

the hong kong society of
financial analysts limited

香港財經分析師學會

ANNUAL REPORT 2004

A MEMBER SOCIETY OF CFA INSTITUTE

the hong kong society of financial analysts limited

香港財經分析師學會

MISSION STATEMENT

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

Cover Photo:

After a seven-year long down cycle, the property market in Hong Kong finally turned around in the second half of 2003.

REPORT OF THE PRESIDENT

Dear Society Members,

FY 2004 marked the “Year of Expansion” of the HKSFA. Membership saw another 15% growth to approach the 2,300 mark. The size of the Society office nearly doubled as we moved to the Hong Kong Club Building in April. A new Program Specialist, Celine Mang, was added to the staff office to cope with the ever-increasing demand of members programmes. Three new members, Jacky Tsang, Joey Chan, and Wallace Woo, were elected to the board to strengthen the leadership of the Society. The number of participants at our continuing education programmes also rose by 40%. Regardless of the rapid growth, we never lost sight of our mission to raise the standards of practice of financial analysis in Hong Kong. Let me walk you through some of the key developments of the Society in the past year.

The Board continued to focus the resource allocation on developing the three key strategic initiatives: advocacy, continuing education, and membership services. On advocacy, the Society has taken a leading role in the advancement of regulatory and disclosure issues in Hong Kong in the past year. The consultation paper that we collaborated with the CFA Institute on, regarding the regulation of the analysts, gave the Society excellent visibility. However, the Society is extremely aware that any advocacy effort should strike a balance between providing information to investors and regulators and allowing for the free and unfettered pursuit of business.

The continuing education programme expanded significantly, supported by the growing membership base and the increased staff office capacities. We also responded to the users feedback on deepening the seminar content and lowering the luncheon costs by adding two new formats during the year: full-day seminars and sandwich lunch talks, that were both well received by the members. Finally, both the Board and the Continuing Education Committee share the same belief in “quality over the quantity” in organising the programmes.

The Membership Services Committee had an extremely busy first year, thanks to the great work of Tom Wu and his fellow committee members. They have been given the mission to create more programming activities aside from pure education seminars, to build a community among the members and add value to their membership. Special Interest Groups, monthly Happy Hours at the Society’s office, new research library, Dolphin Watch, and Post-Examination Party were among the new initiatives from the committee in the past year. The Career Development Committee had also developed a successful Employer Outreach Programme in cooperation with the CFA Institute to increase the public awareness of the CFA designation among Human Resources managers of the key employers of CFA charterholders in Hong Kong. Do come and visit our JobLine that has received lot more requests from the employers in the past few months.

In the coming year, the Board has decided to work with the Investment Performance Council of the CFA Institute in becoming the country sponsor of the Global Investment Performance Standards (GIPS) in Hong Kong. A GIPS Task Force has been formed for this project.

Last but not least, I would like to thank my fellow board members and all the committee members for their invaluable contribution to the Society. Please also join me to thank Richard Boutland, who resigned from the Board at the last AGM, and the staffed office for their excellent service. And most important of all, the Society’s future counts on your continued support. Please feel free to contact us for any feedback on our work or should you have any interest to join our various committees. I look forward to meeting you soon in our upcoming society programmes.

Yours sincerely,

Richard K.C. Mak, CFA
President

REVIEW OF OPERATIONS

CONTINUING EDUCATION

The fiscal period of 2003/04 was an eventful year for continuing education and luncheon programme. In total, we hosted 16 events consisting of 6 luncheons and 10 seminars, with 1,205 people in participation, despite impact of SARS. To further improve our services, we tried out two new formats during the year: full-day seminars and sandwich lunch talks. Both formats have been well received and are an integral part of our continuing education programme. Overall, we made HK\$103,221.48, before headcount and overhead costs, from the year's events, thanks to the voluntary efforts of our members and distinguished speakers.

With the help of the CE committee members, members of the Board and administrative staff, we had two very successful full-day conferences, one on The Arrival of REITs in Hong Kong and one on Wealth Management co-hosted with The Institute of Financial Planners of Hong Kong. Each invited more than 10 speakers to participate. More importantly, both events were break-even by themselves without any subsidies from the Society.

Of the half-day seminars, the most popular ones were Private Equity, China Taxation, and Financial Analysis and Derivatives. Both China Asset Management Industry and Making Money at Managing Money also attracted a good crowd.

During the year, the most high profile luncheon talk was given by The Honourary Mr. Henry Tang, GBS, JP, Financial Secretary of the HKSAR. We co-hosted the event with The Hong Kong Capital Markets Association and The Hong Kong Association of Corporate Treasurers. In order to make our luncheon talks more attractive to members, we hosted three events using the sandwich lunch format, which lowers the participation cost but increases the CPT and PD credits.

Future focus of the CE programme will include raising the participation rate of the non active members of the Society.

Last but not the least, the Society would like to thank the members of Continuing Education Committee for the valuable contribution during the year: Ka Man Leung, Solange Lee, Daniel Wong, Bonita Ho, and Kwok Cheung Lui.

Continuing Education Programmes (July 03 - June 04)

Date	Seminar Topic	Speaker / Panelist	CPT/PDP -Credit Hours	No. of Attendants
Year 2003				
19-Jul-03 (half-day seminar)	Taxation of Foreign Investment in China: Legal Framework, Loopholes and Practices	Ms. Becky Lai PricewaterhouseCoopers HK Mr. Khoon-Ming Ho KPMG Beijing, China Mr. Jacky Tsang, CFA BOC International Holdings Ltd Mr. Louis Lau China Everbright Ltd	2.5	93
7-Aug-03 (luncheon)	Recent Development of China Residential Market	Mr. Sherman Lai Centaline (China) Property Consultants Ltd	0.5	42
14-Aug-03 (luncheon)	Selective Disclosure of Price Sensitive Information	Mr. Alan Linning Securities and Futures Commission Mr. Eugene Goyne Securities and Futures Commission	0.5	66
23-Aug-03 (whole-day seminar)	The Arrival of REITs in Hong Kong	Ms. Alice S.M. Law Securities and Futures Commission Mr. Brett McCarthy UBS AG Mr. Howard Zhang, CFA Rodamco Asia Management Ltd Mr. Simon Wheatly JB Were Ltd Mr. Michael Y. K. Wong Sung Hung Kai Properties Ltd Mr. Nicholas Wong Jones Lang LaSelle Mr. Paul Pong Pegasus Fund Managers Ltd Mr. Sean Darby Normua International (Hong Kong) Ltd Mr. Stuart Winchester, CFA Allianz Dresdner Asset Management Mr. Edmund Ho, CFA JPMorgan Securities (Asia Pacific) Ltd Mr. Peter Churchouse Morgan Stanley Mr. Water C. W. Cheung DBS Bank (Hong Kong) Ltd	5	120
27-Sep-03 (whole-day seminar)	Behind the Numbers: Nuts and Bolts of Nuts and Bolts of Financial Analysis	Mr. John Bailey Standard & Poor's Ms. Alison Wong Pricewaterhouse Coopers Mr. Tom Wu, CFA HKSA	2.5	94
9-Oct-03 (luncheon)	The Realities of Global Competition	Dr. Donald H. Straszheim Straszheim Global Advisors, Inc	0.5	36
13-Nov-03 (half-day seminar)	Making Money at Managing Money	Mr. Theodore R. Aronson, CFA Founder, Aronson+Johnson+Ortiz Chair of CFA Institute Board of Governors	0.5	83
13-Dec-03 (half-day seminar)	Venture Capital/Private Equity Investing an Asian Perspective	Mr. Allan Homeming PPM Ventures (Asia) Ltd Mr. Vincent Chan JAFCO Asia Ms. Josephine Price CLSA Private Equity Ltd	2.5	92

Date	Seminar Topic	Speaker / Panelist	CPT/PDP -Credit Hours	No. of Attendants
Year 2004				
8-Jan-04 (luncheon)	The Current and Near Future Prospects of Hong Kong Financial/Capital Markets Environment (Co-host: The Hong Kong Capital Markets Association and The Hong Kong Association of Corporate Treasurers)	The Hon. Mr. Henry Tang, GBS, JP Financial Secretary of the HK SAR	-	96
14-Feb-04 (half-day seminar)	Equity Valuation	Mr. David Belmont, CFA Nexgen Financial Solutions	2	75
28-Feb-04 (whole-day seminar)	Wealth Management Conference (Co-host: The Institute of Financial Planners of Hong Kong)	Mrs. Alexa Lam Securities and Futures Commission Mr. Kaven Leung Citigroup Private Banking Ms. Mok Yuen Peng, CFA HSBC Private Bank (Suisse) SA Dr. Louis Cheng Hong Kong Polytechnic University Mr. John Lui Royal Skandia Life Assurance Ltd Mr. Richard Boutland, CFA Bermuda Trust HK Mr. Ignatius Chong, CFA Coutts Bank Mr. James Hong, CFA UBS Global Asset Management Mr. Paul Pong Pegasus Fund Managers Ltd Ms Francine Kwong Royal Skandia Life Assurance Ltd Mr. Alan Tsang AMTD Financial Planning Ltd Ms. Karen McIntoch CMG Asia Ltd	5	89
27-Mar-24 (half-day seminar)	Derivatives: Latest Practices and Development	Mr. Robert Cheung Kaiser Securities Ltd Mr. Andrew Ho Citigroup Global Markets Asia Ltd Mr. Nicolas Vong Merrill Lynch (Asia Pacific) Ltd	2.5	89
24-Apr-04 (half-day seminar)	Online Game Industry in China - Is it yet another fad?	Mr. Frank Ng NHN China Corporation Mr. Michael Tong, CFA NetEase Mr. Wallace Cheung DBS Vickers Securities (HK)	2.5	54
30-Apr-04 (luncheon)	GIPS In Asia Pacific	Mr. Louis Boulanger, CFA Mercer	1	39
19-May-04 (luncheon)	Asset Allocation for the Prudent Investor	Mr. Frank Dohn, CFA Wilmington Trust	1	58
22-May-04 (half-day seminar)	Asset Management Industry in China - Challenges and Opportunities	Mr. Vincent Duhamel, CFA State Street Global Advisors Asia Dr. Zhang Hai Tao CITIC Capital Markets Limited	2.5	79
27-May-04 (webcast)	Hedge Fund Managers Add Value?	Mr Clifford S. Asness AQR Capital Management, LLC Mr. James Soutar, CFA HKSFSA	1 PDP credit hour	17
2-Jun-04 (webcast)	What Investment-Grade Managers Need to Know about High-Yield Bond Analysis	Mr. Martin S. Fridson, CFA Fridson Vision LLC Mr. John Teng, CFA Nomura International (HK) Ltd	1 PDP credit hour	9

ADVOCACY

As usual, the Society has taken a leading role in the advancement of regulatory and disclosure issues in Hong Kong in the past year. In addition to the regular events and consultation papers that the Society, through the Advocacy Committee, contributes to every year, we stepped up our collaboration with the CFA Institute to increase the public awareness impact. Indeed, the CFA Institute's establishment of the CFA Centre for Financial Market Integrity has earmarked significant resources that will enable us to further our efforts in advocacy.

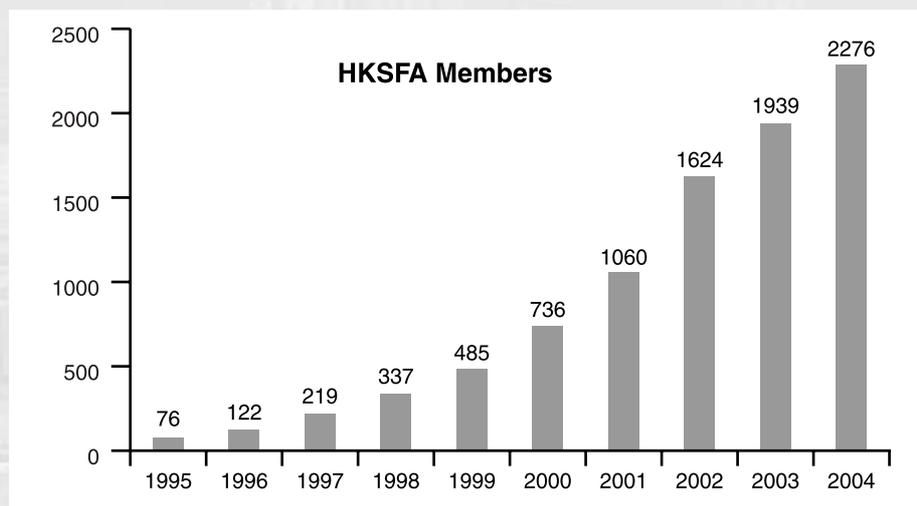
The consultation paper that we collaborated with the CFA Institute on, regarding certification of analysts, culminated in a well orchestrated press conference that drew wide press coverage and gave the Society excellent visibility. Regulators are finally becoming aware that securities regulation is a cross border issue, and as such Hong Kong authorities are increasingly valuing the input of a multi-national organisation like the CFA Institute.

This year, the Hong Kong Securities and Futures Commission (SFC) made a number of public reprimands of individuals in the securities industry. We are often asked by our members how we would react in the event of such a reprimand against one of our members. We are very aware that, as the membership grows, and as securities regulators become more stringent in enforcing regulations, our members may face accusations of wrong doing. It is worth repeating that the CFA Institute and by extension, the Society, has its own stringent regulations governing the conduct of members, which it applies vigorously. It is vital for the value of the CFA designation and the Society that members face the tightest form of scrutiny and that there is zero tolerance for any sort of unethical behaviour.

The last several years has seen some significant improvements in the areas of financial disclosure, ethical behaviour and financial regulation, both in Hong Kong and other jurisdictions. However, it is important to remember that such increased regulation always comes at a cost of free markets and general entrepreneurial activity. It is becoming increasingly onerous to understand the extensive regulations and comply with the various filings that are required. Hong Kong has thrived on free markets and ease of establishing businesses, be they industrial or financial. Any advocacy effort must strive not just to increase regulation, but also to strike a balance between providing information to investors and regulators on the one hand, and allowing for the free and unfettered pursuit of business on the other. The Society's Advocacy Committee is extremely aware of striking such a balance and attempts to bring a common sense approach to all its work.

MEMBERSHIP

Despite some moderation from the peak in 2000 and 2001, the growth rate of the membership base of the HKSFA remained very healthy in the last one year. The membership base also topped the 2000 level for the first time in year 2004. It was currently ranked the sixth largest society of CFA Institute worldwide and we expect the growth rate to remain respectable given the still very large number of candidates sitting the CFA exam at various levels.



Top Ten Societies of CFA Institute as at 27 August 2004.

Society:	Member count:	Growth (from 2002)
1. New York	9,605	+ 919
2. Toronto	5,224	+ 813
3. Boston	4,132	+ 393
4. United Kingdom	3,986	+ 643
5. Chicago	2,771	+ 307
6. Hong Kong	2,298	+ 663
7. San Francisco	2,255	+ 215
8. Singapore	1,808	+ 239
9. Los Angeles	1,699	+ 164
10. Philadelphia	1,577	+ 204

Changes in Membership and Charter Requirement

As some of the members may be aware, there are a few changes in the membership requirement introduced by CFA Institute in the last one year. We believe such changes will have a material impact on the future growth of both CFA Institute and the Society.

The root of the changes dates back to the society leaders conference in Charlottesville in year 2002. During the conference a number of societies including HKSFA raised their concern about the current membership requirements as they felt that it may not be able to meet the objectives of the CFA Institute and its societies after the rapid expansion and internationalisation in the last few decades. As such, a Membership and Charter Requirement Task Force was set up by the end of 2002 to review the current requirements and to make recommendation to the Board of Governors. Some of the major recommendations that were subsequently approved included:

1. The 50-mile rule was eliminated.

In order to become a regular member, all applicants must now apply to any one of the local societies of CFA Institute. The applicant, however, is no longer required to apply to the society within a radius of 50 miles as before. As a result of the changes, member societies are likely to see more and more of their members residing outside their respective city or country. In the case of HKSFA we are seeing a growing number of members from the Mainland China, partly due to the fact that there is currently no local society on the mainland.

2. Definition of acceptable professional work experience.

Acceptable professional work experience is defined as “collecting, evaluating or applying financial, economic and/or statistical data as part of the investment decision-making process”. It also includes supervising or teaching of such activities. Furthermore, the minimum amount of time spent in these activities was raised from 40% to 50%. In addition, the number of years of acceptable work experience was increased from 3 years to 4 years.

3. Unifying the work experience requirement for both CFA charterholders and application of regular membership.

CFA Institute used to run two lists of acceptable work experience for application of regular membership (‘List A’) and for the award of CFA Charter (‘List B’). The two lists will be combined to form one single list in the future.

The new rules will eliminate the dual application process that existed in the past (i.e. separate requirement and procedure for regular membership and for the award of CFA Charter). It will also tighten the work experience for the award of charter. Furthermore, the elimination of the 50-mile rule is becoming more and more necessary as CFA Institute develops into an international society where members are more attached to the country society and not to the nearest society (e.g. a French member residing close to the Switzerland border would like to join the Paris Society and not the Geneva Society). There are, however, still many questions to be answered. For example, how should we balance the quality and the quantity of growth in the future? Should the CFA Institute run a more decentralised model in the future? Should the local society be more involved in the approval process of its members application, and should the local society contributes more in the disciplinary issues involving its members and local authorities? We believe there is more work to be done as the membership base continues to grow and the CFA community expands in the international arena.

MEMBERSHIP SERVICES

This has been an extremely busy first year for the Membership Services Committee. Thanks to all the volunteers in this Committee, the Society was able to achieve one of the missions set out by the Board of Directors in their annual strategic planning meeting; that is to create more programming activities, aside from pure education seminars, in order to build a community among our HKSFAs members and add value to their membership. We are happy to report that we have achieved that mission through the following programming activities:

Special Interest Group

In order to give HKSFAs members more opportunities to network among themselves, four Special Interest Groups (“SIG”) were formed in March this past year. The four SIGs are Equity, Fixed Income, Derivatives, and Hedge Funds. Each of the SIGs is headed by an SIG leader who is responsible for organising the SIG events. Since its inauguration in March, a monthly webcast event has been held on the first Wednesday of each month.

Happy Hour

The Monthly Happy Hour has been extremely well attended this past year after we introduced the informal talks by various speakers from various fields. Needless to say, the new policy of free drinks and food, including wine and beer, was another big attraction for our members, along with the all-important networking opportunities. To save some costs, the venue of the Happy Hour has been changed from outside restaurants to our new office in the Hong Kong Club Building.



Annual Award Dinner 2003

HKSFAs was honoured to have the CFA Institute Board of Governors as well as the Regional President Council Representatives in Hong Kong to attend the 2003 HKSFAs Annual Award Dinner. The event was well attended by 170 members, graduates, and guests. Mr. Theodore R. Aronson, CFA, Chair of CFA Institute’s Board of Governors, presented the CFA Charter Awards to the new 2003 graduates. Mr. Victor Chu, the Founder and Chairman of First Eastern Investment Group with regional investment of over HK\$4 billion for direct investments in China and the Asean Region, gave the keynote speech. HKSFAs also honoured its first batch of Decennary Members during the Annual Award Dinner.



Annual Forecast Event

For the past nine months, the Committee has been busily planning the first Annual Forecast Event to be held in conjunction with the 2004 Annual Award Dinner. For the first time, the event will be held on a Saturday in late November when the 2004 graduates will receive their awards in the afternoon followed by a cocktail reception, the Annual Dinner, the Forecast Event and Dancing afterwards.

CFA Post-Examination Party

The first ever CFA Post-Examination Party was held at the Viceroy in Wanchai to celebrate the happiness and relief of anxiety from both the preparation of the CFA Exam and the Exam itself. This was definitely a good public awareness activity to introduce HKSFAs to our potential up and coming new members.

BBQ

Due to the intense summer heat in Hong Kong, the Annual Summer BBQ, which usually took place in July, was changed to October.



Library

Another development by HKSFA this year was the establishment of a Research Library in our new HKSFA office. Through corporate donations, HKSFA was able to stock up some current CFA Candidate required readings and text books as well as some of the most popular investment, finance and research materials. Reuters has donated 3000 Xtra to the Research Library for our members to use.

Dragon Boat Team

The HKSFA Dragon Boat Team entered in the Discovery Bay Dragon Boat Festival for the second year this June 2004. Only six people out of 30 returned from last year's crew to endure another 3 months of gruesome training. With a professional coach and a new captain to lead, the team achieved an HKSFA record time of 2 minutes and 12 seconds. To prepare for next year's event, the team has entered into a marathon race of 30 kilometer in Sai Kung.



Trailwalker

The HKSFA formed 4 teams consisting of 16 people to join the 2003 TrailWalker fund raising charity organised by Oxfam. TrailWalker is one of the most demanding walkathon as participants are required to finish walking the 100km long MacLehose Trail in less than 48 hours and 12 members of the HKSFA teams managed to complete the hike. Our teams raised \$163,696 and the money will be used to support Oxfam's long-term development and humanitarian relief programmes to help poor people in Hong Kong, China, other parts of Asia and Africa. The amount we raised also put the HKSFA as one of the top fundraisers in the Finance category. We would like to take this opportunity to thank those who participated in the hike, the supporters, as well as those who make the generous donation to support this charity event.



Dolphin Watch

To get the families of our members involved in the HKSFA activities, a Dolphin Watch trip was arranged in September. The trip, led by Samuel Hung, the Chairman of Hong Kong Dolphin Conservation Society, was overbooked. Needless to say, we had no problems spotting the dolphins as they totally surrounded our boat and played games with us. Everyone, especially the kids, enjoyed this event tremendously.



Golf

For those golf enthusiasts, a golf tournament has been arranged for the fall season.

Membership Services Functions

Date	Programme Topic	No. of Attendants
13 Jul 03	Summer BBQ 2003	79
20 Sep 03	Managing Your Job Hunting	42
13 Nov 03	CFA Charter Award Dinner	169
6 Jun 04	Post Exam Party	30
22 Jun 04	Dragon Boat Race	25

CAREER DEVELOPMENT

HKSFA was honoured to work with CFA Institute in developing its Employer Outreach Programme in order to increase the public awareness of the CFA designation among Human Resources management in Hong Kong. During the past year, two luncheons were held for employers and recruiting firms. Speakers from both CFA Institute, and the HKSFA introduced the CFA Programme, CFA Institute, HKSFA and the JobLine services to the potential employers and recruiting agents of CFA Charterholders. Both of the events were well attended by Human Resource professionals from investment banks, commercial banks, asset management firms, insurance firms and investment research firms.

MEMBER COMMUNICATION

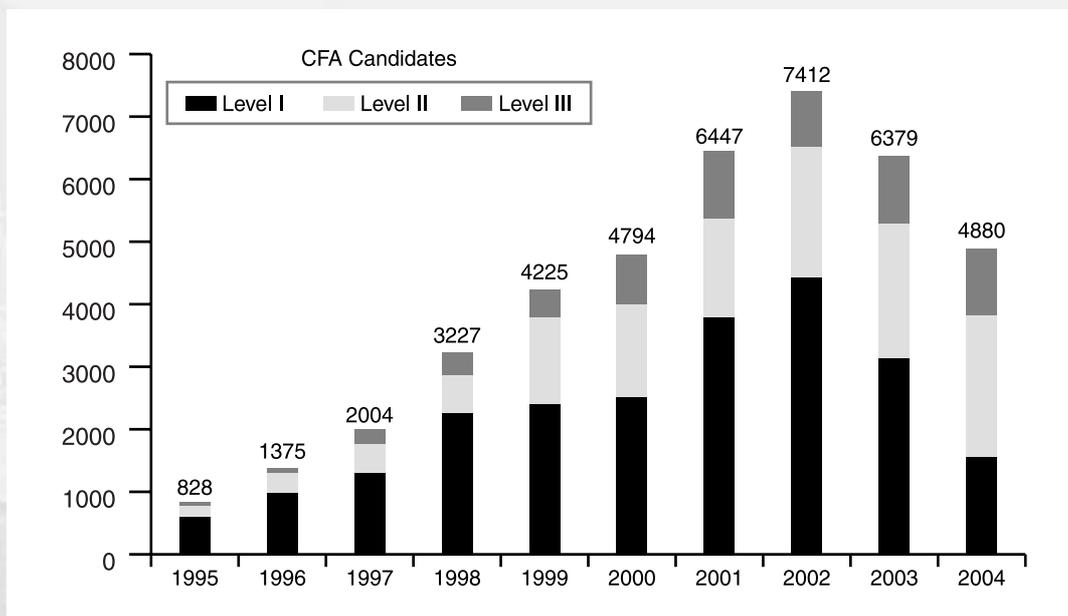
The Member Communication Committee is responsible for the publication of the periodic Newsletters and Annual Report of the Society. On top of that, the Committee is also involved in the design of the Society's leaflets for our activities. The Board has fully recognised the importance of these publications as an effective means to communicate the latest moves and initiatives of the Society to our members.

The Board has regularly reviewed the use of our resources for better value added services to our members. We have conducted studies on how to improve the quality of our publications including the possibility of contracting external parties to do some of our publication work.

All of our publications are posted on the Society's website for your perusal. The Committee has also reviewed the format and contents of our website. A special taskforce is formed to do this dedicated job with the aim of improving the overall performance and attractiveness of our website.

We all know that it is not easy for our committee members to commit themselves for such volunteer work amidst their busy business schedules. The Board would like to express our appreciations to the members of our Communication Committee for their contributions.

CANDIDATE EDUCATION



Like most other examination centres, Hong Kong experienced a big drop in the Level I candidates in June 2004 due to the introduction of December examination in 2003. Growth in Level II and III candidates also flattened out as the Level I candidates peaked in 2002.

Two information sessions were organised to brief CFA candidates on how to prepare the examination better. 110 candidates joined the 23 study groups that were orchestrated by the Society. We also introduced the practice examination papers from the Boston Security Analysts Society Inc at the mock examinations in May. The Board granted scholarships to 5 candidates residing in Hong Kong and China after reviewing 31 applicants who were seeking financial assistance in their pursuit for the CFA designation.

The significant drop in the passing rates of the past June examinations brought a heated debate among the stakeholders of the CFA Institute on the ways that CFA candidates prepare for the examinations. The candidate survey done by the CFA Institute indicated that majority of the candidates spent less than 200 hours in studying for the examination against the programme's recommendation of 250 hours. It also showed that the candidates relied heavily on study notes and preparation courses rather than studying the textbooks.

Preparation courses have existed for decades since the CFA examination debuted in 1963. They have been used by thousands of candidates, many of whom have become CFA charterholders, as useful study aids to their intensive self-studies. However, there is rising criticism that many preparation courses have misled the candidates in what and how they should study for the examination. The CFA Institute has formed a Task Force on the CFA Review Courses to address the problem and look for the proper solution together with the local societies. The HKSFA will work closely with the CFA Institute on this issue given its potential impact to our future development.

FINANCE

The Society continued to report very healthy financial numbers in the last fiscal year in spite of a moderating membership growth and a rising administrative expenses. Membership fees, following a trend developed last year, grew by only 13%. This contrasts with the high growth of over 40% in the years before the Society become more mature. Total expenses, on the other hand, grew by 30.3%. Rising expenses on personnel and rental were witnessed as the Society added more staff and moved into a bigger office in the latter half of the fiscal year. As such, surplus for the year decrease from 523,583 to 396,549, while members' general fund increased from 2,072,211 to 2,468,760.

With the Society continuing to expand and the members' general fund accumulating, the financial management of the Society becomes increasingly important. For example, owning our own office now becomes possible and the management of the surplus to generate a reasonable investment return is also becoming more relevant. Furthermore, careful planning of our income and expenses is requiring an increasingly sophisticated budgeting process.

CORPORATE GOVERNANCE

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

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

“At each annual general meeting of the Society a new Board of Directors shall be elected from amongst the Regular Members who by notice under Article 57 have indicated a willingness to be so elected.”

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

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

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

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

STAFF DEVELOPMENT

Last summer, we hired a summer intern to help improve our office automation, enhance the feature of our website including the use of on-line membership survey, and provide our staff with on-job training on computer skills. This has helped to ease the workload of our staff and raised their knowledge in the use of IT.

In March this year, under the sponsorship of CFA Institute, our administration manager attended the Asia Pacific Society Leadership Conference to share experiences with society executives in the Asia Pacific Region. Later on, she took part in the September Society Leadership Conference. It had given her a very good opportunity to better understand the operation, new direction and development of CFA Institute. She had also been able to discuss ideas and best practices with delegates from other societies.

In the coming months, the Society will provide its staff with resources to improve their IT skills as well as communication skills.

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 2004.

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 (formerly known as “The Association for Investment Management and Research”), a Virginia non-stock and not-for-profit corporation in the United States of America.

RESULTS

The results of the Society for the year ended 30 June 2004 and the state of its affairs at that date are set out in the financial statements on pages 17 to 23.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets during the year are set out in note 9 to the financial statements.

MEMBERS OF THE BOARD OF DIRECTORS

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

President	Richard Kan Chong MAK, CFA	
Vice-president	Hak Kau LUNG, CFA	
Treasurer	Pui Leung LO, CFA	
Secretary	Wai Kee JIM, CFA	(elected as Secretary on 7 February 2004)
Members	James Alexander SOUTAR, CFA Man HO, CFA Frederick Sui Cheong TSANG, CFA Sin Man TSANG, CFA Richard Anthony William BOUTLAND, CFA Tom Chang WU, CFA Kwok Yuk TSANG, CFA Wallace Chong Keung WOO, CFA Yung Chuen CHAN, CFA	(resigned as Secretary on 7 February 2004) (resigned on 19 January 2004) (appointed on 15 September 2003) (appointed on 19 January 2004) (appointed on 19 January 2004)

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

Accordingly, Mr. Richard Kan Chong MAK, Mr. Wai Kee JIM, Mr. Tom Chang WU, Mr. Kwok Yuk TSANG, Mr. Man HO and Mr. James Alexander SOUTAR shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer themselves for re-election. All other remaining directors shall continue in office.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

AUDITORS

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

By order of the Board of Directors

President
Hong Kong, 14 October 2004

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

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

Respective responsibilities of the directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Society's affairs as at 30 June 2004 and of its results for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Chan, Li, Law & Co.
Certified Public Accountants (Practising)
Hong Kong, 14 October 2004

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2004
(Expressed in Hong Kong dollars)

	Note	2004 HK\$	2003 HK\$
INCOME			
Membership fees	8	1,524,966	1,342,888
Surplus from candidate education	8	158,858	187,626
Surplus from continuing education	8	109,339	77,237
Deficit from social functions	8	(69,842)	(74,982)
		<hr/>	<hr/>
		1,723,321	1,532,769
		<hr/>	<hr/>
Interest income	6	9,617	11,506
Sundry income		2,613	6,883
		<hr/>	<hr/>
		12,230	18,389
		<hr/>	<hr/>
		1,735,551	1,551,158
		<hr/>	<hr/>
EXPENDITURE			
Administrative expenses			
Depreciation		137,391	96,316
Electricity		6,358	4,332
Personnel costs	7	691,008	458,061
Rent, rates and building management fee		227,186	157,246
Telephone and internet		28,422	30,842
		<hr/>	<hr/>
		1,090,365	746,797
		<hr/>	<hr/>
Other operating expenses			
Accountancy fee		7,200	7,200
Audit fee		7,500	7,500
Bank charges		2,630	888
Business registration fee		3,946	1,200
Cleaning		6,350	6,600
Foreign exchange expenses		4,656	-
Insurance		10,407	6,424
Legal and professional fees		17,371	30,764
Local travelling		1,694	2,688
Meeting expenses		12,137	37,242
Overseas travelling		16,779	51,793
Postages, printing and stationery		134,425	116,259
Repairs and maintenance		16,220	6,029
Sundry expenses		7,322	6,191
		<hr/>	<hr/>
		248,637	280,778
		<hr/>	<hr/>
Total operating expenses		1,339,002	1,027,575
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		396,549	523,583
		=====	=====

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

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
BALANCE SHEET AS AT 30 JUNE 2004
(Expressed in Hong Kong dollars)

	Note	2004 HK\$	2003 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	9	225,974	40,274
Investment securities	10	1,050,341	504,167
		<u>1,276,315</u>	<u>544,441</u>
Current assets			
Accounts and other receivables		92,822	18,980
Prepayments		-	39,150
Rental and utility deposits		109,380	40,339
Cash and bank balances		1,083,336	1,462,411
		<u>1,285,538</u>	<u>1,560,880</u>
Current liabilities			
Accounts payable and accruals		93,093	33,110
Net current assets		<u>1,192,445</u>	<u>1,527,770</u>
NET ASSETS		<u>2,468,760</u>	<u>2,072,211</u>
REPRESENTED BY:-			
MEMBERS' GENERAL FUNDS		<u>2,468,760</u>	<u>2,072,211</u>

Richard Kan Chong MAK, CFA
 President

Pui Leung LO, CFA
 Treasurer

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

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED
STATEMENT OF CHANGES IN MEMBERS' GENERAL FUNDS
FOR THE YEAR ENDED 30 JUNE 2004
(Expressed in Hong Kong dollars)

	Members' general funds HK\$
Balance at 1 July 2002	1,548,628
Surplus for the year	523,583
Balance at 30 June 2003	<u>2,072,211</u>
Surplus for the year	396,549
Balance at 30 June 2004	<u>2,468,760</u> =====

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

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

1. LIABILITY OF MEMBERS

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

2. NUMBER OF MEMBERS

The maximum number of members which the Society has registered is 10,000. The number of members as at 30 June 2004 was 2,276 (2003 : 1,939).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

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

(b) Investment securities

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

(c) Employee benefits

(i) Salaries, annual bonuses, paid annual leave and the cost to the company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Contributions to mandatory provident fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the profit and loss account as incurred.

(d) Operating lease payments

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

(e) Recognition of income

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

(f) Translation of foreign currencies

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

4. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

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

5. INCOME TAX

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

6. INTEREST INCOME

	2004	2003
	HK\$	HK\$
Bank interest income	548	7,339
Interest on certificates of deposit and bonds	9,069	4,167
	<u>9,617</u>	<u>11,506</u>
	=====	=====

7. PERSONNEL COSTS

	2004	2003
	HK\$	HK\$
Salaries	647,747	440,090
Mandatory provident fund contributions	29,069	17,971
Staff welfare and allowances	14,192	-
	<u>691,008</u>	<u>458,061</u>
	=====	=====

8. INCOME

	2004 HK\$	2003 HK\$
Membership fees		
New members' subscription fee income	193,726	187,500
Members' renewal fee income	1,332,240	1,165,008
Uncollected fees recovered	1,124	-
Less : Uncollected fees	(2,124)	(9,620)
	<u>1,524,966</u>	<u>1,342,888</u>
Surplus from candidate education		
Programme income	830,380	815,515
Less : Programme expenses	(671,522)	(627,889)
	<u>158,858</u>	<u>187,626</u>
Surplus from continuing education		
Programme income	349,442	228,420
Less : Programme expenses	(240,103)	(151,183)
	<u>109,339</u>	<u>77,237</u>
Deficit from social functions		
Programme income	153,846	144,210
Less : Programme expenses	(223,688)	(219,192)
	<u>(69,842)</u>	<u>(74,982)</u>
	<u>1,723,320</u>	<u>1,532,769</u>
	=====	=====

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
At cost :-			
At 1 July 2003	63,251	262,821	326,072
Additions	217,961	105,130	323,091
At 30 June 2004	<u>281,212</u>	<u>367,951</u>	<u>649,163</u>
Accumulated depreciation :-			
At 1 July 2003	63,250	222,548	285,798
Charge for the year	72,654	64,737	137,391
At 30 June 2004	<u>135,904</u>	<u>287,285</u>	<u>423,189</u>
Net book value :-			
At 30 June 2004	<u>145,308</u>	<u>80,666</u>	<u>225,974</u>
At 30 June 2003	<u>1</u>	<u>40,273</u>	<u>40,274</u>
	=====	=====	=====

10. INVESTMENT SECURITIES

	2004 HK\$	2003 HK\$
Certificate of deposit and bonds	1,050,341	504,167

11. LEASE COMMITMENTS

At 30 June 2004, the total future minimum lease payments under a non-cancellable operating lease are payable as follows :-

	2004 HK\$	2003 HK\$
Not later than one year	217,908	94,120
Later than one year and not later than five years	363,179	-
	<u>581,087</u>	<u>94,120</u>

12. COMPARATIVE FIGURES

Certain comparative figures in respect of the audited financial statements for the year ended 30 June 2003 are re-classified to conform with the current year's presentation.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 14 October 2004.

MEMBERS OF THE BOARD OF DIRECTORS



*Back from left:
Karl Lung,
Alvin Ho,
Wallace Woo,
Joey Chan,
Frederick Tsang,
Tom Wu*

*Front from left:
Jacky Tsang,
James Soutar,
Pheona Tsang,
Richard Mak,
Jimmy Jim,
Charles Lo*

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

Board Meeting Attendance July 2003 – June 2004

Board of Directors	3-Jul-03	7-Aug-03	15-Sep-03	2-Oct-03	6-Nov-03	4-Dec-03	8-Jan-04	7-Feb-04	4-Mar-04	1-Apr-04	4-May-04	3-Jun-04
Richard MAK	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Karl LUNG	Attended	Attended	Attended	Attended	Attended			Attended	Attended	Attended	Attended	Attended
Charles LO	Attended		Called in	Attended		Called in	Attended	Attended	Attended	Attended	Attended	Attended
James SOUTAR	Attended	Attended		Attended		Attended		Attended		Attended	Attended	
Alvin HO				Attended	Attended	Attended	Attended	Attended			Attended	
Jimmy JIM		Attended	Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended	Attended
Frederick TSANG	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended	Attended
Pheona TSANG			Attended	Attended	Attended	Attended	Attended	Attended			Attended	
Tom WU	Called in	Attended	Called in		Attended	Attended	Attended		Called in	Called in	Attended	Attended
Richard BOUTLAND				Attended		Attended		Resigned on 19-Jan-04				
Jacky TSANG	Appointed on 15-Sep-03				Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Joey Y.C. CHAN	Appointed on 19-Jan-04						Attended	Attended	Attended	Attended		Attended
Wallace WOO	Appointed on 19-Jan-04						Attended	Attended	Attended	Attended	Attended	Attended



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