(348,656)
Uncollected income	(2,550)	(2,050)
	<hr/> 183,710	<hr/> 300,324
Deficit from social functions		
Functions income	749,992	216,849
Uncollected fees recovered	500	-
Less : Functions expenses	(885,233)	(309,937)
Uncollected income	(680)	-
	<hr/> (135,421)	<hr/> (93,088)

Deficit from university investment research competition	2007 HK\$	2006 HK\$
Competition income	39,000	50,000
Less : Competition expenses	(129,204)	(92,916)
	<u>(90,204)</u>	<u>(42,916)</u>
Surplus from business valuation forum		
Forum income	1,500	24,000
Less : Forum expenses	-	(20,447)
	<u>1,500</u>	<u>3,553</u>
	<u>3,748,227</u>	<u>2,637,166</u>
	=====	=====
 6. INTEREST INCOME		
	2007 HK\$	2006 HK\$
Bank interest income	35,711	25,055
Interest on listed debt securities	55,252	33,046
Interest on fixed deposits	129,696	61,379
	<u>220,659</u>	<u>119,480</u>
	=====	=====
 7. PERSONNEL COSTS		
	2007 HK\$	2006 HK\$
Salaries	1,071,943	849,217
Mandatory provident fund contributions	40,509	34,123
Staff welfare and allowances	20,309	6,955
	<u>1,132,761</u>	<u>890,295</u>
	=====	=====

8. DIRECTORS' REMUNERATION

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

9. INCOME TAX

Current tax has not been provided for in the financial statements as the directors consider that the Society's surplus for the year is exempted from profits tax under Section 24(2) of the Inland Revenue Ordinance. In view of such, no temporary timing differences were existed at the balance sheet date and therefore deferred tax has also not been provided for in the financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-			
At 1 July 2006	281,212	396,836	678,048
Additions	22,580	29,365	51,945
	<hr/>	<hr/>	<hr/>
At 30 June 2007	303,792	426,201	729,993
Accumulated depreciation :-			
At 1 July 2006	281,211	382,687	663,898
Charge for the year	7,528	19,416	26,944
	<hr/>	<hr/>	<hr/>
At 30 June 2007	288,739	402,103	690,842
Net book value :-			
At 30 June 2007	15,053	24,098	39,151
	=====	=====	=====
At 30 June 2006	1	14,149	14,150
	=====	=====	=====

11. INVESTMENT SECURITIES

	2007 HK\$	2006 HK\$
Debt securities		
- Listed in Hong Kong	1,200,892	1,348,151
	=====	=====
Market value	1,192,092	1,328,879
	=====	=====

12. LEASE COMMITMENTS

At 30 June 2007 the total future minimum lease payments under a non-cancellable operating lease of properties are payable as follows :-

	2007 HK\$	2006 HK\$
Not later than one year	672,672	198,352
Later than one year but not later than five years	1,121,120	-
	<hr/>	<hr/>
	1,793,792	198,352
	=====	=====

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Society is exposed to various kinds of risks in its operation and financial instruments. In general, the Society is exposed to credit, foreign currency and interest rate risks and its principal financial instruments are investment securities, cash and bank balances and accounts receivables and payables which arise directly from its operating activities. The Society has no written risk management policies and guidelines and its risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Society by closely monitoring and limiting the individual risk exposure.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 6 November 2007.

MEMBERS OF THE BOARD OF DIRECTORS



*Back from left:
Charles Lo
Tom Wu
Wallace Woo
Raymond Yuen
Frederick Tsang
Jacky Tsang*

*Front from left:
Richard Mak
Pheona Tsang
Karl Lung
Jimmy Jim
Alvin Ho
James Soutar*

President	Hak Kau LUNG, CFA
Vice-president	Wai Kee JIM, CFA
Vice-president and Secretary	Man HO, CFA
Treasurer	Sin Man TSANG, CFA
Members	Pui Leung LO, CFA Richard Kan Chong MAK, CFA Tom Chang WU, CFA Kwok Yuk TSANG, CFA Wallace Chong Keung WOO, CFA James Alexander SOUTAR, CFA Frederick Sui Cheong TSANG, CFA Helen Yuen Yee HO, CFA (resigned on 8 January 2007) Raymond Wai Pong YUEN, CFA (appointed on 6 July 2006) Ashley Pui Wun KHOO, CFA (appointed on 13 August 2007)

Board Meeting Attendance

July 2006 – June 2007

Board of Directors	6-Jul-06	7-Aug-06	4-Sep-06	9-Oct-06	6-Nov-06	30-Nov-06	20-Jan-07	6-Mar-07	3-Apr-07	8-May-07	4-Jun-07
Karl LUNG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Jimmy JIM	Attended		Attended	Attended	Attended		Attended		Attended		Called in
Alvin HO		Attended	Attended	Attended	Attended		Attended		Attended		
Pheona TSANG	Maternity Leave	Maternity Leave	Maternity Leave	Attended	Attended		Attended	Attended	Attended		Attended
Helen HO	Called in	Attended		Called in	Called in		Resigned on 8-Jan-07				
Charles LO	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Called in
Richard MAK	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended	Attended	
James SOUTAR		Attended	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
Wallace WOO	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Tom WU		Attended	Attended	Attended	Attended		Attended				
Raymond YUEN	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended			Called in

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