

# the hong kong society of financial analysts limited

香港財經分析師學會



## ANNUAL REPORT 2003

the hong kong society of  
financial analysts limited

香港財經分析師學會

***MISSION STATEMENT***

- To work towards raising the standards of practice of financial analysis and investment advice in Hong Kong through setting up codes of conduct and educational programmes.
- To promote the CFA<sup>®</sup> programme in Hong Kong and the rest of China and to assist CFA<sup>®</sup> candidates.
- To provide a convenient communication channel between financial analysts and investment advisors in Hong Kong and the AIMR, other investment practitioners, and Hong Kong securities market regulators.
- To promote and carry out research work in financial analysis and disseminate the results of such research.

Cover Photo:

*CEPA and the strengthening policy support from the Central Government marked a turning point for the Hong Kong economy.*

## ***REPORT OF THE PRESIDENT***

Dear Society Members,

On behalf of the Board, I am pleased to report to you that the Society has had a successful year in FY2003. With the inflow of over 300 new members, our membership base finally reached the 2000-mark after a decade of strong growth from 20 founding members in 1992. The rapid growth of our membership empowered us with the critical mass needed for our advocacy efforts and society programmes while, at the same time, also presented us the challenge of providing a high level of membership servicing. I would like to review the progress we made in the past year on the three key areas: advocacy, continuing education, and member servicing, that we had identified in our last Annual Report.

The last 12 months has been a very busy period for the Society's Advocacy effort. Helped by the establishment of the Advocacy Committee with 11 volunteers, we responded to numerous important consultation papers from the regulators on important issues like corporate governance and industry regulations. With over 2000 members who are mostly investment professionals, the Society is becoming a representative voice from the industry to the regulators. In our latest membership survey, a majority of the respondents supported more active advocacy effort from the Society and prefer the Board to consult them on major advocacy issues via quick electronic surveys before we make our opinions public. Please stay tuned for our upcoming initiatives.

We had an active year of continuing education events. In terms of programmes, we tried to broaden the topic coverage to cater for the needs of our increasingly diversified membership base. Besides our traditional luncheon talk and half-day seminar format, we are planning to organise full day seminars on selected topics. The Society is committed to bringing high-quality continuing education programmes to our members.

To strengthen our membership servicing, the Board decided to set up the Member Servicing Committee and the Career Development Committee. The Career Development seminar in June was well received by members, reflecting the latent demand for this service. In the next few months we will launch a comprehensive marketing campaign for our JobLine service on our website. The Society will also work with AIMR on the Employers Outreach Programme to promote the value of the CFA designations among the major employers of CFA charterholders in Hong Kong. On networking functions, we introduced some new activities such as Wine-Tasting Dinner and Dragon Boat Race in addition to our traditional Happy Hour Drinks and Summer BBQ Party. Looking forward, we are considering setting up special interest groups among members according to their job specialities in order to create programmes specially tailored to their needs.

To cope with the growth in membership size and society activities, the staffed office added another administrative assistant this year. The Board is also planning to hire a Programme Specialist to alleviate the ballooning workload on the volunteers in organising society programmes. I would like to take this opportunity to express my deepest thanks to my fellow board members and all the committee members for their invaluable contribution to the Society. Please also join me to thank the staffed office led by Anita Lung, our administration manager, 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 in joining any of our Working 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

We had an active year of continuing education events. A total of twelve events were organised in the form of half-day seminars on Saturday mornings or luncheon talks, and more than 700 members took part in the events. Participation in the seminars remained more popular than luncheons, though the overall participation dropped slightly after we raised the price for non-members due to heavy demand. As a result, we devoted more resources organising seminars than we did to organising luncheons.



In the second half FY2003, the outbreak of SARS in Hong Kong and the mainland disrupted our programme schedule but the Board's swift response ensured all the planned events were completed.

In terms of programmes, we tried to broaden the topic coverage, to ensure that members in different fields could find at least some events relevant to their business. In response to the implementation of the new Securities and Futures Ordinance on 1 April 2003, we invited guest speakers from the Securities and Futures Commission for an education seminar. The event also generated favourable press coverage for the Society. Other notable events included Anthony Neoh's talk on China's securities market development and the Hedge Fund seminar. Both were sold-out events. Our seminar on Hong Kong Structural Issues, In Search of the Next Boom and Investing in Commodities were forward looking, and many of the predictions proved accurate. We have started a series of industry seminars, with property and fixed-line telecoms being the first. Also, we explored with our members the potentials of sustainable and responsible investment, with the speakers from ASrIA sharing their experiences. Last, but not least, we invited expert speakers to cover the use of technical charts and managing private client portfolios.

HKSF is committed to bringing high-quality continuing education programmes to our members. Although the AIMR mandate of making continuing education a part of the CFA charterholder requirement was defeated, HKSF is still a participant of the AIMR voluntary Professional Development Programme. We strongly believe that continuing education programme can bring considerable benefits to our members as well as enhance the professional value of the CFA charter.

The Society wishes to thank the following members of the Continuing Education Committee for their invaluable contribution: Halina Chui, Daniel Wong, KC Lui, Wanda Lam, Bonita Ho and Peter Folkins.

Date	Seminar Topic	Speaker / Panelist	No. of Attendants
13-July-02	Managing the Portfolio of High-Net-Worth Private Clients	<b>Mr. V. Anantha-Nageswaran</b> Credit Suisse Private Banking <b>Mr. Richard Boutland, CFA</b> Bank of Bermuda	103
19-Aug-02	Recent Development of China Securities Industry	<b>Mr. Anthony Francis Neoh, SC, JP</b> China Securities Regulatory Commission	183
7-Sep-02	Investing in Property: Approaches and Valuation	<b>Mr. C. K. Lau</b> Jones Lang LaSalle Ltd. <b>Mr. Karl H. K. Lung, CFA</b> ABN AMRO Asset Management (Asia) Ltd. <b>Professor K. W. Chau</b> The University of Hong Kong	105
20-Sep-02	In Search of the Next Boom	<b>Dr. Michael Ivanovitch</b> MSI Global Inc.	46

Date	Seminar Topic	Speaker / Panelist	No. of Attendants
5-Oct-02	Hedge Fund Seminar	<b>Mr. Sam Stubbs</b> Goldman Sachs (Asia) L.L.C. <b>Mr. George Long, CFA</b> LIM Advisors Ltd. <b>Mr. James Soutar, CFA</b> Sofaer Global Research (HK) Ltd. <b>Mr. Jackson Chan</b> Watson Wyatt Hong Kong Ltd. <b>Mr. Andrew Alexander</b> AXA Rosenberg Investment Management Asia Pacific Ltd. <b>Dr. Terence Khoo</b> Kerry Asset Management Ltd. <b>Mr. Jonathan Brooke</b> Brooke Capital Ltd.	113
7-Dec-02	Hong Kong Structural Issues: Problems and Solutions	<b>Mr. Dong Tao</b> Credit Suisse First Boston <b>Ms. Christine Loh</b> Civic Exchange <b>Mr. Frederick Tsang, CFA</b> China Everbright Research Ltd. <b>Mr. Timothy Shen</b> China Merchants Holdings (International) Co. Ltd. <b>Mr. Mike Brennan</b> Alexander Mann Global Markets Asia Ltd.	57
10-Dec-02	A Systematic Approach for Identifying Stock Market Cycles	<b>Mr. Ted Chen</b> Fortune Capital Advisory Ltd.	45
15-Feb-03	Fixed Line Carriers: Analytical Framework and Practices	<b>Mr. Andrew Chetham</b> Gartner <b>Mr. Graham Shepherd</b> Telstra International Hong Kong Ltd. <b>Mr. Stuart Chiron</b> PCCW Ltd. <b>Ms. Agnes Ho, CFA</b> Merrill Lynch	79
8-Mar-03	New Securities & Futures Ordinance: Market Misconduct	<b>Mr. Eugene Goynes</b> Securities and Futures Commission <b>Dr. Raymond W. So</b> The Chinese University of Hong Kong	55
28-Mar-03	Sustainable and Responsible Investment: Developments Overseas and its Relevance to Hong Kong	<b>Ms. Tessa Tennant</b> Association for Sustainable & Responsible Investment in Asia	26
14-Jun-03	Investing in Commodities: The Physical, Financial and China Aspects	<b>Mr. Paul de Fries</b> Noble Group Ltd. <b>Mr. Neil Thomason</b> ADM Capital <b>Ms. Cheng Khoo</b> UBS Securities Asia Ltd. <b>Mr. Erwin Sanft</b> CLSA China Research	64
21-Jun-03	Managing Your Career in Current Economic Climate	<b>Ms. Cecilia Yeung</b> SpringBoard Resources Ltd. <b>Mr. Andrew Oliver</b> Michael Page International <b>Mr. Alex Ng</b> ABN AMRO Asset Management (Asia) Ltd. <b>Ms. Ashley Khoo, CFA</b> <b>Mr. Eric Chan</b> Buena Vista Fund Management (HK) Ltd. <b>Mr. Chee Lung Tham</b> Executive Interim Management	97

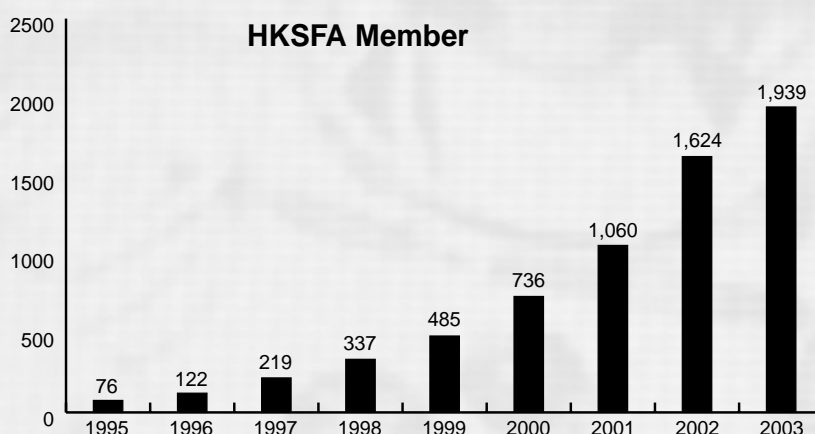
## **ADVOCACY**

The last 12 months has been a very busy period for the Society's Advocacy effort. Most important has been the formation of a Committee to help with the increased work load of dealing with all the corporate governance issues raised by the SFC, the Stock Exchange and the Government. There has been a flood of consultation papers on a number of important issues, and through the hard work of the Committee we have been able to make our views known. In addition, we continue to be active on the Hong Kong Management Association's Best Annual Report award as well as sitting on a number of corporate governance committees and working groups. With a proper committee, we are finally representing the Society as a whole, not just relying on one person's views to represent the Society.

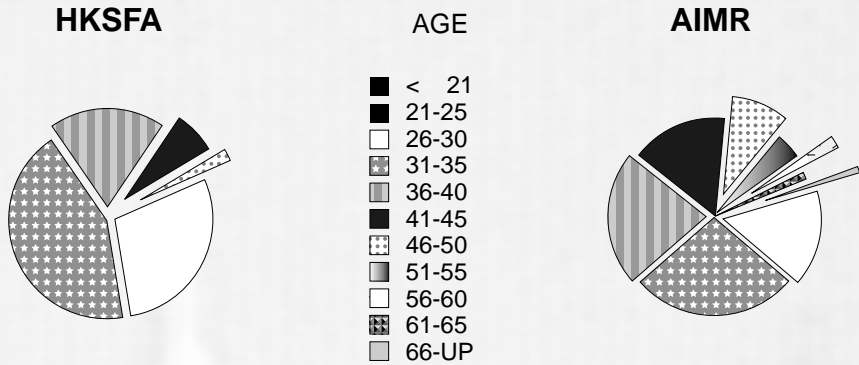
While the Committee has broadened the input into our advocacy effort, we recognise that representing the views of all 2,000-plus members of the society is simply not possible, or even desirable. We have had a number of instances recently where members have been directly opposed and we have had to work hard at drafting proper responses to the authorities on important issues. Indeed, on the issue of regulation of sponsors of public offerings, we even had a letter from a member complaining that the Advocacy Committee and the Board of the HKSFA did not properly reflect his views. We welcome such criticism, because it shows that people are taking the time to make their views known. The Society needs energetic, committed people to get involved and participate in this process. We have the ear of the authorities at the very highest level. This year alone, we have been invited twice to make submissions on the floor of Legco and have been cross-examined by leading legislators. But it is vital that members who feel strongly about issues of corporate governance in Hong Kong use the strength of the Society to make a difference. You are a member of a very powerful society respected by Hong Kong's leading lawmakers and regulators!

## **MEMBERSHIP**

With more than 300 new members joining the Society in the year of 2003, our total membership base has reached the 2,000-mark, a level likely to make the HKSFA one of the largest societies within AIMR. However the growth in membership was slower than that of the previous year, the first time this has happened since our foundation in 1992 as HKSFA begins to mature after 10 years of rapid expansion.



Reflecting the rapid growth of the Society, our members are on average younger than the AIMR average.



The Industry mix, as show in the following table, also suggest a significant difference with that of AIMR

INDUSTRY CLASSIFICATIONS	HKSFA	AIMR
Broker-Dealer, Investment Banking	29%	18%
Academic Institution	1%	14%
Bank (all)	22%	7%
Consulting	6%	3%
Plan Sponsor: Corporate	1%	2%
Financial Publisher	1%	5%
Government/Regulatory Agency	4%	2%
Insurance Company	2%	5%
Investment company/Mutual Fund	19%	26%
Investment Management Counselling	3%	14%
Other	13%	11%

There are a few interesting statistics on our membership base:

1. Despite the fact we have relatively more female members than AIMR, the majority of the members are male (72%).
2. 32% of our members have other professional designations such as CA(4%), CPA(11%) or CMA (1%).
3. 98% of our members are residents of Hong Kong. However, we also have members residing in the US(24), Canada(1), China(17), Germany(1), India(1), Indonesia(1), Japan(3), Luxembourg(1), Macau(2), Philippines(1), Korea(1), Singapore(6), Taiwan(4), Thailand(1), UK(12) and Vietnamn(1).

## MEMBER SERVICING

During the Society's Annual Strategic Meeting, the Board of Directors decided that more services in addition to the traditional education and programming should be provided to our HKSFA members. Consequently, the Membership Servicing Committee was formed.

The first task of the Membership Servicing Committee was to determine the needs of our members. A Membership Survey was performed on the web for the first time during July and August. Although the response rate was low, it can be determined that the new areas in which respondents are interested are:

- Social Activities  
(Tennis, Annual Ball Dance, Golf and Football)
- Special Interest Group
- Group Discount Services
- Library Service



### NETWORKING FUNCTIONS

Date	Programme	No. of Attendants
13-July-02	Summer BBQ 2002	85
14-Nov-02	CFA Charter Award Dinner  <b>Guests of Honour:</b>  <b>Mr. Cheah Cheng Hye</b> Chief Investment Officer Value Partners Ltd.  <b>Mr. Vincent Duhamel</b> AIMR Board of Governors	130
4-Jun-03	Dragon Boat Race	26
27-Jun-03	Wine Tasting Dinner	29

### Happy Hour

Happy Hour, which was held on every second Thursday of the month, was well attended by the members. On average 25 members made new acquaintances during the monthly social gathering. Since June, Happy Hour Gathering has found a new home at IN.X Lounge. Members, through the membership survey, have indicated that they would be interested in having a short talk by industry specialists and this is our goal for the coming year.

### Summer BBQ Party

This annual social networking event attracted over 85 members, guests, and friends to an enjoyable Saturday evening at the poolside of The Hong Kong Yacht Club.





## ***Dragon Boat***

The HKSFA Dragon Boat Team entered its first competition in the Discovery Bay Dragon Boat Race & Carnival on 4 June. The activity was well received by our members as some of them along with their family and friends endured eight weeks of practice before coming in second to the eventual winner in one of the preliminary heats. Hopefully we will have better luck next year.



## ***Wine Tasting***

The HKSFA organised a wine tasting dinner for our members in June 2003. A total of 29 people spent the evening together sampling fine wine and dining on sumptuous food.



## ***Trailwalker***

The HKSFA formed 4 teams consisting of 16 people to join the 2002 Trailwalker fund raising charity organised by Oxfam. Trailwalker is one of the most demanding walkathons as participants are required to finish walking the 100km long MacLehose Trial in less than 48 hours and 13 members of the HKSFA teams managed to complete the hike. Our teams raised over \$230,000 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 the top fundraiser 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 made a generous donation to support this charity event.



## ***CAREER DEVELOPMENT***

Amidst the current challenging economic environment, the Board decided to leverage up the Society's resources and networks to expand career opportunities among our members. A new Career Development Committee was formed, with the mission of promoting the image of HKSFA members to potential recruiters and helping our members on their career development through skill sets strengthening and network and horizon broadening. To achieve this mission, the Committee has been working in the following two areas:

1. Promotion of HKSFA's on-line JobLine service: A marketing campaign on the JobLine service offered in our HKSFA website has been launched. Our Committee members have been actively promoting this service to potential recruiters through distributing the newly designed JobLine marketing brochure and introducing the service to potential employers in the finance industry through direct calling. Over 40 job positions have been posted on our JobLine service this year.
2. Providing Career Development services: A seminar titled "Managing Your Career in Current Economic Climate" was held in June 2003. Inspiring speakers shared with the members methods for setting positive mindsets in the current tough job market environment. Presenters also gave invaluable advice to members in job searching process and evolution of the hiring requirements from the point of view of a fund management employer. Another seminar titled Managing Your Job Hunting was held in September 2003, focusing on practical skill sets such as Preparing your Resume and Handling Interviews.

Career development is a long-term service the Society would like to provide for our members. Thanks for the hard work of our Committee members in kick starting the service this year. We are looking forward to broadening and deepening our service to the Society members in the coming years!

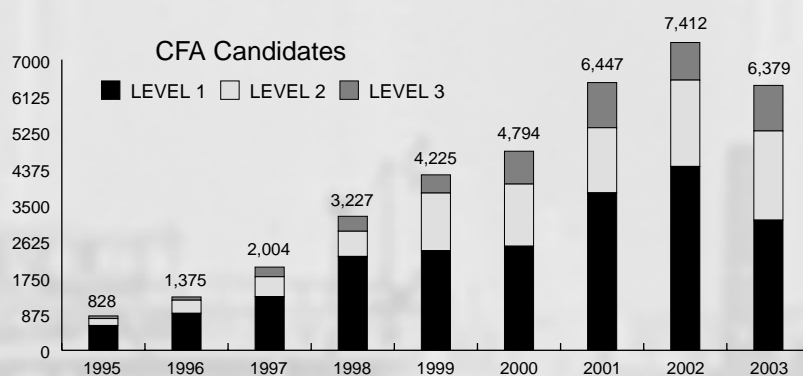
## ***PUBLICATION***

The Publication Committee has six members. The main responsibility of the Committee is to publish the Newsletters and the HKSFSA Annual Report. On top of that, the Committee members contributed to the Society's other publications such as the HKSFSA brochure.

The Society has recognised the importance of publishing quality Newsletters as an effective means of communication. It is our intention to report more on the news of HKSFSA in this periodic publication so that our members will know about the events organised by the Society.

We have received positive feedback on various published articles and the write-ups of interviews conducted with members and professionals in Hong Kong. The Committee shall keep refining the layouts and contents of the Society's publications. All the Newsletters are posted on our website for your perusal.

## ***CANDIDATE EDUCATION***



Two information sessions were organised to brief CFA candidates on how to prepare the examination better. Over 90 candidates joined the study groups that were orchestrated by the Society. The Board granted scholarships to 5 candidates residing in Hong Kong after reviewing 17 applicants who were seeking financial assistance in their pursuit of the CFA designation.

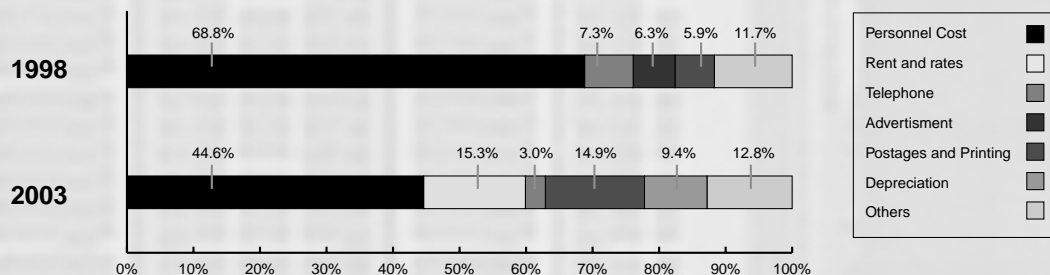
## ***FINANCE***

Despite a slow down in membership growth and reducing contribution from candidate education activities, the Society has been able to maintain a steady increase in the members' general funds in 2003 largely as a result of rising contribution from educational events such as seminars and luncheon as well as prudent control on our expenses. During the year, total expenses rose 14.9%, compared with 15.9% growth in total revenue and 19.4% growth in total membership base. As a result, Members' General Funds increased 33.8% from 1,548,628 to 2,072,211 at the end of the fiscal year.

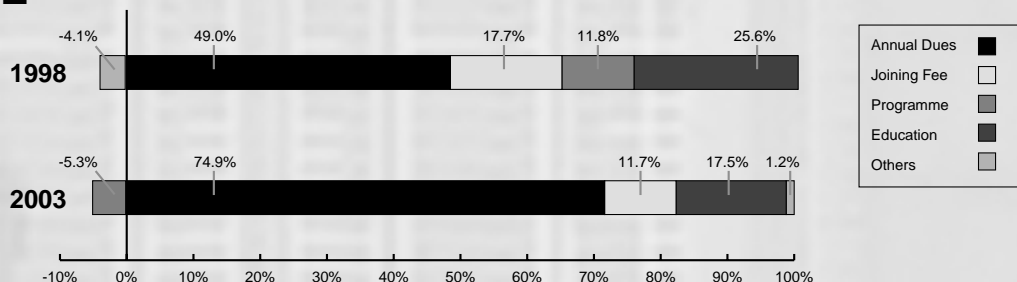
During the year, membership fees remain as the most important source of income for the Society, representing 86.6% of the total revenue. On the other hand, personnel cost was the largest item on the expenses side, representing 44.6% of the total expenses.

As the Society matures and membership growth slows, we expect the members' fund to grow more moderately in the near future. The Society will continue to exercise caution in the management of our finances by matching incomes and expenses and to maintain a healthy financial position amid the changing environment.

## EXPENSES



## INCOME



## CORPORATE GOVERNANCE

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

To cope with rapid and continued growth of membership and society activities, the Society places emphasis on staff development. All its staff are encouraged to develop new skills or further their skills so as to maintain a highly diversified and skilled workforce. For example, its junior staff had taken courses, under the sponsorship of the Society, to improve their communication skills. The Society will continue this policy of sponsorship welfare for staff education and skills development.

## ***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 2003.

### ***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 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 2003 and the state of its affairs at that date are set out in the financial statements on pages 13 to 19.

### ***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 and up to the date of this report are :-

President	Richard Kan Chong MAK, CFA	(elected as President and resigned as Vice President on 3 October 2002)
	Kevin Kwok Cheung CHAN, CFA	(resigned on 5 September 2002)
Vice President	Hak Kau LUNG, CFA	(elected as Vice President on 3 October 2002)
Treasurer	Pui Leung LO, CFA	
Secretary	James Alexander SOUTAR, CFA	
Members	Peter Nicholas FOLKINS, CFA	(resigned on 14 January 2003)
	Man HO, CFA	
	Wai Kee JIM, CFA	
	Frederick Sui Cheong TSANG, CFA	
	Sin Man TSANG, CFA	(appointed on 3 October 2002)
	Richard Anthony William BOUTLAND, CFA	(appointed on 14 January 2003)
	Tom Chang WU, CFA	(appointed on 14 January 2003)
	Kwok Yuk TSANG, CFA	(appointed on 15 September 2003)



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. Hak Kau LUNG, Mr. Pui Leung LO, Mr. Wai Kee JIM, Madam Sin Man TSANG and Mr. Richard Anthony William BOUTLAND 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 Association for Investment Management and Research 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, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board of Directors

President  
Hong Kong, 20 October 2003

***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 13 to 19 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 Society of 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 2003 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  
Hong Kong, 20 October 2003

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2003**  
*(Expressed in Hong Kong dollars)*

	Note	2003 HK\$	2002 HK\$
<b>INCOME</b>			
Membership fees	8	1,342,888	1,165,208
Surplus from education	8	271,451	200,174
Deficit from programmes	8	(81,570)	(41,940)
		<u>1,532,769</u>	<u>1,323,442</u>
Interest income	6	11,506	11,536
Sundry income		6,883	2,960
		<u>18,389</u>	<u>14,496</u>
		<u>1,551,158</u>	<u>1,337,938</u>
<b>EXPENDITURE</b>			
<b>Administrative expenses</b>			
Depreciation		96,316	98,106
Electricity		4,332	4,079
Personnel costs	7	458,061	404,944
Rent, rates and building management fee		157,246	160,029
Telephone		30,842	26,300
		<u>746,797</u>	<u>693,458</u>
<b>Other operating expenses</b>			
Accountancy fee		7,200	7,200
Audit fee		7,500	8,000
Bank charges and overdraft interest		888	749
Business registration fee		1,200	2,573
Cleaning		6,600	6,600
Insurance		6,424	6,179
Legal and professional fees		30,764	18,977
Local travelling		2,688	1,115
Overseas travelling		51,793	25,297
Postages, printing and stationery		153,501	110,850
Repairs and maintenance		6,029	4,371
Sundry expenses		6,191	8,674
		<u>280,778</u>	<u>200,585</u>
<b>Total operating expenses</b>		<u>1,027,575</u>	<u>894,043</u>
<b>SURPLUS FOR THE YEAR</b>		<u>523,583</u>	<u>443,895</u>

The notes on pages 16 to 19 form part of these financial statements.

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**BALANCE SHEET AS AT 30 JUNE 2003**  
*(Expressed in Hong Kong dollars)*

	Note	2003 HK\$	2002 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	40,274	104,850
Investment securities	10	504,167	-
		<u>544,441</u>	<u>104,850</u>
<b>Current assets</b>			
Accounts receivable		18,980	63,351
Prepayments		39,150	32,400
Rental and utility deposits		40,339	42,646
Cash and bank balances		1,462,411	1,671,401
		<u>1,560,880</u>	<u>1,809,798</u>
<b>Current liabilities</b>			
Accounts payable and accruals		33,110	366,020
<b>Net current assets</b>		<u>1,527,770</u>	<u>1,443,778</u>
<b>NET ASSETS</b>		<u>2,072,211</u>	<u>1,548,628</u>
		=====	=====
<b>REPRESENTED BY:-</b>			
<b>MEMBERS' GENERAL FUNDS</b>		<u>2,072,211</u>	<u>1,548,628</u>
		=====	=====

Richard Kan Chong MAK, CFA  
 President

Pui Leung LO, CFA  
 Treasurer

The notes on pages 16 to 19 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 2003**  
**(Expressed in Hong Kong dollars)**

	<u>Members' general funds</u> HK\$
Balance at 1 July 2001	1,104,733
Surplus for the year	443,895
Balance at 30 June 2002	<u>1,548,628</u>
Surplus for the year	523,583
Balance at 30 June 2003	<u><u>2,072,211</u></u>

The notes on pages 16 to 19 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 2003 was 1,939 (2002 : 1,624).

**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 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 on the straight line basis over the lease terms.

**(e) Recognition of income**

- (i) Income from members' renewal fee received on behalf of the Society by the Association for Investment Management and Research 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.

**4. REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS**

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

**5. TAXATION**

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

**6. INTEREST INCOME**

	<u>2003</u> HK\$	<u>2002</u> HK\$
Bank interest income	7,339	11,536
Interest on certificates of deposit	4,167	-
	<u>11,506</u>	<u>11,536</u>
	=====	=====

**7. PERSONNEL COSTS**

	<u>2003</u> HK\$	<u>2002</u> HK\$
Salaries	440,090	388,068
Mandatory provident fund contributions	17,971	16,876
	<u>458,061</u>	<u>404,944</u>
	=====	=====

## 8. INCOME

	<u>2003</u> HK\$	<u>2002</u> HK\$
Membership fees		
New members' subscription fee income	187,500	303,000
Members' renewal fee income	1,165,008	862,518
Less : Uncollected fees	(9,620)	(310)
	<u>1,342,888</u>	<u>1,165,208</u>
Surplus from education		
Programme income	949,665	733,225
Less : Programme expenses	(678,214)	(533,051)
	<u>271,451</u>	<u>200,174</u>
Deficit from programmes		
Luncheon income	94,270	47,800
Other programme income	144,210	93,700
	<u>238,480</u>	<u>141,500</u>
Less : Programme expenses	(320,050)	(183,440)
	<u>(81,570)</u>	<u>(41,940)</u>
	<u>1,532,769</u>	<u>1,323,442</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold</u> <u>improvements</u> HK\$	<u>Furniture and</u> <u>equipment</u> HK\$	<u>Total</u> HK\$
At cost :-			
At 1 July 2002	63,251	231,081	294,332
Additions	-	31,740	31,740
At 30 June 2003	<u>63,251</u>	<u>262,821</u>	<u>326,072</u>
Accumulated depreciation :-			
At 1 July 2002	42,164	147,318	189,482
Charge for the year	21,086	75,230	96,316
At 30 June 2003	<u>63,250</u>	<u>222,548</u>	<u>285,798</u>
Net book value :-			
At 30 June 2003	1	40,273	40,274
At 30 June 2002	<u>21,087</u>	<u>83,763</u>	<u>104,850</u>



## 10. INVESTMENT SECURITIES

Investment securities represent certificates of deposit which bear a fixed interest rate of 2% per annum and will mature in July 2005.

## 11. LEASE COMMITMENTS

At 30 June 2003, the total future minimum lease payments under a non-cancellable operating lease are payable as follows :-

	<u>2003</u> HK\$	<u>2002</u> HK\$
Not later than one year	94,120 =====	101,360 =====

## 12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2003.

## MEMBERS OF THE BOARD OF DIRECTORS



*Back from left :*  
 Richard Boutland,  
 Frederick Tsang,  
 Charles Lo,  
 Alvin Ho,  
 Peter Folkins,  
 Karl Lung,  
 James Soutar,  
 Tom Wu

*Front from left :*  
 Pheona Tsang,  
 Richard Mak,  
 Kevin Chan,  
 Jimmy Jim

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

Kevin K.C. CHAN, CFA (resigned on 5 September 2002)  
 Peter N. FOLKINS, CFA (resigned on 14 January 2003)

### Board Meeting Attendance July 2002 - June 2003

Board of Directors	4-Jul-02	1-Aug-02	5-Sep-02	3-Oct-02	7-Nov-02	5-Dec-02	18-Jan-03	12-Feb-03	5-Mar-03	3-Apr-03	29-Apr-03	2-Jun-03
Kevin CHAN	Attended	Attended	Attended	Resigned on 5 September 2002								
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	call in	Attended
Charles LO	Attended		Attended	Attended		Attended	Attended	Attended	Attended		Attended	Attended
James SOUTAR		Attended		Attended	Attended	Attended	Attended		Attended			
Peter FOLKINS	Attended		Attended	Attended			Resigned on 14 January 2003					
Alvin HO	Attended	Attended		Attended		Attended	Attended	Attended	Attended	Attended	call in	Attended
Jimmy JIM	Attended		Attended		Attended		Attended	Attended		Attended	call in	Attended
Frederick TSANG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended
Pheona TSANG	Appointed on 3 October 2002			Attended	Attended	Attended	Attended	Attended	Attended		call in	Attended
Tom WU	Appointed on 14 January 2003				Attended	Attended	Attended	Attended	Attended	Attended	call in	call in
Richard BOUTLAND	Appointed on 14 January 2003				Attended	Attended	Attended		Attended		Attended	

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 E-mail : [info@hksfa.org](mailto:info@hksfa.org)  
 URL : <http://www.hksfa.org>