



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

A large, stylized graphic of the word 'BOND' is centered on the page. The letters are filled with a photograph of various dim sum dishes, such as dumplings and buns, served in bamboo steamers. The word is outlined in a thick blue border.

BOND

ANNUAL REPORT 2011



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

MISSION STATEMENT

- * To raise the standard of practice and uphold the ethical standard of the Hong Kong financial services industry.
- * To promote the CFA[®] designation and The Hong Kong Society of Financial Analysts.
- * To provide a forum for our members, the CFA Institute, other investment industry practitioners and regulators.

Cover Photo:

Dim Sum Bond Fancy - Hong Kong Offshore CNY Centre.

REPORT OF THE PRESIDENT

Dear Society Members,

On behalf of the Board, I am delighted to report that the Society squeezed greater efficiencies from its limited resources in FY2011 increase activities, all the while contributing to the evolution of the local financial landscape.

2011 was a challenging year for market practitioners. Financial markets were extremely volatile as a result of market turmoil and regulatory change. Nonetheless, Board members and volunteers demonstrated their commitment, supporting the Society despite their hectic schedules.

At this year's annual strategic planning session, the Board refined the Society's mission statement. The new statement better reflects our member proposition, commitment to local financial services industry and our promotion of the CFA designation and HKSFA. Our activities and resource allocation are benchmarked to these statements.

We then developed milestones to gauge progress and enable follow up. Issues benchmarked included brand awareness, our revenue model, member participation rates, our signature event, volunteer programme, Advisory Board, IT, website support, advocacy and succession planning.

HKSFA aspires to lead the local financial services industry in ethical standards of practice and professional education. We aim to deliver on these objectives via high quality Continuing Education events, networking focused member activities, dedicated advocacy work and providing a forum to facilitate effective communication between our members, the CFA Institute and local regulators.

A few key statistics and a summary of our initiatives highlight our achievements and collaboration with CFA Institute over the past year.

- The HKSFA had 4,983 members as at October 2011.
- 2,135 participants attended our CE events (2010: 1,932), representing 96 CE credits awarded to participants.
- Our event topic relevancy and overall presentation quality was rated excellent by participants.
- We held over 25 networking events, career talks and other outreach programmes.
- Our new Charter gives our Board of Directors and Senior Management a reference to the Society's governance structure and roles of Directors.
- Our re-designed website provides members with better access to our activities, job posting and information.
- The HKSFA worked closely with the CFA Institute in 2011. Our members helped to produce the CFA Career Guide, participated actively on the GIPS Committee and play a key role in organising the 2012 CFA Institute Asia-Pacific Investment Conference.
- The Society worked closely with our local regulators in 2011, presenting position papers, volunteering for committee work and participating in Investor Education Seminars.

Please refer to Committee Chairs' working reports in the following sections.

Outlook for 2012

Volunteer support is pivotal to the Society's future. Succession planning remains a top priority. We are constantly looking for new volunteers. Successful volunteer recruitment is critical to developing our leadership pool.

Making an impact in the Hong Kong financial services industry is important to our members. Our dedication to advocacy work and a reasonable relationship with regulators gives us a voice on relevant industry issues. This fits our mission of raising the standard of practice and upholding the ethical standard of the local industry. Our newly established Advisory Board advises the Board of Directors on key strategic issues and

helps to strengthen the Society's connection with the local investment community and regulators.

We will devote more resources to brand awareness, member communication and career development going forward. HKSFA offers a wide ranges of value-added activities to our members. However, these fall short without effective communication. We realise our monthly e-newsletter and flyers are increasingly challenged to attract member attention and spur participation. We are actively seeking alternatives.

Appreciation

I would like to thank my fellow Board members, volunteers, university partners and corporate sponsors for their support to the Society. Special thanks to our retiring Board members – Patrick Ho and May Chan, for their invaluable contributions.

This is my twelfth year as an HKSFA member and second term as President. I remain deeply touched by the enthusiasm and dedication of the Society's volunteers.

My sincere thanks also to the Staff Office, lead by Mdm Cheri Wong, for their work in organising our events and their administrative support. Last but not least, we give our appreciation to CFA Institute Asia Pacific Office for their kind support.

The Society will not be a success without your support and participation. We welcome your comments and advice. We look forward to meeting you in our upcoming events.

Yours sincerely,

Jimmy Jim, CFA
President

REVIEW OF OPERATIONS

CONTINUING EDUCATION

In FY2011 HKSFA hosted 2,135 participants at a total of 36 Continuing Education (CE) events. This was up 11% and 24%, respectively, from the 1,932 participants who attended our 29 events in FY2010. We believe our unique content and speaker mix allowed us to post this growth despite a slight increase in our CE event charges. The HKSFA will continue to enhance our CE programme offering in FY2012. Relevance - derived from participant feedback - and quality remain the key tenants of our CE programme.



The HKSFA continuing education programme staged 19 luncheons, 7 seminars and 10 workshops in FY2011. Our major accomplishment was to broaden our speaker base and content while maintaining convenient timing and competitive price.

We widened our programme beyond its traditional equity and fixed income content in FY2011. Our goal was to help participants better diversify and risk manage their portfolios in an environment of ongoing market turmoil. New events included credit derivatives following the Lehman incident and commodities given the significant price volatility amid the geopolitical uncertainties. We also offered new life style interest and wine and art investment seminars.

HKSFA also broadened the CE Programme's scope to include globally established sectors within the context of Asia's rapidly emerging markets. We staged China automobile and entertainment industry CE events where industry leaders as well as buy- and sell-side analysts presented their views. These sectors continue to attract our participants' interests given the high growth potential and increased domestic consumption appetite of China's affluent middle class.

Our CE events also highlighted emerging investment trends in Hong Kong. RMB and ETF events are key examples. We held two Mandarin luncheons on Renminbi (RMB) to draw on the expertise of non-English speakers with personal connection to the topic. HKSFA plans to hold more of such events as Hong Kong positions itself to be the offshore centre for RMB internationalization. We are careful to ensure these events highlight both the opportunity and risk that these new asset classes present.

We draw our speakers from as diverse a pool as possible. They include academics, industry professionals, lawyers, accountants, consultants, and regulators as well as investment managers and analysts. Our speakers come from Europe, the Americas and Australasia as well as Hong Kong. Given Hong Kong's role as a gateway to China, our speakers usually present their views on their topic's impact to China from a Hong Kong practitioner's perspective.



As we emerge from the global financial crisis, our contents need to cater not only for the large institutional investors but also the private bankers and wealth managers interested to get access to investment knowledge through our programme. Therefore, we plan to provide more events on investment suitability, ethics, and corporate and social responsibilities going forward.



The Board wishes to take this opportunity to thank the Continuing Education Committee members for their great efforts and look forward to an even more productive year ahead.

Continuing Education Programmes (July 10 - June 11)

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
Year 2010				
27 Jul 2010 (Luncheon)	The Role of HK in the Internationalisation of the Renminbi	Mr. Tse Yung Hoi BOC International Holdings Limited	1	95
31 Jul 10 (Seminar)	China Auto Industry: Latest Development Trends	Mr. Yankun Hou Nomura Prof. CC Chan University of Hong Kong	2.5	67
7 Aug 10 (Seminar)	The Role of ETF in Emerging Market Portfolio	Mr. Anthony Chan iShares Mr. Richard Kang Emerging Global Advisors	2.5	90
19 Aug 10 (Evening seminar)	Securities and Futures Ordinance	Mr. Adrian Bell Senior Counsel	1	50
27 Aug 10 (Luncheon)	Credit Derivatives: Securitization in the Chinese Financial Market	Mr. Stephen Wong The Chinese University of Hong Kong	1	78
30 Aug – 1 Sep 10 (3 Workshops)	Performance Measurement and GIPS® Workshops - Intermediate Performance Measurement & Attribution - Advanced Performance Measurement & Attribution - Global Investment Performance Standards (GIPS®)	Mr. Carl Bacon, CIPM StatPro Group plc	3.5 - 6	18 18 12
3 Sep 10 (Luncheon)	Modern Monetary Theory	Dr. Frank Richard Ashe Australian Q-Group	1	88
15 Sep 10 (Luncheon)	Fixed Income Fund Investments: Is it all about Dividend/Distribution Yield?	Ms. Cecilia Chan HSBC Global Asset Management (Hong Kong) Limited	1	87
8 Oct 10 (Luncheon)	The Structure of Risk Model	Mr. Jason MacQueen Alpha Strategies	1	38
20-23 Oct 10 (4 workshops)	Advanced Financial Analysis Series - Advanced Financial Modeling - Core Model - Insurance Company Financial Statements and Modeling - Distressed Securities Overview - Leveraged Valuation & Intermediate LBO Modeling	Mr. Hamilton Lin, CFA Wall St. Training	6.5 (per workshop)	26 11 9 16
27 Oct 10 (Luncheon)	Mining Industry: Outlook & Fundamental Analysis	Mr. Andrew Driscoll CLSA	1	89
29 Oct 10 Luncheon)	Global Markets and Investor Flows: Risks & Opportunities	Mr. Samarjit Shankar BNY Mellon	1	74
30 Oct 10 (Seminar)	Asset Management in PRC	Mr. Anthony Ho China Asset Management (Hong Kong) Limited Ms. LS Goh PricewaterhouseCoopers HK Mr. Alex Wong PricewaterhouseCoopers Mr. Leslie Mao, CFA Towers Watson	2.5	85
25 Nov 10 (Luncheon)	Hedge Funds Trading Psychology - How Peak Performance Traders Conquer the Inner Game to Success	Mr. Edward Chin MDE Walters Capital	1	93
9 Dec 10 (Luncheon)	Behind Wine Investment	Mr. Karl Lung, CFA, AIWS	1	76
16 Dec 10 (Luncheon)	Advising the Behavioural Investor: Keys to Helping Clients Stay Rational in Times of Market Turmoil	Mr. Gregg S. Fisher, CFA, CFP Gerstein Fisher	1	56

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
Year 2011				
6 Jan 11 (Luncheon)	Multi-speed Recovery	Mr. Nicholas Kwan, CFA Standard Chartered Bank	1	80
27 Jan 11 (Luncheon)	China Entertainment Industry	Mr. Billy Ng, CFA Bank of America Merrill Lynch Global Research	1	72
23 Feb 11 (Luncheon)	Infrastructure – A Defensive Sector to Withstand Market Turbulence	Mr. John Myers Morgan Stanley Infrastructure	1	71
26 Feb 11 (Seminar)	China Banking Industry – Emerging Opportunities and Challenges	Mr. Simon Ho, CFA Citi Investment Research-Asia Pacific Mr. Stephen Long Moody's Investors Services	2.5	83
28 Feb 11 (Luncheon)	Screen Winners from Losers Using Simple Fundamental Analysis in Small-capitalization Stocks in Hong Kong	Dr. Allen Ng Chi Cheong, CFA The Hong Kong Polytechnic University	1	89
9-11 Mar 11 (3 workshops)	Advanced Financial Analysis Series - Advanced Financial Modeling – Core Model - Corporate Valuation Methodologies - Oil & Gas Services Industry Primer & Financial Modeling	Mr. Hamilton Lin, CFA Wall St. Training	6.5 (per workshop)	29 18 15
25 Mar 11 (Luncheon)	Acceptance of Mainland Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong	Mr. Colin Chau Hong Kong Exchanges and Clearing Limited	1	62
7 Apr 11 (Luncheon)	SFC Structured Product Code	Ms. Alice Law Securities and Futures Commission	1	54
7 May 11 (Seminar)	2nd Generation Succession Planning – An Asian Investor's Perspective	Mr. Mark Smallwood, TEP Deutsche Bank Private Wealth Management Mr. Steve C. Lin Aspect Management Consulting	2.5	74
14 May 11 (Seminar)	Hong Kong IPOs: Picking the Winners and Avoiding the Losers	Mr. John Bugg, CFA Macquarie Funds Group Ms. Christine Lie Hong Kong Exchanges and Clearing Limited Mr. Yin Toa Lee, CFA Ernst & Young	2.5	69
18 May 11 (Luncheon)	The Art of Investing in Art	Mr. Michael Nock Michael Nock & Associates Limited	1	70
10 Jun 11 (Luncheon)	Renminbi Internationalization - Review and Outlook	Mr. Tse Yung Hoi BOC International Holdings Limited	1	86
24 Jun 11 (Luncheon)	Commodity Outlook 2011	Ms. Judy Zhu Standard Chartered Bank	1	87

ADVOCACY

The society remained active in advocacy during FY2011, aiming to change the local financial industry for the better. We co-hosted the popular Investor Education Series with the Hong Kong Securities and Futures Commission. The Board also launched a radio series on Radio Television Hong Kong (RTHK), the city's public broadcaster. Transcripts of the show - entitled "Financial Analysts Weekly Journal Series" - were published also in the Hong Kong Economic Journal, a reputable local financial newspaper.



Topics covered in RTHK Interviews with HKSFA Directors in the "Financial Analysts Weekly Journal Series":

1. Fixed Income Investment
2. Secrets behind Private Equity Investment Unveiled
3. One Day of an Analyst: Part One
4. One Day of an Analyst: Part Two
5. Interview with 2010-11 Investment Research Challenge Winning Team: HKUST
6. Observations and Views on Asian Financial Markets
7. Analysis of Hong Kong Property Sector
8. How retail investors can survive the stock market turbulence and a global financial market outlook

Topics covered in our Investor Education Series seminars included "RMB Opportunities, Investment Strategy and its Related Risk", "Analyzing Real Estate Investment Trust", "How Fund Managers Read IPO Prospectus", and "Investment Strategies under Inflationary Environment". More than 300 people attended. Seminar contents were published in the Hong Kong Economic Journal.



Our Advocacy Committee published a total of six responses to consultation papers issued by the Legislative Council of Hong Kong, the Securities and Futures Commission, the Hong Kong Exchanges and Clearing Limited and the CFA Institute. Topics covered included: regulatory oversight of credit rating agencies, proposed changes to Hong Kong Stock Exchange trading hours, regulatory framework for pre-deal research, structured products amendment bill, code on corporate governance practices, and guidance statement on alternative investment strategies and structures.



In the coming year, the Board will continue to maintain regular and direct contacts with the government and regulators and actively promote a higher standard of practice in the industry.

HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

The global GIPS Council held its annual meeting in Hong Kong for the third time this year. Their first visit in 2005 helped us to launch our efforts in Hong Kong, and the visit in 2007 marked our 2nd anniversary. On its visit, the GIPS Council endorsed the new inspirations of our GIPS Committee.

We supplemented our GIPS education and awareness programmes with an alternative investments initiative. The GIPS Committee recruited new members from various alternative investment areas to support the effort.

The GIPS Committee members actively participated in CFA Institute's GIPS Executive Committee's activities in 2010 and 2011. These include:

- sitting on the GIPS Investor/Consultant Sub-Committee and the Certificate in Investment Performance Measurement (CIPM) Association Advisory Council,
- attending the 2010 and 2011 GIPS Annual Conferences in San Francisco and Chicago respectively, and
- providing our comments on the Guidance Statement on Alternative Investment Strategies and Structures exposure draft in June 2011.

We hope our efforts will keep Hong Kong on the forefront of developments in the global financial industry.

HKSFA INVESTMENT RESEARCH CHALLENGE 2010-11

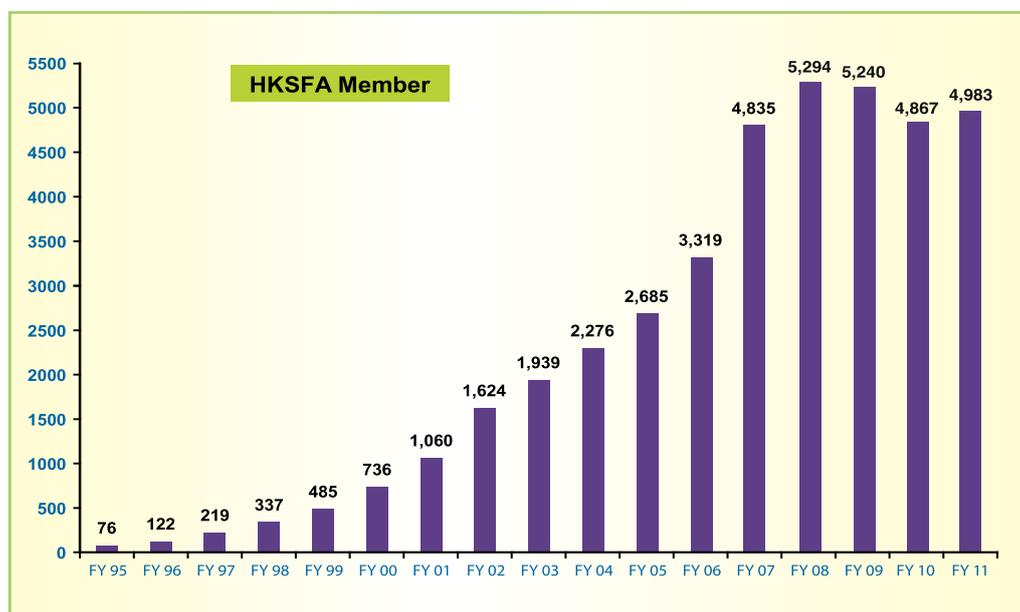
All eight of Hong Kong's universities participated in the 7th HKSFA Investment Research Challenge. The competition's objectives are to promote the practice of professional investment research and analysis and raise awareness of the CFA Programme and HKSFA with university students.

Each team was required to analyse a Hong Kong-listed company, submit written research report, and then present its recommendation to a panel of judges. Teams were assessed on the analytical quality and recommendation justification of their entry as well as their ability to answer judge's questions. The Hong Kong University of Science and Technology team won this year's competition, going on to represent Hong Kong at the Asia-Pacific Regional Investment Research Challenge in Bali in February 2011.



MEMBERSHIP

HKSFA membership grew to 4,983 as at 30 June 2011 - up from 4,867 a year earlier. 88.5% of our members come from Hong Kong, 7.2% from mainland China, 1.4% from Taiwan and 3% from other areas. 94.1% of our members are CFA charterholders.



We would like to highlight two trends. First, our membership levels stabilised in 2011. The sharp decline in FY10 coincided with the formation of CFA China Representative Offices in Beijing and Shanghai. Second, members transferring to the HKSFA from overseas societies are an increasingly important source of new members for the HKSFA. In 2011, 110 of our new members came via this route.

Overall, Hong Kong ranked the 4th largest society of the CFA Institute globally.

Top Ten Societies of CFA Institute as at 2 July 2011:

Society:	Member count:	Growth (from 2010)
1. New York	9,565	+736
2. Toronto	7,289	+228
3. United Kingdom	6,688	+183
4. Hong Kong	4,990	+123
5. Boston	4,965	+72
6. Chicago	3,726	+35
7. San Francisco	2,980	+94
8. Singapore	2,359	+117
9. Swiss	2,056	+114
10. Montreal	2,047	+80

MEMBER SERVICES

FY2011 was another busy year for HKSFA Member Services. The Committee remains versatile, offering a variety of lifestyle social events during the year. These included Art Jamming, Cake Making and Ceramic fun with dinner.

We are pleased to account for major activities held in the past year as follows:



Happy Hour Gathering & Welcome Reception for New Members

Happy Hour Gatherings are held at the HKSFA office on the second Thursday of each month. The event remains popular after many years on the HKSFA calendar. We supplement these with new member welcome receptions from time to time. These informal and friendly gatherings give members a chance to meet old friends and make new connections within the Society. What's more, free drinks and snacks are served after a hard day's work!

We held a series of themed Happy Hour events this year. A joint gathering with the CFA Institute held on 10 March 2011 gave HKSFA members an opportunity to meet senior CFA Institute Asia Pacific management and HKSFA Directors. On 31 May 2011, CFA Institute staff demonstrated the new 'My CFA' smart-phone compatible customisable platform at an event hosted at the HKSFA office. The application incorporates journals and trade magazines and alerts on the latest industry changes.

We also held other special interest events throughout the year. On 17 March 2011, HKSFA hosted an SFC information sharing session featuring Mr. Mark Steward, Executive Director of the Enforcement Division of the SFC. He explained the role of expert witnesses, who play an important role in the trial process. On 14 April 2011, we were privileged to welcome Mr. Tony Leung, CFA, CIPM, Head of Risk Management and Middle Office at CITIC Securities International Company Limited. He presented a talk entitled "Market readiness on RMB IPO" where he explored the readiness of various market participants for a listing.

Lastly, we were delighted to host a lifestyle gathering on 9 June 2011 with Mr. Michael Chiang (蔣匡文). A distinguished scholar in Chinese architecture and garden designs, he delivered a presentation on "Feng Shui and Property Investment & Development".

Squid Fishing Trip & Summer Boat Trip

Both our 30 July and 21 August 2010 cruises were fully booked again this year. The events gave members and guests a chance to enjoy some summer fun and a break from Hong Kong's summer heat.

Wine Tasting Dinners

The HKSFA held two wine tasting events in FY2011.

A "French Wine, French Cuisine"- themed wine tasting dinner was held on 15 October 2010. A total of 24 members and friends enjoyed an evening of fine wine and scrumptious food.

We hosted "A night of Burgundy" tasting dinner on 27 May 2011. While Bordeaux is probably the more famous wine region in France, Burgundy arguably produces finer and more expensive wines. The event saw 21 participants sample fine wines - including Grand Cru whites and reds - from renowned Burgundy producers.



Oyster Shucking Master Class

On 21 January 2011, members got the opportunity to network while learning about these popular delicacies. Over fine wines, members learned how to open oysters with skill and finesse. Members were also taught the finer points of selecting, storing and serving oysters.



GIA Hong Kong Workshop

HKSFA sponsored a “Diamond and Coloured Stones” workshop on 25 June 2011 where the speaker of GIA presented the basics of formation, properties and the grading system.

The GIA provides education, laboratory services, research, and instruments needed to set and maintain worldwide gem grading and identification practices. It created the “4Cs” and the GIA International Diamond Grading System™.



Trailwalker

The HKSFA again formed 4 teams to take part in the Hong Kong Oxfam Trailwalker charity hike in FY2011. All 16 participants completed the grueling 100km MacLehose Trail held on the weekend of 19 November 2010 within the 48-hour limit. Our teams raised approximately HK\$160,000, again making the HKSFA one of the major fund raisers.

Oxfam uses funds raised to support its long-term development and humanitarian relief programmes in Hong Kong, China, other parts of Asia and Africa. We would like to take this opportunity to thank those who participated in the walk, our supporter teams, and those who generously donated.

HKSFA Annual Forecast Dinner & CFA® Charter Award Ceremony 2010

Our signature event was held at the Hong Kong Football Club on 12 November 2010. The CFA Institute and the Society welcome new charterholders and candidates completing all three levels of the CFA examinations each year to celebrate their career milestone on this very important occasion. This year’s event was attended by 197 members, graduates and guests. 109 candidates were present at the award ceremony. Mr. Raymond J. DeAngelo, Managing Director, Stakeholder Services, Marketing and Communications of CFA Institute presented new charterholders and successful candidates their CFA Charters and Letters of Achievement respectively.

We were honoured to welcome Mr. Charles Li, Chief Executive of the Hong Kong Exchanges and Clearing Limited, as our Forecast Dinner keynote speaker.

His speech was followed by a panel



discussion on the region's economy and financial markets. Mr. Richard Mak, CFA, Director of HKSFA, moderated. Our distinguished panel included Mr. Sean Darby, Chief Asian Equity Strategist of Nomura International (Hong Kong) Limited, Mr. Thomas Deng, CFA, Head of China Equity Capital Markets of Goldman Sachs, and Mr. Jun Ma, Managing Director, Chief Economist for Greater China and Head of China/Hong Kong Strategy of Deutsche Bank. Panelists and audience members made forecasts on the Asia currency index, Asia Pacific equity indices and total size of RMB deposits in Hong Kong and on the outcome of other ongoing situations within the investment industry.



We take this opportunity to express heartfelt appreciation to our renowned speakers and panelists who made the Annual Forecast Dinner and CFA® Charter Award Ceremony another success in 2010. We hope it continues to be a show-case annual event of the HKSFA.

Member Services Functions

Member Services Functions July 10 – June 11		
Date	Programme Topic	No. of Attendants
30 Jul 10	HKSFA Squid Fishing 2010	20
12 Aug 10	Happy Hour Gathering - Career Talk “The Latest Job Market Update”	34
21 Aug 10	Summer Boat Trip 2010	20
9 Sep 10	Happy Hour Gathering - Career Talk “Latest Job Market Demand, Salary Trend and Implications of China Factor”	39
25 Sep 10	Ceramic Workshop and Dining	7
15 Oct 10	Wine Tasting Dinner: French Wine, French Cuisine	24
12 Nov 10	Annual Forecast Dinner and CFA Charter Award Ceremony 2010	197
19 Nov 10	Oxfam Trailwalker 2010	16
21 Jan 11	Oyster Shucking Master Class	20
19 Feb 11	Cake Making Workshop	7
3 Mar 11	Welcome Reception for New Members	25
10 Mar 11	CFA Institute & HKSFA Joint Happy Hour Gathering	59
17 Mar 11	HKSFA & SFC Information Sharing Session “The Job as an Expert Witness”	25
25 Mar 11	Art Jamming Workshop	11
14 Apr 11	Happy Hour Gathering “Market Readiness on RMB IPO”	33
27 May 11	Wine Tasting Dinner: A night of Burgundy	21
31 May 11	Happy Hour Gathering “My CFA”	31
9 Jun 11	Happy Hour Gathering “Feng Shui and Property Investment & Development”	25
25 Jun 11	GIA Hong Kong - Diamond and Coloured Stones Workshop	15

CAREER DEVELOPMENT



The HKSFA strives to support our members' career progression. We re-launched our career development activities in FY2010 with two successful events:

On 9 September 2010, 38 members attended an interesting talk by Mr. Armstrong Lee, Director of Worldwide Consulting Group Co Ltd. Entitled "Job Market Updates and Forecast", his presentation gave a forward-looking view of the hot jobs available for 2010/11, salary trends and how the China factor will play on their career planning. The subject is particularly relevant in light of the revitalised market sentiment post the second half of 2010.

An equally successful event was held on 12 August 2010. There, hiring employers gave their perspectives on the current job market to our audience of 25 members, 5 candidates and 3 non-members. Mr. James Carss, Executive General Manager of Hudson also presented. His report "The Latest Job Market Update: The Hudson Report Q3 2010" showed attendees an optimistic hiring landscape for 2010/11 and gave a hirer's perspective on the latest employment trends, counter offer salary rises, and reasons for job offer refusals. Since its launch in Asia in 1998, the Hudson Report is renowned as one of the most representative employers' hiring expectations indicators.

We are grateful for the speakers and the attended members for the event success. Riding on the achievements of FY2010, we expect to rollout more of the career development activities in FY2011.

CANDIDATE EDUCATION

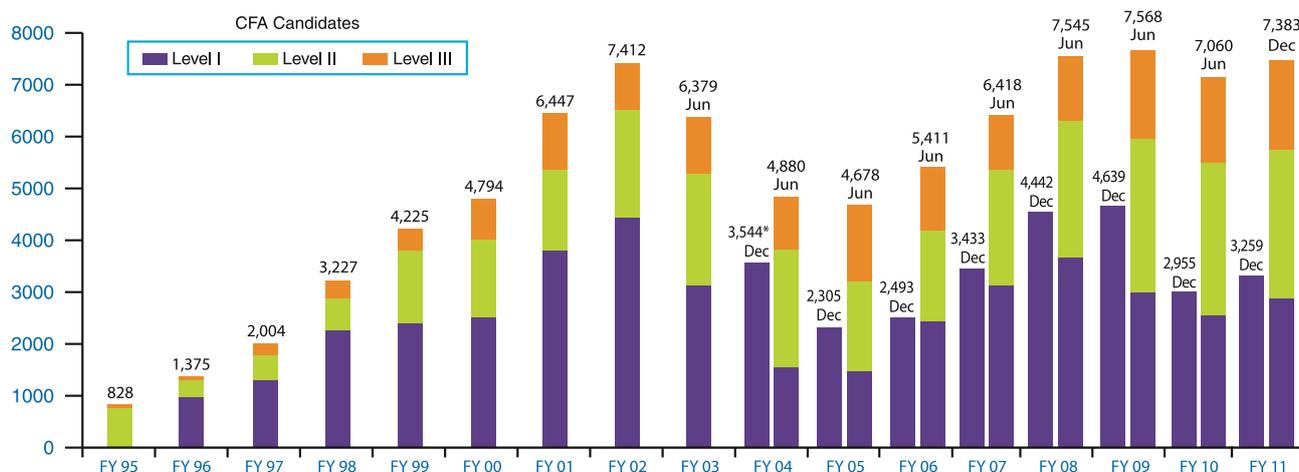
Our candidate education programme continued to be active in nurturing a new generation of CFA charterholders in FY2011. The number of CFA candidates increased by 6% in 2011 to 10,642. Our Candidate Education programme offers an end-to-end path to participants, introducing them to the CFA programme and helping them prepare for CFA exams.



HKSFA awarded 10 scholarships in FY2011. We had a total of 38 applicants. Hopefuls were screened on the basis of academic performance, financial need and their reasons for entering into the CFA Programme to ensure inclusiveness. Our scholarships help to alleviate

the financial burden for candidates pursuing the CFA designation. Ongoing global economic uncertainty has made our discounts on exam enrolment and registration fees increasingly relevant.

We actively promote the CFA programme via various channels to ensure a pipeline of quality CFA charterholders. Our two information seminars were attended by more than 130 potential candidates. These sessions provided candidates exam preparation strategies and information on non-investment management career opportunities open to CFA charterholders.



Our study group formation service remains popular. In FY2011, we organised 183 candidates into 36 study groups. Groups are formed on the basis of member time commitments and preferred location. We have found that study groups help candidates to overcome the difficulty and boredom of self-study by giving them a forum to compare notes, discuss issues and motivate each other. Beyond academic preparation, group members benefit from peer encouragement and networking opportunities.

We discontinued mock CFA exams in FY2011. Falling demand and rising costs were the key reasons. We believe that increased availability of exam simulations over the years and improved preparedness of candidates reduced the need for this offering. Nonetheless, we remain open to reviving an exam simulation activity if demand and cost permit.

Looking ahead, we will continue to work with reputable course provider to allow candidates better preparation for the CFA exam and their future careers. (Please refer to CFA Candidates chart on historical trends). We also plan to offer live exam review seminars conducted by professional instructors to allow for more interactive learning experience.

FINANCE

The Society recorded a surplus of HK\$934,507 in FY2011. This was 25% lower than the HK\$1,244,745 surplus we posted in FY2010. Membership fees remain the Society's main revenue source. Our membership grew 1.3% in FY2011. We expect slow organic growth in the coming years. Mainland members transferring to newly-established local CFA China Representative Offices caused our numbers drop in prior years.

Overhead expenses increased 24% over last year. We felt that the society's size and maturity warranted an increase in permanent capacity. These included the hiring a full-time Chief Executive Officer in October 2010. Our new resources have allowed us to stage more member social and networking events, as well as training and career development activities.

As a non-profit organisation, the Society exists to serve members in accordance with its mission statements. Member service tops monetary concern in resource allocation decisions. Our FY2011 surplus is solid and healthy. It will be used to deliver on our mission statement in coming years.

The Investment Committee of the Society invests surplus members' funds. Our main holdings are fixed income securities and units in the Hang Seng Index Tracker Fund. We believe these are prudent, long-term vehicles appropriate for managing surplus members' funds. Surplus members' funds are reasonably allocated among equity, fixed income securities and cash in our opinion. We maintain sufficient working capital - mainly in cash and bank deposits - for our day-to-day operations. Subsequent to the close of FY2011, the Investment Committee added to its fixed income holdings. The Investment Committee will continue to monitor and adjust asset allocation as appropriate.

Members' funds grew to HK\$11,835,529 in FY2011 from HK\$10,671,022 in FY2010. The increase is mainly from our FY2011 surplus and unrealised gains from equity investment.

CORPORATE GOVERNANCE

The Hong Kong Society of Financial Analysts is a non-profit organisation. While affiliated with CFA Institute, the Society is a separate legal entity.

The Society is managed by its Board of Directors. The Board is elected from among members of the Society. No directors other than the Society's Chief Executive Officer receive any remuneration or benefits in kind for their service. In accordance with 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 monthly on the first Tuesday 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.

FIVE-YEAR SUMMARY

	2011	2010	2009	2008	2007
No. of Members	4,983	4,867	5,240	5,294	4,835
No. Continuing Education Programmes	36	29	34	44	34
No. of Membership Services Functions	19	12	12	21	27
Income	HK\$	HK\$	HK\$	HK\$	HK\$
Membership Fees	3,203,775	3,162,476	3,374,520	3,520,901	3,438,553
Surplus from Education & Programmes	385,919	269,341	253,501	391,868	535,299
Interest & Sundry Income	132,461	100,412	173,651	235,901	221,720
Other Revenue	902,131	760,102	826,627		
	4,624,286	4,292,331	4,628,299	4,148,670	4,195,572
Expenditure					
Administrative Expenses	3,030,351	2,450,001	2,473,474	2,342,332	1,716,088
Other operative expenses	659,428	597,585	697,770	644,007	464,242
Total Operating Expenses	3,689,779	3,047,586	3,171,244	2,986,339	2,180,330
SURPLUS FOR THE YEAR	934,507	1,244,745	1,457,055	1,162,331	2,015,242
ASSETS					
Total of Non-Current Assets	3,215,000	3,856,554	2,745,560	3,696,273	1,240,043
Total of Current Assets	9,436,987	7,259,904	7,072,251	4,217,775	6,801,988
Total of Current Liabilities	816,458	445,436	570,534	649,826	1,940,140
Total of Net Current Assets	8,620,529	6,814,468	6,501,717	3,567,949	4,861,848
Total of Net Assets	11,835,529	10,671,022	9,247,277	7,264,222	6,101,891
Total of Members' General Funds	11,835,529	10,671,022	9,247,277	7,264,222	6,101,891

For the year of 2010/2011, reclassification on certain expenses and income items in the Five-year summary has been made so as to categorise all expenses related items into operating expenses. It is to have better presentation of financial information. The reclassification does not affect the Members' General Funds for the year in concern.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Hong Kong Society of Financial Analysts Limited (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 Analyst (香港財經分析師學會) and HKSAFA (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 2011 and the state of affairs of the Society at that date are set out in the financial statements on pages 20 to 37.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 14 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	Wai Kee JIM, CFA	
Vice-president	Man HO, CFA Frederick Sui Cheong TSANG, CFA	
Secretary	Yin Toa LEE, CFA Kwok Leung HO, CFA	(resigned on 20 January 2011)
Treasurer	Kwok Yuk TSANG, CFA	
Members	Hak Kau LUNG, CFA Pui Leung LO, CFA Kan Chong MAK, CFA Wallace Chong Keung WOO, CFA Pui Wun KHOO, CFA Yan Seen SOON, CFA Peter Anthony WATSON, CFA May Kit Sum CHAN, CFA Hoi Kan WONG, CFA Cheri Suet Kwan WONG, CFA	(resigned on 19 January 2011) (appointed on 20 January 2011) (appointed on 3 May 2011)

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. Frederick Sui Cheong TSANG, Mr. Yin Toa LEE, Ms. Pui Wun KHOO, Mr. Hak Kau LUNG, Mr. Pui Leung LO and Mr. Wallace Chong Keung WOO shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. In accordance with article 78 of the Society's articles of association, Ms. Cheri Suet Kwan WONG shall retire from office at the forthcoming annual general meeting of the Society and be eligible 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 of the Society 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 arrangement 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, 7 Nov 2011

***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 20 to 37, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the financial statements

The directors of the Society are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 this 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 about 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 judgement, 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 of financial statements that give a true and fair view 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 2011 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, 7 Nov 2011

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Hong Kong dollars)

	Note	2011 HK\$	2010 HK\$
INCOME			
Membership fees	5	3,203,775	3,162,476
Surplus from candidate education	6	134,013	163,844
Surplus from continuing education	7	251,906	105,497
		<u>3,589,694</u>	<u>3,431,817</u>
OTHER REVENUE			
Interest income	10	73,756	50,222
Exchange gain		-	60
Sundry income		-	190
CFA Institute Level 1 Funding		839,982	718,692
CFA Institute Level 2 Funding		42,059	41,410
Dividend income		58,705	49,940
Job posting income		20,090	-
		<u>1,034,592</u>	<u>860,514</u>
		<u><u>4,624,286</u></u>	<u><u>4,292,331</u></u>
EXPENDITURE			
Administrative expenses			
Depreciation	14	136,981	148,185
Electricity		15,292	14,679
Personnel costs	11	1,910,512	1,380,306
Rent, rates and building management fee		905,874	839,597
Telephone and internet		61,692	67,234
		<u>3,030,351</u>	<u>2,450,001</u>
Other operating expenses			
Advertising and promotion for public awareness		175,394	171,892
Audit fee		22,300	16,950
Bank charges		6,129	9,790
Business registration fee		1,350	1,350
Deficit from social functions	8	80,222	65,712
Deficit from investment research challenge	9	12,021	6,277
Exchange loss		2,378	-
Insurance		21,865	10,876
Professional fees		7,405	10,550
Local traveling		606	92
Meeting expenses		22,819	15,871
Commission for online receipt		34,300	22,608
Overseas traveling		107,902	52,361
Office cleaning		18,881	7,339
Office reinstatement		48,000	109,900
Postages, printing and stationery		82,682	67,067
Repairs and maintenance		12,650	14,950
Sundry expenses		2,524	14,000
		<u>659,428</u>	<u>597,585</u>
Total operating expenses		<u><u>3,689,779</u></u>	<u><u>3,047,586</u></u>

The notes on pages 20 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Hong Kong dollars)

	Note	2011 HK\$	2010 HK\$
SURPLUS FOR THE YEAR		934,507	1,244,745
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value change on available-for-sale financial assets		230,000	179,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,164,507 =====	1,423,745 =====

The notes on pages 20 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011
(Expressed in Hong Kong dollars)

	Note	2011 HK\$	2010 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	14	150,000	223,121
Held-to-maturity financial assets	15	780,000	1,578,433
Available-for-sale financial assets	16	2,285,000	2,055,000
		3,215,000	3,856,554
Current assets			
Accounts and other receivables		149,223	157,802
Deposits and prepayments		362,159	283,762
Fixed deposits		791,792	789,355
Cash and bank balances		8,133,813	6,028,985
		9,436,987	7,259,904
Current liabilities			
Accounts payable and accruals		120,664	54,220
Temporary receipts		-	4,960
Receipts in advance		695,794	386,256
		816,458	445,436
Net current assets		8,620,529	6,814,468
NET ASSETS		11,835,529	10,671,022
		=====	=====
MEMBERS' EQUITY			
Members' general funds		10,900,529	9,966,022
Investment revaluation reserve		935,000	705,000
		11,835,529	10,671,022
		=====	=====



Wai Kee JIM, CFA
President



Kwok Yuk TSANG, CFA
Treasurer

The notes on pages 20 to 37 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Hong Kong dollars)

	Members' general funds HK\$	Investment revaluation reserve HK\$	Total HK\$
Balance at 1 July 2009	8,721,277	526,000	9,247,277
Total comprehensive income for the year	1,244,745	179,000	1,423,745
Balance at 30 June 2010	<u>9,966,022</u>	<u>705,000</u>	<u>10,671,022</u>
Total comprehensive income for the year	934,507	230,000	1,164,507
Balance at 30 June 2011	<u>10,900,529</u> =====	<u>935,000</u> =====	<u>11,835,529</u> =====

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011
(Expressed in Hong Kong dollars)

	2011 HK\$	2010 HK\$
Cash flows from operating activities		
Surplus for the year	934,507	1,244,745
Adjustments for :-		
Interest income	(73,756)	(50,222)
Depreciation	136,981	148,185
Dividend income	(58,705)	(49,940)
Operating surplus before changes in working capital	<u>939,027</u>	<u>1,292,768</u>
Decrease in accounts and other receivables	8,579	355,586
(Increase) in deposits and prepayments	(78,397)	(61,682)
Increase/(decrease) in accounts payable and accruals	66,444	(46,858)
(Decrease) in temporary receipts	(4,960)	(240)
Increase/(decrease) in receipts in advance	309,538	(78,000)
Net cash generated from operating activities	<u>1,240,231</u>	<u>1,461,574</u>
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(63,860)	(322,279)
Redemption/(acquisition) of held-to-maturity financial assets	798,433	(757,900)
Interest received	73,756	50,222
Dividend received	58,705	49,940
Net cash generated from/(used in) investing activities	<u>867,034</u>	<u>(980,017)</u>
Increase in cash and cash equivalents	<u>2,107,265</u>	<u>481,557</u>
Cash and cash equivalents at the beginning of the year	<u>6,818,340</u>	<u>6,336,783</u>
Cash and cash equivalents at the end of the year	<u>8,925,605</u> =====	<u>6,818,340</u> =====
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	8,133,813	6,028,985
Fixed deposits matured within three months when acquired	791,792	789,355
	<u>8,925,605</u> =====	<u>6,818,340</u> =====

The notes on pages 20 to 37 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 2011
(Expressed in Hong Kong dollars)

1. SOCIETY INFORMATION

The Hong Kong Society of Financial Analysts Limited (the “Society”) is a company incorporated and domiciled in Hong Kong and is limited liability 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 is located at Room 1802, 18/F, 1 Duddell Street, 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 2011 was 4,983 (2010 : 4,867).

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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Society. The application of these HKFRSs has no material effects on the financial performance and positions of the Society.

The Society has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. 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 surplus or deficit 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 surplus or deficit 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) Financial assets

The Society's policies for investments in debt and equity securities, are classified as follows :-

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in surplus or deficit as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in surplus or deficit. The net gain or loss recognised in surplus or deficit does not include any dividends or interest earned on these investments.

Dated debt securities that the Society has the positive ability and intention to hold to maturity are classified as held-to-maturity financial assets. Held-to-maturity financial assets are stated in the statement of financial position at amortised cost less impairment losses if any.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses if any.

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. At the end of each

reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the other comprehensive income and accumulated separately in investment revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in surplus or deficit. Dividend income from these investments is recognised in surplus or deficit when the Society's right to receive payments is established. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to surplus or deficit.

Investments are recognised/derecognised on the date the Society commits to purchase/sell the investments or they expire.

(c) Impairment of assets

Internal and external sources of information are reviewed at the end of each reporting period 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 surplus or deficit 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 surplus or deficit 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 end of reporting period. Exchange gains and losses are recognised in surplus or deficit, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

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 ; and
 - (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 surplus or deficit 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 Society. 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 statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Society's cash management are also included as a component of cash and cash equivalents.

5. MEMBERSHIP FEES

Membership fees represent the total membership fees income, including members' annual fee income, new members' joining fee income received and receivable and the previous years' uncollected fees recovered, less uncollected fees recognised during the year, as follows :-

	2011 HK\$	2010 HK\$
Members' annual fee income	3,003,768	2,957,976
New members' joining fee income	218,007	204,500
Uncollected fees recovered	1,500	500
Less : Uncollected fees	(19,500)	(500)
	<u>3,203,775</u>	<u>3,162,476</u>
	=====	=====

6. SURPLUS FROM CANDIDATE EDUCATION

Surplus from candidate education represents the sales of study materials and the income from the provision of information session received and receivable, less the cost of study materials sold and the programme expenses incurred during the year.

	2011 HK\$	2010 HK\$
Sales of study materials and programme income	703,447	752,380
Less : Cost of study materials and programme expenses	(569,434)	(588,536)
	<u>134,013</u>	<u>163,844</u>
	=====	=====

7. SURPLUS FROM CONTINUING EDUCATION

Surplus from continuing education represents the programme income received and receivable from the provision of luncheon, seminar and workshop and the previous years' uncollected fees recovered, less the programme expenses and uncollected fees recognised during the year.

	2011 HK\$	2010 HK\$
Programme income	771,270	517,910
Uncollected fees recovered	-	500
Less : Programme expenses	(517,614)	(412,413)
Uncollected fees	(1,750)	(500)
	<u>251,906</u>	<u>105,497</u>
	=====	=====

8. DEFICIT FROM SOCIAL FUNCTIONS

Deficit from social functions represents the income received and receivable from the provision of functions, less the function expenses incurred during the year.

	2011 HK\$	2010 HK\$
Function income	128,167	118,459
Less : Function expenses	(208,389)	(184,171)
	<u>(80,222)</u>	<u>(65,712)</u>
	=====	=====

9. DEFICIT FROM INVESTMENT RESEARCH CHALLENGE

Deficit from investment research challenge represents the income received and receivable from the competition, less the competition expenses incurred during the year.

	2011 HK\$	2010 HK\$
Competition income	69,000	69,000
Less : Competition expenses	(81,021)	(75,277)
	<u>(12,021)</u>	<u>(6,277)</u>
	=====	=====

10. INTEREST INCOME

	2011 HK\$	2010 HK\$
Bank interest income	538	368
Interest on unlisted debt securities	70,781	49,104
Interest on fixed deposits	2,437	750
	<u>73,756</u>	<u>50,222</u>
	=====	=====

11. PERSONNEL COSTS

	2011 HK\$	2010 HK\$
Salaries	1,841,093	1,318,921
Mandatory provident fund contributions	54,757	50,355
Staff welfare and allowances	14,662	11,030
	<u>1,910,512</u>	<u>1,380,306</u>
	=====	=====

12. DIRECTORS' REMUNERATION

Director's remuneration disclosed pursuant to Section 161 of Hong Kong Companies Ordinance is HK\$122,903 (2010 : HK\$ Nil).

13. INCOME TAX

Profits tax has not been provided for in the financial statements as the directors consider that the Society is deemed not to carry on a business and the Society's surplus for the year is not assessable to Hong Kong profits tax under Section 24(1) and 24(2) of the Inland Revenue Ordinance. In view of such, no temporary timing differences existed at the end of reporting period and therefore deferred tax has also not been provided for in the financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-			
At 1 July 2009	303,792	534,497	838,289
Additions	279,931	42,348	322,279
At 30 June 2010	<u>583,723</u>	<u>576,845</u>	<u>1,160,568</u>
Accumulated depreciation :-			
At 1 July 2009	303,792	485,470	789,262
Charge for the year	93,310	54,875	148,185
At 30 June 2010	<u>397,102</u>	<u>540,345</u>	<u>937,447</u>
Net book value :-			
At 30 June 2010	<u>186,621</u>	<u>36,500</u>	<u>223,121</u>
Cost :-			
At 1 July 2010	583,723	576,845	1,160,568
Additions	14,900	48,960	63,860
Disposals	(303,792)	(509,692)	(813,484)
At 30 June 2011	<u>294,831</u>	<u>116,113</u>	<u>410,944</u>
Accumulated depreciation :-			
At 1 July 2010	397,102	540,345	937,447
Charge for the year	98,277	38,704	136,981
(Written back) on disposal	(303,792)	(509,692)	(813,484)
At 30 June 2011	<u>191,587</u>	<u>69,357</u>	<u>260,944</u>
Net book value :-			
At 30 June 2011	<u>103,244</u>	<u>46,756</u>	<u>150,000</u>

15. HELD-TO-MATURITY FINANCIAL ASSETS

	2011 HK\$	2010 HK\$
Unlisted debt securities, at amortised cost	780,000	1,578,433
At market value	790,407	1,587,088

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK\$	2010 HK\$
Equity securities listed in Hong Kong, at market value	2,285,000	2,055,000

17. LEASE COMMITMENTS

At 30 June 2011, the total future minimum lease payments under a non-cancellable operating lease of property is payable as follows :-

	2011 HK\$	2010 HK\$
Not later than one year	807,429	749,949
Later than one year but not later than five years	402,360	1,207,080
	<u>1,209,789</u>	<u>1,957,029</u>
	=====	=====

18. FINANCIAL RISK MANAGEMENT

The Society has classified its financial assets in the following categories :-

	2011 HK\$	2010 HK\$
Held-to-maturity financial assets	780,000	1,578,433
	-----	-----
Available-for-sale financial assets	2,285,000	2,055,000
	-----	-----
Loans and receivables :-		
Accounts and other receivables	149,223	157,802
Deposits and prepayments	362,159	283,762
Fixed deposits	791,792	789,355
Cash and bank balances	8,133,813	6,028,985
	<u>9,436,987</u>	<u>7,259,904</u>
	-----	-----
	<u>12,501,987</u>	<u>10,893,337</u>
	=====	=====

The Society has classified its financial liabilities in the following categories :-

	2011 HK\$	2010 HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	120,664	54,220
Temporary receipts	-	4,960
Receipts in advance	695,794	386,256
	<u>816,458</u>	<u>445,436</u>
	=====	=====

Except for available-for-sale financial assets stated at fair value, all other financial instruments are carried at amounts not materially different from their fair values as at 30 June 2011 and 2010. The fair value of available-for-sale financial assets is set out in note 16.

The Society is exposed to credit risk, liquidity risk and market risk arising in the normal course of its business and financial instruments. The Society's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on its financial performance and position.

(a) Credit risk

The Society is exposed to credit risk on financial assets, mainly attributable to held-to-maturity financial assets, available-for-sale financial assets, fixed deposits and cash and bank balances.

The Society's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Summary quantitative data

	2011 HK\$	2010 HK\$
Held-to-maturity financial assets	780,000	1,578,433
Available-for-sale financial assets	2,285,000	2,055,000
Loans and receivables :-		
Accounts and other receivables	149,223	157,802
Deposits and prepayments	362,159	283,762
Fixed deposits	791,792	789,355
Cash and bank balances	8,133,813	6,028,985
	9,436,987	7,259,904
	12,501,987	10,893,337

At 30 June 2011, the Society has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

An analysis of the age of financial assets that are past due as at the reporting date but not impaired :-

	2011 HK\$	2010 HK\$
Past due up to		
- 30 days	15,917	89,294
- 31 to 60 days	44,932	18,626
- 61 to 120 days	49,809	1,500
- Over 120 days	22,110	23,250
	132,768	132,670

(b) Liquidity risk

The Society is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

Summary quantitative data

	Not later than 1 month HK\$	Later than 1 month but not later than 3 months HK\$	Later than 3 month but not later than 1 year HK\$	Later than 1 year but not later than 5 years HK\$	Carrying amounts HK\$
<u>2011</u>					
Accounts payable and accruals	35,041	28,079	37,544	20,000	120,664
Receipts in advance	682,344	-	13,450	-	695,794
	<u>717,385</u>	<u>28,079</u>	<u>50,994</u>	<u>20,000</u>	<u>816,458</u>
	=====	=====	=====	=====	=====
<u>2010</u>					
Accounts payable and accruals	38,220	8,000	8,000	-	54,220
Temporary receipt	-	-	-	4,960	4,960
Receipts in advance	386,256	-	-	-	386,256
	<u>424,476</u>	<u>8,000</u>	<u>8,000</u>	<u>4,960</u>	<u>445,436</u>
	=====	=====	=====	=====	=====

(c) Market risk

(i) Currency risk

The Society receives membership fees in United States dollars (“US dollars”) that expose it to foreign currency risk. Since Hong Kong dollars (“HK dollars”) are pegged to US dollars, there is no significant exposure expected on US dollars transactions and balances.

Summary quantitative data

	US dollars HK\$
<u>2011</u>	
Held-to-maturity financial assets	780,000
Accounts receivables	3,774
Fixed deposits	791,792
Cash and bank balances	5,424,591
	<u>7,000,157</u>
	=====
<u>2010</u>	
Held-to-maturity financial assets	1,578,433
Accounts receivables	9,984
Fixed deposits	789,355
Cash and bank balances	2,206,775
	<u>4,584,547</u>
	=====

Sensitivity analysis

No sensitivity analysis for the Society's exposure to currency risk arising from financial assets denominated in US dollars is prepared since a change in value of the HK dollars against the US dollars is insignificant.

(ii) Interest rate risk

The Society's exposure on fair value interest rate risk mainly arises from its deposits with banks and held-to-maturity financial assets.

The Society mainly holds fixed deposits with bank with maturity within 3 months and the exposure is considered not significant. It also invests surplus funds in fixed income securities and such investments are not considered to expose to interest rate risk under the held-to-maturity category.

Summary quantitative data

	2011 HK\$	2010 HK\$
Floating-rate financial assets		
Fixed deposits	791,792	789,355
Cash at banks	8,130,813	6,025,985
	<u>8,922,605</u>	<u>6,815,340</u>
Fixed-rate financial assets		
Held-to-maturity financial assets	780,000	1,578,433
	<u>9,702,605</u>	<u>8,393,773</u>
	=====	=====

Sensitivity analysis

No sensitivity analysis for the Society's exposure to interest rate risk arising from financial assets is prepared since the exposure is considered not significant.

(iii) Equity price risk

The investments in equity securities are classified as available-for-sale financial assets which expose the Society to equity price risk. As the Society's policy is only to invest on such investment by its surplus funds for long term purposes, the exposure to short term equity price movement may not have significant impact on the Society's financial position unless the underlying equity investment goes bankruptcy.

Summary quantitative data

	2011 HK\$	2010 HK\$
Available-for-sale financial assets, at fair value		
- Listed equity securities in Hong Kong	2,285,000	2,055,000
	<u>2,285,000</u>	<u>2,055,000</u>
	=====	=====

Sensitivity analysis

At 30 June 2011, if the equity price increase/decrease of 10%, with other variables held constant, the Society's surplus for the year and members' general funds would have been increased/decreased by HK\$228,500 (2010 : HK\$205,500).

The sensitivity analysis has been prepared with the assumption that the change in equity price had occurred at the end of the reporting period and had been applied to the exposure to equity price risk for the relevant financial instruments in existence at that date. The changes in equity price illustrate the percentage change of the equity price from their fair value at the end of the reporting period.

The analysis is prepared on the same basis for 2010.

19. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of the financial instruments measured at fair value at the statement of financial position date across the three levels of the fair value hierarchy defined in HKFRS 7 “Financial Instruments: Disclosures”, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows :-

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments ;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data ; and
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<u>2011</u>				
Available-for-sale financial assets				
- Listed equity securities				
in Hong Kong	2,285,000	-	-	2,285,000
	=====	=====	=====	=====
<u>2010</u>				
Available-for-sale financial assets				
- Listed equity securities				
in Hong Kong	2,055,000	-	-	2,055,000
	=====	=====	=====	=====

During the year, there were no transfers between instruments in Level 1 and Level 2.

20. CAPITAL MANAGEMENT

The capital structure of the Society consists of debt, cash and cash equivalents and members’ general funds. The Society has no written capital risk management policies and guidelines and the Society manages its capital mainly to ensure the Society will be able to continue as a going concern through the optimisation of the debt and members’ general fund balances. No changes were made in the overall strategy during the year ended 30 June 2010 and 30 June 2011. The members of the board of directors of the Society regularly review and manage its capital to ensure adequacy for both operational and capital need.

21. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

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

		Effective for accounting period <u>beginning on or after</u>
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement	1 January 2011
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets	1 July 2011
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets	1 January 2012
HKFRS 9	Financial Instruments	1 January 2013

The Society has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 7 Nov 2011.

MEMBERS OF THE BOARD OF DIRECTORS



President

Jimmy Wai Kee JIM, CFA

Vice-president

Alvin Man HO, CFA
Frederick Sui Cheong TSANG, CFA

Secretary

Yin Toa Lee, CFA

Treasurer

Jacky Kwok Yuk TSANG, CFA

Members

Charles Pui Leung LO, CFA
Karl Hak Kau LUNG, CFA
Richard Kan Chong MAK, CFA
Wallace Chong Keung WOO, CFA
Ashley Pui Wun KHOO, CFA
Elizabeth Yan Seen SOON, CFA
Peter Anthony WATSON, CFA
Cedric Hoi Kan WONG, CFA (Appointed on 20 January 2011)
Cheri Suet Kwan WONG, CFA (Appointed on 3 May 2011)

Back from left:

*Jacky Tsang
Richard Mak
Charles Lo
Cedric Wong
Wallace Woo
Frederick Tsang
Tony Watson
Alvin Ho
Yin Toa Lee*

Front from left:

*Ashley Khoo
Cheri Wong
Jimmy Jim
Karl Lung
Elizabeth Soon*

Board Meeting Attendance

July 2009 – June 2010

Board of Directors	13-Jul-10	17-Aug-10	7-Sep-10	5-Oct-10	2-Nov-10	7-Dec-10	22-Jan-11	1-Mar-11	7-Apr-11	3-May-11	7-Jun-11
Jimmy JIM	Attended	Attended		Called in	Attended	Attended	Attended	Attended	Attended	Attended	Attended
May CHAN	Attended	Attended	Attended		Called in	Attended	Resigned on 19-Jan-11				
Alvin HO			Attended		Attended			Attended		Attended	Attended
Patrick HO	Attended	Attended	Attended	Called in	Attended		Resigned on 20-Jan-11				
Ashley KHOO			Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Yin Toa LEE	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Called in	Called in	Attended	Attended
Charles LO	Attended	Attended			Attended	Attended	Attended	Attended	Attended	Attended	Attended
Karl LUNG			Attended	Attended	Called in			Attended		Attended	
Richard MAK	Attended	Attended	Called in	Attended	Attended		Attended	Attended	Attended		
Elizabeth SOON				Called in			Attended		Called in	Called in	
Frederick TSANG	Attended		Attended	Attended	Attended	Attended	Attended	Attended	Called in	Attended	Attended
Jacky TSANG	Attended	Attended		Attended	Called in	Attended	Attended	Attended	Attended	Attended	
Tony WATSON	Appointed on 5-Oct-10				Attended		Attended	Attended	Attended	Called in	Called in
Wallace WOO	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Cedric WONG	Appointed on 20-Jan-11						Attended	Attended	Attended	Attended	Attended
Cheri WONG	Appointed as CEO on 4-Oct-10 and also appointed as Director on 3-May-11			Attended	Attended		Attended	Attended	Attended	Attended	Attended

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