



Investor Education Centre Annual Report 2012/13

June 2013

The Investor Education Centre is supported by the financial regulators



保險業監理處
Office of the Commissioner
of Insurance



證監會



HONG KONG MONETARY AUTHORITY
香港金融管理局



積金局

Background

Financial education for consumers and investors complements regulation, enabling better understanding of financial products and services as well as their risk. It is even more important, in view of the development of increasingly complex products and services that cut across traditional boundaries of banking, insurance and securities.

There is also growing recognition around the world that financial literacy is a vital life skill. This is of particular relevance to Hong Kong, given its status as an international financial centre, and Hong Kong people's active participation in financial markets. It also improves consumer and investor confidence in dealing with financial services providers which in turn helps to underpin the overall stability and reputation of Hong Kong's financial services sector.

The SFC is the only Hong Kong regulator with a statutory mandate to educate investors, but this was only in relation to financial products and services within its regulatory remit. Other regulators and organisations also have educational initiatives, but these are generally focused on the organisations' respective jurisdictions.

In May 2012, the Securities and Futures Ordinance was amended to broaden the statutory investor education objective of the SFC. The change to the legislation also allowed the SFC to delegate its education function to a wholly-owned subsidiary, the Investor Education Centre (IEC), with a broadened mandate to provide education and information across the entire financial sector.

Establishment and governance

On 20 November 2012, the IEC was established with the mandate of delivering holistic financial education to the public to improve their financial literacy, equip them with the skills they need to make informed financial decisions and manage their money wisely. It will do this by providing credible and impartial financial education and information to the public covering all kinds of financial products and services.

Executive Committee

| | | |
|-----------------|---|---|
| Chairman | CHENG Leonard | Non-Executive Director of the SFC |
| Members | CHAN Ka Ki, Catherine CHAN Sun Hung, Tony CHAN Tze Ching, Ignatius LARBEY Miles Howard LEE Wing Sing, Vincent WAN Chi Yiu, Andrew YIU Kei Chung, Thomas | Education Bureau Office of the Commissioner of Insurance Industry representative General Manager of the IEC Hong Kong Monetary Authority SFC Mandatory Provident Fund Schemes Authority |



In the IEC logo, the letter "I" is represented as a bookmark and its prominent placement shows that the IEC's primary purpose is learning and education

The IEC is governed by an Executive Committee, appointed by the SFC, comprising a Chairman who is a Non-Executive Director of the SFC, representatives of the four financial regulators, namely the Hong Kong Monetary Authority, the Mandatory Provident Fund Schemes Authority, the Office of the Commissioner of Insurance and the SFC, as well as a representative of the financial industry, the Education Bureau and the General Manager of the IEC. The Executive Committee provides strategic oversight and advice and approves important policies and decisions.

The IEC, still in a development phase, will fulfil its mandate with the following strategic approach:

- Reaching the general public with key financial education messages through campaigns delivered by various media channels;
- Building sustainable and tailored outreach programmes for different sectors within the community with key messages for these groups;
- Offering a dedicated self-service website which provides comprehensive financial information and interactive tools and resources.



Executive Committee members

Funding

The IEC is funded by the SFC, with no extra levies or charges for the industry or investors. As of the end of March 2013, the SFC provided \$14.63 million for the establishment and operations of the IEC.

| | \$'000 |
|----------------------|------------------|
| Start-up costs | 3,028.93 |
| Education programmes | 7,875.42 |
| Staff costs | 3,242.16 |
| Other expenses | 487.56 |
| Total | 14,634.07 |

A full set of the IEC's audited financial statements can be found on its website (www.hkiec.hk).

Key activities

In addition to building its corporate and organisational infrastructure, the IEC has already conducted a number of education programmes, employing mass media and online channels to maximise the reach and appeal of the IEC's key messages, such as:

CNY campaign

Laisee envelopes were distributed to the public during the Chinese New Year (CNY) in February 2013, promoting the importance of good money management skills and financial planning. With the message "Even small amounts of saving can help you build your wealth," the red packets carried a Quick Response Code that directed people to a dedicated "CNY Money Management Tips" section on the IEC website, encouraging them to share their financial planning tips.



Radio dramas

A series of one-minute radio drama segments was aired on Metro Finance radio and Metro Finance Digital channel from December 2012 to February 2013. The series highlighted key issues about financial planning, such as goal setting, investment strategies, risk management and diversification, as well as the role of insurance in financial planning (eg, investment-linked assurance schemes, which are often referred to as ILAS) and the importance of monitoring one's investment portfolio.

Short videos

A series of three-minute videos, entitled "Pointers for Investing," highlighting the risks of renminbi products, ETFs, derivative warrants and margin trading was broadcast on TVB, nowTV and Cable TV, and promoted

on various popular news websites and mobile apps between January and March 2013. The videos enabled us to reach a broad spectrum of investors, including retirees, and working adults.

Print media

The IEC's regular column in the *Headline Daily* features different investing and financial planning issues. Three information booklets, namely, *How to Read Product Key Facts Statements*, *Equity-linked Investments*, and *Know Your Rights in the Sales Process* have been distributed.

Outreach programmes

Since November 2012, 18 seminars have been organised, attracting 1,050 participants from different segments of the community, including students and police officers. The topics were wide-ranging, covering the importance of financial planning, risks of certain investment products, etc.

Online learning

At the same time of the launch of the IEC, its corporate website went live allowing the public to gain access to a wide range of impartial education and information.

A word from IEC Chairman

The IEC has been established to holistically oversee and lead financial education initiatives in Hong Kong across the entire financial sector. However, even with our best effort and intention, financial education alone cannot prevent every poor financial decision from being made, nor can it prevent market fluctuations and misconduct by individual service providers and market participants. Thus, it complements, rather than replaces, strong and effective financial services regulation, enforcement and dispute resolution. Work in financial education requires long-term commitment and strategic planning. Over the coming months and years, IEC will develop its financial education strategy and work plans in phases, gradually expanding into new areas of content and developing broader and deeper educational programmes and resources for the public.



Prof Leonard Cheng

Report of the directors

The directors present herewith their first annual report together with the audited financial statements for the period ended 31 March 2013.

Principal place of business

Investor Education Centre (IEC) is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 21/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Principal activities

The principal activities of the IEC are to enhance the understanding and knowledge of members of the public of financial services; to encourage the public to appreciate the relative benefits of purchasing different types of financial services; and to promote understanding by the public of the importance of making informed financial decisions and taking responsibilities for those decisions.

Financial statements

The financial results for the period from 19 October 2012 (date of incorporation) to 31 March 2013 and the state of the IEC's affairs as at 31 March 2013 are set out in the audited financial statements presented on pages 5 to 13.

Directors

The directors during the period and up to the date of this report are:

CHENG Leonard (Chairman)
ALDER Ashley Ian (resigned on 15 November 2012)
CHAN Ka Ki, Catherine
CHAN Sun Hung, Tony
CHAN Tze Ching, Ignatius
CHENG Yan Chee (appointed on 9 May 2013)
LARBET MILES Howard
LEE Wing Sing, Vincent
WAN Chi Yiu, Andrew
YIU Kei Chung, Thomas (resigned on 1 April 2013)

Directors' interests in contracts

Except for the purposes of the employment of Mr Miles Howard Larbey, no contract of significance to which the IEC, its holding company or fellow subsidiaries, was a party and in which a director of the IEC had a material interest, whether directly or indirectly, subsisted at the end of the accounting period or at any time during the period.

Auditors

KPMG retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the IEC is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

CHENG Leonard

21 May 2013

Independent auditor's report to the members of Investor Education Centre

(Incorporated in Hong Kong and limited by guarantee)

We have audited the financial statements of Investor Education Centre (the IEC) set out on pages 5 to 13 which comprise the statement of financial position as at 31 March 2013 and the statement of comprehensive income and the statement of cash flows for the period from 19 October 2012 (date of incorporation) to 31 March 2013, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the IEC are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance and for such internal control as the directors determine 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 entity's preparation of the 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 entity'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 affairs of the IEC as at 31 March 2013 and of its result and cash flows for the period from 19 October 2012 (date of incorporation) to 31 March 2013 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21 May 2013

Statement of comprehensive income

For the period from 19 October 2012 (date of incorporation) to 31 March 2013
(Expressed in Hong Kong dollars)

| | Note | For the period ended 31 March 2013 \$ |
|---|------|---|
| Income | | |
| Recoveries from Securities and Futures Commission | 2c | 14,634,073 |
| Expenses | | |
| Pre-operating expenses | | 3,028,928 |
| Staff costs | 4 | 3,242,157 |
| Education programmes | 5 | 7,875,426 |
| Other expenses | 6 | 439,311 |
| Depreciation | | 48,251 |
| | | 14,634,073 |
| Result for the period before taxation | | |
| Taxation | 3 | – |
| Total comprehensive income for the period | | |
| | | – |

The notes on pages 8 to 13 form part of these financial statements.

Statement of financial position

As at 31 March 2013 (Expressed in Hong Kong dollars)

| | Note | 2013 \$ |
|---|------|------------------|
| Non-current assets | | |
| Fixed assets | 7 | 96,501 |
| Current assets | | |
| Cash at bank and in hand | | 772,605 |
| Amount due from Securities and Futures Commission | | 770,734 |
| Prepayments and deposits | 8 | 182,445 |
| | | 1,725,784 |
| Current liabilities | | |
| Accrued charges and other payables | 9 | 1,822,285 |
| | | (96,501) |
| Net current liabilities | | |
| | | (96,501) |
| Total assets less current liabilities | | – |
| Net assets | | – |

We have not prepared a separate statement of changes in equity as there have been no changes during the period.

Approved and authorised for issue by the board of directors on 21 May 2013 and signed on its behalf by

CHENG Leonard

Chairman

LARBAY Miles Howard

Director

The notes on pages 8 to 13 form part of these financial statements.

Statement of cash flows

For the period from 19 October 2012 (date of incorporation) to 31 March 2013 (Expressed in Hong Kong dollars)

| | For the period ended 31 March 2013 \$ |
|---|--|
| Cash flows from operating activities | |
| Result for the period | – |
| Depreciation | 48,251 |
| Increase in prepayments and deposits | (182,445) |
| Increase in amount due from Securities and Futures Commission | (770,734) |
| Increase in accrued charges and other payables | 1,822,285 |
| Net cash generated from operating activities | 917,357 |
| Cash flows from investing activities | |
| Fixed assets purchased | (144,752) |
| Net cash used in investing activities | (144,752) |
| Net increase in cash and cash equivalents | 772,605 |
| Cash and cash equivalents at the beginning of the period | – |
| Cash and cash equivalents at the end of the period | 772,605 |
| Analysis of the balance of cash and cash equivalents: | |
| Cash at bank and in hand | 772,605 |

Notes to the financial statements

(Expressed in Hong Kong dollars)

1. Status and principal activities

The IEC was incorporated on 19 October 2012 in Hong Kong under the Hong Kong Companies Ordinance as a company limited by guarantee and not having a share capital. The address of its registered office is 21/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

The principal activities of the IEC are to enhance the understanding and knowledge of members of the public of financial services; to encourage the public to appreciate the relative benefits of purchasing different types of financial services; and to promote understanding by the public of the importance of making informed financial decisions and taking responsibilities for those decisions.

Under the provisions of the IEC's Memorandum of Association, every member shall, in the event of the IEC being wound up, contribute to the assets of the IEC an amount not exceeding HK\$10. At 31 March 2013, the IEC had 1 member.

2. Significant accounting policies

(a) Statement of compliance

The IEC prepares its financial statements in accordance with International Financial Reporting Standards ("IFRSs") (including applicable International Accounting Standards and Interpretations) issued by the International Accounting Standards Board ("IASB"). A summary of the significant accounting policies adopted by the IEC is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the IEC. However, none of these developments are relevant to the IEC's operations.

The IEC has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

(b) Basis of preparation of the financial statements

The IEC prepares these financial statements on a going concern basis notwithstanding that the stated current liabilities are in excess of the stated current assets at 31 March 2013. The Securities and Futures Commission (SFC), the ultimate holding entity, has given an undertaking to continue to provide such financial assistance as is necessary to maintain the IEC as a going concern.

We have prepared these financial statements using the historical cost basis as the measurement basis.

The preparation of financial statements in conformity with IFRSs 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 we believe 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.

We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates 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.

(c) Recognition of income

We recognise income in the statement of comprehensive income provided it is probable that the economic benefits will flow to the IEC and we can measure reliably the revenue and cost.

Recoveries from the SFC

The IEC's income is reimbursement from the SFC for expenditure incurred. We recognise recoveries from the SFC on an accruals basis.

Notes to the financial statements

(Expressed in Hong Kong dollars)

2. Significant accounting policies (cont'd)

(d) Employee benefits

We accrue salaries and allowances, paid annual leave and contributions to defined contribution plans in the year in which the associated services are rendered by employees.

(e) Fixed assets and depreciation

We state fixed assets at cost less accumulated depreciation, which is calculated to write off their costs, less their estimated residual value, if any, over their anticipated useful lives on a straight-line basis, and impairment losses (see note 2j). We use the following useful lives:

- Furniture and fixtures 5 years
- Office equipment 5 years
- Personal computers and software 3 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Related parties

For the purposes of these financial statements, we consider that the following are related parties of the IEC:

- (a) A person, or a close member of that person's family, is related to the IEC if that person:
 - (i) has control or joint control over the IEC;
 - (ii) has significant influence over the IEC; or
 - (iii) is a member of the key management personnel of the IEC or the IEC's parent.
- (b) An entity is related to the IEC if any of the following conditions applies:
 - (i) The entity and the IEC are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the IEC or an entity related to the IEC.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

(h) Prepayments and deposits

We initially recognise prepayments and deposits at fair value and thereafter state these at amortised cost less impairment losses for bad and doubtful debts.

We measure impairment losses for bad and doubtful debts as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

Prepayments and deposits and other receivables are loans and receivables in accordance with the determination in International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement.

Notes to the financial statements

(Expressed in Hong Kong dollars)

2. Significant accounting policies (cont'd)

(i) Accrued charges and other payables

We initially recognise accrued charges and other payables at fair value and thereafter state these at amortised cost unless the effect of discounting would be immaterial, in which case we state them at cost.

Other payables and accrued charges are financial liabilities measured at amortised costs in accordance with the determination in IAS 39, unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Impairment

We review the carrying amounts of the IEC's assets at the end of each accounting period to determine whether there is any indication of impairment. If any such indication exists, we estimate the asset's recoverable amount. We recognise in the statement of comprehensive income an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses for receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the IEC is satisfied

that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(k) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the IEC. None of these developments are relevant to the IEC's financial statements.

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

3. Taxation

- (a) No provision for Hong Kong profits tax has been made as the IEC did not have any taxable profit.
- (b) There is no deferred tax liability.

4. Staff costs

| | 2013 \$ |
|--|------------------|
| Salaries, wages and other benefits | 3,171,434 |
| Contributions to defined contribution plan | 70,723 |
| | 3,242,157 |

Pursuant to section 161 of the Hong Kong Companies Ordinance, salaries and other emoluments for key management personnel included in the above amounted to \$1,090,567.

Notes to the financial statements

(Expressed in Hong Kong dollars)

5. Education programmes

| | 2013 \$ |
|-------------------------------------|------------------|
| Mass media programmes and campaigns | 6,721,595 |
| Website | 558,831 |
| Education kits and souvenirs | 487,900 |
| Publications | 107,100 |
| | 7,875,426 |

6. Other expenses

| | 2013 \$ |
|----------------------------------|----------------|
| Auditors' remuneration | 90,000 |
| Information systems and services | 97,354 |
| General office and insurance | 28,192 |
| Professional and other services | 223,540 |
| Publicity and external relations | 225 |
| | 439,311 |

7. Fixed assets

| | Personal computers and software \$ | Total \$ |
|-----------------------|---|-------------|
| Cost | | |
| Additions | 144,752 | 144,752 |
| At 31 March 2013 | 144,752 | 144,752 |
| Depreciation | | |
| Charge for the period | 48,251 | 48,251 |
| At 31 March 2013 | 48,251 | 48,251 |
| Net book value | | |
| At 31 March 2013 | 96,501 | 96,501 |

8. Prepayments and deposits

All the prepayments and deposits are expected to be recovered within one year.

Notes to the financial statements

(Expressed in Hong Kong dollars)

9. Accrued charges and other payables

All accrued charges and other payables are expected to be settled within one year.

The following table details the remaining contractual maturities of the IEC's current liabilities at the end of the accounting period, which are based on contractual undiscounted cash flows and the earliest date the IEC can be required to pay:

| | Carrying amount \$ | 2013 | | Indefinite \$ |
|------------------------------------|-----------------------|------------------------------------|---|------------------|
| | | Within 3 months or on demand \$ | More than 3 months but less than 1 year \$ | |
| Accrued charges and other payables | 1,822,285 | 1,822,285 | – | – |

10. Related party transactions

There are related party relationships with the SFC, the ultimate holding entity. Other than these transactions and balances disclosed elsewhere in these financial statements, the IEC entered into no other material related party transactions.

11. Financial instruments

Exposure to credit and liquidity risks arises in the normal course of the IEC's business. The IEC is not exposed to any foreign exchange risk as all transactions and balances are denominated in HKD. The IEC has no interest bearing assets or liabilities. The IEC manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The IEC's credit risk is primarily attributable to cash at bank. Management's policy is that cash balances are

placed only with licensed banks in Hong Kong with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. In this regard, the IEC's credit risk is limited.

The IEC's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2013.

12. Parent and ultimate controlling party

As at 31 March 2013, the parent and ultimate controlling party of the IEC is the SFC, which is a statutory body in Hong Kong and produces financial statements available for public use.

Notes to the financial statements

(Expressed in Hong Kong dollars)

13. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 31 March 2013

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and interpretations and one new standard which are not yet effective for the period ended 31 March 2013 and which have not been adopted in these financial statements.

| | Effective for accounting periods beginning on or after |
|--|--|
| Amendments to IAS 1, <i>presentation of financial statements</i> – <i>Presentation of items of other comprehensive income</i> | 1 July 2012 |
| IFRS 13, <i>Fair value measurement</i> | 1 January 2013 |
| <i>Annual Improvements to IFRSs 2009-2011 Cycle</i> | 1 January 2013 |
| Amendments to IFRS 7, <i>Financial instruments: Disclosures</i> – <i>offsetting financial assets and financial liabilities</i> | 1 January 2013 |
| Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>offsetting financial assets and financial liabilities</i> | 1 January 2014 |
| IFRS 9, <i>Financial instruments</i> | 1 January 2015 |

The IEC is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the IEC's results of operations and financial position.

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