

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Income			
Levies		534,124	414,111
Fees and charges		49,757	53,023
Net investment income			
Investment income		32,702	159,703
Less: custody and advisory expenses		(2,984)	(2,020)
Recoveries from the Investor Compensation Fund	6(a)	1,424	1,559
Exchange loss		(5,467)	(243)
Other income		145	143
		609,701	626,276
Expenses			
Staff costs and directors' emoluments	6(b)	359,232	360,440
Depreciation			
Fixed assets		22,739	16,728
Right-of-use assets		35,636	87,805
Other premises expenses		8,195	19,474
Finance costs		2,074	2,482
Other expenses		38,759	34,339
		466,635	521,268
Surplus and total comprehensive income for the quarter		143,066	105,008

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of financial position

As at 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Non-current assets			
Fixed assets		277,094	291,496
Right-of-use assets		942,625	978,261
Deposits for leases		37,729	37,656
Financial assets at amortised costs – debt securities		3,036,653	3,023,857
		4,294,101	4,331,270
Current assets			
Financial assets at amortised costs – debt securities		111,728	107,673
Financial assets at fair value through profit or loss			
Debt securities		433,337	425,610
Pooled funds		1,027,716	1,018,610
Debtors, deposits and prepayments		253,628	336,704
Fixed deposits with banks		2,929,919	2,641,008
Cash at bank and in hand		117,694	65,287
		4,874,022	4,594,892
Current liabilities			
Fees received in advance		7,746	8,198
Creditors and accrued charges		320,058	186,408
Lease liabilities		137,594	137,461
Provisions	3	574	574
		465,972	332,641
Net current assets		4,408,050	4,262,251
Total assets less current liabilities		8,702,151	8,593,521
Non-current liabilities			
Lease liabilities		796,451	830,887
Provisions	3	88,346	88,346
		884,797	919,233
Net assets		7,817,354	7,674,288
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,125,000	3,125,000
Accumulated surplus		4,649,514	4,506,448
		7,817,354	7,674,288

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2020	42,840	3,000,000	3,652,080	6,694,920
Surplus and total comprehensive income for the quarter	–	–	105,008	105,008
Balance at 30 June 2020	42,840	3,000,000	3,757,088	6,799,928
Balance at 1 April 2021	42,840	3,125,000	4,506,448	7,674,288
Surplus and total comprehensive income for the quarter	–	–	143,066	143,066
Balance at 30 June 2021	42,840	3,125,000	4,649,514	7,817,354

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of cash flows

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Cash flows from operating activities			
Surplus for the quarter		143,066	105,008
Adjustments for:			
Depreciation – Fixed assets		22,739	16,728
Depreciation – Right-of-use assets		35,636	87,805
Finance costs		2,074	2,482
Interest income on deposits for leases		(71)	(71)
Investment income		(32,702)	(159,703)
Exchange loss		5,453	230
Gain on disposal of fixed assets		(8)	–
		176,187	52,479
Decrease in debtors, deposits and prepayments		82,858	189
Decrease in fees received in advance		(452)	(15,847)
Increase in creditors and accrued charges		138,802	154,213
Decrease in provisions for reinstatement		–	(7,237)
Net cash generated from operating activities		397,395	183,797
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		528,863	539,735
Interest received		25,916	37,004
Debt securities at fair value through profit or loss purchased		(135,301)	(72,848)
Debt securities at fair value through profit or loss sold or redeemed		129,423	76,006
Pooled funds sold		1,600	1,094
Debt securities at amortised cost purchased		(50,048)	(8,525)
Debt securities at amortised cost redeemed at maturity		22,530	449,608
Fixed assets purchased		(13,489)	(182,535)
Proceeds from fixed assets disposal		8	–
Net cash generated from investing activities		509,502	839,539
Cash flows from financing activities			
Principal element of lease payments		(34,303)	(48,470)
Interest element of lease payments		(2,074)	(2,482)
Net cash used in financing activities		(36,377)	(50,952)
Net increase in cash and cash equivalents		870,520	972,384
Cash and cash equivalents at the beginning of the quarter		855,099	753,406
Cash and cash equivalents at the end of the quarter	2	1,725,619	1,725,790

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2021 \$'000	At 30 Jun 2020 \$'000
Fixed deposits with banks	1,607,925	1,669,732
Cash at bank and in hand	117,694	56,058
	1,725,619	1,725,790

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2021. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2021 included in this report does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, Investor Compensation Company Limited (ICC) and Investor and Financial Education Council (IFEC), are made up to 30 June 2021. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Group for the quarter ended 30 June 2021.

2. Cash and cash equivalents

	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank and in hand	117,694	65,287
Fixed deposits with banks	2,929,919	2,641,008
Amounts shown in the condensed consolidated statement of financial position	3,047,613	2,706,295
Less: Amounts with an original maturity beyond three months	(1,321,994)	(1,851,196)
Cash and cash equivalents in the condensed consolidated statement of cash flows	1,725,619	855,099

3. Provisions

Provisions represent premises reinstatement cost to restore the premises to a condition as stipulated in the relevant lease agreements when the lease expires.

4. Exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. The exchange gain/loss was mainly driven by the revaluation on financial assets denominated in USD.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

5. Investments in subsidiaries

The SFC formed the ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the IFEC as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance (SFO).

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 30 June 2021, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2021: \$0.2). The balance is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

6. Related party transactions

The Group has related party relationships with the ICF, Unified Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers' Deposits Fund and Commodities Trading Ordinance (Chapter 250) – Dealers' Deposits Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions.

(a) Reimbursement from the ICF for all the ICC's expenses, in accordance with Section 242(1) of the SFO

During the period, \$1,424,000 was recovered from the ICF for the ICC's expenses (2020: \$1,559,000). As at 30 June 2021, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$709,000 (as at 31 March 2021: \$242,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Directors' fees and salaries, allowances and benefits in kind	8,633	8,554
Retirement scheme contributions	769	769
	9,402	9,323

The total remuneration is included in "staff costs and directors' emoluments" on page 27. Discretionary pay is not included above as the decision to pay is subject to the approval process towards the end of the financial year and therefore is not determined until then.

(c) Legal services provided by a Non-executive Director

Prior to the appointment of a Non-executive Director (NED), the Group engaged him to provide legal services in respect of a number of matters. The NED continued to provide services in respect of matters commenced prior to his appointment. Fees paid or payable to him for such services amounted to \$80,000 during the period and under normal commercial terms and conditions.

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the quarter ended 30 June 2021.

Establishment of the Investor Compensation Fund

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Investor Compensation Fund (the Fund) on 1 April 2003.

Financial statements

The financial performance of the Fund for the reporting period ended 30 June 2021 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 34 to 39.

Members of the Committee

The members of the Committee during the quarter ended 30 June 2021 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Mr Thomas Allan Atkinson
Dr Lin, James C.
Mr Kok Ka Keung Kenneth

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the quarter.

On behalf of the Committee

Rico Leung
Chairman

10 August 2021

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Income			
Interest income		1,674	10,173
Exchange loss		(1,498)	(78)
		176	10,095
Expenses			
Investor Compensation Company Limited expenses	2	1,424	1,559
Auditor's remuneration		55	55
		1,479	1,614
(Deficit)/surplus and total comprehensive income for the quarter		(1,303)	8,481

The notes on pages 38 and 39 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of financial position

As at 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Current assets			
Interest receivable		1,591	2,174
Due from Investor Compensation Company Limited		709	242
Fixed deposits with banks		2,443,439	2,444,671
Cash at bank		581	633
		2,446,320	2,447,720
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		177	274
		3,571	3,668
Net current assets		2,442,749	2,444,052
Net assets		2,442,749	2,444,052
Representing:			
Compensation fund		2,442,749	2,444,052

The notes on pages 38 and 39 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Unaudited			
	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2020	994,718	108,923	1,324,623	2,428,264
Surplus and total comprehensive income for the quarter	–	–	8,481	8,481
Balance at 30 June 2020	994,718	108,923	1,333,104	2,436,745
Balance at 1 April 2021	994,718	108,923	1,340,411	2,444,052
Deficit and total comprehensive income for the quarter	–	–	(1,303)	(1,303)
Balance at 30 June 2021	994,718	108,923	1,339,108	2,442,749

The notes on pages 38 and 39 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Cash flows from operating activities			
(Deficit)/surplus for the quarter		(1,303)	8,481
Adjustments for:			
Interest income		(1,674)	(10,173)
Exchange loss		1,498	78
		(1,479)	(1,614)
Increase in amount due from Investor Compensation Company Limited		(467)	(400)
Decrease in creditors and accrued charges		(97)	(91)
Net cash used in operating activities		(2,043)	(2,105)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		586,930	367,425
Interest received		2,256	11,935
Net cash generated from investing activities		589,186	379,360
Net increase in cash and cash equivalents		587,143	377,255
Cash and cash equivalents at the beginning of the quarter		647,514	1,086,662
Cash and cash equivalents at the end of the quarter	3	1,234,657	1,463,917

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2021 \$'000	At 30 Jun 2020 \$'000
Fixed deposits with banks	1,234,076	1,463,566
Cash at bank	581	351
	1,234,657	1,463,917

The notes on pages 38 and 39 form part of these condensed financial statements.

Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

1. Basis of preparation

The Fund has prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2021. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2021 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

The Fund has applied the same accounting policies adopted in the financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2021.

2. Investor Compensation Company Limited expenses

The Securities and Futures Commission (SFC) formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation to investors and other functions under Part III and Part XII of the Securities and Futures Ordinance. The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2021, the ICC incurred costs of \$1,424,000 for its operation (for the quarter ended 30 June 2020: \$1,559,000) which were reimbursed by the Fund.

3. Cash and cash equivalents

	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank	581	633
Fixed deposits with banks	2,443,439	2,444,671
Amounts shown in the condensed statement of financial position	2,444,020	2,445,304
Less: Amounts with an original maturity beyond three months	(1,209,363)	(1,797,790)
Cash and cash equivalents in the condensed statement of cash flows	1,234,657	647,514

Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

4. Provision for compensation

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit to claims is \$150,000 per claimant for each default case occurring on or before 31 December 2019 and \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 30 June 2021 was \$3,394,000, which was related to a number of claims received in respect of a default case (as at 31 March 2021: \$3,394,000). The maximum liability of the Fund to these claims is the lower of \$150,000 per claimant or the amount claimed. The provision was expected to be paid within one year.

5. Related party transactions

The Fund has related party relationships with the SFC, ICC and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2021 and 2020.

6. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there are 12 outstanding claims as at the date of this report (as at 31 March 2021: 10 outstanding claims). The maximum liability in respect of these claims in aggregate is \$1,875,000 (as at 31 March 2021: \$1,575,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the quarter ended 30 June 2021.

Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 30 June 2021, the Fund transferred \$994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission (SFC) will eventually transfer the remaining balance of the Fund to the ICF.

Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.

Financial statements

The financial performance of the Fund for the reporting period ended 30 June 2021 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 41 to 46.

Members of the Committee

The members of the Committee during the quarter ended 30 June 2021 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Mr Thomas Allan Atkinson
Dr Lin, James C.
Mr Yiu Ka Yan Wilfred
Ms Kwok Hom Siu Sally

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the quarter.

On behalf of the Committee

Rico Leung
Chairman

2 August 2021

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Income			
Interest income		44	382
Recoveries	2	–	3,626
		44	4,008
Expenses			
Auditor's remuneration		27	27
Surplus and total comprehensive income for the quarter		17	3,981

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Current assets			
Interest receivable		20	27
Fixed deposits with banks		97,569	97,518
Cash at bank		122	336
		97,711	97,881
Current liabilities			
Creditors and accrued charges		10,272	10,309
Relinquished trading rights payable to SEHK	4	1,450	1,500
		11,722	11,809
Net current assets		85,989	86,072
Net assets		85,989	86,072
Representing:			
Compensation fund		85,989	86,072

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Unaudited							Total \$'000
	Trading rights deposits from SEHK (note 4) \$'000	Excess transaction levy from SEHK \$'000	Additional contributions from SEHK and the SFC \$'000	Other contributions \$'000	Accumulated surplus \$'000	Contributions to ICF \$'000		
Balance at 1 April 2020	55,450	353,787	630,000	6,502	31,024	(994,718)	82,045	
Net contributions to SEHK	(250)	-	-	-	-	-	(250)	
Surplus and total comprehensive income for the quarter	-	-	-	-	3,981	-	3,981	
Balance at 30 June 2020	55,200	353,787	630,000	6,502	35,005	(994,718)	85,776	
Balance at 1 April 2021	54,750	353,787	630,000	6,502	35,751	(994,718)	86,072	
Net contributions to SEHK	(100)	-	-	-	-	-	(100)	
Surplus and total comprehensive income for the quarter	-	-	-	-	17	-	17	
Balance at 30 June 2021	54,650	353,787	630,000	6,502	35,768	(994,718)	85,989	

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Cash flows from operating activities			
Surplus for the quarter		17	3,981
Adjustment for:			
Interest income		(44)	(382)
		(27)	3,599
Decrease in creditors and accrued charges		(37)	(34)
Decrease in relinquished trading rights payable to SEHK		(50)	(150)
Net cash (used in)/generated from operating activities		(114)	3,415
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		44,949	61,350
Interest received		51	426
Net cash generated from investing activities		45,000	61,776
Cash flows from financing activities			
Net trading rights deposits refunded to SEHK		(100)	(250)
Net cash used in financing activities		(100)	(250)
Net increase in cash and cash equivalents		44,786	64,941
Cash and cash equivalents at the beginning of the quarter		52,905	31,999
Cash and cash equivalents at the end of the quarter	3	97,691	96,940

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2021 \$'000	At 30 Jun 2020 \$'000
Fixed deposits with banks	97,569	96,606
Cash at bank	122	334
	97,691	96,940

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

1. Basis of preparation

The Fund has prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants. As the Fund will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, the Fund has prepared the interim financial information on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31 March 2003 have been fully settled.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2021. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2021 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

The Fund has applied the same accounting policies adopted in the financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2021.

2. Recoveries/Equity securities received under subrogation

There was no recovery recorded for the quarter ended 30 June 2021. For the quarter ended 30 June 2020, the Fund recognised as recoveries the payment of \$3,626,000 from the liquidator of C.A. Pacific Securities Ltd. and C.A. Pacific Finance Ltd.

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being recognised in "Recoveries". Dividend income, if any, is also recognised in "Recoveries".

As at 30 June 2021, the equity securities received under subrogation amounted to \$159 (as at 31 March 2021: \$150). The balances as at 30 June 2021 and 31 March 2021 are too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2020 \$'000
Cash at bank	122	336
Fixed deposits with banks	97,569	97,518
Amounts shown in the condensed statement of financial position	97,691	97,854
Less: Amounts with an original maturity beyond three months	–	(44,949)
Cash and cash equivalents in the condensed statement of cash flows	97,691	52,905

4. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, The Stock Exchange of Hong Kong Limited (SEHK) contributes to the Securities and Futures Commission (SFC) in respect of each trading right at the rate of \$50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to SEHK the deposit within six months after the trading right was relinquished. During the quarter, deposits of \$100,000 in respect of 2 new trading rights were received from SEHK and deposits of \$250,000 in respect of 5 relinquished trading rights were refunded to SEHK. As at 30 June 2021, 29 trading rights totalling \$1,450,000 were relinquished but not yet refunded (as at 31 March 2021: 30 trading rights totalling \$1,500,000 were relinquished but not yet refunded).

The movement of trading rights deposits from SEHK during the quarter was as follows:

	Unaudited quarter ended	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Balance brought forward	54,750	55,450
Add: new trading rights issued	100	200
Less: relinquished trading rights refunded	(250)	(600)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	50	150
Balance carried forward	54,650	55,200

5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the quarters ended 30 June 2021 and 2020.