G.N. 3637

SECURITIES AND FUTURES ORDINANCE (Chapter 571)

Pursuant to section 88(4) of the Securities and Futures Ordinance, the audited financial statements of the Investor Compensation Company Limited for the financial year ended 31 March 2013 are set out on pages 11738 to 11750.

Anderson CHOW *Chairman*
Investor Compensation Company Limited

INVESTOR COMPENSATION COMPANY LIMITED
REPORT OF THE DIRECTORS

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

Principal place of business

Investor Compensation Company Limited ("the company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 21st Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Principal activities

The Securities and Futures Ordinance provides for the establishment of the Investor Compensation Fund ("the Fund"). The Securities and Futures Commission has recognised the company to facilitate the administration and management of the Fund.

Financial statements

The financial results for the year ended 31 March 2013 and the state of the company's affairs as at that date are set out in the audited financial statements presented on pages 11740 to 11750.

Fixed assets

Details of movements in fixed assets during the year are set out in note 6 to the financial statements.

Share capital

Details of share capital of the company are set out in note 9 to the financial statements. There were no movements during the year.

Directors

The directors during the financial year were:—

1. Mr. Anderson CHOW (Chairman)
2. Mr. Andrew WAN
3. Mr. LUI Kei Kwong
4. Ms. Thrity Homi MUKADAM
5. Mr. ANG Cheung Yick

Directors' interests in contracts

Except for a contract of employment with Mr. ANG Cheung Yick, no contract of significance to which the company, its holding company or fellow subsidiaries, was a party and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the accounting period or at any time during the year.

Auditors

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

14 May 2013

On behalf of the Board
Anderson CHOW

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF INVESTOR COMPENSATION COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Investor Compensation Company Limited (the 'company') set out on pages 11740 to 11750 which comprise the statement of financial position as at 31 March 2013 and the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors of the company 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 company as at 31 March 2013 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

14 May 2013

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

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

(Expressed in Hong Kong dollars)

	Note	*For the year ended 31 March 2013* $	*For the year ended 31 March 2012* $
Income			
Recoveries from the Investor Compensation Fund	2c	4,869,180	4,442,019
Expenses			
Premises			
rent	10	1,002,000	718,500
others		4,104	3,839
Staff costs	4	3,128,989	2,992,927
Other expenses	5	726,088	720,654
Depreciation	6	7,999	6,099
		4,869,180	4,442,019
Result for the year before taxation		—	—
Taxation	3	—	—
Total comprehensive income for the year		—	—

The notes on pages 11744 to 11750 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

(Expressed in Hong Kong dollars)

	Note	*2013* $	*2012* $
Non-current assets			
Fixed assets	6	3,800	6,099
Current assets			
Cash and cash equivalents		278,753	322,057
Prepayments and deposits	7	75,214	201,138
		353,967	523,195
Current liabilities			
Accrued charges and other payables	8	66,340	444,232
Amount due to Investor Compensation Fund	8	291,426	85,061
		357,766	529,293
Net current liabilities		(3,799)	(6,098)
Total assets less current liabilities		1	1
Net assets		1	1
Capital and reserves			
Share capital	9	1	1

Approved and authorised for issue by the board of directors on 14 May 2013 and signed on its behalf by

LUI Kei Kwong ANG Cheung Yick

The notes on pages 11744 to 11750 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

(Expressed in Hong Kong dollars)

	Share Capital	*Retained Profits*	*Total*
	$	$	$
Total equity at 1 April 2012	1	—	1
Share issued	—	—	—
Profit and total comprehensive income for the year	—	—	—
Total equity at 31 March 2013	1	—	1
Total equity at 1 April 2011	1	—	1
Share issued	—	—	—
Profit and total comprehensive income for the year	—	—	—
Total equity at 31 March 2012	1	—	1

The notes on pages 11744 to 11750 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

(Expressed in Hong Kong dollars)

	For the year ended 31 March 2013 $	*For the year ended 31 March 2012* $
Cash flows from operating activities		
Result for the year	—	—
Depreciation	7,999	6,099
Decrease / (increase) in prepayments and deposits	125,924	(63,306)
Increase / (decrease) in amount due to Investor Compensation Fund	206,365	(43,181)
(Decrease) / increase in accrued charges and other payables	(377,892)	105,304
Net cash (used in) / generated from operating activities	(37,604)	4,916
Cash flows from investing activities		
Fixed assets purchased	(5,700)	—
Net cash used in investing activities	(5,700)	—
Net (decrease) / increase in cash and cash equivalents	(43,304)	4,916
Cash and cash equivalents at the beginning of the year	322,057	317,141
Cash and cash equivalents at the end of the year	278,753	322,057

Analysis of the balance of cash and cash equivalents:

	At 31 March 2013 $	At 31 March 2012 $
Cash at bank and in hand	278,753	322,057

(Expressed in Hong Kong dollars)

1. *Status and principal activities*

The Securities and Futures Ordinance provides for the establishment of the Investor Compensation Fund ('the Fund'). The Securities and Futures Commission ('the SFC') has recognised the Investor Compensation Company Limited ('the company') to facilitate the administration and management of the Fund.

2. *Significant accounting policies*

(*a*) *Statement of compliance*

The company 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 company 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 company. Note 2(*k*) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

The company has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 14).

(*b*) *Basis of preparation of the financial statements*

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 company and we can measure reliably the revenue and cost.

Recoveries from the Investor Compensation Fund

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

(*d*) *Employee benefits*

We accrue salaries, annual bonuses, 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 company:—

(*a*) A person, or a close member of that person's family, is related to the company if that person:—

(i) has control or joint control over the company;
(ii) has significant influence over the company; or
(iii) is a member of the key management personnel of the company or the company's parent.

(*b*) An entity is related to the company if any of the following conditions applies:—

(i) The entity and the company 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 company or an entity related to the company.
(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.

(*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 cost 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 company'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 company 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 company. None of these developments are relevant to the company's financial statement:—

The company 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 company did not have any taxable profit.

(*b*) There is no deferred tax asset or liability.

4. *Staff costs and remuneration for key management personnel*

	2013	*2012*
	$	$
Salaries, wages and other benefits	2,903,307	2,790,104
Contributions to defined contribution plan	225,682	202,823
	3,128,989	2,992,927

Pursuant to section 161 of the Hong Kong Companies Ordinance, remuneration for key management personnel included in the above comprised:—

	2013	*2012*
	$	$
Salaries and other emoluments	1,445,250	1,403,180
Retirement benefits	123,000	115,488
	1,568,250	1,518,668

5. *Other expenses*

	2013	*2012*
	$	$
Auditors' remuneration		
—Audit services	65,900	61,000
—Other services	33,700	32,100
Market communications and public relations	41,350	29,678
Information technology expenses	114,923	124,035
Accountancy service fee	150,000	150,000
Professional insurances	126,769	133,356
Professional fees	27,175	20,172
Miscellaneous expenses	166,271	170,313
	726,088	720,654

6. *Fixed assets*

	Office equipment $	*Personal computers and software* $	*Furniture and fixtures* $	*Total* $
Cost				
At 1 April 2012	56,470	240,378	14,860	311,708
Additions	—	5,700	—	5,700
Disposals	—	(4,098)	—	(4,098)
At 31 March 2013	56,470	241,980	14,860	313,310
Depreciation				
At 1 April 2012	50,371	240,378	14,860	305,609
Charge for the year	6,099	1,900	—	7,999
Written back on disposals	—	(4,098)	—	(4,098)
At 31 March 2013	56,470	238,180	14,860	309,510
Net book value				
At 31 March 2013	—	3,800	—	3,800

	Office equipment $	*Personal computers and software* $	*Furniture and fixtures* $	*Total* $
Cost				
At 1 April 2011	56,860	240,378	14,860	312,098
Additions	—	—	—	—
Disposals	(390)	—	—	(390)
At 31 March 2012	56,470	240,378	14,860	311,708
Depreciation				
At 1 April 2011	44,662	240,378	14,860	299,900
Charge for the year	6,099	—	—	6,099
Written back on disposals	(390)	—	—	(390)
At 31 March 2012	50,371	240,378	14,860	305,609
Net book value				
At 31 March 2012	6,099	—	—	6,099

7. *Prepayments and deposits*

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

8. *Accrued charges and other payables/Amount due to Investor Compensation Fund*

All accrued charges and other payables (including amounts due to related parties) are expected to be settled within one year.

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

	2013			
	Carrying amount $	*Within 3 months or on demand* $	*More than 3 months but less than 1 year* $	*Indefinite* $
Accrued charges and other payables	66,340	66,340	—	—
Amount due to Investor Compensation Fund	291,426	—	—	291,426
	357,766	66,340	—	291,426

	2012			
	Carrying amount $	*Within 3 months or on demand* $	*More than 3 months but less than 1 year* $	*Indefinite* $
Accrued charges and other payables	444,232	444,232	—	—
Amount due to Investor Compensation Fund	85,061	—	—	85,061
	529,293	444,232	—	85,061

9. *Share capital*

	2013	*2012*
Authorised:—		
10,000 ordinary shares of $0.1 each	$1,000	$1,000
Issued and fully paid:—		
2 ordinary shares of $0.1 each	$ 0.20	$ 0.20

In the statement of financial position, share capital is rounded up to $1.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

The company has no formal capital management policies and processes in place as its business scope is determined by the applicable regulation governing the ultimate controlling party. As the company is part of a larger group, the company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The company defines 'capital' as including all components of equity. The company was not subject to externally imposed capital requirements in either the current or prior year.

10. *Commitment for the use of office premises*

According to the licence agreement with the SFC, the company's total future minimum non-cancellable lease payments for the six-month early termination notice period are as follows:—

	2013	2012
	$	$
Within one year	501,000	501,000

During the year ended 31 March 2013, $1,002,000 (2012: $718,500) was recognised as premises expense paid to the SFC in the statement of comprehensive income.

11. *Related party transactions*

There are related party relationships with the SFC, the ultimate holding entity, and the Fund. During the year the company paid $150,000 (2012: $150,000) accountancy service fee, $38,880 (2012: $38,880) human resources administration fees and $30,000 (2012: $30,000) website hosting and maintenance fees to the SFC. Further, certain expenses amounting to $32,035 (2012: $32,978) were paid by the SFC on behalf of the company during the year. The company has reimbursed the SFC for these expenses as it has received the corresponding reimbursement from the Fund. Remuneration for key management personnel is disclosed in note 4.

Other than these transactions and balances disclosed elsewhere in these financial statements, the company entered into no other material related party transactions.

12. *Financial instruments*

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

The company'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 company's credit risk is limited.

The company'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 and 2012.

13. *Parent and ultimate controlling party*

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

14. *Possible impact of amendments, new standards and interpretations issued but not yet effective for the year 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 year 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, *presentation of financial statements—Presentation of items of other comprehensive income*	1 July 2012
IFRS 13, *Fair value measurement*	1 January 2013
Annual Improvements to IFRSs 2009–2011 Cycle	1 January 2013

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures—offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation—offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The company 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 company's results of operations and financial position.