G.N. 4243

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 2008 are set out on pages 10863 to 10873.

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 2008.

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 Room 510, 5th Floor, Chater House, 8 Connaught 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 2008 and the state of the company's affairs as at that date are set out in the audited financial statements presented on pages 10865 to 10873.

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
   4. Ms. Thrity Homi MUKADAM
   5. Mr. ANG Cheung Yick

5. *Directors' interests in contracts*

   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 balance sheet date 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 2008

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 10865 to 10873 which comprise the balance sheet as at 31 March 2008 and the income and expenditure account, the statement of changes in equity and the cash flow statement 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 2008 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 2008

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

INVESTOR COMPENSATION COMPANY LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008

(Expressed in Hong Kong dollars)

	Note	*For the year ended 31 March 2008* $	*For the year ended 31 March 2007* $
Income			
Recoveries from the Investor Compensation Fund	2b	3,809,308	3,893,127
Expenses			
Consultancy and management fees		178,500	170,000
Premises			
rent	10	312,000	303,208
others		6,784	83,284
Staff costs	4	2,495,538	2,009,820
Claim processing fees		65,731	372,200
Other expenses	5	710,996	905,574
Depreciation	6	39,759	49,041
		3,809,308	3,893,127
Result for the year before taxation		—	—
Taxation	3	—	—
Result for the year after taxation		—	—

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008

The result in the above income and expenditure account is the only change in equity for both the current and prior year.

The notes on page 10868 to 10873 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
BALANCE SHEET
AS AT 31 MARCH 2008

(Expressed in Hong Kong dollars)

	Note	*2008* $	*2007* $
Non-current assets			
Fixed assets	6	12,499	50,458
Current assets			
Cash and cash equivalents		391,203	712,375
Prepayments and deposits	7	194,756	161,288
		585,959	873,663
Current liabilities			
Accrued charges and other payables	8	62,615	61,432
Amount due to Investor Compensation Fund	8	535,842	862,688
		598,457	924,120
Net current liabilities		(12,498)	(50,457)
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 30 April 2008 and signed on its behalf by

LUI Kei Kwong ANG Cheung Yick

The notes on page 10868 to 10873 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

(Expressed in Hong Kong dollars)

	For the year ended 31 March 2008 $	*For the year ended 31 March 2007* $
Cash flows from operating activities		
Result for the year	—	—
Loss on disposal of fixed assets	—	311
Depreciation	39,759	49,041
(Increase) / decrease in prepayments and deposits	(33,468)	178,160
Decrease in amount due to Investor Compensation Fund	(326,846)	(863,248)
Increase in other payables and accrued charges	1,183	17,132
Net cash outflow from operating activities	(319,372)	(618,604)
Investing activities		
Purchase of fixed assets	(1,800)	(33,175)
Net decrease in cash and cash equivalents	(321,172)	(651,779)
Cash and cash equivalents at the beginning of the year	712,375	1,364,154
Cash and cash equivalents at the end of the year	391,203	712,375
Analysis of the balance of cash and cash equivalents:		
Cash at bank and in hand	391,203	712,375

INVESTOR COMPENSATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR END 31 MARCH 2008

(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.

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 income and expenditure account 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 of 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, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(*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.

(*i*) *Impairment*

We review the carrying amounts of the company's assets at each balance sheet date 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 income and expenditure account 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*

A number of new and revised standards and interpretations that are first effective or available for early adoption for the current accounting period of the company were issued.

As a result of the adoption of IFRS 7 'Financial instruments: Disclosures', the financial statements include marginally expanded disclosures about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, 'Financial instruments: Disclosure and presentation'. These disclosures are provided throughout these financial statements, in particular in note 12.

The amendment to IAS 1 'Presentation of financial statements: Capital disclosures' introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 9.

Neither IFRS 7 nor the amendment to IAS 1 have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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 directors' emoluments*

	2008 $	*2007* $
Salaries, wages and other benefits	2,460,088	1,979,376
Contributions to defined contribution plan	35,450	30,444
	2,495,538	2,009,820

Directors' emoluments included in the above comprised:—

	2008 $	*2007* $
Salaries and other emoluments	1,187,400	1,053,900
Retirement benefits	12,000	12,000
	1,199,400	1,065,900

5. *Other expenses*

	2008 $	*2007* $
Auditors' remuneration		
—Audit services	50,000	46,500
—Other services	26,000	24,300
Market communications and public relations	39,540	37,049
Information technology expenses	115,707	216,666
Professional insurances	264,946	303,639
Professional fees	31,338	77,515
Miscellaneous expenses	183,465	199,905
	710,996	905,574

6. *Fixed assets*

	Leasehold improve-ments $	*Office equipment* $	*Personal computers and software* $	*Furniture and fixtures* $	*Total* $
Cost					
At 1 April 2007	255,124	30,656	354,506	89,076	729,362
Additions	—	1,800	—	—	1,800
Written off	—	—	(102,365)	—	(102,365)
At 31 March 2008	255,124	32,456	252,141	89,076	628,797
Depreciation					
At 1 April 2007	255,124	24,525	332,296	66,959	678,904
Charge for the year	—	6,491	22,210	11,058	39,759
Written off	—	—	(102,365)	—	(102,365)
At 31 March 2008	255,124	31,016	252,141	78,017	616,298
Net book value					
At 31 March 2008	—	1,440	—	11,059	12,499
Cost					
At 1 April 2006	285,296	31,636	362,599	68,684	748,215
Additions	—	—	—	33,175	33,175
Disposals	(30,172)	(980)	(8,093)	(12,783)	(52,028)
At 31 March 2007	255,124	30,656	354,506	89,076	729,362
Depreciation					
At 1 April 2006	285,296	18,981	316,727	60,576	681,580
Charge for the year	—	6,213	23,662	19,166	49,041
Disposals	(30,172)	(669)	(8,093)	(12,783)	(51,717)
At 31 March 2007	255,124	24,525	332,296	66,959	678,904
Net book value					
At 31 March 2007	—	6,131	22,210	22,117	50,458

7. *Prepayments and deposits*

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

8. *Accrued charges and other payables*

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 at the balance sheet date of the company's current liabilities, which are based on contractual undiscounted cash flows and the earliest date the company can be required to pay:—

	2008			
	Carrying amount $	*Within 3 months or on demand* $	*More than 3 months but less than 1 year* $	*Indefinite* $
Accrued charges and other payables	62,615	62,615	—	—
Amount due to Investor Compensation Fund	535,842	—	—	535,842
	598,457	62,615	—	535,842

	2007			
	Carrying amount $	*Within 3 months or on demand* $	*More than 3 months but less than 1 year* $	*Indefinite* $
Accrued charges and other payables	61,432	61,432	—	—
Amount due to Investor Compensation Fund	862,688	—	—	862,688
	924,120	61,432	—	862,688

9. *Share capital*

	2008	*2007*
Authorised: 10,000 ordinary shares of HK$0.1 each	HK$1,000	HK$1,000
Issued and fully paid: 2 ordinary shares of HK$0.1 each	HK$ 0.20	HK$ 0.20

In the balance sheet, share capital is rounded up to HK$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*

We have entered into a licence agreement with the SFC for the use of office premises since 14 August 2006.

	2008	*2007*
	$	$
Within one year	156,000	156,000

During the year ended 31 March 2008, $312,000 (2007: 303,208) was recognised as premises expense in the income and expenditure account.

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 $38,880 (2007: Nil) human resources administration fees and $27,500 (2007: Nil) website hosting and maintenance fees to the SFC. Further, certain expenses amounting to $24,540 (2007: $22,040) 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, including amounts paid to the company's directors 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 balance sheet. 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 2008 and 2007.

13. *Parent and ultimate controlling party*

As at 31 March 2008, 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 2008*

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 accounting period ended 31 March 2008 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 have a significant impact on the company's results of operations and financial position.