

# Securities and Futures Commission

## Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Income</b>					
Levies		1,460,271	1,032,329	623,127	326,126
Fees and charges		107,213	85,770	48,078	29,809
Net investment income/(loss)					
Investment income/(loss)		193,451	153,003	(19,243)	100,920
Less: custody and advisory expenses		(7,934)	(7,988)	(2,581)	(2,517)
Recoveries from the Investor Compensation Fund	8(a)	4,755	4,566	1,566	1,514
Exchange (loss)/gain		(32,506)	(26,187)	256	(13,753)
Other income	2	836	113,026	55	112,173
		1,726,086	1,354,519	651,258	554,272
<b>Expenses</b>					
Staff costs and directors' emoluments	8(b)	1,256,260	1,177,642	418,449	397,260
Depreciation					
Fixed assets		144,268	82,450	49,253	31,949
Right-of-use assets		7,979	106,184	2,495	32,962
Other premises expenses		29,120	27,275	9,879	9,336
Finance costs		73,475	7,277	24,491	4,192
Other expenses		179,286	154,692	69,582	55,912
		1,690,388	1,555,520	574,149	531,611
<b>Surplus/(deficit) and total comprehensive income for the period</b>		35,698	(201,001)	77,109	22,661

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

## Condensed consolidated statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
<b>Non-current assets</b>			
Fixed assets		4,322,463	4,410,812
Right-of-use assets		24,497	21,477
Deposits and prepayments		469,729	335,414
Financial assets at amortised cost – debt securities	9(b)	1,580,982	2,102,479
		6,397,671	6,870,182
<b>Current assets</b>			
Financial assets at amortised cost – debt securities	9(b)	1,542,381	898,557
Financial assets at fair value through profit or loss – pooled funds	9(a)	1,070,169	1,087,666
Debtors, deposits and prepayments		237,151	196,080
Fixed deposits with banks	3	490,834	610,147
Cash held for Grant Scheme	4	66,611	58,656
Cash at bank and in hand	3	54,584	146,154
		3,461,730	2,997,260
<b>Current liabilities</b>			
Fees received in advance		7,406	8,497
Creditors and accrued charges		354,808	199,132
Bank loan	5	16,233	18,262
Lease liabilities		8,565	9,212
Provisions for reinstatement costs		–	574
		387,012	235,677
<b>Net current assets</b>		3,074,718	2,761,583
<b>Total assets less current liabilities</b>		9,472,389	9,631,765
<b>Non-current liabilities</b>			
Bank loan	5	1,801,954	2,001,319
Lease liabilities		16,596	12,879
Provisions for reinstatement costs		1,764	1,190
		1,820,314	2,015,388
<b>Net assets</b>		7,652,075	7,616,377
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		1,186,800	1,186,800
Accumulated surplus		6,422,435	6,386,737
		7,652,075	7,616,377

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

### Condensed consolidated statement of changes in equity

For the nine months ended 31 December 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	–	–	(201,001)	(201,001)
Transfer to accumulated surplus	–	(2,313,200)	2,313,200	–
Balance at 31 December 2023	42,840	1,061,800	6,608,492	7,713,132
Balance at 1 April 2024	<b>42,840</b>	<b>1,186,800</b>	<b>6,386,737</b>	<b>7,616,377</b>
Surplus and total comprehensive income for the period	–	–	<b>35,698</b>	<b>35,698</b>
Balance at 31 December 2024	<b>42,840</b>	<b>1,186,800</b>	<b>6,422,435</b>	<b>7,652,075</b>

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(deficit) for the period		35,698	(201,001)
Adjustments for:			
Depreciation – Fixed assets		144,268	82,450
Depreciation – Right-of-use assets		7,979	106,183
Finance costs		73,475	7,337
Interest income on deposits for leases		–	(211)
Investment income		(193,451)	(153,003)
Exchange loss		32,937	23,917
Loss on disposal of fixed assets		15	16
Gain arising from lease termination		–	(112,034)
		100,921	(246,346)
Increase in right-of-use assets		(16)	(7)
Increase in debtors, deposits and prepayments		(180,381)	(253,380)
(Increase)/decrease in cash held for Grant Scheme		(7,955)	41,261
Decrease in fees received in advance		(1,091)	(673)
Increase in creditors and accrued charges		160,729	137,454
Net cash generated from/(used in) operating activities		72,207	(321,691)
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		25,050	2,145,190
Interest received		86,535	214,696
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		115,980	4,601
Debt securities at amortised cost purchased		(4,369,286)	(786,759)
Debt securities at amortised cost redeemed at maturity		4,227,450	874,729
Fixed assets purchased		(60,229)	(4,303,045)
Net cash generated from/(used in) investing activities		25,500	(1,456,751)
<b>Cash flows from financing activities</b>			
Principal element of lease payments		(7,913)	(103,798)
Interest element of lease payments		(334)	(4,403)
(Repayment on)/proceeds from bank loan		(202,916)	2,019,014
Interest expense on bank loan		(72,377)	(2,874)
Net cash (used in)/generated from financing activities		(283,540)	1,907,939
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(185,833)</b>	129,497
Cash and cash equivalents at the beginning of the nine-month period		731,251	407,901
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	<b>545,418</b>	537,398

#### Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	490,834	431,552
Cash at bank and in hand	54,584	105,846
	545,418	537,398

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 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 31 December 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 nine months ended 31 December 2024.

#### 2. Other income

Other income mainly comprised investigation costs awarded by the courts. In the prior year, a one-off reversal of lease related provisions of \$112,034,000 was also recorded as a result of the property acquisition.

#### 3. Cash and cash equivalents

	<b>Unaudited At 31 Dec 2024 \$'000</b>	<b>Audited At 31 Mar 2024 \$'000</b>
Cash at bank and in hand	54,584	146,154
Fixed deposits with banks	490,834	610,147
Amounts shown in the condensed consolidated statement of financial position	545,418	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	545,418	731,251

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

#### 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. During the period, the Group has made a principal bank loan repayment of \$202,916,000.

#### 6. 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 (RMB). 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.

#### 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 31 December 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).

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

#### 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, \$4,755,000 was recovered from the ICF for the ICC's expenses (31 December 2023: \$4,566,000). As at 31 December 2024, the ICC had an amount due from the ICF of \$189,000 (as at 31 March 2024: amount due to the ICF of \$148,000).

##### (b) Remuneration of key management personnel

	Unaudited Nine months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Directors' fee and salaries, allowances and benefits in kind	27,632	23,672
Retirement scheme contributions	2,445	2,082
	30,077	25,754

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 nine months ended 31 December 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 31 December 2024 (Unaudited)</u> Pooled funds	1,070,169	–	–	1,070,169
<u>At 31 March 2024 (Audited)</u> Pooled funds	1,087,666	–	–	1,087,666

During the nine months ended 31 December 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 31 December 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 31 December 2024 (Unaudited)</u> Financial assets at amortised cost – debt securities	3,123,363	3,006,760	–	3,006,760	–
<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 nine months ended 31 December 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 31 December 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 53 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

24 February 2025

## Investor Compensation Fund

### Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Income</b>					
Interest income		98,325	91,034	31,138	33,502
Exchange (loss)/gain		(11,321)	(7,575)	73	(4,320)
		87,004	83,459	31,211	29,182
<b>Expenses</b>					
Investor Compensation Company Limited expenses	2	4,755	4,566	1,566	1,514
Auditor's remuneration		157	153	40	39
		4,912	4,719	1,606	1,553
<b>Surplus and total comprehensive income for the period</b>		82,092	78,740	29,605	27,629

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

## Investor Compensation Fund

### Condensed statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
<b>Current assets</b>			
Interest receivable		25,410	55,366
Amount due from the Investor Compensation Company Limited		–	148
Fixed deposits with banks	3	2,696,790	2,584,342
Cash at bank	3	586	648
		2,722,786	2,640,504
<b>Current liabilities</b>			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		279	278
Amount due to the Investor Compensation Company Limited		189	–
		3,862	3,672
<b>Net current assets</b>		2,718,924	2,636,832
<b>Net assets</b>		2,718,924	2,636,832
Representing:			
<b>Compensation fund</b>		2,718,924	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 nine months ended 31 December 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	–	–	–	–	78,740	78,740
Balance at 31 December 2023	994,718	108,923	5,470	617	1,492,147	2,601,875
Balance at 1 April 2024	<b>994,718</b>	<b>108,923</b>	<b>5,470</b>	<b>617</b>	<b>1,527,104</b>	<b>2,636,832</b>
Surplus and total comprehensive income for the period	–	–	–	–	<b>82,092</b>	<b>82,092</b>
Balance at 31 December 2024	<b>994,718</b>	<b>108,923</b>	<b>5,470</b>	<b>617</b>	<b>1,609,196</b>	<b>2,718,924</b>

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

## Investor Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		82,092	78,740
Adjustments for:			
Interest income		(98,325)	(91,034)
Exchange loss		11,321	7,575
		(4,912)	(4,719)
Change in amount due from/to the Investor Compensation Company Limited		337	(1)
Increase in creditors and accrued charges		1	–
Net cash used in operating activities		(4,574)	(4,720)
<b>Cash flows from investing activities</b>			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		876,370	(94,678)
Interest received		128,116	88,557
Net cash generated from/(used in) investing activities		1,004,486	(6,121)
<b>Cash flows from financing activity</b>			
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund		–	6,087
Net cash generated from financing activity		–	6,087
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>999,912</b>	<b>(4,754)</b>
Cash and cash equivalents at the beginning of the nine-month period		702,082	164,980
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	<b>1,701,994</b>	160,226

#### Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	1,701,408	159,645
Cash at bank	586	581
	<b>1,701,994</b>	160,226

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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2024, the ICC incurred costs of \$4,755,000 for its operation (for the nine months ended 31 December 2023: \$4,566,000).

#### 3. Cash and cash equivalents

	<b>Unaudited At 31 Dec 2024 \$'000</b>	<b>Audited At 31 Mar 2024 \$'000</b>
Cash at bank	586	648
Fixed deposits with banks	2,696,790	2,584,342
Amounts shown in the condensed statement of financial position	2,697,376	2,584,990
Less: amounts with an original maturity beyond three months	(995,382)	(1,882,908)
Cash and cash equivalents in the condensed statement of cash flows	1,701,994	702,082

## Investor Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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 31 December 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 nine months ended 31 December 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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 31 December 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 31 December 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 60 to 65.

### 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

27 January 2025



## Unified Exchange Compensation Fund

### Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended		Unaudited Three months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Income</b>				
Interest income	3,192	3,299	1,011	1,247
<b>Expense</b>				
Auditor's remuneration	73	71	17	17
<b>Surplus and total comprehensive income for the period</b>	<b>3,119</b>	<b>3,228</b>	<b>994</b>	<b>1,230</b>

The notes on pages 64 and 65 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
<b>Current assets</b>			
Interest receivable		489	612
Fixed deposits with banks	3	99,725	99,009
Cash at bank	3	287	353
		100,501	99,974
<b>Current liabilities</b>			
Creditors and accrued charges		10,234	10,226
Relinquished trading rights payable to SEHK	4	1,100	1,650
		11,334	11,876
<b>Net current assets</b>		89,167	88,098
<b>Net assets</b>		89,167	88,098
Representing:			
<b>Compensation fund</b>		89,167	88,098

The notes on pages 64 and 65 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 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	(1,700)	-	-	-	-	-	(1,700)
Surplus and total comprehensive income for the period	-	-	-	-	3,228	-	3,228
Balance at 31 December 2023	50,450	353,787	630,000	6,502	41,346	(994,718)	87,367
Balance at 1 April 2024	<b>50,050</b>	<b>353,787</b>	<b>630,000</b>	<b>6,502</b>	<b>42,477</b>	<b>(994,718)</b>	<b>88,098</b>
Net contributions to SEHK	<b>(2,050)</b>	-	-	-	-	-	<b>(2,050)</b>
Surplus and total comprehensive income for the period	-	-	-	-	<b>3,119</b>	-	<b>3,119</b>
Balance at 31 December 2024	<b>48,000</b>	<b>353,787</b>	<b>630,000</b>	<b>6,502</b>	<b>45,596</b>	<b>(994,718)</b>	<b>89,167</b>

The notes on pages 64 and 65 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		3,119	3,228
Adjustment for:			
Interest income		(3,192)	(3,299)
		(73)	(71)
Increase in creditors and accrued charges		8	11
Decrease in relinquished trading rights payable to SEHK		(550)	(400)
Net cash used in operating activities		(615)	(460)
<b>Cash flows from investing activities</b>			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		32,972	(33,492)
Interest received		3,315	3,043
Net cash generated from/(used in) investing activities		36,287	(30,449)
<b>Cash flows from financing activity</b>			
Net trading rights deposits refunded to SEHK		(2,050)	(1,700)
Net cash used in financing activity		(2,050)	(1,700)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>33,622</b>	<b>(32,609)</b>
Cash and cash equivalents at the beginning of the nine-month period		62,362	69,384
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	<b>95,984</b>	<b>36,775</b>

### Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	95,697	36,248
Cash at bank	287	527
	<b>95,984</b>	<b>36,775</b>

The notes on pages 64 and 65 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 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 31 December 2024, the equity securities received under subrogation amounted to \$15 (as at 31 March 2024: \$15). The balances as at 31 December 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 nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

#### 3. Cash and cash equivalents

	<b>Unaudited At 31 Dec 2024 \$'000</b>	<b>Audited At 31 Mar 2024 \$'000</b>
Cash at bank	287	353
Fixed deposits with banks	99,725	99,009
Amounts shown in the condensed statement of financial position	100,012	99,362
Less: amounts with an original maturity beyond three months	(4,028)	(37,000)
Cash and cash equivalents in the condensed statement of cash flows	95,984	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 nine months ended 31 December 2024, deposits of \$2,600,000 in respect of 52 relinquished trading rights were refunded to SEHK. As at 31 December 2024, 22 trading rights totalling \$1,100,000 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:

	<b>Unaudited Nine months ended</b>	
	<b>31 Dec 2024 \$'000</b>	<b>31 Dec 2023 \$'000</b>
Balance at the beginning of the nine-month period	50,050	52,150
Add: new trading rights issued	–	200
Less: relinquished trading rights refunded	(2,600)	(2,300)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	550	400
Balance at the end of the nine-month period	48,000	50,450

#### 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 nine months ended 31 December 2024 and 2023.