



香港財經分析師學會

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS



ANNUAL REPORT 2014



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A member society
of CFA Institute

REPORT OF THE PRESIDENT



Dear Members,

It is my pleasure to deliver the Society's progress report in the second year of my office. Generally, fiscal 2014 saw a marked improvement over previous years. It was the second year that the Board executed its strategic plan aiming to bring the Society to the next level. Both our volunteers and staff members worked diligently and creatively, providing first-rate services to our members and the community across the board. With that, the Society took part in the Society Excellence Award Programme administered by the CFA Institute. After the fiscal year-end, we learnt that HKSFA was being named the Most Outstanding Society: Over 1000 members. This timely recognition provides us with fresh impetus for the execution of our strategic plan in the year to come.

Our focus in 2014 was on improving the asset management industry in Hong Kong with the launch of a series of related activities. This represents a shift from our previous focus on career development services. A better than expected job market allowed us to redirect our resources. Hong Kong's financial industry did not feel the negative impact from the Fed's tapering policy we had anticipated. Indeed, the industry received a boost from the government's effort to develop Hong Kong into an international finance centre.

We stepped up public awareness, promotion of Global Investment Performance Standards (GIPS), advocacy and member participation efforts during the year. Our continuing education (CE) and member benefits programmes also got an upgrade.

Our members voted to adopt Co-Opted Directors and create an Associate Member category at the Annual General Meeting in January. These are significant measures taken to ensure our future development.

Review of Operations

HKSFA membership was 5,778 as of 30 June 2014. This was up 202 year-on-year – remarkable given the maturity of our Society. Membership renewal rates were stable at 91% in 2014. However we like to point out that our period of rapid growth may be ending. The number of CFA candidates saw a slight decline with 8,782 candidates enrolled in the three examination levels in FY2014.

Our volunteers became more active in 2014. They continued to support the CFA Institute Research Challenge as mentors and judges, and in our advocacy and public awareness activities. Many of our volunteers contributed to the radio programme-cum-newspaper campaign via Metro Finance Digital and Hong Kong Economic Journal. The special project's brand promotion impact would not be as successful without their participation.

The Society saw a jump in both CPT offerings and attendance in 2014. The efforts of our GIPS and CE committees resulted in broadening of the subjects offered in seminars and workshops. These attracted increased attendance from both members and non-members at our CE activities.

Reduced demand saw the number of the career development events scaled back from twelve to seven in 2014.

Growing demand from the asset management industry saw us continue our GIPS standard promotional efforts in 2014. Two of our GIPS Committee members were successfully elected to serve as regional representatives under the new GIPS governance structure. This milestone marks a heightening of HKSFA's influence in shaping of global GIPS policy and will help us better serve the asset management industry.

Our Member Services Committee managed to increase the number of

educational events and conferences that offered significant discounts to our members. The Society successfully staged the CFA Charter Award Ceremony and Annual Forecast Dinner as separate events for the first time. Both were well received and fully subscribed.

The HKSFA maintained its community service commitment in 2014. We continued to co-host the annual Investor Education Seminar with Investor Education Centre, a subsidiary of the Securities and Futures Commission. Our Advocacy and Public Awareness Committee successfully launched the radio programme-cum-newspaper campaign promoting the CFA designation as well as providing advice on developing Hong Kong's asset management industry. In addition, the Society hosted the Hong Kong Local Final of CFA Institute Research Challenge. It also contributed a panel judge in the Hong Kong Management Association's "Best Annual Reports Awards" competition and sent teams to the Hong Kong Oxfam Trailwalker charity event.

The Society's finances remained sound and healthy in 2014. We managed to post a surplus of HK\$377,452 in FY2014 despite increased occupancy costs. Cost pressures saw the Board resolve to raise our membership dues from US\$80 to US\$100 for FY2015, the first such rise in 14 years. Despite the hike, our dues remain one of the lowest for a leading professional body. The Board will continue

to exercise care and diligence in managing our finances wisely.

Looking Ahead

The Board is committed to building the HKSFA into one of Hong Kong's leading investment professional bodies. Key to this is our aim of strengthening the Society as a platform for industry practitioners to exchange ideas and services. We also intend to extend the Society's network overseas, adding a new dimension to our members.

We inaugurated the HKSFA's Best Research Report Competition (BRRC) in 2014. The effort drew on the support of our board members, industry practitioners and member volunteers. The objective is to recognise excellence in sell-side research, which is fundamental to the investment process. The HKSFA will continue to launch such industry supportive initiatives in future.

Office staff will continue to support our educational events and extend our outreach to other trade and professional associations. Our newly increased manpower should allow us to improve HKSFA's service offering to our members and the community.

Appreciation

I would like to thank my fellow board members, society volunteers, guest speakers and our dedicated office staff for their contributions during the year. Special thank goes out to

Mr. Alvin Ho, CFA, who retired from the Board after 14 years' of volunteer service with the Society, and to our outgoing CEO, Ms. Cheri Wong, CFA.

Additionally, I would take this opportunity to welcome Mr. Joseph Chan, CFA, Mr. Franki Chung, CFA, Ms. Jenny Lor, CIPM and Mr. Claudius Tsang, CFA, in joining the Board; and to Ms. Louisa Wong, CFA, in taking up the role of Managing Director.

Frederick Tsang, CFA
President



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TABLE OF CONTENTS

	PAGE
REPORT OF THE PRESIDENT	1
2013/14 EVENT HIGHLIGHTS	4
HKSFA ANNUAL FORECAST DINNER 2013	4
SERVICE TO MEMBERS AND CANDIDATES	5
CONTINUING EDUCATION	5
MEMBER SERVICES	10
CAREER DEVELOPMENT	15
CANDIDATE EDUCATION	17
ANNUAL CFA® CHARTER AWARD CEREMONY 2013	18
SERVICE TO THE COMMUNITY	19
ADVOCACY	19
HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE	21
HONG KONG FINAL OF CFA INSTITUTE RESEARCH CHALLENGE 2013-14	23
INVESTOR EDUCATION SEMINAR	24
TRAILWALKER	24
SOCIETY AFFAIRS	25
MEMBERSHIP	25
CORPORATE GOVERNANCE	26
MEMBERS OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR	28
FINANCIAL HIGHLIGHTS	29
FINANCE	29
FIVE-YEAR SUMMARY	30
REPORT OF THE BOARD OF DIRECTORS	31
INDEPENDENT AUDITOR'S REPORT	33
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	34
STATEMENT OF FINANCIAL POSITION	35
STATEMENT OF CHANGES IN MEMBERS' EQUITY	36
STATEMENT OF CASH FLOWS	37
NOTES TO THE FINANCIAL STATEMENTS	38

VISION

To be a leading investment professional body in Hong Kong.

MISSION STATEMENT

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

2013/14 EVENT HIGHLIGHTS



HKSFA ANNUAL FORECAST DINNER 2013

Our signature event was held at Hong Kong Football Club on 28 November 2013. There we were honoured to welcome Mr. George Long, CFA, Founder, Chairman and Chief Investment Officer of LIM Advisors Limited (and the HKSFA's founding President) as our keynote speaker.

His speech was followed by a lively panel discussion on the region's economy and financial markets. Mr. Jake van der Kamp, well-known market commentator and financial columnist of the South China Morning Post, was the session's engaging panel moderator. Our distinguished panel included Dr. Jim Walker, Founder and Managing Director of Asianomics Limited, Dr. Jun Ma, Managing Director, Chief Economist for Greater China and Head of China/Hong Kong Strategy of Deutsche Bank and Mr. Markus Rösgen, Managing Director and Head of Regional Equity Strategy of Citi Research.

Panelists and audience members

made 1-year forecasts for the Hong Kong gold spot price, WTI (West Texas Intermediate) Cushing Crude Oil spot price, the exchange rate of CNY to USD, the Tracker Fund of Hong Kong (2800HK) closing price and what China's consumption would account for the percentage of GDP growth in the first 9 months of 2014. All forecasts were to make as of 30 September 2014. We take this opportunity to express heartfelt appreciation to our renowned speakers and panelists who made the Annual Forecast Dinner another success in 2013. We hope it continues to be an HKSFA signature annual event.

SERVICE TO MEMBERS AND CANDIDATES



CONTINUING EDUCATION

HKSFA hosted 1,924 attendees at 41 continuing education (CE) events in FY2014. The number of events held rose 24% year-on-year and included 21 luncheons, 8 seminars and 12 workshops for a total 99.5 CPT hours. We believe the CE programme's continued popularity is the result of ongoing efforts to increase the number of events and keep the program relevant.

Events offered in 2014 covered a wider range of subjects. We added current themes to popular topics from previous years. China-related talks remained in demand. We ran talks on China's bond markets, the Shanghai Free Trade Zone and China Outbound Investments, to name a few. GIPS Standards-related talks were particularly well received. We held 4 seminars which attracted a total of 269 participants. We also continue to offer talks on a wide range of quantitative topics including Monte-Carlo Approach, Advanced Financial Modellings, industry specific financial modelling as well as Fixed Income Portfolio Management. The HKSFA's 3rd

Annual Hedge Fund Forum again included popular breakfast and networking breaks.

The HKSFA aims to provide members high quality events to continue their education and a forum for participants to learn, interact and network. We will continue to organise CE events in different formats across a wide range of subjects. The Board would like to take this opportunity to thank all the CE Committee members for their help throughout the year and look forward to another year offering members high quality and engaging continuing education opportunities.

Date	Seminar Topic	Speaker /Panelist	CPT/CE Credit Hours
Year 2013			
6 Jul (Sat) <i>Workshop</i>	Securities Research Training	Mr. Jeremy Bolland	2.5
25 Jul (Thu) <i>Seminar</i>	GIPS Guidance to Difficult Areas Commonly Encountered & Application of GIPS with Alternative Investments	Mr. Mabs Miah Ernst and Young	1.5
26 Jul (Fri) <i>Seminar</i>	[RERUN] GIPS Guidance to Difficult Areas Commonly Encountered & Application of GIPS with Alternative Investments	Mr. Mabs Miah Ernst and Young	1.5
5 Aug (Mon) <i>Luncheon</i>	Outlook for World Economy and Major Financial Markets	Dr. Michael Ivanovitch MSI Global, Inc	1
20 Aug (Tue) <i>Luncheon</i>	Mitigating Bribery and Corruption Risks in Emerging Markets	Mr. Ben Wootliff Corporate Risks	1
22 Aug (Thu) <i>Seminar</i>	Monte-Carlo Approach to Exploration Portfolio Valuation, Valuing Exploration Rights of Oil & Gas or Mining Companies	Mr. Justin Anderson. Salman Partners Inc	1.5
18 Sep (Wed) <i>Luncheon</i>	A Dynamic Future for Portfolio Management	Mr. Rodney N. Sullivan, CFA CFA Institute	1
27 Sep (Fri) <i>Luncheon</i>	China Bond Market Roadmap: Towards Deeper, More Liquid and Open Markets	Mr. Mark Austen Asia Securities Industry & Financial Markets Association	1
9 Oct (Wed) <i>Workshop</i>	Advanced Financial Analysis Series: Advanced Financial Modelling – Core Model	Mr. Hamilton Lin, CFA Wall St. Training	6.5
10 Oct (Thu) <i>Workshop</i>	Advanced Financial Analysis Series: Corporate Valuation Methodologies: Fundamental & Relative Valuation Approaches	Mr. Hamilton Lin, CFA Wall St. Training	6.5
11 Oct (Fri) <i>Workshop</i>	Advanced Financial Analysis Series: Advanced Excel for Data Analysis	Mr. Hamilton Lin, CFA Wall St. Training	6.5
31 Oct (Thu) <i>Luncheon</i>	Mining	Mr. Ghee Peh UBS Securities Asia	1
3 Dec (Tue) <i>Luncheon</i>	Securities Research Approvals	Mr. Jeremy Bolland	1
5 Dec (Thu) <i>Luncheon</i>	Muddier Waters? An Analysis of Short Sellers	Mr. Stuart Witchell FTI Consulting	1
9 Dec (Mon) <i>Luncheon</i>	China Outbound Investments – Getting the Deal Done	Mr. Simon Poh Linklaters	1

Date	Seminar Topic	Speaker /Panelist	CPT/CE Credit Hours
10 Dec (Tue) <i>Luncheon</i> – co-hosted with CFA <i>Institute</i>	Importance of Ethics in the Future of Hong Kong’s Asset Management Industry	<p>Mr. Paul Smith, CFA CFA Institute</p> <p>Moderator: Mr. Alexander Flatscher, CFA CFA Institute</p> <p>Panelists: Mr. Christopher Darling Lloyd George Management Mr. Nathan Lin, CFA GF International Investment Management Ms. Deborah Bannon Mercer Investments (HK) Ltd Mr. Vincent Chow Power Assets Holdings Ltd Mr. Jonathan Boersma, CFA CFA Institute</p>	1.5

Date	Seminar Topic	Speaker /Panelist	CPT/CE Credit Hours
Year 2014			
13 Jan (Mon) <i>Luncheon</i>	Latest Trends in the ETF Industry and Investing via ETFs	Mr. Jackie Choy, CFA Morningstar Asia	1
23 Jan (Thu) <i>Luncheon</i>	Forensic Accounting	Ms. Antoinette Lau PricewaterhouseCoopers	1
20 Feb (Thu) <i>Luncheon</i>	Media-Based Merger Arbitrage	Prof. Matthias Buehlmaier The University of Hong Kong	1
27 Feb (Thu) <i>Luncheon</i>	IPOs, Fraud and Due Diligence in Asia plus What's Really Going on in Macau or What They Won't Teach You at the Harvard Business School	Mr. Steve Vickers Steve Vickers & Associates Ltd	1
28 Feb (Fri) <i>Luncheon</i>	Asset Liability Management for Private Clients	Dr. Stephen Horan, CFA CFA Institute	1
7 Mar (Fri) <i>Seminar</i>	Global Investment Performance Standards (GIPS) Workshop Series – A Closer Look at Private Equity and Real Estate under GIPS	Ms. Alicia A. Hyde, CIPM ACA Performance Services	1.5
10 Mar (Mon) <i>Seminar</i>	[RERUN] Global Investment Performance Standards (GIPS) Workshop Series – A Closer Look at Private Equity and Real Estate under GIPS	Ms. Alicia A. Hyde, CIPM ACA Performance Services	1.5
10 Mar (Mon) <i>Workshop</i>	Advanced Financial Analysis Series: Advanced Financial Modelling – Core Model	Mr. Hamilton Lin, CFA Wall St. Training	6.5
11 Mar (Tue) <i>Workshop</i>	Advanced Financial Analysis Series: M&A Deal Structuring & Merger Modelling Techniques	Mr. Hamilton Lin, CFA Wall St. Training	6.5
12 Mar (Wed) <i>Workshop</i>	Advanced Financial Analysis Series: Integrated Oil & Gas Industry: Financial Modelling	Mr. Hamilton Lin, CFA Wall St. Training	6.5
18 Mar (Tue) <i>Luncheon</i>	Trends, Opportunities and Risks Currently Inherent in the Asia Pacific Loan Markets	Mr. Atul Sodhi Credit Agricole	1
29 Mar (Sat) <i>Seminar</i>	Private Wealth Seminar	Ms. Angel Wu ABN Amro Bank Mr. Rocky Cheung DBS Bank (Hong Kong) Ltd Mr. Trevor Mak Bank Julius Baer	2.5
10 Apr (Thu) <i>Luncheon</i>	Behaving Correctly;Controlling those inner urges	Mr. Richard Harris Port Shelter Investment Management	1
29 Apr (Tue) <i>Luncheon</i>	Shanghai Free Trade Zone	Mr. Nicholas Kwan Hong Kong Trade Development Council	1

Date	Seminar Topic	Speaker /Panelist	CPT/CE Credit Hours
9 May (Fri) <i>Luncheon</i>	The Fed Taper: 7 Ways to Position Your Fixed Income Portfolio for Higher Interest Rates	Mr. Anand Batepati Mr. Tariq Dennison Global Financial Markets Training	1
17 May (Sat) <i>Seminar</i>	HKSFA 3 rd Annual Hedge Fund Forum	Mr. Richard Harris Port Shelter Investment Management Mr. Shinya Deguchi, CFA The Importance of Being Diligent Mr. Peter Douglas, CAIA Chartered Alternative Investment Analyst Association	2.5
21 May (Wed) <i>Luncheon</i>	The Value of Value Investing	Dr. Stephen Horan, CFA, CIPM CFA Institute	1
23 May (Fri) <i>Luncheon</i>	Essential Insights on Commodities Today: Trends and Opportunities	Ms. Jodie Gunzberg, CFA S&P Dow Jones Indices	1
30 May (Fri) <i>Luncheon</i>	Think You Understand Accounting Fraud in Asia?	Mr. Tan Chin Hwee Apollo Global Management, Asia	1
5 Jun (Thu) <i>Seminar</i>	What You Need to Know for Starting a Fund Management Business and Overview of the Proposed New Open-ended Fund Company Structure	Mr. Rocky Ka Ho Mui Clifford Chance Mr. Henri Arslanian UBS Prime Services Mr. David KH Kan PricewaterhouseCoopers Ltd	1.5
18 Jun (Wed) <i>Workshop</i>	Securities Research Best Practice Workshop Series - Digging Deep & Use of Language	Mr. Jeremy Bolland	1
18 Jun (Wed) <i>Workshop</i>	Securities Research Best Practice Workshop Series – The Risks that Analysts Face	Mr. Jeremy Bolland	2
24 Jun (Tue) <i>Workshop</i>	Fixed Income Portfolio Management - Fundamentals of Bonds, Yield Curves, and Interest Rate Risk	Mr. Anand Batepati Mr. Tariq Dennison Global Financial Markets Training	6.5
25 Jun (Wed) <i>Workshop</i>	Fixed Income Portfolio Management - Fixed Income Portfolio Construction and Rebalancing	Mr. Anand Batepati Mr. Tariq Dennison Global Financial Markets Training	6.5
26 Jun (Thu) <i>Workshop</i>	Fixed Income Portfolio Management - Credit Risk, Options, Yield Enhancement and other Advanced Topics	Mr. Anand Batepati Mr. Tariq Dennison Global Financial Markets Training	6.5



MEMBER SERVICES

FY2014 was a busy year for HKSFA Member Services; we have explored a number of brand-new options to bring about more diverse experience to our members, attracting 342 participants. Other than common lifestyle and networking themes, we have brought in environmental protection element to our events which was very well received. We will continue to explore interesting initiatives in the coming year; hoping to help our members strike a work-life balance. We are pleased to account for major activities held during the financial year as follows:

Happy Hour Gathering & Welcome Reception for New Members

Happy Hour Gatherings are held at the HKSFA office on the second Thursday of each month. The event remains popular after many years on the HKSFA calendar. We supplement these with new member welcome reception on 1 August 2013 and themed happy hours from time to time. These informal and friendly gatherings give members a chance to meet old friends and make new connections within the Society. What's more, free drinks and snacks are served after a hard day's work!

No more Eczema – TCM can solve it!

We were privileged to have invited Dr. Ken Sin, registered Chinese Medicine Practitioner to conduct a session on eczema on 10 October 2013. Dr. Sin explored the cure for this increasingly common disease with our members using Traditional Chinese Medicine (TCM). This approach aims at using natural methods to balance the internal forces to treat this disease. He also pointed out that diet and lifestyle also play an important role in our health.

The CIPM Designation: Beyond Performance and Risk Measurement

We had invited Mr. Rahul Keshap, Head, Programme Management of the CFA Institute for an overview of the various CFA Institute programmes (CFA, CIPM, and Claritas). This initiative followed numerous information inquiries received at the Society coupled with recent developments of these programmes on 17 October 2013.

Burgundy Wine Appreciation

Mr. Romain Comte, the son of a Puligny-Montrache (France) - based vineyard owner and winemaker hosted an HKSFA members-only wine tasting session on 12 December 2013.

Apart from enjoying specially selected wines, Mr. Comte shared knowledge and tasting techniques of the Burgundy region.





How the Mere Knowledge of Golf Can Bring You Business Opportunities?

What is the secret of blending in a specific circle? A common interest or hobby might be the key. Golf is definitely one of the most popular pursuits amongst senior executives. On 13 February 2014, Mr. Raymond Tse, Certified Golf Teaching Professional, held a seminar for our members where he shared key golf conversational knowledge thus joining these circles with ease.

Time Management and Productivity for Investment Professionals

On 7 March 2014, HKSFA hosted a themed happy hour gathering featuring Dr. Robert C. Pozen. He is a senior lecturer at Harvard Business School and formerly President of Fidelity Investments. Dr. Pozen gave a unique and insightful presentation on maximising personal productivity where he shared his secrets to workplace productivity and performance. He gave specific tips on how to better organise our daily schedule, run more efficient meetings, read with more comprehension and manage workplace interpersonal relationships.

Back Pain? Is it all about your spine?

It is common for people nowadays to suffer from back pain as a result of time spent on watching TV, playing games on smartphone and computer. On 10 April 2014, HKSFA hosted a themed happy hour gathering featuring Dr. Albert Ho, the founder of Hong Kong Chiropractic Wellness Centre and certified by the National Board of Chiropractic Examiners (USA). Dr. Ho presented to our members with important messages on maintaining a healthy spine as well as measures to prevent and relieve back problems.

US Fed Taper – Perspectives for Positioning Your Bond Portfolio

Fed Taper, the reduction of long dated bond purchases by the US Federal Reserve finally came into effect in late 2013. On 24 April 2014, HKSFA was privileged to invite Mr. Anand Batepati and Mr. Tariq Dennison, partners at Global Financial Markets Training to answer questions on current bond market conditions and the future yield curve scenarios.

Evolving Risks for Securities Analysts

Independent securities research consultant and author of "Writing Securities Research - A Best Practice Guide" spoke to HKSFA members on 8 May 2014. There he shared his insights on recent developments to illustrate risks for securities analysts in today's volatile markets.

Summer Boat Trip & Squid Fishing

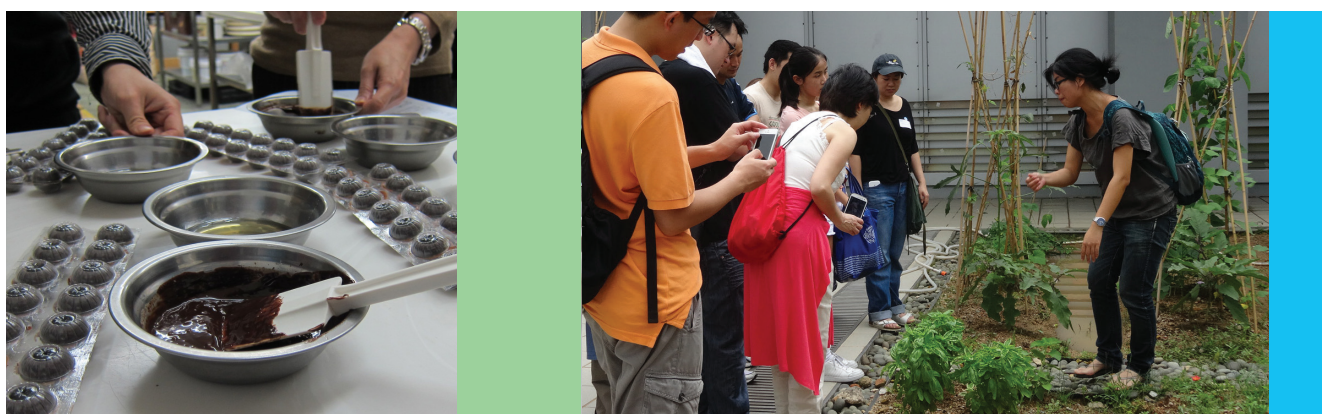
Held on 13 July 2013, the trip was fully booked well in advance again this year. The relaxing event attracted 25 members and guests. All had a great day out with refreshing sea breeze; enjoying food and water sports.

Hysan Urban Farm Fun Day

Green living is a growing trend for the city dwellers. We arranged for our members and their guests a green weekend by organising a guided visit to the sky garden of Hysan Place on 20 July 2013. Participants were taught with basic cultivation and seeding skills by professional farmers. The first session was well-received and a re-run was done on 28 September 2013.

HKSFA Saturday Cooking Class

The HKSFA held a unique cooking class on 3 August 2013. Participants had a chance to learn to cook two Italian main dishes, but also got to enjoy their dishes pairing with complimentary draught red and white Italian wines. Participants enjoyed an afternoon in the ambience of delicacy with cooking fun.



HKSFA Chocolate Making Class

This fun-filled chocolate workshop was organised for our members to learn techniques for making three types of chocolates: Truffle chocolate, Liqueur chocolate and Hazelnut chocolate. Held on 10 February 2014, every participant had emerged with a box of hand-made chocolates to surprise family or friends on Valentine’s Day.



HKSFA Coffee Seminar

The HKSFA organised a fun session for members to learn about the world's coffees on 7 September 2013. Every participant got to create and enjoy a unique latte.

Christmas Party

The HKSFA held the annual event on 13 December 2013 to celebrate this festive season. More than 30 members and guests got the opportunity to network while having fun with games and fine food.

Member Services Functions (July 13 – July 14)

Social Events

Date	Programme Topic
13 Jul 13	Summer Boat Trip & Squid Fishing 2013
20 Jul 13	Hysan Urban Farm Fun Day
3 Aug 13	Saturday Cooking Class
7 Sep 13	Coffee Seminar
28 Sep 13	Hysan Urban Farm Fun Day [RERUN]
15-17 Nov 13	Oxfam Trailwalker
13 Dec 13	Christmas Party 2013
10 Feb 14	Chocolate Making Class

Happy Hour Gatherings

Date	Theme
11 Jul 13	Monthly Happy Hour Gathering
1 Aug 13	Welcome Reception for New Members
8 Aug 13	Monthly Happy Hour Gathering
12 Sep 13	Monthly Happy Hour Gathering
10 Oct 13	Themed Happy Hour Gathering - No more Eczema– TCM can solve it!
17 Oct 13	Themed Happy Hour Gathering - The CIPM Designation: Beyond Performance and Risk Measurement
14 Nov 13	Monthly Happy Hour Gathering
12 Dec 13	Themed Happy Hour Gathering - Burgundy Wine Appreciation
9 Jan 14	Monthly Happy Hour Gathering
13 Feb 14	Themed Happy Hour Gathering - How the Mere Knowledge of Golf Can Bring You Business Opportunities?
7 Mar 14	Themed Happy Hour Gathering - Time Management and Productivity for Investment Professionals
13 Mar 14	Monthly Happy Hour Gathering
10 Apr 14	Themed Happy Hour Gathering - Back pain? Is it all about your spine?
24 Apr 14	Themed Happy Hour Gathering - US Fed Taper - Perspectives for Positioning Your Bond Portfolio
8 May 14	Themed Happy Hour Gathering - Evolving Risks for Securities Analysts
12 Jun 14	Monthly Happy Hour Gathering



CAREER DEVELOPMENT

The Committee held seven events, attracting 133 participants, in FY2014. Topics included: mainland Chinese financial institution, post-finance career paths, and career opportunities in alternative investment.

These events drew over a hundred participants and gave our members access to high calibre speakers in corporate management, investment banking, asset management, private equity and human resources.

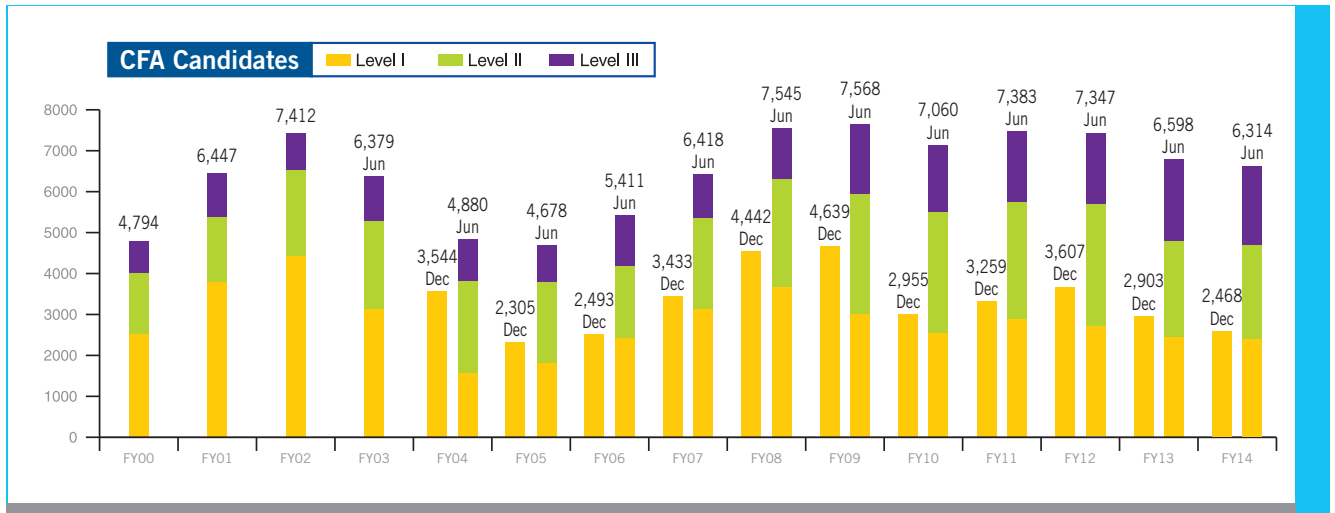
A summary of event topics is as follows:

- How to effectively negotiate with Mainland corporations. Key concepts discussed: a step-by-step approach, tips to analyse and deal with tough negotiators, and how to ease out of unpleasant situations and reach satisfactory deals.
- Industry's best practices to achieve an organisation's appropriate growth targets in direct investment and/or M&A situations.
- Talent recruitment and management in the current financial and economic environment. Specific reference made on how Hong Kong talents can manage their way through business cycles.
- Hong Kong's asset management industry and insight of mainland Chinese institutional hiring trends.
- Recent developments on the 'sell-side': challenges, and personality requirements.

The Board extends its heartfelt appreciation to the 2 directors and 12 committee members of the Career Development Committee. Without their support and enthusiasm, these events would not have been made possible. We also would like to thank all speakers who contributed their time, experience and knowledge to these events.

Career Development Gatherings (July 13 - June 14)

Year 2013	Programme Topic	Speaker
16 Jul (Tue)	Post-finance Career Paths - Part II	Mr. Raymond Tong China Resources Enterprise, Limited
30 Aug (Fri)	How to effectively negotiate with Mainland corporations	Mr. William Chan Scotwork East Asia
17 Sep (Tue)	Opportunities on the "Sell-Side"	Mr. David Friedland Interactive Brokers LLC Mr. Mark Militello The Bank of New York Mellon
8 Oct (Tue)	Asset Management Industry of Hong Kong a Perspective from China	Dr. Yim Fung (閻峰) Ph.D JP Guotai Junan International Holdings Limited
Year 2014	Programme Topic	Speaker
20 Jan (Mon)	2014: Job Opportunities Perspective from Human Resources	Ms. Alice Au Spencer Stuart
31 May (Sat)	Direct Investment and M&A Process and Experience Sharing	Mr. Terry Wong MTR Corporation Limited
28 Jun (Sat)	Negotiation Workshop Dealing with Tough Negotiators	Mr. William Chan Scotwork East Asia



CANDIDATE EDUCATION

Registration for the FY2014 CFA examinations in Hong Kong dropped by 7.6% year-on-year. Total registration was 8,782 (2,468 and 6,314 in December 2013 and June 2014 sessions respectively).

The HKSFA remains committed to helping candidates to succeed in their pursuit of the CFA designation. In terms of financial assistance, we have participated in the Access Scholarship programme since its launch by CFA Institute in 2013. This initiative aims at providing needs-based scholarships to applicants otherwise unable to afford the CFA programme's full price. In 2014, 81 scholarships were awarded to Hong Kong candidates and 1 to a Macau candidate.

We see continued demand for study groups. These serve as an excellent forum for discussing CFA study materials and lending expertise and moral support. In FY2014, HKSFA organised 49 groups for 246 candidates during the fiscal year. 9 study groups were formed for 42 candidates taking the December 2013 examination and 40 groups for 204 candidates taking the June 2014 examination. The study groups aim at helping the candidates to better structure their study time and remain motivated.

In January 2014, Elan Guides was acquired by John Wiley & Sons, Inc. which will further develop the study materials for CFA candidates. We hope all these resources and services could offer effective help to the candidates in their preparation of the CFA examinations.



ANNUAL CFA® CHARTER AWARD CEREMONY 2013

The Society welcomes new charterholders and successful CFA Level III candidates each year to celebrate their career milestone. This year's event was held at Hong Kong Football Club on 25 October 2013. 183 guests attended, of which 108 were presented with CFA Charters or Letters of Achievement by the officiating guest, Mr. Charles Yang, CFA, Chair of the Board of Governors of CFA Institute.

We were honoured to have Mr. Mark Steward, Executive Director, Enforcement Division of Securities and Futures Commission as the event's keynote speaker for sharing his perspective on the importance of ethics in the finance industry.



SERVICE TO THE COMMUNITY



ADVOCACY

The Advocacy Committee stepped up its efforts in FY2014 following the recruitment of 19 members a year earlier.

Presenting its position on the Securities and Futures (Amendment) Bill to the Bill Committee was the highlight of the Committee's year. Topics of other position papers included:

- Regulation of Alternative Liquidity Pools;
- An Effective Resolution Regime for Financial Institutions in Hong Kong;
- Amendments to the Code on Real Estate Investment Trusts (REITs);
- Detailed Proposal of an Enhanced Competency Framework for Private Wealth Management Practitioners in Hong Kong;
- Proposed Amendments to the Professional Investor Regime and the Client Agreement Requirements.

The Committee continued in its role as an active responder to comment requests from:

- Securities and Futures Commission (SFC)
- Hong Kong Monetary Authority (HKMA)
- Hong Kong Exchanges and Clearing Ltd (HKEx)
- Financial Services and the Treasury Bureau (FSTB)
- Insurance Authority (IA)
- Private Wealth Management Association (PWMA)

The Advocacy Committee sought to reach stakeholders through a variety of media channels in FY2014. It launched a 10-episode radio programme on the Hong Kong asset management industry on the radio station Metro Finance Digital. Content was re-published in the Hong Kong Economic Journal – Hong Kong's leading Chinese language financial newspaper.

The initiative saw high calibre speakers share their views on promoting Hong Kong as an asset management centre. Topics included:

- Putting investors first;
- Analysis of Hong Kong's dominance as an asset management centre;
- Pairing of professional talents to create asset management opportunities;
- Hong Kong's advantageous positioning to seize mutual recognition opportunities;
- Mainland's financial sector reforms drawing international funds to Hong Kong;

- Growing importance of fund performance evaluation and analysis;
- Renminbi's globalisation as a milestone for Hong Kong's fund management industry;
- Unleashing private equity funds' development potential, and
- How locally launched funds fuel a need for a greater range of talents.

The HKSFA participated in a number of other financial industry policy setting events during FY2014.

A key highlight was our President joining the ACCA's (Association of Chartered Certified Accountants) Hong Kong Annual Conference as a panelist on the topic of "The Future of the Accounting Profession". At the session, he presented analysts and institutional investors' expectations of corporate CFOs. He also commented on financial institutions' organisational structure megatrends.

Further to the HKSFA's goal of promoting Hong Kong's development as a major asset management centre, he attended a policy consultation session hosted by the Financial Secretary.

HKSFA board members joined representatives from the Hong Kong Institute of Certified Public Accountants, The Law Society of Hong Kong, Hong Kong Trade Development Council, InvestHK, The Hong Kong University of Science and Technology, entrepreneurs and Intellectual Property-focused law firms for a two-hour roundtable on 26 August 2013. Held by the Intellectual Property Department of HKSAR government, the event aimed to explore the need to standardise IP valuation criteria to facilitate the establishment of an IP trading platform in Hong Kong. Several speakers expressed the views that professionals, general guidelines and valuation methods are readily available in Hong Kong. HKSFA commented that it is more important to develop the industry's capability to produce technical reports and build an attractive ecosystem for IP owners and investors in Hong Kong.

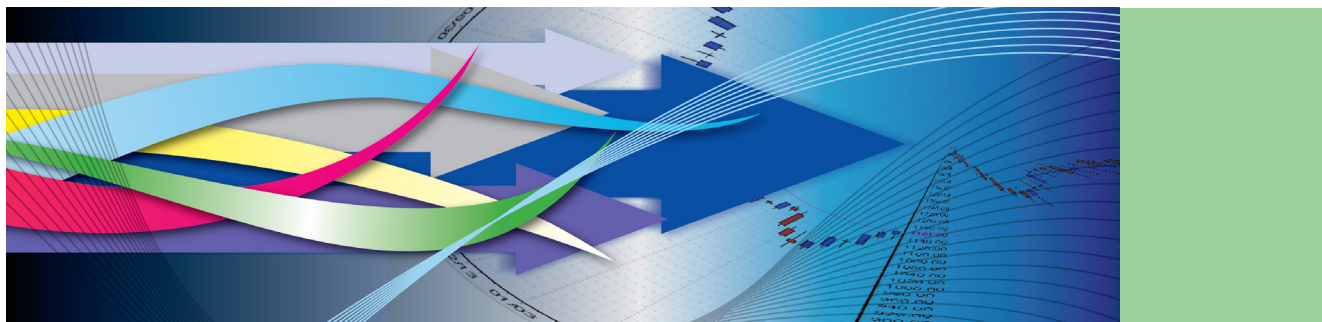
An HKSFA representative subsequently attended a discussion group organised by HKSAR Intellectual Property Department and a briefing session on "Promoting the development of Hong Kong intellectual property (IP) trading hub" on 18 September 2014. There we learnt that Commerce and Economic Development Bureau planned to promote IP trading in Hong Kong and had structured an initial framework of three missions and four strategic areas. Among others, we provided the opinions that it is important to:

- (i) have active buyers and sellers which can find good reasons and incentives to stick to the trading platform in Hong Kong, and
- (ii) have the infrastructure that IP rulings in Hong Kong would be recognised and enforced in other markets.

It is expected that more seminars and discussion sessions would be organised by the Commerce and Economic Development Bureau.

The Society also took part in a Financial Services Development Council (FSDC) survey regarding wealth management and asset management human capital issues.

As one of the largest investment professional bodies in Hong Kong, the Society supports the FSDC's industry consultation efforts.



HKSFA GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) COMMITTEE

HKSFA marked its 10th anniversary as the local sponsor of GIPS Standards in 2014, we are proud of the Committee's work in positioning Hong Kong as an international asset management centre. GIPS standards have become the global benchmark for investment performance measurement over the past decade. They have been adopted as such by 37 countries.

Activities in FY2014

Workshop, Training, Webinar

The Committee invited subject experts from around the globe to speak at a series of investment performance and risk management workshops for market practitioners.

We held GIPS standards or investment performance related activities on a quarterly basis. All events were well attended. A total of 347 market participants attended our investment performance events and GIPS standards and CIPM related activities. A further 61 attended via free webinars. Seminars were often re-run due to overwhelming response. The FY2014 participation rated 3 times that of FY2013.

The Committee promoted investment performance and GIPS standards through radio programme-cum-newspaper campaign via Metro Finance Digital and Hong Kong Economic Journal for the first time in FY2014. Committee members presented on "The growing importance of fund performance evaluation and analysis" and "Private Equity Funds: Out-of-the-ordinary investment; out-of-the-ordinary return" in laymen terms of local language. The two episodes were well-received.

Gather Local Feedback

A luncheon with local market practitioners was held to gather comment on the CFA Institute's "Exposure Draft for GIPS Claim of Compliance Notification Requirement". The proposed new notification requirement would impact firms that claim compliance with the GIPS standards. They have to submit information regarding their firm to the CFA Institute on an annual basis under the proposed requirement. Market practitioners attended the HKSFA GIPS roundtable discussion gave practical comments from their respective standpoints. They included asset managers (both traditional and alternative), investment consultancies, GIPS verifiers and professional industry associations.

Global Influence

Two of our Committee members were elected by the Asia Pacific GIPS Country/Local Sponsors to serve as regional representatives under the new GIPS governance structure. They will fill the following roles:

- (i) A representative of Asia Pacific Nominations Committee is responsible for assisting the GIPS Executive Committee to select right candidates under the new GIPS Governance.
- (ii) Chair of Asia Pacific Regional Technical Subcommittee and member of the GIPS Technical Committee, responsible for technical oversight of the GIPS standards, including issuing guidance, interpretations, and Q&A.

The HKSFA's GIPS Committee has a member sitting on the CIPM Advisory Council under the CFA Institute Board of Governors per the CIPM Programme. This person is the Asia Pacific's only representation on the nine-member council. We had members on the GIPS Investor/Consultant Subcommittee; GIPS Nominations Subcommittee; GIPS Promotion & Awareness Subcommittee; GIPS Retail/Pooled Fund Working Group and GIPS Asset Owners Project Group prior to the GIPS governance restructure in March 2014.

GIPS® Governance Restructuring

The Committee participated actively in the GIPS Governance Restructure discussions. There we expressed our concerns over:

- the proposal for removing the voting rights of country sponsors and the formal channel for country sponsors to influence GIPS Executive Committee via the previous GIPS Asia Pacific Regional Investment Performance Subcommittee, and
- the GIPS Country Sponsor meeting.

The Committee provided feedback to the GIPS Executive Committee with regard to their proposed new GIPS governance structure and the revised GIPS Country Sponsor Application Package.

Change name to HKSFA Investment Performance & Risk Committee

We decided to change the Committee name from "HKSFA GIPS Committee" to "HKSFA Investment Performance & Risk Committee" beginning from FY2015. The original name was thought too narrow as our scope takes in investment performance and risk management.

We are eager to work closer with regulators and other industry associations to develop and to promote investment performance measurement, attribution, risk management and reporting best practices. We believe this will help to enhance investors' awareness and confidence in making more informed investment decisions.



HONG KONG FINAL OF CFA INSTITUTE RESEARCH CHALLENGE 2013-14

A total of 32 students from eight participating universities joined the 2013-2014 Hong Kong final of CFA Institute Research Challenge. The competition gives the opportunity to university students to take on the role of investment research analysts. Preparation includes intensive training in company analysis and presentation skills by leading investment professionals. The competition sees participants develop and present equity research reports.

HKSFA extends our heartfelt appreciation to Mr. Claudius Tsang, CFA, Mr. Andy Tse, CFA, and Mr. Alan Wang, CFA, for their contribution as panel judges. We are also extremely grateful to the volunteer mentors and the supporting listed companies who made this meaningful initiative possible.

The event's FY2014 local champion was The Chinese University of Hong Kong (CUHK) while Hong Kong Baptist University and The Hong Kong University of Science and Technology were first and second runner-up respectively.

CUHK team represented Hong Kong at the Asia Pacific Regional Final in Thailand in April 2014. Over 3,700 students from more than 825 universities in more than 58 countries competed at the regional level for a spot in the global finals.

Interaction with corporate leaders and experienced analysts helps to enhance participants' career prospects, and reinforce financial industry's ethical standards. HKSFA is committed to promoting professional and ethical financial industry among the next generation.



INVESTOR EDUCATION SEMINAR

HKSFA again co-hosted the annual Investor Education Seminar Series with the SFC. The full-day public service event was held on 14 September 2013.

The series included:

- investment considerations in today’s macro environment;
- exchange traded products: the role of exchange-traded funds (ETFs) in an investment portfolio, and
- investor’s protection and investment fund selection.

Speaking at the event were Mr. Derek Mok, CFA, HKSFA Director, Prof. Philip S. Cheng, Adjunct Associate Professor of Finance, School of Business and Management, The Hong Kong University of Science and Technology and Mr. Paul Pong, Immediate Past Chairman (2010 - 2012), Board of Director, Institute of Financial Planners of Hong Kong.



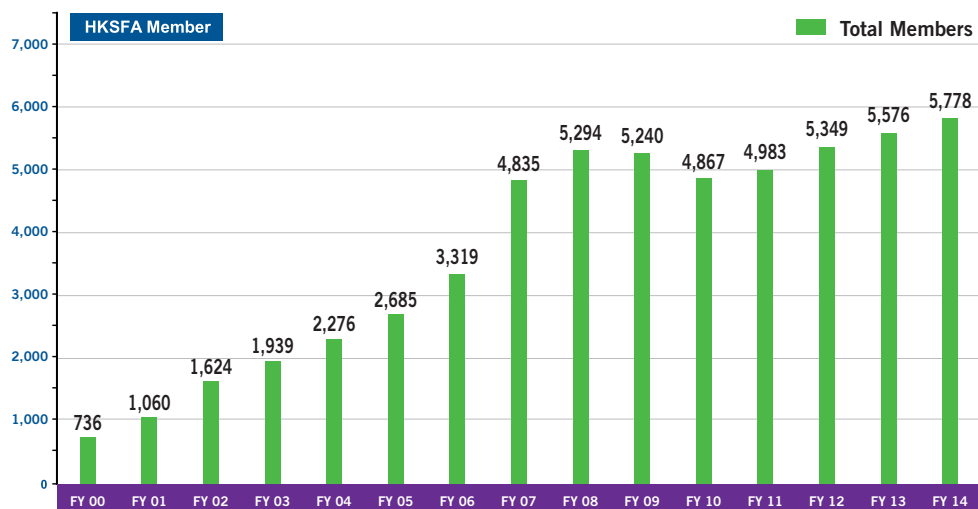
TRAILWALKER

HKSFA again fielded 4 teams to take part in the Hong Kong Oxfam Trailwalker charity hike in FY2014.

Participants faced the challenge of completing the grueling 100km MacLehose Trail within the 48-hour limit on the weekend of 15-17 November 2013. Our teams raised approximately HK\$120,000, again making the HKSFA one of the top fund raisers.

Oxfam uses funds raised to support its poverty alleviation and emergency relief projects around the world. We would like to take this opportunity to thank those who participated in the walk, our supporter teams, and those who generously donated.

SOCIETY AFFAIRS



MEMBERSHIP

Our membership grew by 3.6% in FY2014. As at 30 June 2014, it stood at a record 5,778. A 228-person rise in Hong Kong based members was the key driver.

Local candidates completing the CFA programme and members transferring to Hong Kong saw our Hong Kong based membership grow to 5,263 over the year.

Given our desire to become Hong Kong's leading investment professional body and raise our local community profile, we are excited by the continued growth of our Hong Kong based membership.

With these new objectives in mind, HKSFA formed a task force to create an Associate Member category in FY2014. The new category is designed to attract leading local and non-charterholding practitioners who share the vision of advancing the Hong Kong financial industry.

Our membership geographic distribution remains mostly unchanged over the years with Hong Kong (91.1%) and China (4.8%) as the key components.

The HKSFA remained the world's fourth largest CFA Institute member society and Asia's largest in 2014.

Top Ten Societies of CFA Institute as at 30 June 2014:

Society	Member Count	Growth (from 2013)
New York	10,674	- 24
United Kingdom	8,195	+599
Toronto	8,185	+269
Hong Kong	5,778	+202
Boston	5,240	+119
Chicago	4,065	+175
San Francisco	3,177	+121
Singapore	2,916	+153
Swiss	2,459	+142
CFA China	2,379	+107

The HKSFA aims at retaining and attracting new members by raising the Society's public profile through its advocacy, public awareness and education efforts.



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. Board members are elected by the Society's regular members. A maximum of two suitably qualified persons could be elected and appointed as Co-Opted Directors. 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 Executive Directors 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.”

“Subject to Article 75A and Article 71, at each general meeting of the Society, new Co-Opted Directors of the Board of Directors shall be elected from the candidates nominated by the Nomination Committee and approved by the Board of Directors.”

As described in Article 74A, “before each annual general meeting of the Society, the Board of Directors shall send a notice to each Regular Member providing reasonable details of all proposed candidate(s), if any, to be elected as Co-Opted Directors on the Board of Directors, together with details of the proposed terms of appointment. Prior to the date of such notice, all such proposed candidates must have indicated their willingness to be elected as a member of the Board of Directors.”

Executive Directors resign after a two-year term, are eligible to offer themselves for re election subject to Article 75. A retiring Co-Opted Director may be eligible for re-election subject to Article 75A.

The Board meets on the first Monday of every other 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 to the Board at the Board Meetings on the Society's P&L and Balance Sheet. Cheques drawn on the Society's account require the signature of two authorised signatories (HKSFA directors, MD or senior staff), and all expenses of over HK\$50,000 require the approval of the Board.

Board Meeting Attendance

From July 2013 to December 2013, the HKSFA Board met monthly on the first Monday of each month; from January 2014 onwards, the Board meets on the first Monday of every other month.

July 2013 – June 2014

Board of Directors and CEO	Attended	Called in
Frederick TSANG	10/10	0/10
Joseph CHAN	5/10	0/10
Franki CHUNG	3/10	0/10
Alvin HO	8/10	0/10
Patrick HO	2/10	1/10
Jimmy JIM	6/10	0/10
Ashley KHOO	8/10	0/10
Edmond LAU	4/10	1/10
Yin Toa LEE	5/10	2/10
Jenny LOR	8/10	2/10
Karl LUNG	5/10	2/10
Derek MOK	7/10	0/10
Elizabeth SOON	1/10	1/10
Jacky TSANG	8/10	0/10
Tony WATSON	8/10	0/10
Cedric WONG	6/10	0/10
Cheri WONG	8/10	0/10

MEMBERS OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

Board of Directors:

- President:** Frederick S.C. TSANG, CFA 1
- Vice-president:** Ashley P.W. KHOO, CFA 2
- Secretary:** Derek W.M. MOK, CFA 3
- Treasurer:** Jacky K.Y. TSANG, CFA 4



Board of Directors:

- A** Joseph H.L. Chan, CFA
- B** Franki K.F. Chung, CFA
- C** Jimmy W.K. Jim, CFA
- D** Edmond Y.M. Lau, CFA
- E** Yin Toa Lee, CFA
- F** Jenny C.Y. Lor, CIPM
- G** Karl H.K. Lung, CFA
- H** Elizabeth Y.S. Soon, CFA
- I** Claudius Tsang, CFA
- J** Tony Watson, CFA

K Cedric H.K. Wong, CFA

Managing Director:

L Louisa O.C. Wong, CFA

FINANCIAL HIGHLIGHTS

FINANCE

The Society's annual surplus declined 18% year-on-year to HK\$377,452 in FY2014.

Membership fees grew 3.1% during the year. This remains the Society's main revenue source. We expect only slow organic growth in the coming years.

Administrative expenses rose 14% year-on-year in FY2013. Personnel costs were around 50% of the increase. Headcount additions and pay rises were both factors. Rising rental costs were another key contributor to the increase in administrative expenses. 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 FY2014 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\$13,539,900 in FY2014 from HK\$12,796,448 in FY2013. The increase is mainly from the Society's FY2014 surplus and investment revaluation reserve changes.

The Investment Committee added new positions in fixed income securities 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.

FIVE-YEAR SUMMARY

	2014	2013	2012	2011	2010
No. of Members	5,778	5,576	5,349	4,983	4,867
No. Continuing Education Programmes	31	34	38	36	29
No. of Member Services Functions	18	11	12	19	12
Income	HK\$	HK\$	HK\$	HK\$	HK\$
Membership Fees	3,719,014	3,606,580	3,482,071	3,203,775	3,162,476
Surplus from Education & Programmes	305,803	254,178	286,446	385,919	269,341
Interest & Sundry Income	337,365	149,184	269,219	132,461	100,412
Other Revenue	996,059	988,752	1,194,475	902,131	760,102
	5,358,241	4,998,694	5,232,211	4,624,286	4,292,331
Expenditure					
Administrative Expenses	4,246,731	3,717,171	3,420,837	3,030,351	2,450,001
Other Operating Expenses	734,058	821,786	1,126,967	659,428	597,585
Total Operating Expenses	4,980,789	4,538,957	4,547,804	3,689,779	3,047,586
SURPLUS FOR THE YEAR	377,452	459,737	684,407	934,507	1,244,745
ASSETS					
Total of Non-Current Assets	9,694,840	8,901,600	8,039,000	3,215,000	3,856,554
Total of Current Assets	4,706,682	4,956,240	5,041,522	9,436,987	7,259,904
Total of Current Liabilities	861,622	1,061,392	829,986	816,458	445,436
Total of Net Current Assets	3,845,060	3,894,848	4,211,536	8,620,529	6,814,468
Total of Net Assets	13,539,900	12,796,448	12,250,536	11,835,529	10,671,022
Total of Members' General Funds	13,539,900	12,796,448	12,250,536	11,835,529	10,671,022

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 2014.

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 2014 and the state of affairs of the Society at that date are set out in the financial statements on pages 34 to 52.

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	(resigned on 26 June 2014)
Secretary	Derek Wai Man MOK, CFA	
Treasurer	Kwok Yuk TSANG, CFA	
Members	Hak Kau LUNG, CFA Wai Kee JIM, CFA Yan Seen SOON, CFA Yin Toa LEE, CFA Hoi Kan WONG, CFA Peter Anthony WATSON, CFA Yip Man LAU, CFA Ka Fai CHUNG, CFA Ho Lim CHAN, CFA Ching Yi LOR, CIPM Claudius Sze Wai TSANG, CFA	(appointed on 15 January 2014) (appointed on 15 January 2014) (appointed on 18 January 2014) (appointed on 6 October 2014)

In accordance with articles 72 and 73 (a), (b) and (c) of the Society's articles of association, one-half of the Executive 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 subject to article 75.

Accordingly, Mr. Wai Kee JIM, Mr. Kwok Yuk TSANG, Mr. Peter Anthony WATSON, Ms. Yan Seen SOON, Mr. Hoi Kan WONG and Mr. Derek Wai Man MOK shall retire from office at the forthcoming annual general meeting of the Society and, except for Ms. Yan Seen SOON who will not offer herself for re-election, being eligible, offer themselves for re-election.

In accordance with articles 73 (c) and 78, Mr. Claudius Sze Wai TSANG shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer himself for re-election subject to article 75.

In accordance with articles 73 (d) and 78, Ms. Ching Yi LOR shall retire from office at the forthcoming annual general meeting of the Society and, being eligible, offer herself for re-election subject to article 75A.

All other remaining directors shall continue in office.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

AUDITORS

The financial statements were audited by Chan, Li, Law CPA Limited, Certified Public Accountants (Practising), which retires and, being eligible, offers itself for re-appointment.

By order of the Board of Directors

President
Hong Kong, 3 November 2014

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 34 to 52, which comprise the statement of financial position as at 30 June 2014, and the statement of profit or loss and other 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 2014 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, 3 November 2014

Li King Man
Practising Certificate No.: P05777

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

(Expressed in Hong Kong dollars)

	Note	2014 HK\$	2013 HK\$
INCOME			
Membership fees	5	3,719,014	3,606,580
Surplus from candidate education	6	66,171	44,779
Surplus from continuing education	7	239,632	209,399
		4,024,817	3,860,758
Other revenue	8	1,333,424	1,137,936
Administrative expenses	11	(4,246,731)	(3,717,171)
Other operating expenses	13	(734,058)	(821,786)
SURPLUS FOR THE YEAR		377,452	459,737
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Fair value changes on available-for-sale financial assets		366,000	86,175
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		743,452	545,912

The notes on pages 38 to 52 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED

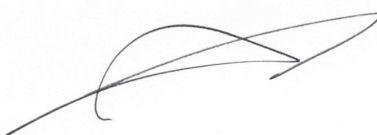
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(Expressed in Hong Kong dollars)

	Note	2014 HK\$	2013 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	21	30,905	51,600
Held-to-maturity financial assets	18	780,000	780,000
Available-for-sale financial assets	19	3,621,875	3,255,875
Financial assets at fair value through profit or loss	20	5,262,060	4,814,125
		9,694,840	8,901,600
Current assets			
Accounts and other receivables		217,427	123,687
Deposits and prepayments		495,166	463,296
Fixed deposits		1,500,731	1,978,945
Cash and bank balances		2,493,358	2,390,312
		4,706,682	4,956,240
Current liabilities			
Accounts payable and accruals		167,422	320,704
Receipts in advance		694,200	740,688
		861,622	1,061,392
Net current assets		3,845,060	3,894,848
NET ASSETS		13,539,900	12,796,448
MEMBERS' EQUITY			
Members' general funds		12,422,125	12,044,673
Investment revaluation reserve		1,117,775	751,775
		13,539,900	12,796,448



Frederick Sui Cheong TSANG, CFA
President



Kwok Yuk TSANG, CFA
Treasurer

The notes on pages 38 to 52 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 2014

(Expressed in Hong Kong dollars)

	Members' general funds HK\$	Investment revaluation reserve HK\$	Total HK\$
Balance at 1 July 2012	11,584,936	665,600	12,250,536
Total comprehensive income for the year	459,737	86,175	545,912
Balance at 30 June 2013	12,044,673	751,775	12,796,448
Total comprehensive income for the year	377,452	366,000	743,452
Balance at 30 June 2014	12,422,125	1,117,775	13,539,900
	=====	=====	=====

The notes on pages 38 to 52 form part of these financial statements.

THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

(Expressed in Hong Kong dollars)

	Note	2014 HK\$	2013 HK\$
Cash flows from operating activities			
Surplus for the year		377,452	459,737
Adjustments for :-			
Investment income	9	(378,963)	(317,045)
Interest income	10	(4,867)	(15,014)
Depreciation	21	45,270	58,365
Fair value changes on financial assets at fair value through profit or loss	9	46,465	182,875
		85,357	368,918
(Increase)/decrease in accounts and other receivables		(93,740)	234,202
(Increase) in deposits and prepayments		(31,870)	(46,266)
(Decrease) in accounts payable and accruals		(153,282)	(116,786)
(Decrease)/increase in receipts in advance		(46,488)	348,192
		(240,023)	788,260
Cash flows from investing activities			
Acquisition of property, plant and equipment	21	(24,575)	(43,565)
Acquisition of financial assets at fair value through profit or loss		(494,400)	(974,100)
Investment income	9	378,963	317,045
Interest received	10	4,867	15,014
		(135,145)	(685,606)
(Decrease)/increase in cash and cash equivalents			
		(375,168)	102,654
Cash and cash equivalents at the beginning of the year			
		4,369,257	4,266,603
Cash and cash equivalents at the end of the year			
		3,994,089	4,369,257
		3,994,089	4,369,257
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		2,493,358	2,390,312
Fixed deposits matured within three months when acquired		1,500,731	1,978,945
		3,994,089	4,369,257
		3,994,089	4,369,257

The notes on pages 38 to 52 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 2014

(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 HKSFSA (香港財經分析師學會).

The maximum number of members which the Society has registered is 20,000. The number of members of the Society as at 30 June 2014 was 5,778 (2013 : 5,576).

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 a number of new HKFRSs and 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 :-

	2014 HK\$	2013 HK\$
Members' annual fee income	3,493,764	3,367,080
New members' joining fee income	255,500	265,500
Uncollected fees recovered	3,750	1,000
Less : Uncollected fees	(34,000)	(27,000)
	----- 3,719,014 =====	----- 3,606,580 =====

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.

	2014 HK\$	2013 HK\$
Sales of study materials and programme income	161,598	141,915
Less : Cost of study materials and programme expenses	(95,427)	(97,136)
	----- 66,171 =====	----- 44,779 =====

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.

	2014 HK\$	2013 HK\$
Programme income	663,107	624,270
Uncollected fees recovered	-	160
Less : Programme expenses	(423,175)	(414,431)
Uncollected fees	(300)	(600)
	----- 239,632 =====	----- 209,399 =====

8. OTHER REVENUE

	2014 HK\$	2013 HK\$
Investment income, net (note 9)	332,498	134,170
Interest income (note 10)	4,867	15,014
Sundry income	29	121
CFA Institute Society Operational Support Funding	968,830	923,231
CFA Institute other funding for rebranding	-	39,000
Job posting income	27,200	26,400
	----- 1,333,424 =====	----- 1,137,936 =====

9. INVESTMENT INCOME

	2014 HK\$	2013 HK\$
Interest received from listed debt securities	224,348	200,138
Interest received from unlisted debt securities	43,290	43,290
Dividend received from listed equity securities	111,325	73,617
Fair value changes on financial assets at fair value through profit or loss	(46,465)	(182,875)
	----- 332,498 =====	----- 134,170 =====

10. INTEREST INCOME

	2014 HK\$	2013 HK\$
Bank interest income	150	194
Interest received from fixed deposits	4,717	14,820
	----- 4,867 =====	----- 15,014 =====

11. ADMINISTRATIVE EXPENSES

	2014 HK\$	2013 HK\$
Depreciation	45,270	58,365
Electricity	15,152	16,093
Personnel costs (note 12)	2,699,034	2,407,481
Rent, rates and building management fee	1,423,120	1,170,109
Telephone and internet	64,155	65,123
	----- 4,246,731 =====	----- 3,717,171 =====

12. PERSONNEL COSTS

	2014 HK\$	2013 HK\$
Salaries	2,602,260	2,325,240
Mandatory provident fund contributions	81,721	72,577
Staff welfare and allowances	15,053	9,664
	-----	-----
	2,699,034	2,407,481
	=====	=====

13. OTHER OPERATING EXPENSES

	2014 HK\$	2013 HK\$
Advertising and promotion for public awareness	183,565	147,722
Audit fee	23,000	25,000
Bank charges	11,038	11,703
Business registration fee	750	1,350
Deficit from social functions (note 14)	50,292	81,535
Deficit from investment research challenge (note 15)	48,602	47,543
Exchange loss	31,171	34,853
Insurance	16,744	22,230
Professional fees	34,240	39,005
Local traveling	635	366
Meeting expenses	29,690	40,404
Commission for online receipt	34,377	33,234
Overseas traveling	76,555	24,242
Office cleaning	20,405	20,860
Postages, printing and stationery	145,518	82,180
Repairs and maintenance	20,040	19,950
Special publication for 20 th anniversary	-	166,054
Stamp duties	-	3,164
Sundry expenses	6,936	3,091
Tax return filing fee	-	2,300
Website upgrade	500	15,000
	-----	-----
	734,058	821,786
	=====	=====

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.

	2014 HK\$	2013 HK\$
Function income	278,200	239,770
Less : Function expenses	(327,942)	(320,325)
Uncollected fees	(550)	(980)
	-----	-----
	(50,292)	(81,535)
	=====	=====

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.

	2014 HK\$	2013 HK\$
Competition income	77,900	72,900
Less : Competition expenses	(126,502)	(120,443)
	-----	-----
	(48,602)	(47,543)
	=====	=====

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.

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

	2014 HK\$	2013 HK\$
Unlisted debt securities, at amortised cost	780,000	780,000
	=====	=====
Market value	855,567	796,179
	=====	=====

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK\$	2013 HK\$
Equity securities listed in Hong Kong, at fair value	3,621,875	3,255,875
	=====	=====

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK\$	2013 HK\$
Debt securities listed in Hong Kong, at fair value	5,262,060	4,814,125
	=====	=====

21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and equipment HK\$	Total HK\$
Cost :-			
At 1 July 2012	294,831	183,783	478,614
Additions	-	43,565	43,565
At 30 June 2013	294,831	227,348	522,179
Additions	-	24,575	24,575
At 30 June 2014	294,831	251,923	546,754
Accumulated depreciation :-			
At 1 July 2012	289,864	122,350	412,214
Charge for the year	4,967	53,398	58,365
At 30 June 2013	294,831	175,748	470,579
Charge for the year	-	45,270	45,270
At 30 June 2014	294,831	221,018	515,849
Net book value :-			
At 30 June 2014	-	30,905	30,905
At 30 June 2013	-	51,600	51,600

22. LEASE COMMITMENTS

At 30 June 2014, the total future minimum lease payments under a non-cancellable operating lease of property is payable as follows :-

	2014 HK\$	2013 HK\$
Not later than one year	1,325,190	1,210,230
Later than one year but not later than five years	689,760	2,011,800
	2,014,950	3,222,030

23. FINANCIAL RISK MANAGEMENT

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

	2014 HK\$	2013 HK\$
Held-to-maturity financial assets	780,000	780,000
Available-for-sale financial assets	3,621,875	3,255,875
Financial assets at fair value through profit or loss	5,262,060	4,814,125
Loans and receivables :-		
Accounts and other receivables	217,427	123,687
Deposits and prepayments	495,166	463,296
Fixed deposits	1,500,731	1,978,945
Cash and bank balances	2,493,358	2,390,312
	4,706,682	4,956,240
	14,370,617	13,806,240

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

	2014 HK\$	2013 HK\$
Financial liabilities at amortised cost :-		
Accounts payable and accruals	167,422	320,704
Receipts in advance	694,200	740,688
	861,622	1,061,392

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 2014 and 30 June 2013. 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 2014 and 30 June 2013 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 :-

	2014 HK\$	2013 HK\$
Past due up to		
- 30 days	121,372	56,602
- 31 to 60 days	34,700	16,780
- 61 to 120 days	11,000	7,000
- Over 120 days	50,355	43,305
	----- 217,427 =====	----- 123,687 =====

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>2014</u>					
Accounts payable and accruals	50,103	-	1,318	116,001	167,422
Receipts in advance	694,200	-	-	-	694,200
	----- 744,303 =====	----- - =====	----- 1,318 =====	----- 116,001 =====	----- 861,622 =====
<u>2013</u>					
Accounts payable and accruals	108,889	8,900	9,000	193,915	320,704
Receipts in advance	740,688	-	-	-	740,688
	----- 849,577 =====	----- 8,900 =====	----- 9,000 =====	----- 193,915 =====	----- 1,061,392 =====

(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>2014</u>	
Held-to-maturity financial assets	780,000
Accounts receivables	6,864
Cash and bank balances	319,949

	1,106,813
	=====
<u>2013</u>	
Held-to-maturity financial assets	780,000
Accounts receivables	4,992
Cash and bank balances	3,911

	788,903
	=====

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

	2014 HK\$	2013 HK\$
Floating-rate financial assets		
Available-for-sale financial assets	3,621,875	3,255,875
Financial assets at fair value through profit or loss	5,262,060	4,814,125
Fixed deposits	1,500,731	1,978,945
Cash at banks	2,488,358	2,385,312
	-----	-----
	12,873,024	12,434,257
	-----	-----
Fixed-rate financial assets		
Held-to-maturity financial assets	780,000	780,000
	-----	-----
	13,653,024	13,214,257
	=====	=====

Sensitivity analysis

At 30 June 2014, 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\$136,530 (2013 : HK\$132,142).

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 was prepared on the same basis for 2013.

(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

	2014 HK\$	2013 HK\$
Available-for-sale financial assets, at fair value - equity securities listed in Hong Kong	3,621,875 =====	3,255,875 =====

Sensitivity analysis

At 30 June 2014, 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\$362,188 (2013 : HK\$325,588).

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 was prepared on the same basis for 2013.

24. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table presents the carrying value of the financial instruments measured at fair value at the end of reporting period 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>2014</u>				
Available-for-sale financial assets	3,621,875	-	-	3,621,875
Financial assets at fair value through profit or loss	5,262,060	-	-	5,262,060
	-----	-----	-----	-----
	8,883,935	-	-	8,883,935
	=====	=====	=====	=====
<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
	=====	=====	=====	=====

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 2013 and 30 June 2014. 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 beginning on or after
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 to 2012 cycle	1 July 2014, with limited exceptions
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 to 2013 cycle	1 July 2014
HKFRS 7 and HKFRS 9 Amendments	Mandatory effective date of HKFRS 9 and transition disclosures	Effective date will be determined when the outstanding phases of HKFRS 9 are finished
HKFRS 9	Financial instruments	Effective date will be determined when the outstanding phases of HKFRS 9 are finished
HKAS 16 and HKAS 38 Amendments	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
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 Amendments	Defined benefit plans : Employee contributions	1 July 2014

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 3 November 2014.

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