



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS



**ANNUAL REPORT 2013**

A MEMBER SOCIETY OF CFA INSTITUTE



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THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

### ***MISSION STATEMENT***

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

Cover Photo:

US Liquidity Tapering – Possible Impact on Hong Kong’s Investment Market



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

Dear Members,

2013 marked the beginning of a new chapter for HKSFA. With the celebration of our 20<sup>th</sup> anniversary, the Society embraced its future with new initiatives that build on past successes.

A challenging macro picture saw our members continue to face a volatile investment environment and – more important – a difficult job market. Downsizing and business restructuring were commonplace in the financial sector. Further opening of China’s financial sector, however, did create new opportunities for Hong Kong’s investment professionals.

The board formulated a strategy to build the Society into a platform providing ongoing career development support and opportunities for members to give back to the local community. Public awareness, Global Investment Performance Standards (GIPS) advocacy and member participation were identified as focus areas and resources were reallocated accordingly. Our members’ belief – drawn by a survey we conducted during FY2013 - that HKSFA should increase its influence in the industry’s decision making process drove this change. The new direction is in line with the CFA Institute’s recent “bigger tent, bolder voice, wider community” initiative.

### **Review of Operations**

HKSFA membership grew to 5,576 as at June 2013, up from 5,349 in the previous year. The growth brought the HKSFA’s membership to a new record and affirmed our position as one of the largest CFA Institute affiliated societies. The number of CFA candidates in Hong Kong nonetheless appears to have plateaued. There were 9,501 candidates enrolled in the three examination levels in FY2013.

Member volunteers are the backbone of HKSFA’s operations. We are glad to report that the Society received an overwhelming response to our call for CFA Institute Research Challenge mentors and judges and for our advocacy and public awareness efforts.

During the year, the Society continued to provide quality continuing education programmes to our members. Enrollment at individual events declined – likely due to shortened Hong Kong Exchange trading hours.

The Career Development Committee doubled the number of events held in from six to twelve. The Committee organised several post-finance career sessions - reflecting our heightened focus on career guidance.

Promoting GIPS standards was another focus in FY2013. The GIPS Committee conducted a series of workshops to guide our members and the broader industry in implementing the standards.

Our Member Services Committee came up with some novel ideas to help our members wind down after work, and successfully hosted the Award Ceremony cum Forecast Dinner event. An employer outreach event, jointly hosted with CFA Institute, was held as well. Last but not least, we updated the HKSFA website.

HKSFA held several community service events. The annual Investor Education seminar, co-hosted with the Securities and Futures Commission, attracted several hundred of retail investors. Our Advocacy and Public Awareness Committee recruited new volunteers and a strategic plan was formulated. They also reached out to industry stakeholders: listed companies, university faculties and trade associations. The HKSFA again hosted CFA Institute’s Research Challenge Hong Kong local final, contributed a panel judge in the Hong Kong Management Association’s “Best Annual Report” competition and sent teams to the Hong Kong Trailwalker charity event.

The Society's finances closed the year in good health – even though our last raising membership dues in 2000. Despite one-off 20<sup>th</sup> anniversary celebration and HKSFA website revamp we managed to post a surplus of HK\$459,737 in FY2013. We note the start of a new office lease in 2HFY13 began to negatively impact our finances. The HKSFA Board has commissioned a committee to investigate alternative long-term premises arrangements. The Investment Committee's prudent fiscal reserve management policy remains unchanged.

### **Looking Ahead**

The Society will continue its emphasis on members' career development support. FY2013 did see marked improvement in the global macroeconomic environment. However, we believe the negative impact on regional economies and the investment industry job market of US Federal Reserve policy uncertainty – particularly the pace of slowing its bond-buying programme (as known as “tapering”) - will overshadow these gains.

HKSFA also aims to increase our public awareness and advocacy efforts. We will provide local support to the CFA Institute its Future of Finance project. The Public Awareness Committee is working on a new initiative to improve the HKSFA's public visibility. We will also increase community outreach efforts going forward.

We expect the formation of local CFA Institute affiliated societies throughout China will draw members from the HKSFA. We look forward to active collaboration with these newly formed societies.

Resources are an ongoing challenge. Our heightened tempo of activities and continued membership growth has stretched our current office staff to the limit. We will also feel the full-year impact of our premises rental hike in the coming fiscal year.

### **Appreciation**

It is my honour to be trusted to lead the HKSFA forward. I would like to take this opportunity to thank our immediate past president, Mr. Jimmy Jim, CFA, for his invaluable guidance. I also extend my gratitude to my fellow board members, society volunteers, guest speakers and our dedicated office staff. The Society's success in FY2013 would not be possible without them. Special appreciation goes out to Mr. Wallace Woo, CFA, who retired from the board in FY2013 after 9 years of service.

Frederick Tsang, CFA  
President

## ***REVIEW OF OPERATIONS***

### **CONTINUING EDUCATION**

The HKSFA hosted 33 events in FY 2013. These included 23 luncheons, 7 seminars and 3 workshops. These 33 events were attended by 1,852 participants who earned a total of 2,764 CPT hours. We averaged 56 participants per event. The HKSFA provided fewer events in 2013 than in 2012. Shortened HKEx midday trading break left members with less time to attend continuing education (CE) events. In response, the HKSFA Board and Continuing Education Committee decided to re-orient the CE programmes to provide fewer - but higher quality – events.



Private Equity (PE), Credit, China-related topics and Hedge Funds focuses for the CE programmes as the committee catered to the needs of HKSFA's increasingly diversified membership base and increased interest in non-traditional asset classes. China-related topics included: Dim Sum bonds, Qianhai, RQFII, and offshore PE funds. The investment industry's focus on economic recovery saw global bellwethers - container trade, oil and gas and mobile telecommunication – dominate our seminar industry choices. We held the HKSFA's 2nd Annual Hedge Fund Forum – which again included popular breakfast and networking breaks – in 2Q13.

Risk management and regulatory changes continued to receive heightened attention on our CE schedule in 2013. Due diligence in Asia, forensic accounting, risk management for financial crisis, and OTC derivatives regulatory changes were all covered in the 2013 CE programmes.

The HKSFA aims to deliver quality events on relevant topics and provide a forum for participants to interact and network via the CE programmes. We look forward to facilitating improved interaction at events – via lengthened Q&A sessions, collecting questions ahead of an event and more networking breaks – that we hope will improve their value to participants.

The Board wishes to take this opportunity to thank the CE Committee members for their efforts and looks forward to delivering more high quality and engaging events for all of you in the year ahead.



## Continuing Education Programmes (July 12 - June 13)

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
<b>Year 2012</b>				
20 Jul (Fri) (Luncheon)	Container Trade Hiking Investment Opportunities in Asia	<b>Mr. Jack Poon</b>	1	37
2 Aug (Thurs) (Luncheon)	China Oil/Gas Policy Reforms 2013	<b>Mr. Gordon Kwan</b> <b>Mr. Nipun Sharma</b> Mirae Asset Securities (HK) Limited	1	48
4 Aug (Sat) (Seminar)	The Mobile World - The Current Trend and Future	<b>Ms. Cynthia Meng</b> Jefferies Hong Kong <b>Dr. Edward Tse</b> Booz & Company <b>Mr. Adam Xu</b> Booz & Company	2.5	41
9 Aug (Thurs) (Luncheon)	Avoiding Pitfalls When Investing in Asia – A Forensic Accounting Framework	<b>Dr. Thomas Robinson, CFA</b> CFA Institute	1	92
22 Aug (Wed) (Luncheon)	China Healthcare Thrives against Slowing Economy	<b>Mr. Richard Yeh</b> Citi Investment Research	1	80
4 Sep (Tue) (Luncheon)	Trading and Investment as a Science	<b>Dr. Haksun Li</b> Numerical Method Inc.	1	81
8 Sep (Sat) (Seminar)	How Latest SFC Enforcement Trends Impact Us	<b>Mr. Mark Steward</b> Securities and Futures Commission <b>Ms. Angelina Kwan</b> REORIENT Group Limited	2.5	40
10 Sep (Mon) (Luncheon)	Alphas, Betas, and Costs - The ABCs of Hedge Funds	<b>Dr. Kevin X. Zhu</b> Hong Kong Polytechnic University	1	52
21 Sep (Fri) (Luncheon)	The Asia Syndicated Loan Market Primer - What You Need to Know	<b>Mr. Atul Sodhi</b> Credit Agricole - Corporate Investment Bank <b>Ms. Adelene Lee</b> Debtwire	1	53
10-12 Oct (Wed - Fri) (3 whole-day Workshops)	Advanced Financial Analysis Workshops - Advanced Financial Modelling - Core Model - Distressed Investing & Modelling - Leveraged Valuation & Intermediate LBO Modelling	<b>Mr. Hamilton Lin, CFA</b> Wall St. Training	6.5 per workshop	17 16 13
17 Oct (Wed) (Luncheon)	OTC Derivatives: Sweeping Regulatory Changes to Asset Managers	<b>Mr. Yin Toa Lee, CFA</b> Ernst & Young <b>Mr. Kishore Ramakrishnan</b> Ernst & Young	1	48
31 Oct (Wed) (Luncheon)	Infrastructure Investment: Where Do Opportunities Lie?	<b>Mr. Steve Gross</b> Macquarie Infrastructure and Real Assets	1	74
20 Nov (Tue) (Luncheon)	Detecting Financial Shenanigans	<b>Dr. Howard M. Schilit, CPA</b> Financial Shenanigans Detection (FSD) Group, LLC	1	65
3 Dec (Mon) (Luncheon)	Commodities: Boom or Bust? The Case for a Strategic Allocation	<b>Dr. Keith H. Black, PhD, CFA, CAIA</b> CAIA Association	1	61
10 Dec (Mon) (Luncheon)	A New Recipe for Dim Sum Bond	<b>Mr. Goliath Lau</b> Moody's Analytics	1	90

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
<b>Year 2013</b>				
10 Jan (Thurs) (Luncheon)	The Risks that Securities Analysts Face	<b>Mr. Jeremy Bolland</b>	1	39
19 Jan (Sat) (Seminar)	Corporate Governance	<b>Mr. Lee Kha Loon, CFA</b> CFA Institute <b>Ms. Jennifer Lee</b> Securities and Futures Commission <b>Mr. Joseph Choi</b> Hong Kong Exchanges and Clearing Limited (HKEx)	2.5	53
24 Jan (Thurs) (Luncheon)	Conducting Effective Due Diligence in Asia: Lessons Learned	<b>Mr. Stuart Witchell</b> FTI Consulting	1	73
2 Feb (Sat) (Seminar)	Global Investment Performance Standards (GIPS Standards)	<b>Ms. Annie Lo, CFA, CIPM, CAIA</b> CFA Institute <b>Mr. Richard Kemmling, CPA, CIPM</b> Ashland Partners & Co. LLP <b>Mr. Yoh Kuwabara</b> Uroboros Performance Consulting LLC	2.5	54
28 Feb (Thurs) (Luncheon)	The Future of Exchanges	<b>Mr. Thomas A. Kloet</b> TMX Group	-	53
4 - 6 Mar (Mon - Wed) (3 whole-day Workshops)	Advanced Financial Analysis Workshop - Advanced Financial Modelling - Core Model - VC Investing: Private Company Valuation & Participating Preferred Securities Waterfall Modelling - M&A Deal Structuring & Merger Modelling Basics	<b>Mr. Hamilton Lin, CFA</b> Wall St. Training	6.5 per workshop	21 19 17
8 Mar (Fri) (Luncheon)	Creating Sustainable Value	<b>Mr. James Pearson</b> Pacific Risk Advisors	1	33
18 Mar (Mon) (Luncheon)	New Trends and Opportunities for Offshore PE Funds' Integration into China Market	<b>Mr. Wantao Yang</b> Zhong Lun Law Firm	1	47
11 Apr (Thurs) (Luncheon)	A New View of Financial Risk: What Officers Should Know to Minimize Risk?	<b>Mr. Raymond Yuen, B.Soc.Sc.(First Hon.), MBA, FCPA, CFA, MHKSI</b>	1	33
20 Apr (Sat) (Seminar)	HKSFA Private Wealth Seminar	<b>Mr. Francis Liu</b> UBS Wealth Management <b>Mr. Timothy Lo</b> CIC Investor Services Limited <b>Mr. Alan Luk</b> Hang Seng Bank	2.5	44
23 Apr (Tue) (Seminar)	GIPS Workshop Series – Initial Steps in Preparing your firm to be GIPS compliant	<b>Mr. Stephen Campbell</b> KPMG	-	44
25 Apr (Thurs) (Luncheon)	Risk management, are you ready for the next financial crisis?	<b>Mr. Tony Leung, CFA, CIPM</b> CITIC Securities International Company Ltd.	1	49
14 May (Tue) (Luncheon)	RMB Qualified Foreign Institutional Investor (RQFII): A new era of cross-border investment	<b>Ms. Florence Yip</b> <b>Ms. Josephine Kwan</b> PricewaterhouseCoopers Limited	1	70
23 May (Thurs) (Luncheon)	Money For Nothing? Currency Wars 2013-14	<b>Mr. Samarjit Shankar</b> BNY Mellon Global Markets	1	41
25 May (Sat) (Seminar)	HKSFA 2nd Annual Hedge Fund Forum	<b>Mr. Mark Dalton</b> Cambridge Associates <b>Mr. Brian Pohli</b> CQS (Hong Kong) Limited <b>Mr. Scott Peterman, CFA</b> Sidley Austin	2.5	63
4 Jun (Tue) (Luncheon)	Qianhai: Latest Development and its Implication on Hong Kong	<b>Mr. Tse Yung Hoi</b> BOCI-Prudential Asset Management Limited	1	85

Date	Seminar Topic	Speaker / Panelist	CPT/CE Credit Hours	No. of Attendants
<b>Year 2013</b>				
6 Jun (Thurs) (Luncheon)	Credit Support Structures for Chinese Offshore Bonds	<b>Dr. Gary Lau</b> Moody's Corporate Finance Group	1	68
20 Jun (Thurs) (Luncheon)	Man vs. Machine: Can Humans Still Win at Trading?	<b>Mr. Robert Webb</b> University of Virginia	1	38



## ADVOCACY

Advocacy remains a key focus of the HKSFA Board. The Advocacy Committee recruited 19 new members in FY2013 to raise the tempo of its operations. The Committee met frequently to lay out strategy and discuss advocacy topics.

The Society's Advocacy Committee remains an active responder to Securities and Futures Commission (SFC), the Hong Kong Monetary Authority (HKMA) and the Stock Exchange of Hong Kong (HKEx) consultation papers. We feel the most important of these was our response to the Regulation of Sponsors. The Society supported the proposed regulation to discipline sponsors to the benefit of all investors. Our views on this topic were published in Hong Kong Economic Journal – one of Hong Kong's leading Chinese language financial newspapers. Other consultation paper response topics in FY2013 include Trading Halts, Supplemental Consultation on the OTC Derivatives Regime for Hong Kong and Board Diversity.



The Society reached out to its stakeholders through a variety of channels in FY2013.

We published a commemorative booklet and a 5-day advertorial series to mark the HKSFA's 20<sup>th</sup> anniversary. Top government officials, regulators, industry leaders and senior practitioners were prominently featured promoting the HKSFA mission and the CFA designation. Copies of the booklet were distributed to our members and at the CFA Institute's Society Leadership Conference held in Hong Kong in FY2013.

The HKSFA and the SFC again co-hosted the annual Investor Education Seminar Series. The 13 October 2012 full-day public service event aims at educating the public on key investment topics. The series included property investment, forensic accounting, wealth management and technology sector. Directors of the HKSFA also were on hand to share their views. Speaking at the event were Mr. Derek Cheung, CPA, Chief Investment Officer of Neutron Investment, Mr. Kenneth Chen, Partner at Shinewing (HK) CPA Limited, Mr. William Leung Wing-Cheung, BBS, JP, Sun Hung Kai Financial's Chief Executive Officer, and Mr. Fred Wong, CFA, Fund Manager and Partner at Avant Capital.

HKSFA members participated in a radio series commissioned by Investor Education Centre in 2013. The series aimed to educate the investing public on the vulnerability of the asset class spectrum to macro risks.

Our President delivered the keynote address at Corporate Governance Asia's Awards Ceremony held in May 2013. His talk outlined the importance of ethics in listed companies' interaction with investors. The speech cited two CFA Institute research publications.



## HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

The HKSFA GIPS Committee remains active in CFA Institute's GIPS standards development.

The Committee arranged a series of GIPS Standards seminars and workshops to promote GIPS standards locally. A total of 95 market participants attended HKSFA GIPS events during FY2013.

They held a luncheon with local market practitioners to gather their comments on the CFA Institute’s “Exposure Draft of the Guidance Statement on the Application of the GIPS Standards to Pension Funds, Endowments, Foundations, and Other Similar Entities”. The event was also aimed at increasing local market support for GIPS standards. The Committee’s consolidated comments were submitted to GIPS Executive Council for consideration.

The Committee nominated a member to join the GIPS Standards - Interpretations Subcommittee. This body is responsible for ensuring the integrity, consistency and applicability of the GIPS standards. A key role is clarifying GIPS standards in response to investment industry feedback.

Highlights of the HKSFA GIPS Committee FY2013 calendar include:

- Seating members on the:
  - GIPS Investor/Consultant Subcommittee;
  - GIPS Nominations Committee;
  - Retail/Pooled Fund Working Group;
  - Certificate in Investment Performance Measurement (CIPM) Association Advisory Council;
- Sending members to the GIPS AP RIPS In-person Meeting;
- Providing feedback to GIPS Executive Committee on enhancing the GIPS organisational structure;
- Recruiting new HKSFA GIPS Committee members;
- Promoting GIPS standards and the CIPM Programme by speaking at the Investment Performance Analysis and Risk Management Seminars;
- Holding the HKSFA GIPS Seminar on 2 February 2013 to raise awareness of GIPS standards. Topics covered included an update on GIPS Standards, the Alternative Investment Guidance Statement, and the benefits and practical issues of becoming GIPS compliant;
- Arranging a “Initial Steps in Preparing your Firm to be GIPS Compliant” workshop;
- Hosting “(i) GIPS Guidance to Difficult Areas Commonly Encountered, and (ii) Application of GIPS Standards with Alternative Investments” workshops;
- Helping practitioners address GIPS standards related issues. These included track record portability, significant cash flow and gross-of-fee returns.

Upcoming activities include:

- Conducting a GIPS survey in the 4<sup>th</sup> quarter of 2013;
- Developing a strategic plan for GIPS standards outreach activities.

We hope these efforts will keep Hong Kong at global asset management industry’s forefront.

### **HONG KONG FINAL OF CFA INSTITUTE RESEARCH CHALLENGE 2012-13**

The 2012-2013 Hong Kong final of CFA Institute Research Challenge attracted 32 students from eight local universities. Participants spent months preparing equity research reports on target listed companies. The competition saw them make their recommendations to an expert panel of chief investment officers and top fund managers. Leading investment professionals volunteered to mentor the students on equity research best practice and corporate analysis. The Society extends its appreciation to Mr. Franki Chung, CFA, Ms. Elizabeth Soon, CFA, and Ms. Lilian Leung, CFA, for their work as this year’s panel judges and to our volunteer mentors for their support.

The Hong Kong University of Science and Technology (HKUST) emerged from several rounds of high quality presentation as local champion. Hong Kong Baptist University and The University of Hong Kong placed second and third respectively.

HKUST represented Hong Kong at the Asia Pacific Regional Research Challenge held in Kuala Lumpur in February 2013. The winner advanced to the April 2013 global finals in London. There they competed

against teams from the world's top business schools. Over 3,500 students from 65 universities in more than 55 countries competed at the local level for a spot in the global finals.

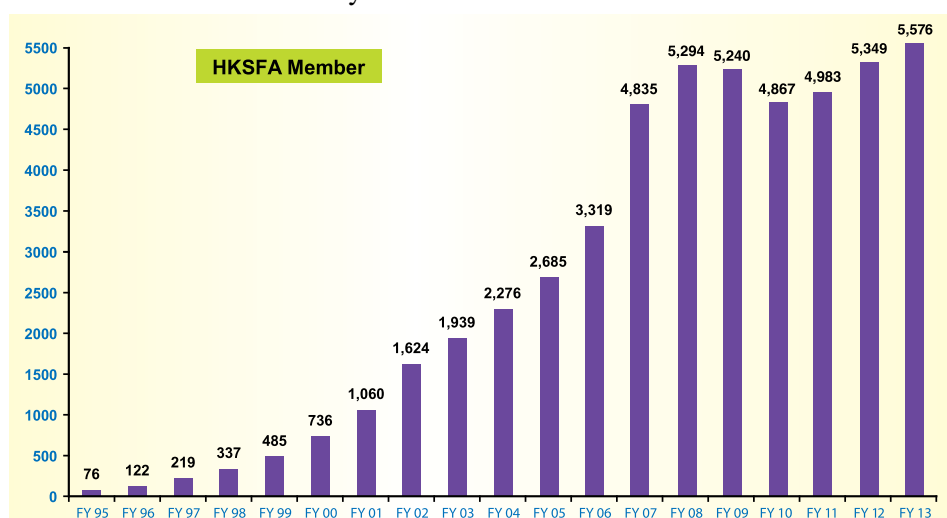


This global competition provides students with valuable real world financial analysis experience and the opportunity to learn from corporate leaders and experienced analysts. HKSFA is committed to promoting professional and ethical financial industry practices among the next generation.

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## MEMBERSHIP

Our membership grew 4.2% to 5,576 to the year ended 30 June 2013. A 261-person rise in Hong Kong based members was the new record's key driver.



Local candidates completing the CFA programme and members transferring into Hong Kong from overseas saw this category grow to 5,035 members during the year. The HKSFA aims to retain and attract new members by raising the Society's public profile through its advocacy, public awareness and education efforts.

Our membership geographic distribution remains mostly unchanged over prior years with Hong Kong (90.3%), China (5.5%), and Taiwan (1.1%) as the key components.

The HKSFA maintained its ranking as the world's fourth largest CFA Institute member society and the largest in Asia.

### Top Ten Societies of CFA Institute as at 1 July 2013 :

Society:	Member count:	Growth (from 2012) :
1. New York	10,698	+909
2. Toronto	7,916	+312
3. United Kingdom	7,596	+449
<b>4. Hong Kong</b>	<b>5,576</b>	<b>+227</b>
5. Boston	5,121	+62
6. Chicago	3,890	+82
7. San Francisco	3,056	+7
8. Singapore	2,763	+193
9. Swiss	2,317	+158
10. Montreal	2,181	+53

In order to understand and serve our members better, the Society will continue to reach out and communicate with our members via email, website, press, publications and social media. The Society looks forward to hearing member feedback on our future communications.

## **MEMBER SERVICES**

FY2013 was another busy year for HKSFA Member Services. We explored different social and lifestyle event options our pursuit of unique member networking opportunities. This included revamped Happy Hour gatherings and the successfully launch of themed Happy Hours and special interest events. Our major FY2013 activities are as follows:

### **Happy Hour Gathering & Welcome Reception for New Members**

Happy Hours are held at the HKSFA office on the second Thursday of each month. The event remains popular after many years on the HKSFA calendar. These are supplemented with occasional new member welcome receptions. Members get a chance to meet old friends and make new connections at these informal and friendly gatherings. What's more, free drinks and snacks are served after a hard day's work!

### **20<sup>th</sup> Anniversary Happy Hour Gathering - "Meet with HKSFA ex-Presidents"**

HKSFA celebrated its 20<sup>th</sup> anniversary in 2012. We were delighted to host a gathering on 12 July 2012 with our four ex-presidents Mr. George Long, CFA, Mr. Kevin Chan, CFA, Mr. Richard Mak, CFA and Mr. Karl Lung, CFA to share with our members and candidates the journeys, achievements and some interesting stories of the society.

### **Hong Kong Financial Dispute Resolution Centre Limited**

A joint gathering with the Financial Dispute Resolution Centre (FDRC) was held on 9 May 2013. The event gave HKSFA members an opportunity to better understand and hear about the development of this non-profit organisation. The FDRC administers the independent and impartial Financial Dispute Resolution Scheme (FDRS). It is charged with resolving disputes between individuals and institutions by way of a "Mediation First, Arbitration Next" framework.

### **Eye Health & Care and Heart Disease**

We were privileged to have Dr. Nancy S.Y. Yuen and Mr. Miles Price from Holistic Nutrition, C.C.N. C.H.N. conduct two information sharing sessions on health related topics. On 11 October 2012, Dr. Yuen explored eye health and care with our members on myopia and other related eye diseases such as: Dry Eye Syndrome, Floaters & Retinal Degeneration and Glaucoma. Mr. Price delivered a "Heart Disease" presentation on 14 March 2013. He discussed heart disease risk factors, new vs old heart disease hypotheses and nutrient and food impacts.

We also organised several general interest talks:

### **Photography appreciation and HDR Photography**

Little Stone Production's Mr. Frank Mak shared his photography appreciation expertise and experience at a gathering held on 9 August 2012. He explained photographic composition to participants and the usage of aperture.

We were delighted to follow this up with a talk on High Dynamic Range (HDR) photography conducted by Mr. Jack Poon on 11 April 2013. While HDR is growing in popularity, he noted that it is rejected by many photographers as it strays into manipulated computer graphics. He believed that future technology could accelerate HDR development in consumer products. An amateur photographer with over 13 years landscape photography experience throughout Asia, Mr. Poon also gave an overview of HDR technique and workflow as well as demonstrating tips and suggestions.

### **A Revival of Classical Chinese Paintings by Digital Technology**

HKSFA hosted a presentation by Ms. Brenda Lee of DÉ JÌAN TÁNG Hong Kong on 6 December 2012. The group works with major museums in China to digitize historically, artistic and academically important collections of classical calligraphy and paintings. Current technology has made very accurate



reproductions of these pieces available to the general public.

### Tapas & Ham with Wine Tasting Workshop

A workshop held on 18 August 2012 gave participants a chance to explore production, selection and tasting of Iberico ham. Members and guests all had fun preparing tapas with one of the western culinary world ‘four gastronomic gems’ and pairing them with selected wine.

### Wine Tasting Dinner

“Italian Encounter” was the theme of a fun and relaxing wine tasting dinner that gathered over 20 members and friends on 25 January 2013. While most consider France as the country of wine, Italy produces about the same volume. Added, its longer winemaking history and geographic characteristics allow it to produce a wider variety of styles than France. The evening gave participants a chance to taste leading Italian wines paired with scrumptious food.



### Trailwalker

The HKSFA again fielded 4 teams at the Hong Kong Oxfam Trailwalker charity hike in FY2012. The grueling 48-hour 100km MacLehose Trail event was held on the weekend of 16-18 November 2012. Our teams raised about HK\$130,000 - again making HKSFA one of the event’s major fund raisers.

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



### Christmas Party

HKSFA held our annual party on 14 December 2012. There we celebrated both our 20<sup>th</sup> anniversary and the festive season. Around 40 members and guests got the opportunity to network while enjoying games and fine food.

### HKSFA 2012 Annual Forecast Dinner & CFA® Charter Award Ceremony

Our flagship event was held at the Hong Kong Excelsior Hotel on 23 November 2012. This year’s event was attended by 267 members, graduates and guests. The Society welcomes new charterholders and successful CFA Level III candidates each year to celebrate this key career milestone. 119 candidates were present at the award ceremony. Asia Pacific of the CFA Institute’s Managing Director, Mr. Paul Smith, CFA, presented to new charterholders and successful candidates their CFA Charters and Letters of Achievement respectively.



We were honoured to welcome Hong Kong’s Secretary of Financial Services and the Treasury, Professor K.C. Chan, SBS, JP, as keynote speaker. A panel discussion on the region’s economy and financial markets followed his remarks.



Head of Advisory Services of Pictet Wealth Management Asia and former HKSFA President, Mr. Richard Mak, CFA, moderated the session. Our panel included Credit Agricole’s Corporate & Investment Bank’s Senior Fixed Income Strategist for Asia ex-Japan,

Ms. Frances Cheung, CFA; Merrill Lynch Global Wealth Management's Managing Director & Asia Pacific Chief Investment Strategist, Ms. Victoria Ip, CFA; and Dr. Jun Ma, Managing Director, Chief Economist for Greater China and Head of China / Hong Kong Strategy of Deutsche Bank.

Panelists and audience members made 1-year forecasts for Centa-City Leading Index, Apple-to-Microsoft market cap ratio and the gold price and other local and global benchmarks.

We take this opportunity to express appreciation to our speakers and panelists who made the Annual Forecast Dinner and CFA® Charter Award Ceremony another success in 2012. We hope it continues to be a signature annual event of the HKSFA.



### Member Services Functions (July 12 - June 13)

Social Events		
Date	Programme Topic	No. of Attendants
18 Aug 12	Tapas & Ham with Wine Tasting Workshop	17
16-18 Nov 12	Oxfam Trailwalker	16
23 Nov 12	Annual Forecast Dinner and CFA® Charter Award Ceremony	267
14 Dec 12	Christmas Party	38
25 Jan 13	Wine Tasting Dinner: Italian Encounter	21

Happy Hour Gatherings		
Date	Theme	No. of Attendants
12 Jul 12	Themed Happy Hour Gathering - Meet with HKSFA ex-Presidents	28
9 Aug 12	Themed Happy Hour Gathering - Photography Appreciation	21
23 Aug 12	Welcome Reception for New Members	32
13 Sep 12	Monthly Hour Gathering	23
11 Oct 12	Themed Happy Hour Gathering - Eye Health & Care – “Myopia and Related Eye Diseases”	16
8 Nov 12	Monthly Hour Gathering	16
6 Dec 12	Themed Happy Hour Gathering - A Revival of Classical Chinese Paintings by Digital Technology	13
10 Jan 13	Monthly Hour Gathering	17
21 Feb 13	Monthly Hour Gathering	26
14 Mar 13	Themed Happy Hour Gathering - Heart Disease	26
11 Apr 13	Themed Happy Hour Gathering - HDR Photography	21
9 May 13	Themed Happy Hour Gathering - Hong Kong Financial Dispute Resolution Centre Limited	16
13 Jun 13	Monthly Hour Gathering	19

### CAREER DEVELOPMENT

FY2013 was a break-out year for HKSFA's career development efforts. We saw a 100% increase in themed events (to 12 from 6 events) year-on-year to borrow the language of financial reporting. These events drew a total of 409 attendants, a 24.7% year-on-year increase. This gave our members access to 18 hours of quality, practical career advice from 15 high calibre speakers. Their backgrounds included asset management, investment banking, private banking, private equity, career consultants, market regulation and academia.



A summary of our offerings is as follows:

- Events on compensation negotiation, job search pitchbook writing, the importance of “Branding” oneself, and hiring and job market trend analysis in response to our members’ need to refine job search technique.
- Senior practitioners shared their family office, structured finance and private equity/venture capital experience to broaden our members’ exposure to alternative investments.
- A “Post-Finance Life” series reflecting industry-wide focus on value and virtue in the post-Global Financial Crisis era was offered for the first time. Life after investment banking and a switch from finance to academia were among the themes tackled. We plan to continue this series in the coming year.

We will continue to offer career advancement - focused member services. Emphasis will be placed on bringing aboard Mainland Chinese financial institutions, the post-finance theme and career opportunities in alternative investment.

The board extends its thanks to our committee members. Without their support and enthusiasm, these events would not have happened. They are: 4 directors and 15 committee members. We also would like to thank all the speakers who contributed their time, experience and knowledge to these events.

<b>Career Development Gatherings (July 12 – June 13)</b>			
<b>Date</b>	<b>Programme Topic</b>	<b>Speaker /Panelist</b>	<b>No. of Attendants</b>
<b>Year 2012</b>			
13 Jul 12	Changing Landscape of the Alternative Investment Management Industry Post GFC – My Personal Journey	<b>Mr. Raymond Chan</b> Intermediate Capital Asia Pacific Limited	31
17 Jul 12	Pitchbook for Job Search	<b>Mr. Fred Wong, CFA</b> Avant Capital	39
16 Aug 12	Is there life after investment banking?	<b>Mr. Stephen Wong</b> Cova Development Ltd.	31
18 Sep 12	What is it like to work for a family office?	<b>Mr. K O Chia</b> Grace Financial Ltd.	33
18 Oct 12	Career Paths into - and through - Private Banking	<b>Mr. Sermon Kwan</b> Bank of Singapore <b>Mr. Trevor Mak, CFA</b> Standard Chartered Private Bank <b>Mr. Richard Mak, CFA</b> Pictet Wealth Management Asia	50
20 Oct 12	Negotiation Workshop - Employment Package Negotiation	<b>Mr. William Chan</b> Scotwork East Asia	14
<b>Year 2013</b>			
29 Jan 13	2012 Job Market Review and 2013 Job Market Outlook	<b>Mr. Armstrong Lee</b> Worldwide Consulting Group Co. Ltd.	30
26 Feb 13	Brand YOU	<b>Ms. Vince Chan</b> Alpha Power MBA <b>Ms. Nidhi Shah</b> Alchemy Consulting	33
22 Apr 13	Private Equity / Venture Capital	<b>Mr. Claudius Tsang, CFA, LLB</b> Templeton Asset Management Ltd.	79
29 May 13	Switching from Private to Public	<b>Mr. Ron Chiong, CFA</b> Securities and Futures Commission	22
7 Jun 13	Post-finance Career Paths	<b>Mr. Sam Pang, BSc, LLB, MFin, CFA</b> Chinese University of Hong Kong	29
29 Jun 13	Negotiation Workshop – Top Tips for Better Deals	<b>Mr. William Chan</b> Scotwork East Asia	18

## CANDIDATE EDUCATION

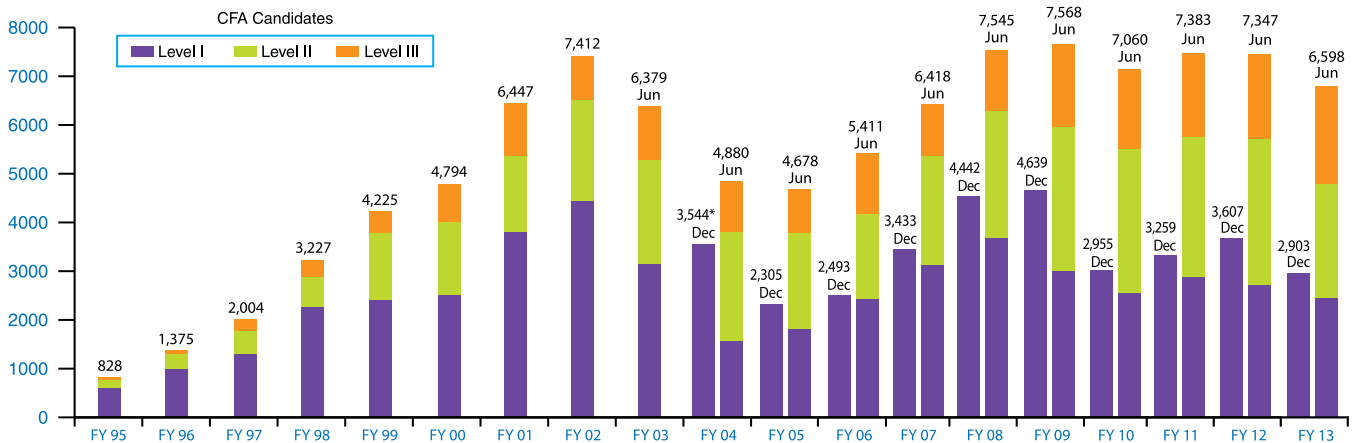
Registration for the FY2013 CFA examination in Hong Kong saw a 13.3% year on year decline to 9,501 (2,903 and 6,598 in December 2012 and June 2013 sessions respectively). This was the first time in 5 years fewer than 10,000 candidates were registered in Hong Kong. We view ongoing market uncertainty and industry downsizing as key contributors.

The Society has committed to providing candidates academic and financial assistance in their pursuit of the CFA designation during these challenging times. HKSFA's Scholarship Committee awarded 5 scholarship winners from a pool of 22 applicants for the December 2012 exam after a thorough evaluation process under the CFA Institute's scholarship programme. The growing pool of emerging market applicants saw the CFA Institute introduce the Access Scholarship programme in 2013. The initiative is designed to provide needs-based scholarships to applicants otherwise unable to the CFA programme's full price. The HKSFA awarded a total of 94 scholarships under the CFA Institute programme for the June 2013 exam. 93 scholarships were awarded to Hong Kong candidates and 1 to a Macau candidate.

The HKSFA held a CFA programme information session that drew 60 prospective candidates. Seasoned practitioners shared their thoughts on the CFA programme, exam preparation strategies and post-CFA charter award career opportunities.

We saw increasing demand for study groups in 2013. The HKSFA organised 63 groups for 324 candidates during the fiscal year - an increase of 19% over FY2012. 21 study groups for 99 December 2012 exam candidates were organised while 42 groups for 225 candidates were formed for the June 2013 exam.

The HKSFA is glad to announce that it has entered an agreement with a new provider for CFA programme study materials. Elan Guide will replace Stalla. The latter was acquired and has subsequently terminated the distributorship with the Society. We hope this service to candidates will help them better prepare for the CFA exams in the years to come.



## FINANCE

The Society surplus declined 33% year-on-year to HK\$459,737 in FY2013.

Membership fees grew 3.6% during the year. This remains the Society's main revenue source. We expect only slow organic growth – in line with the Society's membership - in the coming years.

Administrative expenses rose 9% y-o-y in FY2013. Hong Kong inflation – particularly on wages – remains the main driver as highlighted in last year's statement.

We thus expect HKSFA's surplus will remain on its downward trend going forward.

The Society is a non-profit organisation. It exists to serve members as per its mission statement. Resource allocations therefore prioritise member service. We believe our FY2013 surplus is healthy. We will continue



to direct it to delivering on our mission statement.

The Investment Committee of the Society invests surplus members' funds.

Members' funds grew to HK\$12,796,448 in FY2013 from HK\$12,250,536 in FY2012. The increase is mainly from the Society's FY2013 surplus and investment revaluation reserve changes.

The Investment Committee added new positions in Tracker Fund during FY2013. The Investment Committee will continue to monitor and adjust asset allocation as appropriate.

Our main holdings are fixed income securities and units in the Hang Seng Index Tracker Fund ("Tracker Fund"). We believe these are prudent, long-term vehicles appropriate for managing the HKSFA's surplus funds. Holdings are reasonably allocated to cash, equity and fixed income securities in our opinion. We maintain working capital for day-to-day operations in cash and bank deposits.

## **CORPORATE GOVERNANCE**

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

The Society is managed by its Board of Directors. The Board is elected from among members of the Society. Directors do not receive any remuneration or benefits in kind for their service. In accordance with the Articles of Association of the Society:

*"Subject to Article 75 and Article 71, at each annual general meeting of the Society, new members of the Board of Directors shall be elected from amongst the Regular Members who by notice under Article 74 have indicated a willingness to be so elected."*

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

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

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

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

## FIVE-YEAR SUMMARY

	2013	2012	2011	2010	2009
No. of Members	5,576	5,349	4,983	4,867	5,240
No. of Continuing Education Programmes	34	38	36	29	34
No. of Membership Services Functions	11	12	19	12	12
<b>Income</b>					
	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Membership Fees	3,606,580	3,482,071	3,203,775	3,162,476	3,374,520
Surplus from Education & Programmes	254,178	286,446	385,919	269,341	253,501
Interest & Sundry Income	149,184	269,219	132,461	100,412	173,651
Other Revenue	988,752	1,194,475	902,131	760,102	826,627
	<b>4,998,694</b>	<b>5,232,211</b>	<b>4,624,286</b>	<b>4,292,331</b>	<b>4,628,299</b>
<b>Expenditure</b>					
Administrative Expenses	3,717,171	3,420,837	3,030,351	2,450,001	2,473,474
Other operative expenses	821,786	1,126,967	659,428	597,585	697,770
<b>Total Operating Expenses</b>	<b>4,538,957</b>	<b>4,547,804</b>	<b>3,689,779</b>	<b>3,047,586</b>	<b>3,171,244</b>
<b>SURPLUS FOR THE YEAR</b>	<b>459,737</b>	<b>684,407</b>	<b>934,507</b>	<b>1,244,745</b>	<b>1,457,055</b>
<b>ASSETS</b>					
<b>Total of Non-Current Assets</b>	<b>8,901,600</b>	<b>8,039,000</b>	<b>3,215,000</b>	<b>3,856,554</b>	<b>2,745,560</b>
Total of Current Assets	4,956,240	5,041,522	9,436,987	7,259,904	7,072,251
Total of Current Liabilities	1,061,392	829,986	816,458	445,436	570,534
<b>Total of Net Current Assets</b>	<b>3,894,848</b>	<b>4,211,536</b>	<b>8,620,529</b>	<b>6,814,468</b>	<b>6,501,717</b>
<b>Total of Net Assets</b>	<b>12,796,448</b>	<b>12,250,536</b>	<b>11,835,529</b>	<b>10,671,022</b>	<b>9,247,277</b>
<b>Total of Members' General Funds</b>	<b>12,796,448</b>	<b>12,250,536</b>	<b>11,835,529</b>	<b>10,671,022</b>	<b>9,247,277</b>

# **THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**

## **REPORT OF THE BOARD OF DIRECTORS**

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2013.

### **PRINCIPAL ACTIVITIES**

The Hong Kong Society of Financial Analysts Limited (the “Society”) is an independent non-profit making organisation set up with its primary goal being to promote and raise standards in the practice of financial analysis in Hong Kong through educational programmes and advocacy works.

### **RESULTS**

The results and cash flows of the Society for the year ended 30 June 2013 and the state of affairs of the Society at that date are set out in the financial statements on pages 21 to 38.

### **PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment during the year are set out in note 21 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	Frederick Sui Cheong TSANG, CFA	
Vice-president	Man HO, CFA Pui Wun KHOO, CFA	
Secretary	Yin Toa LEE, CFA	
Treasurer	Kwok Yuk TSANG, CFA	
Members	Derek Wai Man MOK, CFA Hak Kau LUNG, CFA Hoi Kan WONG, CFA Peter Anthony WATSON, CFA Wai Kee JIM, CFA Yan Seen SOON, CFA Yip Man LAU, CFA Kwok Leung HO, CFA	(appointed on 8 April 2013 and resigned on 9 September 2013)
	Wallace Chong Keung WOO, CFA	(resigned on 2 January 2013)

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, Hak Kau LUNG, Pui Wun KHOO, Frederick Sui Cheong TSANG, Derek Wai Man MOK, Yip Man LAU and Yin Toa LEE 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 of the Society had a material interest subsisted at the end of the year or at any time during the year.

### ***DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES***

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

### ***AUDITORS***

The former auditors, Messrs. Chan, Li, Law & Co., Certified Public Accountants (Practising), continued their practice under the name of Chan, Li, Law CPA Limited. Consequently, Messrs. Chan, Li, Law & Co. retired from office after the issuance of the Company's audited financial statements for the year ended 30 June 2012. These financial statements were audited by Chan, Li, Law CPA Limited, Certified Public Accountants (Practising), which shall retire in the forthcoming annual general meeting and, being eligible, offers itself for re-appointment.

By order of the Board of Directors

President  
Hong Kong, 4 Nov 2013



***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 21 to 38, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Directors' responsibilities for the financial statements***

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

***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Society's affairs as at 30 June 2013 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 CPA Limited  
Certified Public Accountants (Practising)  
Hong Kong, 4 Nov 2013

Li King Man  
Practising Certificate No.: P05777

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
*(Expressed in Hong Kong dollars)*

	Note	2013 HK\$	2012 HK\$
<b>INCOME</b>			
Membership fees	5	3,606,580	3,482,071
Surplus from candidate education	6	44,779	37,230
Surplus from continuing education	7	209,399	249,216
Business valuation forum		-	1,500
		<u>3,860,758</u>	<u>3,770,017</u>
Other revenue	8	1,137,936	1,462,194
Administrative expenses	11	(3,717,171)	(3,420,837)
Other operating expenses	13	(821,786)	(1,126,967)
<b>SURPLUS FOR THE YEAR</b>		<u><b>459,737</b></u>	<u><b>684,407</b></u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
Fair value changes on available-for-sale financial assets		86,175	(269,400)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>545,912</b></u> =====	<u><b>415,007</b></u> =====

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**  
*(Expressed in Hong Kong dollars)*

	Note	2013 HK\$	2012 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	21	51,600	66,400
Held-to-maturity financial assets	18	780,000	780,000
Available-for-sale financial assets	19	3,255,875	2,195,600
Financial assets at fair value through profit or loss	20	4,814,125	4,997,000
		8,901,600	8,039,000
		-----	-----
<b>Current assets</b>			
Accounts and other receivables		123,687	357,889
Deposits and prepayments		463,296	417,030
Fixed deposits		1,978,945	1,964,124
Cash and bank balances		2,390,312	2,302,479
		4,956,240	5,041,522
		-----	-----
<b>Current liabilities</b>			
Accounts payable and accruals		320,704	437,490
Receipts in advance		740,688	392,496
		1,061,392	829,986
		-----	-----
<b>Net current assets</b>		3,894,848	4,211,536
		-----	-----
<b>NET ASSETS</b>		12,796,448	12,250,536
		=====	=====
 <b>MEMBERS' EQUITY</b>			
Members' general funds		12,044,673	11,584,936
Investment revaluation reserve		751,775	665,600
		12,796,448	12,250,536
		=====	=====



Frederick Sui Cheong TSANG, CFA  
 President



Kwok Yuk TSANG, CFA  
 Treasurer

The notes on pages 25 to 38 form part of these financial statements.

**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
*(Expressed in Hong Kong dollars)*

	Members' general funds <b>HK\$</b>	Investment revaluation reserve <b>HK\$</b>	Total <b>HK\$</b>
Balance at 1 July 2011	10,900,529	935,000	11,835,529
Total comprehensive income for the year	684,407	(269,400)	415,007
Balance at 30 June 2012	<u>11,584,936</u>	<u>665,600</u>	<u>12,250,536</u>
Total comprehensive income for the year	459,737	86,175	545,912
Balance at 30 June 2013	<u><u>12,044,673</u></u>	<u><u>751,775</u></u>	<u><u>12,796,448</u></u>

The notes on pages 25 to 38 form part of these financial statements.



**THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2013**  
*(Expressed in Hong Kong dollars)*

	2013 HK\$	2012 HK\$
<b>Cash flows from operating activities</b>		
Surplus for the year	459,737	684,407
Adjustments for :-		
Investment income, net	(134,170)	(252,782)
Interest income	(15,014)	(16,437)
Depreciation	58,365	151,270
	368,918	566,458
<b>Operating surplus before changes in working capital</b>	368,918	566,458
Decrease/(increase) in accounts and other receivables	234,202	(208,666)
(Increase) in deposits and prepayments	(46,266)	(54,871)
(Decrease)/increase in accounts payable and accruals	(116,786)	316,826
Increase/(decrease) in receipts in advance	348,192	(303,298)
	788,260	316,449
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(43,565)	(67,670)
Acquisition of available-for-sale financial assets	(974,100)	(180,000)
Acquisition of financial assets at fair value through profit or loss	-	(5,004,725)
Investment income	317,045	260,507
Interest received	15,014	16,437
	(685,606)	(4,975,451)
<b>Net cash (used in) investing activities</b>	(685,606)	(4,975,451)
<b>Increase/(decrease) in cash and cash equivalents</b>	102,654	(4,659,002)
<b>Cash and cash equivalents at the beginning of the year</b>	4,266,603	8,925,605
	4,369,257	4,266,603
<b>Cash and cash equivalents at the end of the year</b>	4,369,257	4,266,603
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	2,390,312	2,302,479
Fixed deposits matured within three months when acquired	1,978,945	1,964,124
	4,369,257	4,266,603

The notes on pages 25 to 38 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 2013**  
*(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 through educational programmes and advocacy works. 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 maximum number of members which the Society has registered is 10,000. The number of members of the Society as at 30 June 2013 was 5,576 (2012 : 5,349).

**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 several amendments to HKFRSs that are first effective for the current accounting period of the Society. The application of these amendments has no material effect on the financial performance and positions of the Society.

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

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

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance, is normally charged to surplus or deficit in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

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

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

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

(b) Financial assets

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

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

Investments in securities held for trading or are derivative financial assets are classified as financial assets at fair value through profit or loss. 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 from fair value changes recognised in surplus or deficit does not include any dividends or interest earned on these investments.

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

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not included in other categories of financial assets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the other comprehensive income and accumulated separately in investment revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in surplus or deficit. Dividend income from these investments is recognised in surplus or deficit when the Society's right to receive payments is established. When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to surplus or deficit.

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

(c) Impairment of assets

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

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

(d) Accounts and other receivables

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

(e) Accounts and other payables

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

(f) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in surplus or deficit, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

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

(g) Recognition of income

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

- (i) Membership fee income is recognised on accrual basis when it is due ;
- (ii) Income from programmes and functions is recognised when the programmes and functions are completed ;
- (iii) Interest income is recognised on a time apportionment basis on the principal outstanding and at the rate applicable ; and
- (iv) Dividend income from investments is recognised when the owner's right to receive payment has been established.

(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 :-

	2013 HK\$	2012 HK\$
Members' annual fee income	3,367,080	3,224,064
New members' joining fee income	265,500	271,507
Uncollected fees recovered	1,000	2,000
Less : Uncollected fees	(27,000)	(15,500)
	<u>3,606,580</u> =====	<u>3,482,071</u> =====

## 6. SURPLUS FROM CANDIDATE EDUCATION

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

	2013 HK\$	2012 HK\$
Sales of study materials and programme income	141,915	203,185
Less : Cost of study materials and programme expenses	(97,136)	(165,955)
	<u>44,779</u> =====	<u>37,230</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.

	2013 HK\$	2012 HK\$
Programme income	624,270	702,390
Uncollected fees recovered	160	50
Less : Programme expenses	(414,431)	(453,124)
Uncollected fees	(600)	(100)
	<u>209,399</u> =====	<u>249,216</u> =====

## 8. OTHER REVENUE

	2013 HK\$	2012 HK\$
Investment income, net (note 9)	134,170	252,782
Interest income (note 10)	15,014	16,437
Sponsorship for GIPS meeting in Hong Kong	-	30,000
Sundry income	121	208
CFA Institute Society Operational Support Funding	923,231	882,847
CFA Institute Society Growth Funding	-	208,330
CFA Institute other funding for rebranding	39,000	-
Job posting income	26,400	25,620
Sponsoring for special publication of 20 <sup>th</sup> anniversary	-	45,970
	<u>1,137,936</u>	<u>1,462,194</u>
	=====	=====

## 9. INVESTMENT INCOME

	2013 HK\$	2012 HK\$
Interest received from listed debt securities	200,138	147,169
Interest received from unlisted debt securities	43,290	43,290
Dividend received from listed equity securities	73,617	70,048
Fair value changes on financial assets at fair value through profit or loss	(182,875)	(7,725)
	<u>134,170</u>	<u>252,782</u>
	=====	=====

## 10. INTEREST INCOME

	2013 HK\$	2012 HK\$
Bank interest income	194	215
Interest received from fixed deposits	14,820	16,222
	<u>15,014</u>	<u>16,437</u>
	=====	=====

## 11. ADMINISTRATIVE EXPENSES

	2013 HK\$	2012 HK\$
Depreciation	58,365	151,270
Electricity	16,093	15,577
Personnel costs (note 12)	2,407,481	2,206,591
Rent, rates and building management fee	1,170,109	978,284
Telephone and internet	65,123	69,115
	<u>3,717,171</u>	<u>3,420,837</u>
	=====	=====

## 12. PERSONNEL COSTS

	2013 HK\$	2012 HK\$
Salaries	2,325,240	2,135,648
Mandatory provident fund contributions	72,577	61,165
Staff welfare and allowances	9,664	9,778
	<u>2,407,481</u>	<u>2,206,591</u>
	=====	=====

## 13. OTHER OPERATING EXPENSES

	2013 HK\$	2012 HK\$
Special publication for 20 <sup>th</sup> anniversary	166,054	377,700
Advertising and promotion for public awareness	147,722	78,181
Audit fee	25,000	24,200
Bank charges	11,703	38,620
Business registration fee	1,350	3,496
Deficit from social functions (note 14)	81,535	392
Deficit from investment research challenge (note 15)	47,543	17,205
Exchange loss	34,853	22,935
GIPS meeting expenses	-	23,447
Insurance	22,230	19,501
Professional fees	39,005	10,175
Reference books expenses	-	2,261
Local traveling	366	144
Meeting expenses	40,404	29,279
Commission for online receipt	33,234	37,069
Overseas traveling	24,242	121,110
Office cleaning	20,860	20,160
Office reinstatement	-	48,000
Postages, printing and stationery	82,180	82,321
Repairs and maintenance	19,950	33,950
Stamp duties	3,164	-
Sundry expenses	3,091	1,907
Tax filing fee	2,300	-
Website upgrade	15,000	134,914
	<u>821,786</u>	<u>1,126,967</u>
	=====	=====

## 14. 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.

	2013 HK\$	2012 HK\$
Function income	239,770	356,370
Less : Function expenses	(320,325)	(356,512)
Uncollected fees	(980)	(250)
	<u>(81,535)</u>	<u>(392)</u>
	=====	=====

## 15. 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.

	2013 HK\$	2012 HK\$
Competition income	72,900	69,000
Less : Competition expenses	(120,443)	(86,205)
	<u>(47,543)</u>	<u>(17,205)</u>
	=====	=====

## 16. DIRECTORS' REMUNERATION

No directors' remuneration required to be disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance was incurred for the current year (2012 : HK\$400,524).

## 17. 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.

## 18. HELD-TO-MATURITY FINANCIAL ASSETS

	2013 HK\$	2012 HK\$
Unlisted debt securities, at amortised cost	780,000	780,000
	=====	=====
Market value	796,179	837,594
	=====	=====

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 HK\$	2012 HK\$
Equity securities listed in Hong Kong, at fair value	3,255,875	2,195,600
	=====	=====

## 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 HK\$	2012 HK\$
Debt securities listed in Hong Kong, at fair value	4,814,125	4,997,000
	=====	=====

## 21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <b>HK\$</b>	Furniture and equipment <b>HK\$</b>	Total <b>HK\$</b>
Cost :-			
At 1 July 2011	294,831	116,113	410,944
Additions	-	67,670	67,670
At 30 June 2012	<u>294,831</u>	<u>183,783</u>	<u>478,614</u>
Additions	-	43,565	43,565
At 30 June 2013	<u>294,831</u>	<u>227,348</u>	<u>522,179</u>
Accumulated depreciation :-			
At 1 July 2011	191,587	69,357	260,944
Charge for the year	98,277	52,993	151,270
At 30 June 2012	<u>289,864</u>	<u>122,350</u>	<u>412,214</u>
Charge for the year	4,967	53,398	58,365
At 30 June 2013	<u>294,831</u>	<u>175,748</u>	<u>470,579</u>
Net book value :-			
At 30 June 2013	-	51,600	51,600
At 30 June 2012	4,967	61,433	66,400

## 22. LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under a non-cancellable operating lease of property is payable as follows :-

	2013 <b>HK\$</b>	2012 <b>HK\$</b>
Not later than one year	1,210,230	405,069
Later than one year but not later than five years	2,011,800	-
	<u>3,222,030</u>	<u>405,069</u>

## 23. FINANCIAL RISK MANAGEMENT

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

	2013 <b>HK\$</b>	2012 <b>HK\$</b>
Held-to-maturity financial assets	780,000	780,000
Available-for-sale financial assets	<u>3,255,875</u>	<u>2,195,600</u>
Financial assets at fair value through profit or loss	<u>4,814,125</u>	<u>4,997,000</u>



Loans and receivables :-		
Accounts and other receivables	123,687	357,889
Deposits and prepayments	463,296	417,030
Fixed deposits	1,978,945	1,964,124
Cash and bank balances	2,390,312	2,302,479
	<u>4,956,240</u>	<u>5,041,522</u>
	<u>13,806,240</u>	<u>13,014,122</u>
	=====	=====

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

	2013	2012
	<b>HK\$</b>	<b>HK\$</b>
Financial liabilities at amortised cost :-		
Accounts payable and accruals	320,704	437,490
Receipts in advance	740,688	392,496
	<u>1,061,392</u>	<u>829,986</u>
	=====	=====

Except for available-for-sale financial assets and financial assets at fair value through profit or loss stated at fair value, all other financial instruments are carried at amounts not materially different from their fair values as at 30 June 2013 and 30 June 2012. The fair value of available-for-sale financial assets and financial assets at fair value through profit or loss are set out in notes 19 and 20 respectively.

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 loans and receivables and cash and cash equivalents.

The Society's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2013 and 30 June 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

An analysis of the age of accounts and other receivables that are past due as at the reporting date but not impaired :-

	2013	2012
	<b>HK\$</b>	<b>HK\$</b>
Past due up to		
- 30 days	56,602	316,309
- 31 to 60 days	16,780	15,560
- 61 to 120 days	7,000	8,000
- Over 120 days	26,850	18,020
	<u>107,232</u>	<u>357,889</u>
	=====	=====

The Society's cash and cash equivalents are mainly deposited in the financial institutions with high credit-ratings assigned by international credit-rating agencies.

## (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 <u>1 month</u> HK\$	Later than 1 month but not later than <u>3 months</u> HK\$	Later than 3 months but not later than <u>1 year</u> HK\$	Later than 1 year but not later than <u>5 years</u> HK\$	Carrying amounts HK\$
<u>2013</u>					
Accounts payable and accruals	108,889	8,900	9,000	193,915	320,704
Receipts in advance	740,688	-	-	-	740,688
	<u>849,577</u>	<u>8,900</u>	<u>9,000</u>	<u>193,915</u>	<u>1,061,392</u>
	=====	=====	=====	=====	=====
<u>2012</u>					
Accounts payable and accruals	50,701	232,789	86,000	68,000	437,490
Receipts in advance	392,493	-	-	-	392,496
	<u>443,197</u>	<u>232,789</u>	<u>86,000</u>	<u>68,000</u>	<u>829,986</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

Balances denominated in US dollars	HK\$
<u>2013</u>	
Held-to-maturity financial assets	780,000
Accounts receivables	4,992
Cash and bank balances	3,911
	<u>788,903</u>
	=====
<u>2012</u>	
Held-to-maturity financial assets	780,000
Accounts receivables	3,774
Cash and bank balances	116,976
	<u>900,750</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, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

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

	2013 HK\$	2012 HK\$
Floating-rate financial assets		
Financial assets at fair value through profit or loss	4,814,125	4,997,000
Fixed deposits	1,978,945	1,964,124
Cash at banks	2,385,312	2,297,479
	<u>9,178,382</u>	<u>9,258,603</u>
Fixed-rate financial assets		
Held-to-maturity financial assets	780,000	780,000
	<u>9,958,382</u>	<u>10,038,603</u>
	=====	=====

Sensitivity analysis

At 30 June 2013, it is estimated that a general increase/decrease of 100 basis points in interest rates, with other variables held constant, would increase/decrease the Society's surplus for the year and accumulated surplus by HK\$99,584 (2012 : HK\$100,386).

The sensitivity analysis has been prepared with the assumption that the changes in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the relevant financial instruments in existence at that date. The changes in interest rate represent management's assessment of a reasonably possible change in interest rates at that date over the period until the end of the next annual reporting period.

The analysis is prepared on the same basis for 2012.

## (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

	2013 HK\$	2012 HK\$
Available-for-sale financial assets, at fair value		
- equity securities listed in Hong Kong	3,255,875	2,195,600
	=====	=====

Sensitivity analysis

At 30 June 2013, 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\$325,588 (2012 : HK\$219,560).

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 2012.

**24. 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>2013</u>				
Available-for-sale financial assets	3,255,875	-	-	3,255,875
Financial assets at fair value through profit or loss	4,814,125	-	-	4,814,125
	-----	-----	-----	-----
	8,070,000	-	-	8,070,000
	=====	=====	=====	=====
<u>2012</u>				
Available-for-sale financial assets	2,195,600	-	-	2,195,600
	=====	=====	=====	=====
Financial assets at fair value through profit or loss	4,997,000	-	-	4,997,000
	-----	-----	-----	-----
	7,192,600	-	-	7,192,600
	=====	=====	=====	=====

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

## 25. 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 2012 and 30 June 2013. 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.

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

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

		Effective for accounting period <u>beginning on or after</u>
Amendments to HKFRSs	Annual improvements to HKFRSs 2009 to 2011 cycle	1 January 2013
HKFRS 7 Amendments	Disclosure – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 7 and HKFRS 9 Amendments	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 13	Fair value measurement	1 January 2013
HKAS 32 Amendments	Offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 Amendments	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 Amendments	Novation of derivatives and continuation of hedge accounting	1 January 2014
HKAS 19 (2011)	Employee benefits	1 January 2013

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

## 27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 4 Nov 2013.



## **MEMBERS OF THE BOARD OF DIRECTORS AND CEO**



*From left to right:*

*Cedric Wong  
Alvin Ho  
Jacky Tsang  
Ashley Khoo  
Frederick Tsang  
Derek Mok  
Karl Lung  
Jimmy Jim  
Elizabeth Soon  
Tony Watson  
Cheri Wong  
Yin Toa Lee  
Edmond Lau*

President	Frederick Sui Cheong TSANG, CFA
Vice-president	Alvin Man HO, CFA Ashley Pui Wun KHOO, CFA
Secretary	Yin Toa LEE, CFA
Treasurer	Jacky Kwok Yuk TSANG, CFA
Members	Jimmy Wai Kee JIM, CFA Edmond Yip Man LAU, CFA Karl Hak Kau LUNG, CFA Derek Wai Man MOK, CFA Elizabeth Yan Seen SOON, CFA Peter Anthony WATSON, CFA Cedric Hoi Kan WONG, CFA Cheri Suet Kwan WONG, CFA Wallace Chong Keung WOO, CFA (resigned on 2 January 2013) Patrick Kwok Leung HO, CFA (appointed on 8 April 2013 and resigned on 9 September 2013)

## Board Meeting Attendance

July 2012 – June 2013

Board of Directors	10-Jul-12	06-Aug-12	03-Sep-12	08-Oct-12	05-Nov-12	10-Dec-12	07-Jan-13	26-Jan-13	04-Mar-13	08-Apr-13	06-May-13	03-Jun-13
Jimmy JIM	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Alvin HO		Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended	Called in	Attended
Ashley KHOO	Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Edmond LAU	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended
Yin Toa LEE	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Patrick HO	Appointed on 8-Apr-13									Attended	Attended	Attended
Karl LUNG	Attended	Attended	Attended	Attended	Attended	Attended		Attended	Attended	Attended	Attended	Attended
Derek MOK	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		Attended	
Elizabeth SOON				Called in						Called in	Called in	Called in
Frederick TSANG	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Jacky TSANG	Attended	Attended			Attended	Attended	Attended		Attended	Attended	Attended	Attended
Tony WATSON	Called in	Attended	Attended	Attended	Called in	Attended	Attended	Attended	Attended	Called in	Called in	Attended
Wallace WOO	Attended	Attended	Attended	Attended	Attended	Attended	Resigned on 2-Jan-13					
Cedric WONG	Attended			Attended	Attended		Attended	Attended	Attended	Attended		
Cheri WONG	Attended	Attended	Called in	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended

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