

G.N. 3970

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 2021 are set out on pages 16481 to 16495.

*Dr LIN James C Chairman of
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 2021.

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 2021 and the Company's financial position as at that date are set out in the audited financial statements presented on pages 16485 to 16495.

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) (appointed on 1 August 2020)

Dr Wong Ming Fung William, SC, JP (Ex-Chairman) (retired on 31 July 2020)

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.

12 May 2021

On behalf of the Board
Dr LIN James C
Chairman

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS 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) set out on pages 16485 to 16495, which comprise:

- the statement of financial position as at 31 March 2021;
- 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 a summary of significant accounting policies.

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 2021, 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 HKSA's 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 HKSA's, 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.

12 May 2021

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 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$	2020 \$
Income			
Recoveries from the Investor Compensation Fund	2(c)	6,011,205	5,989,297
Expenses			
Premises expenses		633,900	1,002,000
Staff costs	4	4,468,651	4,215,287
Other expenses	5	885,837	761,034
Depreciation			
Fixed assets	6	9,047	10,976
Right-of-use asset	9	13,770	-
		6,011,205	5,989,297
Result for the year before taxation			
		-	-
Taxation	3	-	-
Total comprehensive income for the year			
		-	-

The notes on pages 16489 to 16495 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$	2020 \$
Non-current assets			
Fixed assets	6	15,424	8,887
Right-of-use asset	9	<u>78,030</u>	<u>-</u>
		<u>93,454</u>	<u>8,887</u>
Current assets			
Prepayments	7	230,488	139,157
Cash at bank and in hand		<u>96,089</u>	<u>78,253</u>
		<u>326,577</u>	<u>217,410</u>
Current liabilities			
Accrued charges	8	99,962	88,341
Amount due to the Investor Compensation Fund	8	242,038	137,955
Lease liability	9	<u>18,360</u>	<u>-</u>
		<u>360,360</u>	<u>226,296</u>
Net current liabilities		<u>(33,783)</u>	<u>(8,886)</u>
Total assets less current liabilities		<u>59,671</u>	<u>1</u>
Non-current liability			
Lease liability	9	<u>59,670</u>	<u>-</u>
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Share capital	10	<u>1</u>	<u>1</u>

Approved and authorised for issue by the board of directors on 12 May 2021 and signed on its behalf by

Leung Chung Yin Rico
Director

Ang Cheung Yick Steve
Director

The notes on pages 16489 to 16495 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

(Expressed in Hong Kong dollars)

	<u>Share capital</u>	<u>Retained profits</u>	<u>Total</u>
	\$	\$	\$
Total equity at 1 April 2019	1	-	1
Total comprehensive income for the year	-	-	-
Total equity at 31 March 2020	1	-	1
Total equity at 1 April 2020	1	-	1
Total comprehensive income for the year	-	-	-
Total equity at 31 March 2021	1	-	1

The notes on pages 16489 to 16495 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

(Expressed in Hong Kong dollars)

	2021	2020
	\$	\$
Cash flows from operating activities		
Result for the year	-	-
Adjustments for:		
Depreciation - Fixed assets	9,047	10,976
Depreciation - Right-of-use asset	13,770	-
	22,817	10,976
Increase in prepayments	(91,331)	(57,795)
Increase/(decrease) in accrued charges	11,621	(41,249)
Increase in amount due to the Investor Compensation Fund	104,083	84,434
	47,190	(3,634)
Net cash generated from/(used in) operating activities		
Cash flows from investing activities		
Fixed assets purchased	(15,584)	-
	(15,584)	-
Net cash used in investing activities		
Cash flows from financing activities		
Lease payments	(13,770)	-
	(13,770)	-
Net increase/(decrease) in cash and cash equivalents	17,836	(3,634)
Cash and cash equivalents at the beginning of the year	78,253	81,887
Cash and cash equivalents at the end of the year	96,089	78,253
 Analysis of the balance of cash and cash equivalents		
	2021	2020
	\$	\$
Cash at bank and in hand	96,089	78,253

The notes on pages 16489 to 16495 form part of these financial statements.

INVESTOR COMPENSATION COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

(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), which collective term 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 had a material effect on how the Company's results and financial position for the current or prior periods have been 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 2021. 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) *Recognition of income*

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

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 asset or liability.

4. *Staff costs and directors' emoluments*

	2021	2020
	\$	\$
Salaries and other benefits	4,178,530	3,904,452
Retirement scheme contributions	290,121	310,835
	4,468,651	4,215,287
	4,468,651	4,215,287

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:

	2021	2020		
	\$	\$		
Directors' fee	—	—		
Salaries, allowances and benefits in kind	1,743,840	1,701,240		
Discretionary pay	297,500	289,220		
Retirement scheme contributions	174,384	170,124		
	<u>2,215,724</u>	<u>2,160,584</u>		
5. <i>Other expenses</i>				
	2021	2020		
	\$	\$		
Auditor's remuneration	138,121	132,808		
General office and insurance	147,429	142,311		
Information and systems services	147,433	125,687		
Learning and development	—	1,800		
Professional and other services	452,854	358,428		
	<u>885,837</u>	<u>761,034</u>		
6. <i>Fixed assets</i>				
	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	<u>(53,414)</u>	<u>(40,614)</u>	<u>(12,880)</u>	<u>(106,908)</u>
At 31 March 2021	<u>17,670</u>	<u>57,500</u>	<u>1,980</u>	<u>77,150</u>
<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	<u>(53,414)</u>	<u>(40,614)</u>	<u>(12,880)</u>	<u>(106,908)</u>
At 31 March 2021	<u>2,246</u>	<u>57,500</u>	<u>1,980</u>	<u>61,726</u>
<i>Net book value</i>				
At 31 March 2021	<u>15,424</u>	<u>—</u>	<u>—</u>	<u>15,424</u>
<i>Cost</i>				
At 1 April 2019	55,500	98,114	14,860	168,474
Addition/disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2020	<u>55,500</u>	<u>98,114</u>	<u>14,860</u>	<u>168,474</u>
<i>Accumulated depreciation</i>				
At 1 April 2019	54,304	79,447	14,860	148,611
Charge for the year	276	10,700	—	10,976
At 31 March 2020	<u>54,580</u>	<u>90,147</u>	<u>14,860</u>	<u>159,587</u>
<i>Net book value</i>				
At 31 March 2020	<u>920</u>	<u>7,967</u>	<u>—</u>	<u>8,887</u>

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 repayment date.

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:

	Carrying amount \$	Contractual undiscounted cash flows	
		Within 3 months or on demand \$	No stated maturity \$
<u>2021</u>			
Accrued charges	99,962	99,962	—
Amount due to the Investor Compensation Fund	242,038	—	242,038
	<u>342,000</u>	<u>99,962</u>	<u>242,038</u>
<u>2020</u>			
Accrued charges	88,341	88,341	—
Amount due to the Investor Compensation Fund	137,955	—	137,955
	<u>226,296</u>	<u>88,341</u>	<u>137,955</u>

9. *Leases*

As at 31 March 2021, the Company had right-of-use asset and lease liability as follows:

	2021 \$	2020 \$
Right-of-use asset — office equipment	<u>78,030</u>	<u>—</u>
Lease liability		
Current	18,360	—
Non-current	<u>59,670</u>	<u>—</u>
	<u>78,030</u>	<u>—</u>

- (i) The Company entered a new lease for an office equipment during the year and recognised right-of-use asset of \$91,800.
- (ii) The Company recognised depreciation expense for the right-of-use asset for office equipment of \$13,770 for the year ended 31 March 2021. Total cash outflow for the lease during the year was \$13,770.
- (iii) For the year ended 31 March 2021, the expense relating to a short-term lease was \$633,900 (2020: \$1,002,000) 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 2021 (2020: nil) are as follow:

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

10. *Share capital*

	2021	2020
	\$	\$

Ordinary shares, issued and fully paid:

2 ordinary shares	0.20	0.20
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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 \$633,900 (2020: \$1,002,000) premises expenses, \$165,600 (2020: \$150,000) accountancy and office administration support fee, \$43,200 (2020: \$38,880) human resources management fees and \$48,000 (2020: \$30,000) website hosting and maintenance fees to the SFC. Further, certain expenses amounting to \$49,642 (2020: \$42,492) 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 \$9,953 on behalf of the SFC during the year. The amount has been fully reimbursed by the SFC as at 31 March 2021.

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 2021 and 2020.

13. *Parent and ultimate controlling party*

As at 31 March 2021, 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.