

G.N. 3294

## 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 2022 are set out on pages 12211 to 12225.

Dr LIN James C  
*Chairman*  
*Investor Compensation Company Limited*

### INVESTOR COMPENSATION COMPANY LIMITED DIRECTORS' REPORT

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2022.

#### **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 54/F, One Island East, 18 Westlands Road, Quarry Bay, 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 performance for the year ended 31 March 2022 and the Company's financial position as at that date are set out in the audited financial statements presented on pages 12215 to 12225.

#### **Share capital**

Details of share capital of the Company are set out in note 10 to the financial statements. There were no movements during the year.

#### **Directors**

The directors during the financial year and up to the date of the report were:

Dr Lin James C (Chairman)  
Mr Leung Chung Yin Rico  
Mr Wan Chi Yiu Andrew  
Ms Mukadam Thrity Homi  
Mr Ang Cheung Yick Steve

#### **Indemnity of directors**

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

#### **Directors' interests in transactions, arrangements or contracts**

Except for a contract of employment with Mr Ang Cheung Yick Steve, no transaction, arrangement or contract of significance to which the Company, or any of its holding company or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

**Auditors**

PricewaterhouseCoopers (PwC) retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PwC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

13 May 2022

*On behalf of the Board*  
Dr Lin James C  
*Chairman*

INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF INVESTOR COMPENSATION COMPANY LIMITED  
*(Incorporated in Hong Kong with limited liability)*

**Opinion**

*What we have audited*

The financial statements of Investor Compensation Company Limited (the Company), which are set out on pages 12215 to 12225, comprise:

- the statement of financial position as at 31 March 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

*Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSA) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

*Independence*

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Other information**

The directors are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13 May 2022

PricewaterhouseCoopers  
Certified Public Accountants  
Hong Kong

INVESTOR COMPENSATION COMPANY LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2022

*(Expressed in Hong Kong dollars)*

	Note	2022 \$	2021 \$
<b>Income</b>			
Recoveries from the Investor Compensation Fund	2(c)	5,668,110	6,011,205
<b>Expenses</b>			
Premises expenses		511,200	633,900
Staff costs	4	4,310,244	4,468,651
Other expenses	5	824,698	885,837
Depreciation			
Fixed assets	6	3,608	9,047
Right-of-use asset	9	18,360	13,770
		5,668,110	6,011,205
<b>Result for the year before taxation</b>		-	-
Taxation	3	-	-
<b>Total comprehensive income for the year</b>		-	-

The notes on pages 12219 to 12225 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2022

*(Expressed in Hong Kong dollars)*

	Note	2022 \$	2021 \$
<b>Non-current assets</b>			
Fixed assets	6	13,366	15,424
Right-of-use asset	9	<u>59,670</u>	<u>78,030</u>
		<u>73,036</u>	<u>93,454</u>
<b>Current assets</b>			
Prepayments	7	80,991	230,488
Cash at bank and in hand		<u>66,788</u>	<u>96,089</u>
		<u>147,779</u>	<u>326,577</u>
<b>Current liabilities</b>			
Accrued charges	8	55,355	99,962
Amount due to the Investor Compensation Fund	8	105,789	242,038
Lease liability	9	<u>18,360</u>	<u>18,360</u>
		<u>179,504</u>	<u>360,360</u>
<b>Net current liabilities</b>		<u>(31,725)</u>	<u>(33,783)</u>
<b>Total assets less current liabilities</b>		<u>41,311</u>	<u>59,671</u>
<b>Non-current liability</b>			
Lease liability	9	<u>41,310</u>	<u>59,670</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Share capital	10	<u>1</u>	<u>1</u>

Approved and authorised for issue by the board of directors on 13 May 2022 and signed on its behalf by

Leung Chung Yin Rico  
Director

Ang Cheung Yick Steve  
Director

The notes on pages 12219 to 12225 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2022

*(Expressed in Hong Kong dollars)*

	<u>Share capital</u>	<u>Retained profits</u>	<u>Total</u>
	\$	\$	\$
<b>Total equity at 1 April 2020</b>	1	-	1
Total comprehensive income for the year	-	-	-
<b>Total equity at 31 March 2021</b>	<u>1</u>	<u>-</u>	<u>1</u>
<b>Total equity at 1 April 2021</b>	1	-	1
Total comprehensive income for the year	-	-	-
<b>Total equity at 31 March 2022</b>	<u>1</u>	<u>-</u>	<u>1</u>

The notes on pages 12219 to 12225 form part of these financial statements.

**INVESTOR COMPENSATION COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

*(Expressed in Hong Kong dollars)*

	2022	2021
	\$	\$
<b>Cash flows from operating activities</b>		
Result for the year	-	-
Adjustments for:		
Depreciation - Fixed assets	3,608	9,047
Depreciation - Right-of-use asset	18,360	13,770
	<u>21,968</u>	<u>22,817</u>
Decrease/(increase) in prepayments	149,497	(91,331)
(Decrease)/increase in accrued charges	(44,607)	11,621
(Decrease)/increase in amount due to the Investor Compensation Fund	(136,249)	104,083
Net cash (used in)/generated from operating activities	<u>(9,391)</u>	<u>47,190</u>
<b>Cash flows from investing activities</b>		
Fixed assets purchased	(1,550)	(15,584)
Net cash used in investing activities	<u>(1,550)</u>	<u>(15,584)</u>
<b>Cash flows from financing activities</b>		
Lease payments	(18,360)	(13,770)
Net cash used in financing activities	<u>(18,360)</u>	<u>(13,770)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(29,301)	17,836
Cash and cash equivalents at the beginning of the year	<u>96,089</u>	<u>78,253</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>66,788</u></u>	<u><u>96,089</u></u>
<b>Analysis of the balance of cash and cash equivalents</b>		
	2022	2021
	\$	\$
Cash at bank and in hand	<u>66,788</u>	<u>96,089</u>

The notes on pages 12219 to 12225 form part of these financial statements.



INVESTOR COMPENSATION COMPANY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2022

*(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*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), a collective term which 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. Significant accounting policies adopted by the Company are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. None of these developments have a material effect on how the Company's results and financial position for the current or prior periods are prepared or presented. We have not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) *Basis of preparation*

We prepare 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 2022. The Fund has given an undertaking to continue to provide such financial assistance as is necessary to maintain the Company as a going concern.

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

We prepare the financial statements in conformity with HKFRSs which require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions 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.

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) *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 accrual basis.

(d) *Employee benefits*

We make accruals for salaries, annual bonuses, 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 historical cost less accumulated depreciation and any impairment losses (see note 2(k)). Historical cost includes expenditure that is directly attributable to the acquisition of the items. We charge depreciation to the statement of profit or loss and other comprehensive income using the straight-line method over the estimated useful lives as follows:

- 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.

We recognise gains or losses arising from the retirement or disposal of an item of fixed assets, being the difference between the net disposal proceeds and the carrying amount of the item, in the statement of profit or loss and other comprehensive income on the date of retirement or disposal.

We review the assets' residual values and useful lives and adjust, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(f) *Leases*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Lease liabilities included fixed lease payments less any lease incentives receivable, variable lease payment based on an index or a rate, amounts expected to be payable under residual value guarantees and payments of penalties for terminating the lease. The lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at the lease commencement date. The lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss using the incremental borrowing rate on the remaining balance of the lease liabilities for each period. The lease liabilities are reduced by an amount equal to the lease payments made less the finance costs charged for that period.

The right-of-use assets are measured at the amount equal to the initial measurement of the lease liability, adjusted for any prepaid lease payments, lease incentives received, any initial direct costs or reinstatement provisions relating to that lease. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(g) *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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

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.

(h) *Cash and cash equivalents*

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

(i) *Prepayments*

We state prepayments initially at fair values and thereafter at amortised cost less impairment losses.

(j) *Accrued charges*

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

(k) *Impairment of non-financial assets*

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 profit or loss and other comprehensive income as an impairment loss whenever the asset's carrying amount exceeds its recoverable amount.

We reverse an impairment loss in respect of an asset in a subsequent period if the circumstances and events that are objectively linked to the write down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. We reverse an impairment loss only to the extent that the asset's carrying amount does not exceed the carrying amount that we should have determined, net of depreciation and amortisation, if we had not recognised any impairment loss.

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 liability or unrecognised deferred tax assets.

4. *Staff costs and directors' emoluments*

	2022 \$	2021 \$
Salaries and other benefits	4,055,837	4,178,530
Retirement scheme contributions	254,407	290,121
	4,310,244	4,468,651

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2022 \$	2021 \$
Directors' fee	—	—
Salaries, allowances and benefits in kind	1,752,660	1,743,840
Discretionary pay	307,970	297,500
Retirement scheme contributions	<u>175,266</u>	<u>174,384</u>
	<u>2,235,896</u>	<u>2,215,724</u>

Directors' emoluments are for services in connection with management of the affairs of the Company.

5. *Other expenses*

	2022 \$	2021 \$
Auditor's remuneration	138,121	138,121
General office and insurance	153,121	147,429
Information and systems services	143,833	147,433
Professional and other services	<u>389,623</u>	<u>452,854</u>
	<u>824,698</u>	<u>885,837</u>

6. *Fixed assets*

	Office equipment \$	Personal computers and software \$	Furniture and fixtures \$	Total \$
<i>Cost</i>				
At 1 April 2021	17,670	57,500	1,980	77,150
Addition	<u>—</u>	<u>1,550</u>	<u>—</u>	<u>1,550</u>
At 31 March 2022	<u>17,670</u>	<u>59,050</u>	<u>1,980</u>	<u>78,700</u>
<i>Accumulated depreciation</i>				
At 1 April 2021	2,246	57,500	1,980	61,726
Charge for the year	<u>3,393</u>	<u>215</u>	<u>—</u>	<u>3,608</u>
At 31 March 2022	<u>5,639</u>	<u>57,715</u>	<u>1,980</u>	<u>65,334</u>
<i>Net book value</i>				
At 31 March 2022	<u>12,031</u>	<u>1,335</u>	<u>—</u>	<u>13,366</u>

	Office equipment \$	Personal computers and software \$	Furniture and fixtures \$	Total \$
<i>Cost</i>				
At 1 April 2020	55,500	98,114	14,860	168,474
Additions	15,584	—	—	15,584
Disposals	(53,414)	(40,614)	(12,880)	(106,908)
At 31 March 2021	17,670	57,500	1,980	77,150
<i>Accumulated depreciation</i>				
At 1 April 2020	54,580	90,147	14,860	159,587
Charge for the year	1,080	7,967	—	9,047
Written back on disposals	(53,414)	(40,614)	(12,880)	(106,908)
At 31 March 2021	2,246	57,500	1,980	61,726
<i>Net book value</i>				
At 31 March 2021	15,424	—	—	15,424

7. *Prepayments*

All the prepayments are expected to be recovered within one year from the reporting date. The impairment loss on the amount is considered to be minimal.

8. *Accrued charges/ Amount due to the Investor Compensation Fund*

All accrued charges are expected to be settled within one year. Their carrying amounts are considered to be the same as their fair values, due to their short-term nature.

Amount due to the Fund represents funds transferred from the Fund to support the Company's operation. The balance is unsecured and with no fixed repayment term.

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 in which the Company can be required to pay:

	Carrying amount \$	<u>Contractual undiscounted cash flows</u>	
		Within 3 months or on demand \$	No stated maturity \$
<u>2022</u>			
Accrued charges	55,355	55,355	—
Amount due to the Investor Compensation Fund	105,789	—	105,789
	161,144	55,355	105,789
<u>2021</u>			
Accrued charges	99,962	99,962	—
Amount due to the Investor Compensation Fund	242,038	—	242,038
	342,000	99,962	242,038

9. *Leases*

As at 31 March 2022, the Company had right-of-use asset and lease liability as follows:

	2022 \$	2021 \$
Right-of-use asset – office equipment	59,670	78,030
Lease liability		
Current	18,360	18,360
Non-current	41,310	59,670
	<u>59,670</u>	<u>78,030</u>

- (i) There was no addition of lease and right-of-use asset for the year ended 31 March 2022. During the year ended 31 March 2021, the Company entered a new lease for an office equipment and recognised right-of-use asset of \$91,800.
- (ii) For the year ended 31 March 2022, the depreciation expense for the right-of-use asset for office equipment and total cash outflow for the lease were \$18,360 (2021: \$13,770).
- (iii) For the year ended 31 March 2022, the expense relating to a short-term lease was \$511,200 (2021: \$633,900) which was shown as premises expenses in the statement of profit or loss and other comprehensive income.
- (iv) The remaining contractual maturities of the Company's lease liability as at 31 March 2022 are as follow:

	Carrying amount \$	Contractual undiscounted cash flows		
		Within one year \$	After one year but within two years \$	After two years but within five years \$
<u>2022</u>				
Lease liability	59,670	18,360	18,360	22,950
<u>2021</u>				
Lease liability	78,030	18,360	18,360	41,310

10. *Share capital*

	2022 \$	2021 \$
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Ordinary shares, issued and fully paid:

2 ordinary shares	<u>0.20</u>	<u>0.20</u>
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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.

11. *Related party transactions*

The Company has related party relationships with the SFC, the ultimate holding entity and the Fund. In addition to the related parties relationship disclosed in elsewhere in these financial statements, the Company has the following related party transactions.

During the year, the Company paid \$511,200 (2021: \$633,900) premises expenses, \$165,600 (2021: \$165,600) accountancy and office administration support fee, \$43,200 (2021: \$43,200) human resources management fees and \$48,000 (2021: \$48,000) website hosting and maintenance fees to the SFC. Further, certain expenses amounting to \$42,528 (2021: \$49,642) were paid by the SFC on behalf of the Company. The Company has reimbursed the SFC for these expenses as it has received the corresponding reimbursement from the Fund.

The Company settled certain expenses of \$19,533 on behalf of the SFC during the year (2021: \$9,953). The amount has been fully reimbursed by the SFC as at 31 March 2022.

All members of key management personnel are directors of the Company, and their remuneration is disclosed in note 4.

12. *Financial risk management*

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 Hong Kong dollars. 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 rated P-1 by Moody's or A-1 or above by S&P. 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 2022 and 2021.

13. *Parent and ultimate controlling party*

As at 31 March 2022, 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. *Funding management*

The funding of the Company is managed by the Fund which has agreed to reimburse the actual expenditure incurred by the Company.