



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

ANNUAL REPORT 2010

RMB



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, investment advice and investment management.
- * To uphold ethical standards in the financial services industry in Hong Kong.
- * To promote the CFA® designation and the local Society in Hong Kong 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 delighted to report that FY2010 has been a busy but fruitful year for the Society, in particular:

- The Society's signature events, namely, the Investment Research Challenge and CFA Charter Award Ceremony and Forecast Dinner, were successfully held and received excellent responses from the participants;
- The search of a full-time Chief Executive Officer for the Society in the past year was concluded with the appointment of Mdm Cheri Wong in October;
- The Society organised 29 local CE events and offered a total of 65 CPT/CE credit hours;
- The Member Services Committee continued to organise various interest classes and activities to promote networking among the members, including the popular wine-tasting dinners and wine appreciation courses, squid fishing and boat trips as well as Oxfam Trailwalker; and
- The Society has ensured that resources are properly allocated to other important functions such as advocacy, candidate support, investor education and public awareness to fulfill the Society's missions and provide quality services to our members.

The total number of members was 4,867 as at 30 June 2010, down from 5,240 in FY2009. The negative growth in membership base has been anticipated and was a result of the transfer of membership of the China-based members to CFA China. Though the number of our members has dropped slightly, there was actually an increase in the number of events and activities organised in Hong Kong.

The number of CFA candidates in Hong Kong decreased to 10,015 in FY2010 from 12,207 in FY2009. Our Candidate Education Programme and Scholarship Programme have assisted the candidates to prepare not only for the examinations but ultimately their future career development.

It is encouraging to see that the CE event attendance rate improved with the number of attendees reached 1,932. The Board is committed to offering quality CE programmes by inviting industry professionals to share their views on relevant topics.

On the operation side, the Society has moved to the new office located on Duddell Street and is supported by 6 full-time staff. Members are welcome to pay us a visit and borrow books from our mini library.

The Society's operating surplus was HK\$1,244,745 for FY2010, a reduction of HKD212,310 from that of last year. The Members General Fund has grown to over HKD10 million (inclusive of accumulated surplus and unrealised investment gain). A balanced budget is anticipated over the next few years. As a non-profit organisation, the Board considers the current level of surplus healthy as resources should be deployed for better services to members in accordance with our mission statement.

Outlook

The Society has the mission to raise the standards of investment practice and uphold the ethical standards in the financial industry in Hong Kong. The landscape of the financial industry is evolving with all the re-regulations in progress.

We believe the Society is in a good position to make an impact by conveying our opinion to regulators as an independent body. During the year, the Board responded to seven consultation requests and joined forces with the SFC to organise the Investor Education Seminar. We shall continue to seek your opinion on different consultation topics and industry related issues.

The key to the Society's success is the generous support from volunteers. We are keen to recruit more capable hands to the Board and the working committees. The recruitment of volunteers is also important to our succession plan. A high level of member participation is always our target.

One of the initiatives in 2011 is to form an advisory board to advise the Board on key strategic issues and strengthen the Society's connections with the local investment community and the regulators. The members of this advisory body include the past HKSFA presidents and experienced investment professionals.

The Society continues to work closely with the CFA Institute in hosting quality events and promoting the CFA programme to local employers and community. There are a number of high profile events in the pipeline and they will be communicated to our members in due course.

Appreciation

I would like to thank my fellow Board members, committee members, volunteers and corporate sponsors for their support to the Society. Last but not least, my sincere thanks to the staff office for their hard work in organising the Society events and their administrative support.

Don't hesitate to contact us should you have any comment on our work or want to join any of our committees. I look forward to meeting you in our upcoming events.

Yours sincerely,

Jimmy Jim, CFA
President

REVIEW OF OPERATIONS

CONTINUING EDUCATION

In FY2010, the CE committee organised a total of 29 events, down from 34 in the previous year. However, if the activities in the Mainland were excluded, the number of events held in FY2010 actually increased by 11% compared to that in the previous year. The total number of attendees of the events in FY2010 reached 1,932, up by 18% excluding attendees of events in China. The improvement in attendance might be attributable to the recovery of the global financial markets.



We have held various luncheons, half-day seminars, evening talk as well as workshops in FY2010. More luncheons were organised relative to seminars to accommodate the busy schedules of the guest speakers and our members. The highlight of this year's events was the *Hong Kong's Financial Industry: Challenges and Opportunities* conference where our Board members successfully invited eight high-profile speakers and attracted nearly 130 attendees. Another notable event was the seminar on Valuation of Complex Assets and Liabilities jointly organised with the Business Valuation Forum where 139 people attended. Meanwhile, our seminars on hedge funds and private equity continued to be very popular and had very high attendance.

Despite the popularity of our CE programmes, some of our luncheon events recorded losses largely because of the sharp increases in venue costs, catering and printing expenses. The Board is considering adjusting the charges for the various CE events in the coming fiscal year as they have remained unchanged since 2003.

The Board wishes to take this opportunity to thank the CE committee members for their hard work and anticipates a similar fruitful year ahead.



Continuing Education Programmes (July 09 - June 10)

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
Year 2009				
9 Jul 09 (luncheon)	Renewable Energy – Solar	Mr. Jean-Francois Meymandi SAM Sustainable Asset Management AG	1	90
11 Jul 09 (seminar)	Market Risks Seminar	Mr. Ryan Tsang, CFA Standard & Poor's Rating Services Dr. Arik Reiss Merrill Lynch	2.5	57
28 Jul 09 (luncheon)	Qualitative Factors in the Investment Process – The Importance and Role of Corporate Governance in Investment Decisions	Mr. Alexander Flatscher, CFA ACA Global Co., Ltd	1	50
29 Jul 09 (evening seminar)	Global Financial Crisis: Impact on Pension Plans and Asset/Liability Targets	Mr. Robert Prugue Lazard Asset Management Pacific Co. (Sydney)	1.5	35
4 Aug 09 (luncheon)	Fair Value Measurement: Managing Uncertainties and Stakeholders	Mr. Yin Toa Lee, CFA Ernst & Young	1	66
21 Aug 09 (luncheon)	Latest Market Views on Taiwan	Mr. William Tong J.P.Morgan (Taiwan) Asset Management	1	85
12 Sep 09 (seminar)	Hong Kong's Financial Industry: Challenges and Opportunities	Mr. Paul Man Yiu Chow Hong Kong Exchanges and Clearing Limited Ms. Tina So, MHKSI VisionGain Capital Limited Mr. Cao Yuanzheng BOC International Holdings Mr. James Hong, CFA UBS Global Asset Management Professor Kalok Chan, CFA Hong Kong University of Science and Technology Mr. Victor Leung HSBC Asian Ventures Advisers Ltd Mr. George Long, CFA LIM Advisors Ltd Mr. Tony Tsang Ernst & Young	3.5	127
6 Oct 09 (luncheon)	Valuation Challenges for Illiquid and Complex Securities in the Current Market Environment	Dr. Cindy Ma Houlihan Lokey	1	99
14 Oct 09 (luncheon)	China Commodity Demand - Real or Illusion?	Ms. Trina Chen Credit Suisse	1	83
17 Oct 09 (seminar)	Insurance Industry Seminar	Mr. Dominic Lee American International Assurance Co Ltd Ms. Sally Yim, CFA, CPA Moody's Investors Service	2.5	69
12 Dec 09 (seminar)	Valuation of Complex Assets and Liabilities	Mr. Alan W.L. Chan, CFA, AICPA, ABV RSM Nelson Wheeler Mr. Yin Toa Lee, CFA Ernst & Young	2.5	139

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
Year 2010				
13 Jan 10 (luncheon)	Reverse Takeovers: Backdoor Listings and Workout Tools	Ms. Julia Charlton Charltons Mr. Martin Sabine Somerley Limited	1	93
23 Jan 10 (seminar)	Shenzhen ChiNext Seminar 深圳創業板投資論壇	Mr. Xu Haixiao CINDA Securities Co Ltd Mr. Zhang Zhong Zhong Lun Law Firm Ms. Qiao Guanfang Daxin Certified Public Accountant Co Ltd	2.5	77
10 Feb 10 (luncheon)	Transparency Index and Company Performance: Evidence from Hong Kong	Professor Stephen Yan-Leung Cheung Hong Kong Baptist University	1	30
9 Mar 10 (luncheon)	2010: The Scent of Danger	Mr. Chris Roberts Mizuho Securities Asia Limited	1	83
10-13 Mar 10 (4 workshops)	Advanced Financial Analysis Series - Advanced Financial Modeling – Core Model - Corporate Valuation Methodologies - Private Company Valuation: Nuances & Clarifications - Bank Financial Modeling	Mr. Hamilton Lin, CFA Wall St. Training	6.5 (per workshop)	24 18 18 25
15 Apr 10 (luncheon)	The Investment Implications of Environmental Trends in Emerging Asia	Mr. Roshan Padamadan HSBC Climate Change Centre of Excellence Ms. Shally Venugopal World Resources Institute (WRI)	1	62
24 Apr 10 (seminar)	Hedge Fund Seminar	Mr. Ronnie Wu, CFA Penjing Asset Management Limited Mr. Gunther Jost, CFA, CAIA SAIL Advisors Limited Mr. Alan Laubsch RiskMetrics Labs Asia	2.5	96
3 May 10 (evening seminar)	GIPS 2010 – An Update	Mr. Carl Bacon StatPro Group plc	1.5	33
15 May 10 (seminar)	Private Equity Seminar	Mr. Alvin Ho, CFA, CPA Chepstow Capital Advisors Limited Mr. Danny Lee, CFA Bain Capital Asia, LLC Dr. K. K. Chan Nature Elements Capital Dr. Peter Lu Infinity Private Equity Fund	2.5	104
19 May 10 (luncheon)	Too Big to Save: How to Prevent the Next Financial Crisis	Mr. Robert C. Pozen MFS Investment Management®	1	43
1 Jun 10 (luncheon)	Employing the China Strategy	Dr. Edward Tse Booz & Company	1	78
2 Jun 10 (luncheon)	Investing in Gaming Stocks	Mr. Kenneth Fong, CFA Nomura International (HK) Limited	1	67
9 Jun 10 (luncheon)	Prospects for the Health Care Services Industry in Hong Kong	Mr. Bernard Charnwut Chan, GBS, JP Asia Financial Group	1	52
14 Jun 10 (luncheon)	Capturing Systematic Sources of Active Equity Returns	Mr. Ronan Heaney Westpeak Global Advisors	1	45
26 Jun 10 (seminar)	Banking Industry: Emerging Regulatory Landscape from the Financial Crisis	Mr. Arthur Yuen, JP Hong Kong Monetary Authority Mr. Phillip Straley Ernst & Young Mr. Yin Toa Lee, CFA Ernst & Young	2.5	84

ADVOCACY

HKSFA continues to be a significant advocacy group in Hong Kong. During the last year we have maintained regular and direct contacts with the government and regulators and participated in a number of public events related to regulatory issues, corporate governance as well as investor education.

The Society joined forces with the Securities and Futures Commission again to organise the Investor Education Seminar which attracted more than 350 attendants. Contents of the seminar were published in the newspapers as well as broadcast on television to reach more investors in the public.

As a result of the financial crisis in 2008, we have seen more reform and changes in the financial industry. In FY2010, we have responded to a total of seven consultation papers issued by the Financial Services and Treasury Bureau, the Securities and Futures Commission and the Hong Kong Stock Exchange. We will continue to respond to consultations for changes that are relevant to our mission, either independently or jointly with the CFA Institute's Centre for Financial Market Integrity.



HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

With the committee's fifth-year anniversary in Hong Kong, GIPS has truly established itself as the industry best practice in the eyes of investors and practitioners. While HKSFA continues to provide education on performance measurement, we have shifted our focus from promoting via out-bound activities to addressing in-bound media inquiries. Our experience has shown that there will always be a need for basic knowledge about GIPS amongst the general public. At this juncture, it is also worth noting that the Hong Kong GIPS sub-committee has fulfilled the historic mission of translating the GIPS into Chinese, and future efforts have been passed over to the capable newly formed CFA China in the Mainland.

INVESTMENT RESEARCH CHALLENGE

The HKSFA's sixth Investment Research Challenge in 2009 thus involved all eight local universities in Hong Kong. The objective of the competition is to promote the practice of professional investment research and analysis and to raise awareness of the CFA Programme and the Society among university students. Each team was required to conduct research and analysis on a Hong Kong-listed company, submit written research report, and present its findings to a panel of judges. The teams were judged on the quality of their analysis, justifications of their recommendations and their ability to answer questions from the judges. The winner of this year's competition was Hong Kong Baptist University. Their team represented Hong Kong to participate in the Asia Pacific Regional Investment Research Challenge



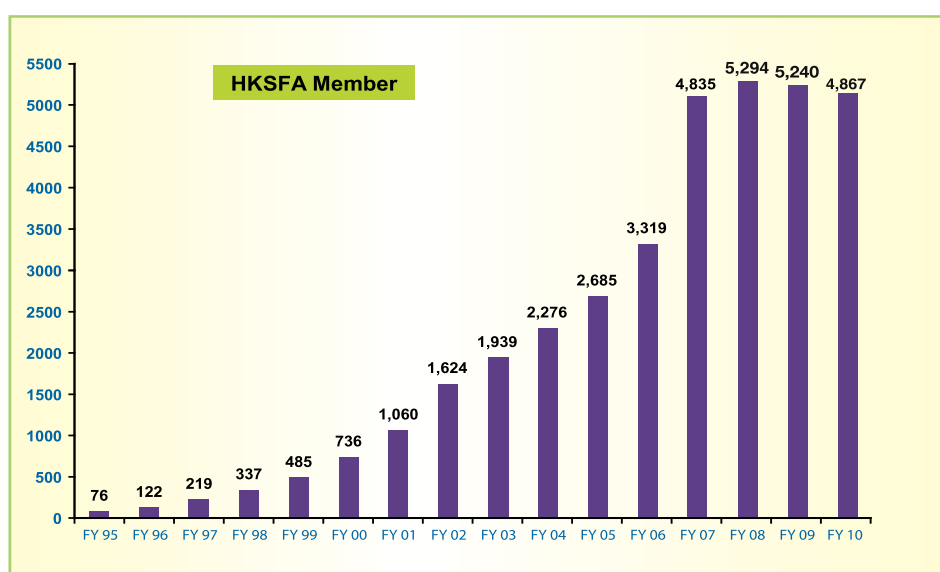
organised by CFA Institute, and was the second runner up among the 149 participating universities from the region. With the CFA China Representative Offices officially established in Beijing and Shanghai, both offices would organise their own Research Challenges to allow more local universities to participate in the event.



MEMBERSHIP

As at 30th June 2010, the total number of HKSFA members was 4,867 (84.4% from Hong Kong, 10.7% from mainland China, 1.6% from Taiwan and 3.3% from other areas) vs 5,240 in the previous financial year. Among these 4,867 members, 95.7% of them are CFA charterholders. This is the second consecutive year that the society registered a negative growth in the number of members but as we had pointed out in last year's annual report, it was primarily the result of the establishment of the CFA China Representative Offices.

However, the number of HKSFA members in Hong Kong has actually increased from 3,954 to 4,107. Overall, Hong Kong ranked the fifth largest society of the CFA Institute globally.



Top Ten Societies of CFA Institute as at 2 July 2010:

Society:	Member count:	Growth (from 2009)
1. New York	8,829	-3,278
2. Toronto	7,061	+125
3. United Kingdom	6,505	+450
4. Boston	4,893	+80
5. Hong Kong	4,867	-373
6. Chicago	3,691	+22
7. San Francisco	2,886	-18
8. Singapore	2,242	-36
9. Montreal	1,967	+18
10. Swiss	1,942	+139

MEMBER SERVICES

Given its mission to raise member awareness and encourage participation in the HKSFA activities, the Member Services Committee continues to be versatile in running a variety of social events. We introduced some interesting programmes including summer boat trip and bowling day in FY2010. As always the committee welcomes ideas, suggestions and comments from the members. Details of the activities held in the past year are as follows:

Happy Hour Gathering & Welcome Reception for New Members

The Society's Happy Hour Gathering is held in our HKSFA office every second Thursday of each month. It remains a popular programme throughout the years. From time to time we also organise welcome receptions specifically for new members. These informal and friendly gatherings give members a chance to meet new and old friends within the Society. What's more, free drinks and snacks are served after a hard day's work!

The HKSFA also held a special talk on the topic "Your Career Path Management" on 9 July 2009. We were privileged to have Ms. Mabel Ng, Director of Organisational Consulting of Right Management, to share with our members on how to manage one's own career by recognising his/her personal profile and edges as well as long-term career goals.

Summer Boat Trip

This was a well received event that the HKSFA held on 18 July 2009. Registrations reached full capacity but the turn up was unfortunately lower due to an untimely typhoon. Nevertheless, it was an enjoyable and fun trip for 21 people including both new and old members.



Bowling Day

The HKSFA organised this inaugural bowling day for more member acquaintance and network building on 16 January 2010.

WSET (Wine & Spirit Education Trust) Foundation Certificate Course

This is the introductory course for the wine enthusiasts who wish to gain knowledge in a more structured way on wine styles, storing and serving of wine and food as well as wine matching. Due to the overwhelming responses, the HKSFA launched two Cantonese sessions and one English session. A total of 47 participants attended the comprehensive full day workshop on 15 August 2009, 19 September 2009 and 6 February 2010. Some of them also registered and passed the WSET Foundation Examination and were awarded certificates issued by the WSET.



Wine Tasting Dinners

The HKSFA organised a wine tasting dinner "Bordeaux Classified Growths" for our members and friends on 9 October 2009. A total of 17 people enjoyed a great evening of fine wine and scrumptious food. As many wine lovers find it difficult to match wines with Chinese cuisine, we organised another wine tasting dinner "Wine and Chinese Food Matching" on 12 March 2010 where 25 participants have the opportunity to try matching old world wines with classic dishes from northern China.

Trailwalker

The HKSFA formed 4 teams to take part in the Oxfam Trailwalker charity hike in Hong Kong on 20 November 2009 and completed the challenge within the 48-hour limit. The 16 participants in our teams all battled the 100km MacLehose Trail with amazing spirit and effort.

Our teams raised approximately HK\$100,000 and the Society succeeded to be one of the major fund raisers in this charity event. These funds will be used by Oxfam 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, the supporters, as well as those who generously made donations.



CFA® Charter Award Ceremony and Forecast Dinner 2009

The spectacular annual event was held on 28 November 2009 at the Hong Kong Football Club. Every year, the CFA Institute and the Society welcome new charterholders and candidates who completed all three levels of the CFA examinations to celebrate their career milestone at this very important occasion. The event was well-attended by 202 participants, including members, graduates and guests. 106 candidates were present at the award ceremony. Dr. Ashvin Vibhakkar, CFA, Managing Director, CFA Institute Asia Pacific Operations, officiated the ceremony by presenting the CFA Charters and Letters of Achievement to the candidates.

We were honoured to have Professor K. C. Chan, SBS, JP, Secretary for Financial Services and the Treasury, as our keynote speaker of the Forecast Dinner. His speech was followed by the interactive panel discussion amongst the panelists, the moderator and the audience on the economy and financial markets of the region. Panelists and the audience made forecasts on various items, for example, key indices such as the HSI, the H-shares Index, and other interesting current developments within the investment industry.

Mr. James A. Soutar, CFA, our former Board of Director and the Managing Director of FrontPoint Management (HK) Ltd, was the moderator of this interesting session. We had much pleasure to have Mr. Sean Darby, Chief Asia ex-Japan Strategist of Nomura International (Hong Kong) Limited, Mr. John Tang, Executive Director and China Strategist of UBS AG and Mr. Stuart Winchester, CFA, Senior Portfolio Manager of RCM Asia Pacific Limited as our panelists that evening.

We take this opportunity to express heartfelt appreciation to our renowned speaker and panelists who made the CFA® Charter Award Ceremony and Forecast Dinner another success in 2009. We hope it continues to be a show-case annual event of the HKSFA.



Member Services Functions

Member Services Functions July 09 – June 10

Date	Programme Topic	No. of Attendants
9 Jul 09	Happy Hour Gathering – Career Talk Your Career Path Management	30
18 Jul 09	HKSFA Summer Boat Trip 2009	21
8 Aug 09	Table Tennis Family Tournament 2009	4
15 Aug 09	WSET (Wine & Spirit Education Trust) Foundation Certificate Course	16
20 Aug 09	Reception for New Members	14
19 Sep 09	WSET (Wine & Spirit Education Trust) Foundation Certificate Course	17
9 Oct 09	Wine Tasting Dinner	16
20 Nov 09	Oxfam Trailwalker 2009	16
28 Nov 09	CFA Charter Award Ceremony and Forecast Dinner 2009	202
16 Jan 10	HKSFA Bowling Day	10
6 Feb 10	WSET (Wine & Spirit Education Trust) Foundation Certificate Course	14
12 Mar 10	Wine Tasting Dinner: Wine and Chinese Food Matching	25

MEMBER COMMUNICATION

Electronic media is an effective way to communicate with and provide important information to our members.

The Society had sent out regular informative E-newsletters to our members in FY2010. This is a reflection on our prudent practice in sending out mass E-mail messages.

Members can find information on GIPS, consultation papers, annual reports, events, members' benefits and interesting articles on our website. The website has registered an annual hit rate of 3,500,000 times in FY2010. "New Job Opening" remains one of the hottest spots in our "Members Only" area on the website.

To save the environment, members may download a soft-copy of the Society's annual report from our website but may also request a hard copy.

Communication is a two-way process. We welcome your comments and feedback.

CANDIDATE EDUCATION

In FY2010, our candidate education programme continues to be active in grooming our next generation of CFA charterholders as the number of candidates decreased to 10,015 from last year's 12,207.

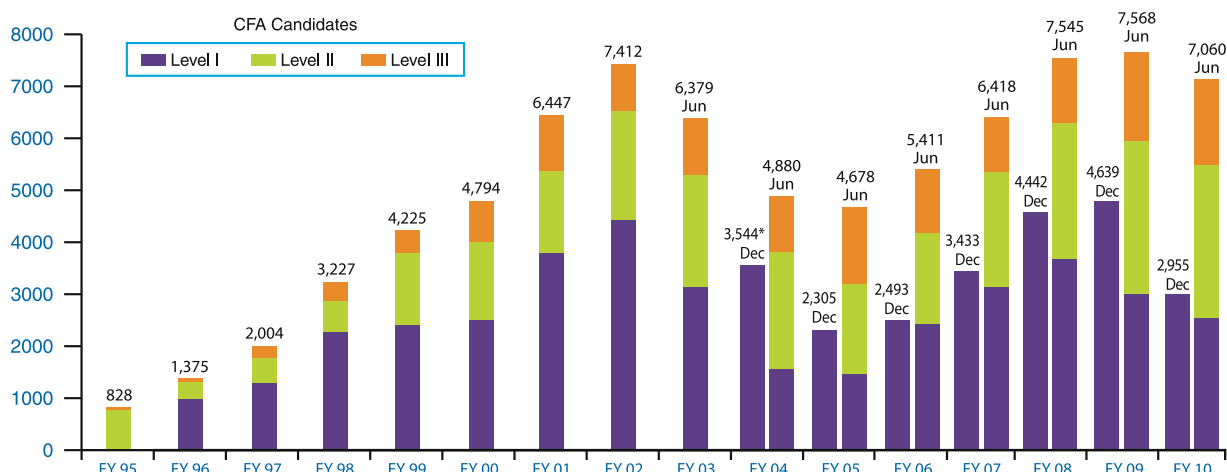
The Society's CFA Scholarship Programme received 36 applications, out of which 10 qualified candidates were selected. In the spirit of being inclusive, the qualification criteria are well-rounded to include academic performance, financial needs as well as the reasons for taking the CFA Programme. As we emerge from the financial crisis, our scholarships allow candidates to pursue the CFA designation through discounts on the exam enrolment/registration without the financial burdens.

We have actively promoted our candidate education programme to attract the next generation of CFA charterholders. We held two information sessions on the CFA Programme which were attended by more than 110 candidates. These sessions provided candidates not only with exam preparation strategies but also information on the diverse career tracks of the CFA charterholders. We also helped the forming of 39 study groups for 191 candidates based on time commitments and preferred study locations. The study groups benefited from the peer support as well as the networking opportunities which would certainly enhance their career prospects beyond the exams.

Similar to making investments, the successfulness of preparing for the exams is also about practice. To facilitate our candidates' readiness under simulated exam condition and time pressure, we have organised a mock exam co-sponsored by Stalla in May 2010 which attracted 33 candidates.

Looking forward to the next year, we would start the review courses as early as possible so that the candidates would be well-prepared not just for the CFA exams but also for their future careers in investment and finance. (Please see CFA Candidates chart on historical trends). We also plan to offer exam review seminars conducted by professional instructors to further enhance our candidates' readiness in a more interactive and focused environment.





FINANCE

The Society recorded a surplus of HK\$1,244,745 in FY2010, which is 15% lower than the surplus of HK\$1,457,055 in FY2009. The major source of the Society's revenue is membership fees. As the Representative Offices ("ROs") was set up and in operation in FY2009, certain members who are based in the Mainland joined either the Beijing or Shanghai ROs starting from FY2009. This resulted in a drop in overall membership fees from HK\$3,520,901 in FY2008 to HK\$3,374,520 in FY2009 and HK\$3,162,476 in FY2010. In the next few years, we expect the same trend to continue but the decrease would stabilise afterwards as the impact of the transfer of membership from our Society to the ROs in the Mainland would be most significant within the first few years of the operation of ROs in the Mainland. Equally, the CFA Institute subsidy for the Society has been decreased due to the drop in the number of members when comparing with the same from CFA Institute in FY2009.

On the administrative expenses side, the Society has put great efforts to keep its costs in line with the last financial year. As you may be aware, the Society has appointed a new Chief Executive Officer in October 2010. The overhead expenses for the coming financial year are going to be higher than prior years and a "balance budget" case is anticipated. Having said that, we believe that the Society make the right move to deploy resources for better services to members and will continue to do the same in future.

As the Society is a non-profit organisation, our mission is to serve members in accordance with our mission statement. Resource allocation to serve members is always our top priority over monetary concern. For FY2010, the surplus is considered solid and healthy, and would be used to delivering our mission statement in due course. Members' General Fund (the "Fund") grew from HK\$9,247,277 to HK\$10,671,022 in FY2010, representing the surplus of the year and the unrealised gain from equity investment, details of which are discussed below.

To manage the surplus of the Fund, the Investment Committee of the Society has made prudent investments in low-risk fixed income securities and made equity investment in Tracker Fund as long-term investment. The dividend yield from the Tracker Fund was reasonable and in terms of unrealised gain, there is a gain of 52% over the cost of investment as of the reporting date. The Investment Committee will continue to monitor the asset allocation where appropriate.

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 affairs of the Society are managed by the Board of Directors, which is elected from among members of the Society. Directors do not receive remuneration for their office or any benefits in kind. 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

	2010	2009	2008	2007	2006
No. of Members	4,867	5,240	5,294	4,835	3,319
No. Continuing Education Programmes	29	34	44	34	25
No. of Membership Services Functions	12	12	21	27	17
Income	HK\$	HK\$	HK\$	HK\$	HK\$
Membership Fees	3,162,476.00	3,374,520.00	3,520,901.00	3,438,553.00	2,230,051.00
Surplus from Education & Programmes	197,352.00	163,409.00	222,765.00	293,628.00	407,115.00
Interest & Sundry Income	100,412.00	173,651.00	235,901.00	221,720.00	167,619.00
Other Revenue	760,102.00	826,627.00	-	-	-
	4,220,342.00	4,538,207.00	3,979,567.00	3,953,901.00	2,804,785.00
Expenditure					
Administrative Expenses	2,450,001.00	2,473,474.00	2,400,293.00	1,716,088.00	1,400,141.00
Other operative expenses	525,596.00	607,678.00	416,943.00	222,571.00	224,521.00
Total Operating Expenses	2,975,597.00	3,081,152.00	2,817,236.00	1,938,659.00	1,624,662.00
SURPLUS FOR THE YEAR	1,244,745.00	1,457,055.00	1,162,331.00	2,015,242.00	1,180,123.00
ASSETS					
Total of Non-Current Assets	3,856,554.00	2,745,560.00	3,696,273.00	1,240,043.00	1,362,301.00
Total of Current Assets	7,259,904.00	7,072,251.00	4,217,775.00	6,801,988.00	4,006,572.00
Total of Current Liabilities	445,436.00	570,534.00	649,826.00	1,940,140.00	1,282,224.00
Total of Net Current Assets	6,814,468.00	6,501,717.00	3,567,949.00	4,861,848.00	2,724,348.00
Total of Net Assets	10,671,022.00	9,247,277.00	7,264,222.00	6,101,891.00	4,086,649.00
Total of Members' General Funds	10,671,022.00	9,247,277.00	7,264,222.00	6,101,891.00	4,086,649.00

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 2010.

PRINCIPAL ACTIVITIES

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

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

RESULTS

The results and cash flows of the Society for the year ended 30 June 2010 and the state of affairs of the Society at that date are set out in the financial statements on pages 17 to 34.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 15 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	Kwok Leung HO, CFA	
Treasurer	Kwok Yuk TSANG, CFA	
Members	Hak Kau LUNG, CFA Pui Leung LO, CFA Richard Kan Chong MAK, CFA Wallace Chong Keung WOO, CFA Ashley Pui Wun KHOO, CFA May Kit Sum CHAN, CFA Yan Seen SOON, CFA Yin Toa LEE, CFA Peter Anthony WATSON, CFA	(appointed on 1 February 2010) (appointed on 5 October 2010)

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. Richard Kan Chong MAK, Mr. Wai Kee JIM, Mr. Man HO, Mr. Kwok Yuk TSANG, Ms. Yan Seen SOON and Mr. Kwok Leung HO shall retire from office at the forthcoming annual general meeting of the Society. Except Mr. Kwok Leung HO, the other retiring directors, being eligible, offer themselves for re-election. In accordance with article 78 of the Society's articles of association, Mr. Peter Anthony WATSON shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offers himself 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, 7 December 2010

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 17 to 34, which comprise the statement of financial position as at 30 June 2010, 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 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 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 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 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 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 2010 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 December 2010

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK\$	2009 HK\$
INCOME			
Membership fees	5	3,162,476	3,374,520
Surplus from candidate education	6	163,844	164,844
Surplus from continuing education	7	105,497	88,657
Deficit from social functions	8	(65,712)	(67,124)
Deficit from investment research challenge	9	(6,277)	(22,728)
GIPS standards, Hong Kong sponsor	10	-	(240)
		<u>3,359,828</u>	<u>3,537,929</u>
OTHER REVENUE			
Interest income	11	50,222	126,389
Exchange gain		60	-
Sundry income		190	-
CFA Institute Level 1 Funding		718,692	788,580
CFA Institute Level 2 Funding		41,410	38,047
Dividend income		49,940	47,262
		<u>860,514</u>	<u>1,000,278</u>
		<u><u>4,220,342</u></u>	<u><u>4,538,207</u></u>
EXPENDITURE			
Administrative expenses			
Administrative fee		-	127,736
Depreciation	15	148,185	56,414
Electricity		14,679	13,614
Personnel costs	12	1,380,306	1,394,986
Rent, rates and building management fee		839,597	816,714
Telephone and internet		67,234	64,010
		<u>2,450,001</u>	<u>2,473,474</u>
Other operating expenses			
Advertising and promotion for public awareness		171,892	168,837
Audit fee		16,950	16,000
Bank charges		9,790	13,692
Business registration fee		1,350	1,350
Exchange loss		-	19,340
Insurance		10,876	15,162
Professional fees		10,550	9,085
Local traveling		92	94
Meeting expenses		15,871	47,149
Commission for online receipt		22,608	13,135
Overseas traveling		52,361	137,925
Office cleaning		7,339	-
Office reinstatement		109,900	-
Postages, printing and stationery		67,067	135,706
Repairs and maintenance		14,950	10,450
Sundry expenses		14,000	19,753
		<u>525,596</u>	<u>607,678</u>
Total operating expenses		<u><u>2,975,597</u></u>	<u><u>3,081,152</u></u>

The notes on pages 22 to 34 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK\$	2009 HK\$
SURPLUS FOR THE YEAR		1,244,745	1,457,055
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value change on available-for-sale financial assets		<u>179,000</u>	<u>526,000</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,423,745</u></u>	<u><u>1,983,055</u></u>

The notes on pages 22 to 34 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK\$	2009 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	15	223,121	49,027
Held-to-maturity financial assets	16	1,578,433	820,533
Available-for-sale financial assets	17	2,055,000	1,876,000
		<u>3,856,554</u>	<u>2,745,560</u>
Current assets			
Accounts and other receivables		157,802	513,388
Deposits and prepayments		283,762	222,080
Fixed deposits		789,355	788,606
Cash and bank balances		6,028,985	5,548,177
		<u>7,259,904</u>	<u>7,072,251</u>
Current liabilities			
Accounts payable and accruals		54,220	101,078
Temporary receipts		4,960	5,200
Receipts in advance		386,256	464,256
		<u>445,436</u>	<u>570,534</u>
Net current assets		<u>6,814,468</u>	<u>6,501,717</u>
NET ASSETS		<u>10,671,022</u> =====	<u>9,247,277</u> =====
MEMBERS' EQUITY			
Members' general funds		9,966,022	8,721,277
Investment revaluation reserve		705,000	526,000
		<u>10,671,022</u> =====	<u>9,247,277</u> =====



Wai Kee JIM, CFA
President



Kwok Yuk TSANG, CFA
Treasurer

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2010
(Expressed in Hong Kong dollars)

	Members' general funds HK\$	Investment revaluation reserve HK\$	Total HK\$
Balance at 1 July 2008	7,264,222	-	7,264,222
Total comprehensive income for the year	1,457,055	526,000	1,983,055
Balance at 30 June 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	9,966,022	705,000	10,671,022
	=====	=====	=====

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010
(Expressed in Hong Kong dollars)

	2010 HK\$	2009 HK\$
Cash flows from operating activities		
Surplus for the year	1,244,745	1,457,055
Adjustments for :-		
Interest income	(50,222)	(126,389)
Depreciation	148,185	56,414
Dividend income	(49,940)	(47,262)
Operating surplus before changes in working capital	1,292,768	1,339,818
Decrease/(increase) in accounts and other receivables	355,586	(171,410)
(Increase) in deposits and prepayments	(61,682)	(2,994)
(Decrease)/increase in accounts payable and accruals	(46,858)	9,698
(Decrease) in temporary receipts	(240)	(568)
(Decrease) in receipts in advance	(78,000)	(88,422)
Net cash generated from operating activities	1,461,574	1,086,122
Cash flows from investing activities		
Payments to acquire property, plant and equipment	(322,279)	(24,805)
(Acquisition)/redemption of held-to-maturity financial assets	(757,900)	2,795,104
Acquisition of available-for-sale financial assets	-	(1,350,000)
Decrease in fixed deposits matured over three months when acquired	-	500,000
Interest received	50,222	126,389
Dividend received	49,940	47,262
Net cash (used in) / generated from investing activities	(980,017)	2,093,950
Increase in cash and cash equivalents	481,557	3,180,072
Cash and cash equivalents at the beginning of the year	6,336,783	3,156,711
Cash and cash equivalents at end of the year	6,818,340	6,336,783
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	6,028,985	5,548,177
Fixed deposits matured within three months when acquired	789,355	788,606
	6,818,340	6,336,783

The notes on pages 22 to 34 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 2010
(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 2010 was 4,867 (2009 : 5,240).

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 new or revised HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Society. Except for the impacts listed below, the application of these HKFRSs has no material effects on the financial performance and positions of the Society :-

- As a result of the adoption of HKAS 1 (revised 2007) “Presentation of Financial Statements”, details of changes in members’ equity during the year arising from transactions with members in their capacity as such have been presented separately from all other income and expenses in a revised statement of changes in members’ equity. All other items of income and expenses are presented in surplus or deficit, if they are recognised as part of surplus or deficit for the

year. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported surplus or deficit, total income and expense or net assets for any year presented.

- HKFRS 7 “Financial instruments : Disclosures” requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the Society’s results and financial position.

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 securities. Held-to-maturity securities 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 :-

	2010 HK\$	2009 HK\$
Members' annual fee income	2,957,976	3,238,200
New members' joining fee income	204,500	146,265
Uncollected fees recovered	500	507
Less : Uncollected fees	(500)	(10,452)
	<u>3,162,476</u>	<u>3,374,520</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 and mock examination received and receivable, less the cost of study materials sold and the programme expenses incurred during the year.

	2010 HK\$	2009 HK\$
Sales of study materials and programme income	752,380	1,016,517
Less : Cost of study materials and programme expenses	(588,536)	(851,673)
	<u>163,844</u>	<u>164,844</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.

	2010 HK\$	2009 HK\$
Programme income	517,910	387,526
Uncollected fees recovered	500	900
Less : Programme expenses	(412,413)	(293,959)
Uncollected fees	(500)	(5,810)
	<u>105,497</u>	<u>88,657</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.

	2010 HK\$	2009 HK\$
Function income	118,459	90,440
Less : Function expenses	(184,171)	(157,564)
	<u>(65,712)</u>	<u>(67,124)</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.

	2010 HK\$	2009 HK\$
Competition income	69,000	133,212
Less : Competition expenses	(75,277)	(155,940)
	<u>(6,277)</u>	<u>(22,728)</u>
	=====	=====

10. GIPS STANDARDS, HONG KONG SPONSOR

GIPS Standards, Hong Kong sponsor represents the amount of sponsoring for Global Investment Performance Standards by the Society.

	2010 HK\$	2009 HK\$
Sponsoring for Global Investment Performance Standards	-	(240)
	=====	=====

11. INTEREST INCOME

	2010 HK\$	2009 HK\$
Bank interest income	368	565
Interest on listed debt securities	49,104	85,368
Interest on fixed deposits	750	40,456
	<u>50,222</u>	<u>126,389</u>
	=====	=====

12. PERSONNEL COSTS

	2010 HK\$	2009 HK\$
Salaries	1,318,921	1,321,677
Mandatory provident fund contributions	50,355	51,170
Staff welfare and allowances	11,030	22,139
	<u>1,380,306</u>	<u>1,394,986</u>
	=====	=====

13. DIRECTORS' REMUNERATION

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

14. 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-			
At 1 July 2008	303,792	509,692	813,484
Additions	-	24,805	24,805
At 30 June 2009	303,792	534,497	838,289
Accumulated depreciation :-			
At 1 July 2008	296,265	436,583	732,848
Charge for the year	7,527	48,887	56,414
At 30 June 2009	303,792	485,470	789,262
Net book value :-			
At 30 June 2009	-	49,027	49,027
	=====	=====	=====
Cost :-			
At 1 July 2009	303,792	534,497	838,289
Additions	279,931	42,348	322,279
At 30 June 2010	583,723	576,845	1,160,568
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	397,102	540,345	937,447
Net book value :-			
At 30 June 2010	186,621	36,500	223,121
	=====	=====	=====

16. HELD-TO-MATURITY FINANCIAL ASSETS

	2010 HK\$	2009 HK\$
Unlisted debt securities, at amortised cost	1,578,433	820,533
	=====	=====
At market value	1,587,088	835,078
	=====	=====

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK\$	2009 HK\$
Equity securities listed in Hong Kong, at market value	2,055,000 =====	1,876,000 =====

18. LEASE COMMITMENTS

At 30 June 2010, the total future minimum lease payments under a non-cancellable operating lease of property is payable as follows :-

	2010 HK\$	2009 HK\$
Not later than one year	749,949	448,448
Later than one year but not later than five years	1,207,080	-
	<u>1,957,029</u> =====	<u>448,448</u> =====

19. FINANCIAL RISK MANAGEMENT

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

	2010 HK\$	2009 HK\$
Held-to-maturity financial assets	1,578,433 -----	820,533 -----
Available-for-sale financial assets	2,055,000 -----	1,876,000 -----
Loans and receivables :-		
Accounts and other receivables	157,802	513,388
Deposits and prepayments	283,762	222,080
Fixed deposits	789,355	788,606
Cash and bank balances	6,028,985	5,548,177
	<u>7,259,904</u> -----	<u>7,072,251</u> -----
	<u>10,893,337</u> =====	<u>9,768,784</u> =====

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

	2010 HK\$	2009 HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	54,220	101,078
Temporary receipts	4,960	5,200
Receipts in advance	386,256	464,256
	<u>445,436</u> =====	<u>570,534</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 2010 and 2009. The fair value of available-for-sale financial assets is set out in note 17.

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 2010 and 2009 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

	2010 HK\$	2009 HK\$
Held-to-maturity financial assets	1,578,433	820,533
Available-for-sale financial assets	2,055,000	1,876,000
Loans and receivables :-		
Accounts and other receivables	157,802	513,388
Deposits and prepayments	283,762	222,080
Fixed deposits	789,355	788,606
Cash and bank balances	6,028,985	5,548,177
	7,259,904	7,072,251
	10,893,337	9,768,784

At 30 June 2010, 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 :-

	2010 HK\$	2009 HK\$
Past due up to		
- 30 days	89,294	500,565
- 31 to 60 days	18,626	2,050
- 61 to 120 days	1,500	-
- Over 120 days	23,250	2,247
	132,670	504,862

(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>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>
	=====	=====	=====	=====	=====
<u>2009</u>					
Accounts payable and accruals	22,922	67,956	200	10,000	101,078
Temporary receipt	-	-	-	5,200	5,200
Receipts in advance	464,256	-	-	-	464,256
	<u>487,178</u>	<u>67,956</u>	<u>200</u>	<u>15,200</u>	<u>570,534</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

	<u>US\$</u> <u>HK\$</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>
	=====
<u>2009</u>	
Held-to-maturity financial assets	820,533
Accounts receivables	9,383
Fixed deposits	788,606
Cash and bank balances	735,883
	<u>2,354,405</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

	2010 HK\$	2009 HK\$
Floating-rate financial assets		
Fixed deposits	789,355	788,606
Cash at banks	6,028,985	5,548,177
	<u>6,818,340</u>	<u>6,336,783</u>
Fixed-rate financial assets		
Held-to-maturity financial assets	1,578,433	820,533
	<u>8,396,773</u>	<u>7,157,316</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

	2010 HK\$	2009 HK\$
Available-for-sale financial assets, at fair value		
- Listed equity securities in Hong Kong	2,055,000	1,876,000
	=====	=====

Sensitivity analysis

At 30 June 2010, 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\$205,500 (2009 : HK\$187,600).

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 2009.

20. 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>2010</u>				
Available-for-sale financial assets				
- Listed equity securities				
in Hong Kong	2,055,000	-	-	2,055,000
	=====	=====	=====	=====
<u>2009</u>				
Available-for-sale financial assets				
- Listed equity securities				
in Hong Kong	1,876,000	-	-	1,876,000
	=====	=====	=====	=====

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

21. 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 2009 and 30 June 2010. 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.

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

HKFRSs that have been issued but are not yet effective for the year, include the following HKFRSs which may be relevant to the Society's operations and financial statements.

		Effective for accounting period <u>beginning on or after</u>
HKFRS (Amendments)	Improvements to HKFRSs 2009	1 January 2010
HKFRS (Amendments)	Improvements to HKFRSs 2010	1 February 2010
HKFRS 9	Financial Instruments	1 January 2013

The Society has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Society's financial statements in the year of initial application. The Society will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

23. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), "Presentation of Financial Statements", certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

24. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 7 December 2010.

MEMBERS OF THE BOARD OF DIRECTORS



President	Jimmy Wai Kee JIM, CFA	<i>From left to right:</i>
Vice-president	Alvin Man HO, CFA Frederick Sui Cheong TSANG, CFA	<i>Jacky Tsang Alvin Ho Yin Toa Lee Wallace Woo Richard Mak Ashley Khoo Jimmy Jim Karl Lung Elizabeth Soon Charles Lo Frederick Tsang Patrick Ho May Chan</i>
Immediate Past President	Karl Hak Kau LUNG, CFA	
Secretary	Patrick Kwok Leung HO, CFA	
Treasurer	Jacky Kwok Yuk TSANG, CFA	
Members	Charles Pui Leung LO, CFA Richard Kan Chong MAK, CFA Wallace Chong Keung WOO, CFA Ashley Pui Wun KHOO, CFA May Kit Sum CHAN, CFA Elizabeth Yan Seen SOON, CFA Yin Toa Lee, CFA (Appointed on 1 February 2010) Peter Anthony WATSON, CFA (Appointed on 5 October 2010)	

Board Meeting Attendance

July 2009 – June 2010

Board of Directors	7-Jul-09	6-Aug-09	1-Sep-09	14-Oct-09	3-Nov-09	1-Dec-09	5-Jan-10	06-Feb-10	02-Mar-10	12-Apr-10	06-May-10	1-Jun-10
Jimmy JIM		Attended	Attended		Attended	Called in	Attended		Attended	Called in	Attended	Attended
May CHAN	Attended	Attended	Called in	Attended	Attended	Called in	Attended	Attended		Attended	Called in	Attended
Alvin HO	Attended	Attended		Attended	Called in	Called in	Attended	Attended	Attended	Attended		Called in
Patrick HO	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Ashley KHOO		Attended	Attended		Attended		Attended	Attended	Attended	Attended	Attended	
Charles LO	Called in	Attended	Attended				Attended	Attended	Attended	Attended	Called in	Attended
Yin Toa LEE	Appointed on 1-Feb-10							Attended		Attended	Attended	Attended
Karl LUNG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Richard MAK	Attended	Attended	Attended	Attended		Attended	Attended	Attended	Attended		Attended	
Elizabeth SOON	Called in	Called in	Called in	Called in	Called in	Called in	Called in	Attended		Called in	Called in	
Frederick TSANG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended
Jacky TSANG	Attended			Attended	Attended	Attended	Attended			Attended		Attended
Wallace WOO	Attended	Attended	Called in	Attended	Attended	Attended	Attended	Attended		Called in	Attended	Attended

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