

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

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

	Note	Unaudited quarter ended	
		30 Jun 2024 \$'000	30 Jun 2023 \$'000
Income			
Levies		415,610	352,256
Fees and charges		29,747	24,904
Net investment income			
Investment income		87,997	45,339
Less: custody and advisory expenses		(2,605)	(2,856)
Recoveries from the Investor Compensation Fund	8(a)	1,568	1,520
Exchange loss		(10,391)	(8,555)
Other income		–	744
		521,926	413,352
Expenses			
Staff costs and directors' emoluments	8(b)	424,677	392,331
Depreciation			
Fixed assets		46,439	25,255
Right-of-use assets		2,743	36,620
Other premises expenses		9,590	8,914
Finance costs		24,366	1,542
Other expenses		51,006	49,751
		558,821	514,413
Deficit and total comprehensive income for the quarter		(36,895)	(101,061)

The notes on pages 42 to 45 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated 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
Non-current assets			
Fixed assets		4,380,254	4,410,812
Right-of-use assets		18,734	21,477
Deposits and prepayments		335,414	335,414
Financial assets at amortised costs – debt securities	9(b)	1,878,489	2,102,479
		6,612,891	6,870,182
Current assets			
Financial assets at amortised costs – debt securities	9(b)	1,215,126	898,557
Financial assets at fair value through profit or loss – pooled funds	9(a)	1,143,173	1,087,666
Debtors, deposits and prepayments		202,198	196,080
Fixed deposits with banks	3	577,264	610,147
Cash held for Grant Scheme	4	63,820	58,656
Cash at bank and in hand	3	85,910	146,154
		3,287,491	2,997,260
Current liabilities			
Fees received in advance		8,083	8,497
Creditors and accrued charges		271,624	199,132
Bank loan	5	18,262	18,262
Lease liabilities		8,092	9,212
Provisions for reinstatement cost		574	574
		306,635	235,677
Net current assets		2,980,856	2,761,583
Total assets less current liabilities		9,593,747	9,631,765
Non-current liabilities			
Bank loan	5	2,001,826	2,001,319
Lease liabilities		11,249	12,879
Provisions for reinstatement cost		1,190	1,190
		2,014,265	2,015,388
Net assets		7,579,482	7,616,377
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		1,186,800	1,186,800
Accumulated surplus		6,349,842	6,386,737
		7,579,482	7,616,377

The notes on pages 42 to 45 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 2024 (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 2023	42,840	3,375,000	4,496,293	7,914,133
Deficit and total comprehensive income for the quarter	–	–	(101,061)	(101,061)
Balance at 30 June 2023	42,840	3,375,000	4,395,232	7,813,072
Balance at 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Deficit and total comprehensive income for the quarter	–	–	(36,895)	(36,895)
Balance at 30 June 2024	42,840	1,186,800	6,349,842	7,579,482

The notes on pages 42 to 45 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated 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			
Deficit for the quarter		(36,895)	(101,061)
Adjustments for:			
Depreciation – Fixed assets		46,439	25,255
Depreciation – Right-of-use assets		2,743	36,620
Finance costs		24,366	1,542
Interest income on deposits for leases		–	(73)
Investment income		(87,997)	(45,339)
Exchange loss		10,343	8,491
Loss on disposal of fixed assets		7	8
		(40,994)	(74,557)
Increase in right-of-use assets		–	(1)
(Increase)/decrease in debtors, deposits and prepayments		(7,034)	35,102
(Increase)/decrease in cash held for Grant Scheme		(5,164)	9,508
Decrease in fees received in advance		(414)	(385)
Increase in creditors and accrued charges		75,950	37,544
Net cash generated from operating activities		22,344	7,211
Cash flows from investing activities			
Increase in fixed deposits other than cash and cash equivalents		–	490,805
Interest received		29,528	57,188
Debt securities at fair value through profit or loss purchased		–	(66,811)
Debt securities at fair value through profit or loss sold or redeemed		–	67,128
Pooled funds sold		1,533	1,547
Debt securities at amortised cost purchased		(896,644)	(77,499)
Debt securities at amortised cost redeemed at maturity		796,067	43,266
Fixed assets purchased		(19,085)	(12,683)
Net cash (used in)/generated from investing activities		(88,601)	502,941
Cash flows from financing activities			
Principal element of lease payments		(2,750)	(35,771)
Interest element of lease payments		(81)	(1,542)
Interest expense on bank loan		(24,039)	–
Net cash used in financing activities		(26,870)	(37,313)
Net (decrease)/increase in cash and cash equivalents		(93,127)	472,839
Cash and cash equivalents at the beginning of the quarter		731,251	407,901
Cash and cash equivalents at the end of the quarter	3	638,124	880,740

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2024 \$'000	At 30 Jun 2023 \$'000
Fixed deposits with banks	552,214	812,523
Cash at bank and in hand	85,910	68,217
	638,124	880,740

The notes on pages 42 to 45 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated 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.

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 the 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 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 (HKFRSs).

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 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, the Investor Compensation Company Limited (ICC) and the Investor and Financial Education Council (IFEC), are made up to 30 June 2024. 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 2024 to the interim financial information.

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

2. Recent developments in HKFRSs

Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16

The Group has certain debt securities at amortised cost that are referenced to the 3-month USD London Interbank Offered Rate (LIBOR). The 3-month USD LIBOR continues to be published under a synthetic methodology. These exposures will remain outstanding until the synthetic USD LIBOR ceases and will therefore transit in the future. The Group has assessed the impact and there was no significant effect on the condensed consolidated financial statements. The Group is closely monitoring the market and managing the transition to a new benchmark interest rate.

As at 30 June 2024, the carrying amounts of debt securities at amortised cost that are referenced to synthetic USD LIBOR and have yet to be transitioned to an alternate benchmark was \$32,805,000 (as at 31 March 2024: \$32,892,000). The total notional contract amount was \$32,791,000 (as at 31 March 2024: \$32,871,000).

Securities and Futures Commission

Notes to the condensed consolidated 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 and in hand	85,910	146,154
Fixed deposits with banks	577,264	610,147
Amounts shown in the condensed consolidated statement of financial position	663,174	756,301
Less: Amounts with an original maturity beyond three months	(25,050)	(25,050)
Cash and cash equivalents in the condensed consolidated statement of cash flows	638,124	731,251

4. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Government of the Hong Kong Special Administrative Region (the Government) to provide subsidies for qualified open-ended fund companies and real estate investment trusts to set up in Hong Kong. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in creditors and accrued charges.

5. Bank loan

To finance the property acquisition transaction, the Group has obtained a 5-year term loan of \$2,029,160,000 on 21 December 2023. The term loan carries a fixed interest rate of 4.7% per annum for the first two years and subsequently carries a floating interest rate of 1-month HIBOR plus 0.55% per annum. The term loan is secured by the Group's land and buildings.

6. 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 loss was mainly driven by the revaluation of USD denominated financial assets.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

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

7. Consolidation

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 2024, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2024: \$0.2).

8. Related party transactions

The Group has related party relationships with the ICF and the Unified Exchange Compensation Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions and balances.

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

During the period, \$1,568,000 was recovered from the ICF for the ICC's expenses (30 June 2023: \$1,520,000). As at 30 June 2024, the ICC had an amount due to the ICF of \$188,000 (as at 31 March 2024: \$148,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2024 \$'000	30 Jun 2023 \$'000
Directors' fees and salaries, allowances and benefits in kind	8,908	7,481
Retirement scheme contributions	761	654
	9,669	8,135

The total remuneration is included in the staff costs and directors' emoluments. Directors' emoluments are for services in connection with management of the affairs of the SFC. 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.

Notes to the condensed consolidated financial statements

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

9. Fair value measurement

(a) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*, which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>At 30 June 2024 (Unaudited)</u>				
Pooled funds	1,143,173	–	–	1,143,173
<u>At 31 March 2024 (Audited)</u>				
Pooled funds	1,087,666	–	–	1,087,666

During the quarter ended 30 June 2024 and the year ended 31 March 2024, there were no significant transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the investment in the pooled funds is determined based on the net asset values of the pooled funds which are publicly available in the active market.

(b) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2024 and 31 March 2024 except for the following financial instruments, for which their carrying amount, fair value and the level of fair value hierarchy were disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>At 30 June 2024 (Unaudited)</u>					
Financial assets at amortised costs – debt securities	3,093,615	2,934,824	–	2,934,824	–
<u>At 31 March 2024 (Audited)</u>					
Financial assets at amortised costs – debt securities	3,001,036	2,829,751	–	2,829,751	–

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor 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 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 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 47 to 52.

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)

Dr Lin, James C.

(retired on 31 July 2024)

Mr Yih, Dieter, JP

(appointed on 1 August 2024)

Ms Kwok Hom Siu Sally

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

15 August 2024

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

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

	Note	Unaudited quarter ended	
		30 Jun 2024 \$'000	30 Jun 2023 \$'000
Income			
Interest income		33,495	26,535
Exchange loss		(3,644)	(2,409)
		29,851	24,126
Expenses			
Investor Compensation Company Limited expenses	2	1,568	1,520
Auditor's remuneration		58	57
		1,626	1,577
Surplus and total comprehensive income for the quarter		28,225	22,549

The notes on pages 51 to 52 form part of these condensed financial statements.

Investor 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		44,106	55,366
Amount due from the Investor Compensation Company Limited		188	148
Fixed deposits with banks	3	2,623,753	2,584,342
Cash at bank	3	584	648
		2,668,631	2,640,504
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		180	278
		3,574	3,672
Net current assets		2,665,057	2,636,832
Net assets		2,665,057	2,636,832
Representing:			
Compensation fund		2,665,057	2,636,832

The notes on pages 51 to 52 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

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

	Unaudited					
	Contributions from the Unified Exchange Compensation Fund \$'000	Contributions from the Commodity Exchange Compensation Fund \$'000	Contributions from the Securities Dealers' Deposits Fund (note 5) \$'000	Contributions from the Commodities Dealers' Deposits Fund (note 5) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2023	994,718	108,923	-	-	1,413,407	2,517,048
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund	-	-	5,470	617	-	6,087
Surplus and total comprehensive income for the quarter	-	-	-	-	22,549	22,549
Balance at 30 June 2023	994,718	108,923	5,470	617	1,435,956	2,545,684
Balance at 1 April 2024	994,718	108,923	5,470	617	1,527,104	2,636,832
Surplus and total comprehensive income for the quarter	-	-	-	-	28,225	28,225
Balance at 30 June 2024	994,718	108,923	5,470	617	1,555,329	2,665,057

The notes on pages 51 to 52 form part of these condensed financial statements.

Investor 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		28,225	22,549
Adjustments for:			
Interest income		(33,495)	(26,535)
Exchange loss		3,644	2,409
		(1,626)	(1,577)
Change in amount due from/to the Investor Compensation Company Limited		(40)	(333)
Decrease in creditors and accrued charges		(98)	(95)
Net cash used in operating activities		(1,764)	(2,005)
Cash flows from investing activities			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		26,711	(79,869)
Interest received		44,681	26,392
Net cash generated from/(used in) investing activities		71,392	(53,477)
Cash flows from financing activity			
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund		–	6,087
Net cash generated from financing activity		–	6,087
Net increase/(decrease) in cash and cash equivalents		69,628	(49,395)
Cash and cash equivalents at the beginning of the quarter		702,082	164,980
Cash and cash equivalents at the end of the quarter	3	771,710	115,585

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2024 \$'000	At 30 Jun 2023 \$'000
Fixed deposits with banks	771,126	114,939
Cash at bank	584	646
	771,710	115,585

The notes on pages 51 to 52 form part of these condensed financial statements.

Investor 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.

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 Investor Compensation Fund (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. 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 of investors and other functions under Part III and Part XII of the Securities and Futures Ordinance (SFO). The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2024, the ICC incurred costs of \$1,568,000 for its operations (for the quarter ended 30 June 2023: \$1,520,000).

3. Cash and cash equivalents

	Unaudited At 30 Jun 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	584	648
Fixed deposits with banks	2,623,753	2,584,342
Amounts shown in the condensed statement of financial position	2,624,337	2,584,990
Less: Amounts with an original maturity beyond three months	(1,852,627)	(1,882,908)
Cash and cash equivalents in the condensed statement of cash flows	771,710	702,082

Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2024 (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 is \$150,000 per claimant for each default case occurring on or before 31 December 2019 or \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 30 June 2024 was \$3,394,000, which was related to a number of claims received in respect of a default case which occurred on or before 31 December 2019 (as at 31 March 2024: \$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 is expected to be paid within one year.

5. Contributions from dealers' deposits funds

Under Section 76 (11) of Schedule 10 of the SFO, the SFC shall pay into the Fund any remaining balance in the Securities Dealers' Deposits Fund (SDD) and the Commodities Dealers' Deposits Fund (CDD) after repaying the dealers' deposits and any money due to the registered dealers. During the quarter ended 30 June 2023, the SFC had \$5,470,000 and \$617,000 paid into the Fund from the SDD and the CDD respectively.

6. Related party transactions

The Fund has related party relationships with the SFC, the ICC, the Unified Exchange Compensation Fund, the SDD and the CDD. The SDD and the CDD were wound up in June 2023. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2024 and 2023.

7. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 12 outstanding claims as at 30 June 2024 (12 outstanding claims as at 31 March 2024). The maximum liability in respect of these claims in aggregate was \$2,199,000 (as at 31 March 2024: \$2,199,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

8. Exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the quarters ended 30 June 2024 and 2023, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

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.