

Securities and Futures Commission

Report on review of interim financial information To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

Introduction

We have reviewed the interim financial information set out on pages 42 to 49, which comprises the condensed consolidated statement of financial position of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) as at 30 September 2024 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The directors of the SFC are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 December 2024

Condensed consolidated statement of profit or loss and other comprehensive income

For the three months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Unaudited and unreviewed Three months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income		
Levies	421,534	353,947
Fees and charges	29,388	31,057
Net investment income		
Investment income	124,697	6,744
Less: custody and advisory expenses	(2,748)	(2,615)
Recoveries from the Investor Compensation Fund	1,621	1,532
Exchange loss	(22,371)	(3,879)
Other income	781	109
	552,902	386,895
Expenses		
Staff costs and directors' emoluments	413,134	388,051
Depreciation		
Fixed assets	48,576	25,246
Right-of-use assets	2,741	36,602
Other premises expenses	9,651	9,025
Finance costs	24,618	1,543
Other expenses	58,698	49,029
	557,418	509,496
Deficit and total comprehensive income for the quarter	(4,516)	(122,601)

This condensed consolidated statement of profit or loss and other comprehensive income for the three months ended 30 September 2024 is for information only.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income			
Levies		837,144	706,203
Fees and charges		59,135	55,961
Net investment income			
Investment income		212,694	52,083
Less: custody and advisory expenses		(5,353)	(5,471)
Recoveries from the Investor Compensation Fund	7(a)	3,189	3,052
Exchange loss		(32,762)	(12,434)
Other income		781	853
		1,074,828	800,247
Expenses			
Staff costs and directors' emoluments	7(b)	837,811	780,382
Depreciation			
Fixed assets		95,015	50,501
Right-of-use assets		5,484	73,222
Other premises expenses		19,241	17,939
Finance costs		48,984	3,085
Other expenses		109,704	98,780
		1,116,239	1,023,909
Deficit and total comprehensive income for the period		(41,411)	(223,662)

The notes on pages 46 to 49 form part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

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

	Note	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Non-current assets			
Fixed assets		4,353,746	4,410,812
Right-of-use assets		15,993	21,477
Deposits and prepayments		335,414	335,414
Financial assets at amortised cost – debt securities	8(b)	1,728,530	2,102,479
		6,433,683	6,870,182
Current assets			
Financial assets at amortised cost– debt securities	8(b)	1,371,139	898,557
Financial assets at fair value through profit or loss – pooled funds	8(a)	1,231,381	1,087,666
Debtors, deposits and prepayments		284,547	196,080
Fixed deposits with banks	2	496,350	610,147
Cash held for Grant Scheme	3	36,103	58,656
Cash at bank and in hand	2	32,447	146,154
		3,451,967	2,997,260
Current liabilities			
Fees received in advance		7,390	8,497
Creditors and accrued charges		264,354	199,132
Bank loan	4	18,262	18,262
Lease liabilities		6,838	9,212
Provisions for reinstatement costs		574	574
		297,418	235,677
Net current assets		3,154,549	2,761,583
Total assets less current liabilities		9,588,232	9,631,765
Non-current liabilities			
Bank loan	4	2,002,333	2,001,319
Lease liabilities		9,743	12,879
Provisions for reinstatement costs		1,190	1,190
		2,013,266	2,015,388
Net assets		7,574,966	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		6,345,326	6,386,737
		7,574,966	7,616,377

The notes on pages 46 to 49 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of changes in equity

For the six months ended 30 September 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 period	–	–	(223,662)	(223,662)
Balance at 30 September 2023	42,840	3,375,000	4,272,631	7,690,471
Balance at 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Deficit and total comprehensive income for the period	–	–	(41,411)	(41,411)
Balance at 30 September 2024	42,840	1,186,800	6,345,326	7,574,966

The notes on pages 46 to 49 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of cash flows

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited six months ended	
		30 Sep 2024 \$'000	30 Sep 2023 \$'000
Cash flows from operating activities			
Deficit for the period		(41,411)	(223,662)
Adjustments for:			
Depreciation – Fixed assets		95,015	50,501
Depreciation – Right-of-use assets		5,484	73,222
Finance costs		48,984	3,085
Interest income on deposits for leases		–	(146)
Investment income		(212,694)	(52,083)
Exchange loss		32,648	11,225
Loss on disposal of fixed assets		7	16
		(71,967)	(137,842)
Increase in right-of-use assets		–	(7)
(Increase)/decrease in debtors, deposits and prepayments		(92,451)	23,525
Decrease in cash held for Grant Scheme		22,553	27,452
Decrease in fees received in advance		(1,107)	(800)
Increase in creditors and accrued charges		68,755	60,451
Net cash used in operating activities		(74,217)	(27,221)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		25,050	1,551,881
Interest received		59,828	138,362
Debt securities at fair value through profit or loss purchased		–	(72,193)
Debt securities at fair value through profit or loss sold or redeemed		–	466,030
Pooled funds sold		3,165	3,054
Debt securities at amortised cost purchased		(2,368,873)	(321,868)
Debt securities at amortised cost redeemed at maturity		2,247,562	278,005
Fixed assets purchased		(40,705)	(30,348)
Net cash (used in)/generated from investing activities		(73,973)	2,012,923
Cash flows from financing activities			
Principal element of lease payments		(5,510)	(71,519)
Interest element of lease payments		(154)	(3,085)
Interest expense on bank loan		(48,600)	–
Net cash used in financing activities		(54,264)	(74,604)
Net (decrease)/increase in cash and cash equivalents		(202,454)	1,911,098
Cash and cash equivalents at the beginning of the six-month period		731,251	407,901
Cash and cash equivalents at the end of the six-month period	2	528,797	2,318,999

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Sep 2024 \$'000	At 30 Sep 2023 \$'000
Fixed deposits with banks	496,350	2,242,111
Cash at bank and in hand	32,447	76,888
	528,797	2,318,999

The notes on pages 46 to 49 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the six months ended 30 September 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 September 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 six months ended 30 September 2024.

2. Cash and cash equivalents

	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank and in hand	32,447	146,154
Fixed deposits with banks	496,350	610,147
Amounts shown in the condensed consolidated statement of financial position	528,797	756,301
Less: Amounts with an original maturity beyond three months	–	(25,050)
Cash and cash equivalents in the condensed consolidated statement of cash flows	528,797	731,251

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

3. 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.

4. 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.

5. Foreign 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.

6. 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 September 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).

Notes to the condensed consolidated financial statements

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

7. 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, \$3,189,000 was recovered from the ICF for the ICC's expenses (30 September 2023: \$3,052,000). As at 30 September 2024, the ICC had an amount due to the ICF of \$74,000 (as at 31 March 2024: \$148,000).

(b) Remuneration of key management personnel

	Unaudited Six months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Directors' fee and salaries, allowances and benefits in kind	18,237	15,544
Retirement scheme contributions	1,600	1,365
	19,837	16,909

The total remuneration is included in the staff costs and directors' emoluments. Directors' emoluments are for services in connection with the 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 six months ended 30 September 2024 (Expressed in Hong Kong dollars)

8. 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 September 2024 (Unaudited)</u>				
Pooled funds	1,231,381	–	–	1,231,381
<u>At 31 March 2024 (Audited)</u>				
Pooled funds	1,087,666	–	–	1,087,666

During the six months ended 30 September 2024 and the year ended 31 March 2024, there were no 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 the different levels of the 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 markets.

(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 September 2024 and 31 March 2024 except for the following financial instruments, for which their carrying amount, fair value and the level of their 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 September 2024 (Unaudited)</u>					
Financial assets at amortised cost – debt securities	3,099,669	3,001,866	–	3,001,866	–
<u>At 31 March 2024 (Audited)</u>					
Financial assets at amortised cost – 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 six months ended 30 September 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 September 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 52 to 58.

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

Dr Lin, James C.

(retired on 1 August 2024)

Mr Wan Chi Yiu, Andrew

Mr Yih, Dieter, JP

(appointed on 1 August 2024)

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

3 December 2024

Investor Compensation Fund

Report on review of interim financial information To the Securities and Futures Commission

Introduction

We have reviewed the interim financial information set out on pages 53 to 58, which comprises the condensed statement of financial position of Investor Compensation Fund (the Fund), established under Part XII of the Securities and Futures Ordinance, as at 30 September 2024 and the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and selected explanatory notes. The directors of the Securities and Futures Commission are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Fund is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 December 2024

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the three months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Unaudited and unreviewed Three months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income		
Interest income	33,692	30,997
Exchange loss	(7,750)	(846)
	25,942	30,151
Expenses		
Investor Compensation Company Limited expenses	1,621	1,532
Auditor's remuneration	59	57
	1,680	1,589
Surplus and total comprehensive income for the quarter	24,262	28,562

This condensed statement of profit or loss and other comprehensive income for the three months ended 30 September 2024 is for information only.

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income			
Interest income		67,187	57,532
Exchange loss		(11,394)	(3,255)
		55,793	54,277
Expenses			
Investor Compensation Company Limited expenses	2	3,189	3,052
Auditor's remuneration		117	114
		3,306	3,166
Surplus and total comprehensive income for the period		52,487	51,111

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of financial position

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

	Note	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Current assets			
Interest receivable		28,765	55,366
Amount due from the Investor Compensation Company Limited		74	148
Fixed deposits with banks	3	2,663,449	2,584,342
Cash at bank	3	664	648
		2,692,952	2,640,504
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		239	278
		3,633	3,672
Net current assets		2,689,319	2,636,832
Net assets		2,689,319	2,636,832
Representing:			
Compensation fund		2,689,319	2,636,832

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

For the six months ended 30 September 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 period	–	–	–	–	51,111	51,111
Balance at 30 September 2023	994,718	108,923	5,470	617	1,464,518	2,574,246
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 period	–	–	–	–	52,487	52,487
Balance at 30 September 2024	994,718	108,923	5,470	617	1,579,591	2,689,319

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of cash flows

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2024 \$'000	30 Sep 2023 \$'000
Cash flows from operating activities			
Surplus for the period		52,487	51,111
Adjustments for:			
Interest income		(67,187)	(57,532)
Exchange loss		11,394	3,255
		(3,306)	(3,166)
Change in amount due from/to the Investor Compensation Company Limited		74	(309)
Decrease in creditors and accrued charges		(39)	(39)
Net cash used in operating activities		(3,271)	(3,514)
Cash flows from investing activities			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		579,076	(78,230)
Interest received		93,622	63,728
Net cash generated from/(used in) investing activities		672,698	(14,502)
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		669,427	(11,929)
Cash and cash equivalents at the beginning of the six-month period		702,082	164,980
Cash and cash equivalents at the end of the six-month period	3	1,371,509	153,051

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Sep 2024 \$'000	At 30 Sep 2023 \$'000
Fixed deposits with banks	1,370,845	152,463
Cash at bank	664	588
	1,371,509	153,051

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Notes to the condensed financial statements

For the six months ended 30 September 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 six months ended 30 September 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 six months ended 30 September 2024, the ICC incurred costs of \$3,189,000 for its operations (for the six months ended 30 September 2023: \$3,052,000).

3. Cash and cash equivalents

	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	664	648
Fixed deposits with banks	2,663,449	2,584,342
Amounts shown in the condensed statement of financial position	2,664,113	2,584,990
Less: Amounts with an original maturity beyond three months	(1,292,604)	(1,882,908)
Cash and cash equivalents in the condensed statement of cash flows	1,371,509	702,082

Investor Compensation Fund

Notes to the condensed financial statements

For the six months ended 30 September 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 September 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. Upon the winding-up of SDD and CDD in June 2023, the SFC had \$5,470,000 and \$617,000 remaining balances 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 six months ended 30 September 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 September 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 six months ended 30 September 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 six months ended 30 September 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 September 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 September 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 61 to 67.

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.

(retired on 1 August 2024)

Mr Wan Chi Yiu, Andrew

Mr Yih, Dieter, JP

(appointed on 1 August 2024)

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

8 November 2024

Unified Exchange Compensation Fund

Report on review of interim financial information To the Securities and Futures Commission

Introduction

We have reviewed the interim financial information set out on pages 62 to 67, which comprises the condensed statement of financial position of Unified Exchange Compensation Fund (the Fund), established under Part X of the repealed Securities Ordinance (Chapter 333), which remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the Securities and Futures Ordinance, as at 30 September 2024 and the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and selected explanatory notes. The directors of the Securities and Futures Commission are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Fund is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Emphasis of matter

We draw attention to the fact that the Fund is in the process of terminating its business and operations and is no longer considered to be a going concern. Details about the basis of preparation of the interim financial information are set out in note 1 to the interim financial information. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 November 2024

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the three months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Unaudited and unreviewed Three months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income		
Interest income	1,087	1,148
Expense		
Auditor's remuneration	28	27
Surplus and total comprehensive income for the quarter	1,059	1,121

This condensed statement of profit or loss and other comprehensive income for the three months ended 30 September 2024 is for information only.

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Unaudited Six months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Income		
Interest income	2,181	2,052
Expense		
Auditor's remuneration	56	54
Surplus and total comprehensive income for the period	2,125	1,998

The notes on pages 66 and 67 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

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

	Note	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Current assets			
Interest receivable		558	612
Fixed deposits with banks	3	99,595	99,009
Cash at bank	3	287	353
		100,440	99,974
Current liabilities			
Creditors and accrued charges		10,217	10,226
Relinquished trading rights payable to SEHK	4	1,700	1,650
		11,917	11,876
Net current assets		88,523	88,098
Net assets		88,523	88,098
Representing:			
Compensation fund		88,523	88,098

The notes on pages 66 and 67 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the six months ended 30 September 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	(1,100)	-	-	-	-	-	(1,100)
Surplus and total comprehensive income for the period	-	-	-	-	1,998	-	1,998
Balance at 30 September 2023	51,050	353,787	630,000	6,502	40,116	(994,718)	86,737
Balance at 1 April 2024	50,050	353,787	630,000	6,502	42,477	(994,718)	88,098
Net contributions to SEHK	(1,700)	-	-	-	-	-	(1,700)
Surplus and total comprehensive income for the period	-	-	-	-	2,125	-	2,125
Balance at 30 September 2024	48,350	353,787	630,000	6,502	44,602	(994,718)	88,523

The notes on pages 66 and 67 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the six months ended 30 September 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2024 \$'000	30 Sep 2023 \$'000
Cash flows from operating activities			
Surplus for the period		2,125	1,998
Adjustment for:			
Interest income		(2,181)	(2,052)
		(56)	(54)
Decrease in creditors and accrued charges		(9)	(5)
Increase/(decrease) in relinquished trading rights payable to SEHK		50	(150)
Net cash used in operating activities		(15)	(209)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		24,700	24,194
Interest received		2,235	1,920
Net cash generated from investing activities		26,935	26,114
Cash flows from financing activity			
Net trading rights deposits refunded to SEHK		(1,700)	(1,100)
Net cash used in financing activity		(1,700)	(1,100)
Net increase in cash and cash equivalents		25,220	24,805
Cash and cash equivalents at the beginning of the six-month period		62,362	69,384
Cash and cash equivalents at the end of the six-month period	3	87,582	94,189

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Sep 2024 \$'000	At 30 Sep 2023 \$'000
Fixed deposits with banks	87,295	93,712
Cash at bank	287	477
	87,582	94,189

The notes on pages 66 and 67 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the six months ended 30 September 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 six months ended 30 September 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 included in "Recoveries". Dividend income, if any, is also included in "Recoveries".

As at 30 September 2024, the equity securities received under subrogation amounted to \$11 (as at 31 March 2024: \$15). The balances as at 30 September 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 six months ended 30 September 2024 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Sep 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	287	353
Fixed deposits with banks	99,595	99,009
Amounts shown in the condensed statement of financial position	99,882	99,362
Less: Amounts with an original maturity beyond three months	(12,300)	(37,000)
Cash and cash equivalents in the condensed statement of cash flows	87,582	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 six months ended 30 September 2024, deposits of \$1,650,000 in respect of 33 relinquished trading rights were refunded to SEHK. As at 30 September 2024, 34 trading rights totalling \$1,700,000 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 period was as follows:

	Unaudited Six months ended	
	30 Sep 2024 \$'000	30 Sep 2023 \$'000
Balance at the beginning of the six-month period	50,050	52,150
Add: new trading rights issued	–	150
Less: relinquished trading rights refunded	(1,650)	(1,400)
Adjustment for: net (increase)/decrease in relinquished trading rights payable to SEHK	(50)	150
Balance at the end of the six-month period	48,350	51,050

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 six months ended 30 September 2024 and 2023.