G.N. 3674

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 2010 are set out on pages 12682 to 12692.

KWOK Hing Wai, Kenneth *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 2010.

1. *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 29th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

2. *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.

3. *Financial statements*

   The financial results for the year ended 31 March 2010 and the state of the company's affairs as at that date are set out in the audited financial statements presented on pages 12684 to 12692.

4. *Directors*

   The directors during the financial year were:

   1. Mr. KWOK Hing Wai, Kenneth (Chairman)
   2. Mr. LUI Kei Kwong
   3. Mr. Paul KENNEDY (Retired on 31 March 2010 having completed appointment period)
   4. Ms. Thrity Homi MUKADAM
   5. Mr. ANG Cheung Yick

5. *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.

6. *Auditors*

   KPMG were first appointed as auditors of the company in 2003. 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.

30 April 2010

On behalf of the Board
Mr. KWOK Hing Wai, Kenneth

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 12684 to 12692 which comprise the statement of financial position as at 31 March 2010 and the statement of comprehensive income and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to 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 and true and fair presentation of the financial statements 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 2010 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.

30 April 2010

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 2010

(Expressed in Hong Kong dollars)

	Note	*For the year ended 31 March 2010* $	*For the year ended 31 March 2009* $
Income			
Recoveries from the Investor Compensation Fund	2b	4,165,358	4,235,330
Expenses			
Premises			
rent	10	624,000	572,000
others		3,987	16,547
Staff costs	4	2,748,714	2,666,132
Claim processing fees		—	81,788
Other expenses	5	775,508	883,601
Depreciation	6	13,149	15,262
		4,165,358	4,235,330
Profit for the year before taxation		—	—
Taxation	3	—	—
Profit after taxation and total comprehensive income for the year		—	—

The notes on pages 12687 to 12692 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010

(Expressed in Hong Kong dollars)

	Note	*2010* $	*2009* $
Non-current assets			
Fixed assets	6	25,348	38,497
Current assets			
Cash and cash equivalents		298,533	480,019
Prepayments and deposits	7	149,790	173,588
		448,323	653,607
Current liabilities			
Accrued charges and other payables	8	213,590	214,890
Amount due to Investor Compensation Fund	8	260,080	477,213
		473,670	692,103
Net current liabilities		(25,347)	(38,496)
Total assets less current liabilities		1	1
Net assets		1	1
Capital and reserves			
Share capital	9	1	1

We have not prepared a separate statement of changes in equity as the share capital would be the only component of such a statement.

Approved and authorised for issue by the board of directors on 30 April 2010 and signed on its behalf by

LUI Kei Kwong　　　　ANG Cheung Yick

The notes on pages 12687 to 12692 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

(Expressed in Hong Kong dollars)

	For the year ended 31 March 2010 $	*For the year ended 31 March 2009* $
Cash flows from operating activities		
Total comprehensive income for the year	—	—
Loss on disposal of fixed assets	—	10,385
Depreciation	13,149	15,262
Decrease in prepayments and deposits	23,798	21,169
Decrease in amount due to Investor Compensation Fund	(217,133)	(58,629)
(Decrease) / increase in accrued charges and other payables	(1,300)	152,275
Net cash (outflow) / inflow from operating activities	(181,486)	140,462
Investing activities		
Purchase of fixed assets	—	(51,646)
Net cash outflow from investing activities	—	(51,646)
Net (decrease) / increase in cash and cash equivalents	(181,486)	88,816
Cash and cash equivalents at the beginning of the year	480,019	391,203
Cash and cash equivalents at the end of the year	298,533	480,019
Analysis of the balance of cash and cash equivalents:		
Cash at bank and in hand	298,533	480,019

INVESTOR COMPENSATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

(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*

We have prepared these financial statements in accordance with International Financial Reporting Standards ('IFRSs') promulgated by the International Accounting Standards Board ('IASB') and the requirements of the Hong Kong Companies Ordinance. There would be no material differences to the amounts shown if we had prepared these financial statements in accordance with applicable Hong Kong Financial Reporting Standards (including applicable Statements of Standard Accounting Practice and Interpretations).

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

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

No statement of changes in equity has been prepared as the share capital would be the only component of such a statement.

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.

(*b*) *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.

(*c*) *Employee benefits*

We accrue salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, we state these amounts at their present values.

(*d*) *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 2i). We use the following useful lives:—

- Leasehold improvements — 3 years or, if shorter, the life of the respective lease
- Furniture and fixtures — 3 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.

(*e*) *Related parties*

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

(*a*) parties that the company has the ability, directly or indirectly, to control or exercise significant influence over in making financial and operating decisions;

(*b*) parties that have the ability, directly or indirectly, to control or to significantly influence the company in making financial and operating decisions; and

(*c*) parties that are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the company where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the company or of any entity that is a related party of the company.

(*f*) *Cash and cash equivalents*

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

(*g*) *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.

(*h*) *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.

(*i*) *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 or its cash-generating unit 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.

(*j*) *Changes in accounting policies*

The IASB has issued one new International Financial Reporting Standard (IFRS), a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the company. Of these, the following development is relevant to the company's financial statements:

—IAS 1 (revised 2007), Presentation of financial statements

As a result of the adoption of IAS 1 (revised 2007), all items of income and expense are presented in the statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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.

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

	2010	*2009*
	$	$
Salaries, wages and other benefits	2,607,766	2,553,130
Contributions to defined contribution plan	140,948	113,002
	2,748,714	2,666,132

Remuneration for key management personnel included in the above comprised:

	2010	*2009*
	$	$
Salaries and other emoluments	1,275,920	1,250,780
Retirement benefits	78,759	63,028
	1,354,679	1,313,808

5. *Other expenses*

	2010	*2009*
	$	$
Auditors' remuneration		
—Audit services	54,000	54,000
—Other services	28,250	28,220
Market communications and public relations	44,472	41,048
Information technology expenses	114,506	114,398
Accountancy service fee	150,000	187,425
Professional insurances	186,100	227,926
Professional fees	44,143	36,092
Relocation expenses	—	20,885
Miscellaneous expenses	154,037	173,607
	775,508	883,601

6. *Fixed assets*

	Leasehold improve-ments $	*Office equipment* $	*Personal computers and software* $	*Furniture and fixtures* $	*Total* $
Cost					
At 1 April 2009	—	56,860	240,378	14,860	312,098
Additions	—	—	—	—	—
At 31 March 2010	—	56,860	240,378	14,860	312,098
Depreciation					
At 1 April 2009	—	32,464	226,277	14,860	273,601
Charge for the year	—	6,099	7,050	—	13,149
At 31 March 2010	—	38,563	233,327	14,860	286,750
Net book value					
At 31 March 2010	—	18,297	7,051	—	25,348

	Leasehold improve-ments $	*Office equipment* $	*Personal computers and software* $	*Furniture and fixtures* $	*Total* $
Cost					
At 1 April 2008	255,124	32,456	252,141	89,076	628,797
Additions	—	30,495	21,151	—	51,646
Disposal	(255,124)	(6,091)	(32,914)	(74,216)	(368,345)
At 31 March 2009	—	56,860	240,378	14,860	312,098
Depreciation					
At 1 April 2008	255,124	31,016	252,141	78,017	616,298
Charge for the year	—	6,369	7,050	1,843	15,262
Written back on disposal	(255,124)	(4,921)	(32,914)	(65,000)	(357,959)
At 31 March 2009	—	32,464	226,277	14,860	273,601
Net book value					
At 31 March 2009	—	24,396	14,101	—	38,497

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:

	2010			
	Carrying amount	*Within 3 months or on demand*	*More than 3 months but less than 1 year*	*Indefinite*
	$	$	$	$
Accrued charges and other payables	213,590	213,590	—	—
Amount due to Investor Compensation Fund	260,080	—	—	260,080
	473,670	213,590	—	260,080

	2009			
	Carrying amount	*Within 3 months or on demand*	*More than 3 months but less than 1 year*	*Indefinite*
	$	$	$	$
Accrued charges and other payables	214,890	214,890	—	—
Amount due to Investor Compensation Fund	477,213	—	—	477,213
	692,103	214,890	—	477,213

9. *Share capital*

	2010	*2009*
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:

	2010	*2009*
	$	$
Within one year	312,000	312,000

During the year ended 31 March 2010, $624,000 (2009: 572,000) 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 (2009: nil) accountancy service fee, $38,880 (2009: $38,880) human resources administration fees and $30,000 (2009: $30,000) website hosting and maintenance fees to the SFC. Further, certain expenses amounting to $26,754 (2009: $32,857) 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 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 2010 and 2009.

13. *Parent and ultimate controlling party*

As at 31 March 2010, 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 annual accounting period ended 31 March 2010*

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been adopted in these financial statements.

The company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in a restatement of the company's results of operations and financial position.

In addition, the following development is expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods Beginning on or after
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010