

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their report together with the unaudited condensed financial statements for the quarter ended 30 June 2024.

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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 2024, 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 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Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 period ended 30 June 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 54 to 59.

Members of the Committee

The members of the Committee during the period and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Ms Kwok Hom Siu Sally
Ms Lai Chun Mei Hilda
Dr Lin, James C.
Mr Wan Chi Yiu, Andrew

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 reporting period.

On behalf of the Committee

Rico Leung
Chairman

31 July 2024

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2024 (Expressed in Hong Kong dollars)

	Unaudited quarter ended	
	30 Jun 2024 \$'000	30 Jun 2023 \$'000
Income		
Interest income	1,094	904
Expense		
Auditor's remuneration	28	27
Surplus and total comprehensive income for the quarter	1,066	877

The notes on pages 58 to 59 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 30 June 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2024 \$'000	Audited At 31 Mar 2024 \$'000
Current assets			
Interest receivable		610	612
Fixed deposits with banks	3	99,299	99,009
Cash at bank	3	294	353
		100,203	99,974
Current liabilities			
Creditors and accrued charges		10,189	10,226
Relinquished trading rights payable to SEHK	4	1,500	1,650
		11,689	11,876
Net current assets		88,514	88,098
Net assets		88,514	88,098
Representing:			
Compensation fund		88,514	88,098

The notes on pages 58 to 59 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2024 (Expressed in Hong Kong dollars)

	Unaudited						
	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 the ICF \$'000	Total \$'000
Balance at 1 April 2023	52,150	353,787	630,000	6,502	38,118	(994,718)	85,839
Net contributions to SEHK	(700)	-	-	-	-	-	(700)
Surplus and total comprehensive income for the quarter	-	-	-	-	877	-	877
Balance at 30 June 2023	51,450	353,787	630,000	6,502	38,995	(994,718)	86,016
Balance at 1 April 2024	50,050	353,787	630,000	6,502	42,477	(994,718)	88,098
Net contributions to SEHK	(650)	-	-	-	-	-	(650)
Surplus and total comprehensive income for the quarter	-	-	-	-	1,066	-	1,066
Balance at 30 June 2024	49,400	353,787	630,000	6,502	43,543	(994,718)	88,514

The notes on pages 58 to 59 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2024 \$'000	30 Jun 2023 \$'000
Cash flows from operating activities			
Surplus for the quarter		1,066	877
Adjustment for:			
Interest income		(1,094)	(904)
		(28)	(27)
Decrease in creditors and accrued charges		(37)	(32)
(Decrease)/increase in relinquished trading rights payable to SEHK		(150)	750
Net cash (used in)/generated from operating activities		(215)	691
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		24,504	6,479
Interest received		1,096	892
Net cash generated from investing activities		25,600	7,371
Cash flows from financing activity			
Net trading rights deposits refunded to SEHK		(650)	(700)
Net cash used in financing activity		(650)	(700)
Net increase in cash and cash equivalents		24,735	7,362
Cash and cash equivalents at the beginning of the quarter		62,362	69,384
Cash and cash equivalents at the end of the quarter	3	87,097	76,746

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2024 \$'000	At 30 Jun 2023 \$'000
Fixed deposits with banks	86,803	76,359
Cash at bank	294	387
	87,097	76,746

The notes on pages 58 to 59 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2024 (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* issued by the Hong Kong Institute of Certified Public Accountants. As the Unified Exchange Compensation Fund (the Fund) will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have 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 events and transactions that are significant to an understanding of the changes in the financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2024. 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 2024 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2024 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2024.

2. Equity securities received under subrogation

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 2024, the equity securities received under subrogation amounted to \$10 (as at 31 March 2024: \$15). The balances as at 30 June 2024 and 31 March 2024 are too small to present 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 2024 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	294	353
Fixed deposits with banks	99,299	99,009
Amounts shown in the condensed statement of financial position	99,593	99,362
Less: Amounts with an original maturity beyond three months	(12,496)	(37,000)
Cash and cash equivalents in the condensed statement of cash flows	87,097	62,362

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 \$800,000 in respect of 16 relinquished trading rights were refunded to SEHK. As at 30 June 2024, 30 trading rights totalling \$1,500,000 were relinquished but not yet refunded (as at 31 March 2024: 33 trading rights totalling \$1,650,000 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 2024 \$'000	30 Jun 2023 \$'000
Balance at the beginning of the quarter	50,050	52,150
Add: new trading rights issued	–	50
Less: relinquished trading rights refunded	(800)	–
Adjustment for: net decrease/(increase) in relinquished trading rights payable to SEHK	150	(750)
Balance at the end of the quarter	49,400	51,450

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 2024 and 2023.