

# Securities and Futures Commission

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

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

Note	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000	Unaudited Three months ended 31 December 2016 \$'000	Unaudited Three months ended 31 December 2015 \$'000
<b>Income</b>				
Levies	744,321	1,210,529	242,102	274,798
Fees and charges	105,992	100,581	37,900	30,058
Investment income	91,901	6,455	3,696	41,714
Less : custody and advisory expenses	(4,220)	(2,636)	(1,537)	(851)
Investment income net of third party expenses	87,681	3,819	2,159	40,863
Recoveries from the Investor Compensation Fund	4,133	4,015	1,353	1,328
Other income	452	1,372	11	536
	942,579	1,320,316	283,525	347,583
<b>Expenses</b>				
Staff costs and directors' emoluments 8(b)	903,634	824,848	301,679	275,077
Premises				
Rent	156,333	151,544	52,411	50,518
Rates, management fees and others	37,305	34,529	12,474	11,616
Other expenses	137,692	123,799	51,486	65,647
Depreciation	33,485	36,835	12,140	13,216
	1,268,449	1,171,555	430,190	416,074
<b>(Deficit)/surplus and total comprehensive income for the period</b>	<b>(325,870)</b>	148,761	(146,665)	(68,491)

The notes on pages 26 to 28 form part of the condensed consolidated financial statements.

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## Condensed consolidated statement of financial position

At 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 December 2016 \$'000	Audited At 31 March 2016 \$'000
<b>Non-current assets</b>			
Fixed assets		63,968	73,247
Held-to-maturity debt securities	2	–	30,009
		<b>63,968</b>	103,256
<b>Current assets</b>			
Held-to-maturity debt securities	2	30,004	461,781
Financial assets designated at fair value through profit or loss			
Debt securities		755,432	–
Pooled funds		850,908	654,585
Debtors, deposits and prepayments		129,594	122,458
Fixed deposits with banks		5,356,065	6,066,032
Cash at bank and in hand		39,620	25,649
		<b>7,161,623</b>	7,330,505
<b>Current liabilities</b>			
Fees received in advance		7,640	8,405
Creditors and accrued charges		234,859	121,969
		<b>242,499</b>	130,374
<b>Net current assets</b>		<b>6,919,124</b>	7,200,131
<b>Total assets less current liabilities</b>		<b>6,983,092</b>	7,303,387
<b>Non-current liabilities</b>	4	<b>31,422</b>	25,847
<b>Net assets</b>		<b>6,951,670</b>	7,277,540
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition	10	3,000,000	–
Accumulated surplus		3,908,830	7,234,700
		<b>6,951,670</b>	7,277,540

The notes on pages 26 to 28 form part of the condensed consolidated financial statements.

## Condensed statement of financial position

At 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 December 2016 \$'000	Audited At 31 March 2016 \$'000
<b>Non-current assets</b>			
Fixed assets		63,619	72,701
Held-to-maturity debt securities	2	–	30,009
		<b>63,619</b>	102,710
<b>Current assets</b>			
Held-to-maturity debt securities	2	30,004	461,781
Financial assets designated at fair value through profit or loss			
Debt securities		755,432	–
Pooled funds		850,908	654,585
Debtors, deposits and prepayments		144,230	134,872
Fixed deposits with banks		5,356,065	6,066,032
Cash at bank and in hand		18,827	5,058
		<b>7,155,466</b>	7,322,328
<b>Current liabilities</b>			
Fees received in advance		7,640	8,405
Creditors and accrued charges		228,353	113,246
		<b>235,993</b>	121,651
<b>Net current assets</b>			
		<b>6,919,473</b>	7,200,677
<b>Total assets less current liabilities</b>			
		<b>6,983,092</b>	7,303,387
<b>Non-current liabilities</b>			
	4	31,422	25,847
<b>Net assets</b>			
		<b>6,951,670</b>	7,277,540
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition	10	3,000,000	–
Accumulated surplus		3,908,830	7,234,700
		<b>6,951,670</b>	7,277,540

The notes on pages 26 to 28 form part of the condensed consolidated financial statements.

## Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

	Unaudited Initial funding by Government \$'000	Unaudited Reserve for property acquisition \$'000	Unaudited Accumulated surplus \$'000	Unaudited Total \$'000
Balance at 1 April 2015	42,840	–	7,198,353	7,241,193
Surplus and total comprehensive income for the period	–	–	148,761	148,761
Balance at 31 December 2015	42,840	–	7,347,114	7,389,954
Balance at 1 April 2016	42,840	–	7,234,700	7,277,540
Transfer to reserve for property acquisition	–	–	(3,000,000)	(3,000,000)
Reserve for property acquisition	–	3,000,000	–	3,000,000
Loss and total comprehensive income for the period	–	–	(325,870)	(325,870)
Balance at 31 December 2016	42,840	3,000,000	3,908,830	6,951,670

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The notes on pages 26 to 28 form part of the condensed consolidated financial statements.

## Condensed consolidated statement of cash flows

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

Note	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000
<b>Cash flows from operating activities</b>		
(Deficit)/surplus for the period	(325,870)	148,761
Adjustments for:		
Depreciation	33,281	36,835
Investment income	(91,901)	(6,455)
Exchange difference	1,819	539
Loss on disposal of fixed assets	7	11
	(382,664)	179,691
Decrease in debtors, deposits and prepayments	453	22,400
Increase in creditors and accrued charges	112,890	134,338
Decrease in fees received in advance	(765)	(1,420)
Increase in non-current liabilities	5,575	3,492
Net cash (used in)/generated from operating activities	(264,511)	338,501
<b>Cash flows from investing activities</b>		
Increase in fixed deposits other than cash and cash equivalents	(636,644)	(1,792,487)
Interest received	49,951	54,703
Held-to-maturity debt securities redeemed at maturity	460,553	380,305
Debt securities purchased	(1,267,501)	–
Debt securities sold	502,830	–
Pooled funds purchased	(155,133)	–
Pooled funds sold	1,824	1,909
Fixed assets purchased	(24,009)	(22,403)
Net cash used in investing activities	(1,068,129)	(1,377,973)
<b>Net decrease in cash and cash equivalents</b>	<b>(1,332,640)</b>	<b>(1,039,472)</b>
<b>Cash and cash equivalents at beginning of the nine-month period</b>	<b>1,522,116</b>	<b>2,104,324</b>
<b>Cash and cash equivalents at end of the nine-month period</b>	<b>189,476</b>	<b>1,064,852</b>

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

	Unaudited At 31 December 2016 \$'000	Unaudited At 31 December 2015 \$'000
Fixed deposits with banks	149,856	1,048,302
Cash at bank and in hand	39,620	16,550
	189,476	1,064,852

The notes on pages 26 to 28 form part of the condensed consolidated financial statements.

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

We have prepared the condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants (HKICPA).

This condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the SFC since the annual financial statements for the year ended 31 March 2016. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The condensed consolidated interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2016 included in this report does not constitute the SFC's statutory annual financial statements for that financial year but is derived from those financial statements.

We consolidated the financial results of the Investor Compensation Company Limited (ICC) and Investor Education Centre (IEC) in the SFC's condensed financial statements made up to 31 December 2016. We eliminated all material intragroup 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 2016 to the condensed interim financial information.

There were no significant changes in the operations of the SFC for the nine months ended 31 December 2016.

### 2. Held-to-maturity debt securities

As of 31 December 2016, the total carrying cost of held-to-maturity debt securities amounted to \$30,004,000 (at 31 March 2016: \$491,790,000), with a market value of \$29,984,000 (at 31 March 2016: \$492,756,000).

### 3. Cash and cash equivalents

Reconciliation with the condensed consolidated statement of financial position

	<b>Unaudited At 31 December 2016 \$'000</b>	<b>Audited At 31 March 2016 \$'000</b>
Cash at bank and in hand	39,620	25,649
Fixed deposits with banks	5,356,065	6,066,032
Amounts shown in the condensed consolidated statement of financial position	5,395,685	6,091,681
Less : Amounts with an original maturity of beyond three months	(5,206,209)	(4,569,565)
Cash and cash equivalents in the condensed consolidated statement of cash flows	189,476	1,522,116

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 4. Non-current liabilities

Non-current liabilities represent deferred lease incentives and provision for premises reinstatement cost. Deferred lease incentives consist of incentives granted by our landlord in connection with the lease of our office premises. We recognise the deferred lease incentives in our condensed consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease period ranging from 2015 to 2017 as an integral part of rental expense.

### 5. Ageing analysis of debtors and creditors

There was no material overdue debtor balance and creditor balance included in "debtors, deposits and prepayments" and "creditors and accrued charges" respectively as at 31 December 2016. Therefore we do not provide an ageing analysis of debtors and creditors.

### 6. Exchange fluctuation

The SFC's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars, US dollars and renminbi. Exposure in renminbi should not exceed 5% of the investment portfolio. As the majority of the financial assets are denominated in either US dollars or Hong Kong dollars which are closely pegged, we do not consider we are exposed to significant exchange rate risk.

### 7. Investment in subsidiaries

The SFC formed the ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the IEC 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 IEC 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 2016, the investment in subsidiaries, which is stated at cost less any impairment losses, amounted to \$0.2 (at 31 March 2016: \$0.2). The balance is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

The financial statements of the ICC and IEC are included in the condensed consolidated financial statements.

### 8. Related party transactions

We have related party relationships with the ICF, the Unified Exchange Compensation Fund, the Securities Ordinance (Chapter 333) - Dealers' Deposits Fund, the Commodities Trading Ordinance (Chapter 250) - Dealers' Deposits Fund and the Securities Ordinance (Chapter 333) - Securities Margin Financiers' Security Fund. In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions :

- (a) During the period, we received reimbursement from the ICF for all the ICC's expenses amounting to \$4,133,000 (2015: \$4,015,000), which is in accordance with section 242(1) of the SFO. As at 31 December 2016, the amount due to the ICF from the ICC was \$334,000 (at 31 March 2016: \$73,000).

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 8. Related party transactions (cont'd)

(b) Remuneration of key management personnel comprised:

	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000
Directors' fees and salaries, allowances and benefits in kind	23,354	23,109
Retirement scheme contributions	2,092	2,102
	<b>25,446</b>	25,211

The total remuneration is included in "staff costs and directors' emoluments" on page 21. 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.

### 9. Commitment to pay rents for offices

At 31 December 2016 the minimum amount we are committed to pay in rent for our offices up to 31 August 2020, being the rent review date as set out in the lease agreements, are as follows:

	Unaudited At 31 December 2016 \$'000	Audited At 31 March 2016 \$'000
Payable next year	209,707	208,294
Payable in one to five years	527,048	87,619
Payable in more than five years	-	-
	<b>736,755</b>	295,913

During the period, \$156,333,000 net of lease incentives, was recognised as an expense in the condensed consolidated statement of profit or loss and other comprehensive income in respect of operating leases (2015: \$151,544,000).

### 10. Funding and reserve management

During the period, the SFC has earmarked \$3 billion from its accumulated surplus to set up a reserve for the possible future acquisition of office premises. The SFC's investment holdings and available cash balances will be used to support this reserve.

# Investor Compensation Fund

## Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the nine months ended 31 December 2016.

### Establishment of the Investor Compensation Fund

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

### Financial statements

The financial performance of the Fund for the reporting period ended 31 December 2016 and the financial position of the Fund as at that date are set out in the financial statements on pages 30 to 35.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 2016 and up to the date of this report were:

Mr Keith Lui	(Chairman)
Ms Teresa Ko Yuk-yin, JP	
Mr Lee Kwok Keung	
Mr Thomas Allan Atkinson	(appointed on 28 September 2016)

### Interests in contracts

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

On behalf of the Committee

**Keith Lui**  
Chairman

17 February 2017

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

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

Note	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000	Unaudited Three months ended 31 December 2016 \$'000	Unaudited Three months ended 31 December 2015 \$'000
<b>Income</b>				
Net investment income/(loss)	26,092	(18,743)	(28,438)	10,672
Exchange difference	(736)	(571)	(576)	18
Recovery income	1	–	1	–
	<b>25,357</b>	<b>(19,314)</b>	<b>(29,013)</b>	<b>10,690</b>
<b>Expenses</b>				
Investor Compensation Company Limited expenses	2 4,133	4,015	1,353	1,327
Compensation expenses/(write-backs)	3 6	5,636	11	(3,800)
Auditor's remuneration	98	93	33	31
Bank charges	727	709	245	235
Professional fees	2,908	2,850	964	922
	<b>7,872</b>	<b>13,303</b>	<b>2,606</b>	<b>(1,285)</b>
<b>Surplus/(loss) and total comprehensive income for the period</b>	<b>17,485</b>	<b>(32,617)</b>	<b>(31,619)</b>	<b>11,975</b>

The notes on pages 34 to 35 form part of the condensed financial statements.

## Condensed statement of financial position

At 31 December 2016 (Expressed in Hong Kong dollars)

Note	Unaudited At 31 December 2016 \$'000	Audited At 31 March 2016 \$'000
<b>Current assets</b>		
Financial assets designated at fair value through profit or loss		
	<b>1,910,861</b>	1,866,404
	<b>293,676</b>	282,860
	<b>12,756</b>	13,367
	<b>334</b>	73
	<b>9,195</b>	7,788
	<b>3,325</b>	43,175
	<b>2,230,147</b>	2,213,667
<b>Current liabilities</b>		
3	<b>339</b>	1,412
	<b>1,444</b>	1,376
	<b>1,783</b>	2,788
<b>Net current assets</b>		
	<b>2,228,364</b>	2,210,879
<b>Net assets</b>		
	<b>2,228,364</b>	2,210,879
Representing:		
<b>Compensation fund</b>		
	<b>994,718</b>	994,718
	<b>108,923</b>	108,923
	<b>1,124,723</b>	1,107,238
	<b>2,228,364</b>	2,210,879

The notes on pages 34 to 35 form part of the condensed financial statements.

## Condensed statement of changes in equity

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

	Unaudited Contributions from Unified Exchange Compensation Fund \$'000	Unaudited Contributions from Commodity Exchange Compensation Fund \$'000	Unaudited Accumulated surplus \$'000	Unaudited Total \$'000
Balance at 1 April 2015	994,718	108,923	1,111,180	2,214,821
Loss and total comprehensive income for the period	–	–	(32,617)	(32,617)
Balance at 31 December 2015	994,718	108,923	1,078,563	2,182,204
Balance at 1 April 2016	994,718	108,923	1,107,238	2,210,879
Surplus and total comprehensive income for the period	–	–	17,485	17,485
Balance at 31 December 2016	994,718	108,923	1,124,723	2,228,364

The notes on pages 34 to 35 form part of the condensed financial statements.

## Condensed statement of cash flows

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000
<b>Cash flows from operating activities</b>		
Surplus/(loss) for the period	17,485	(32,617)
Adjustments for:		
Net investment (income)/loss	(26,092)	18,743
Exchange difference	736	571
	(7,871)	(13,303)
Increase in amount due from Investor Compensation Company Limited	(261)	(102)
Decrease in provision for compensation	(1,073)	(25,729)
Increase/(decrease) in creditors and accrued charges	68	(17)
Net cash used in operating activities	(9,137)	(39,151)
<b>Cash flows from investing activities</b>		
Increase in fixed deposits other than cash and cash equivalents	–	(3,035)
Purchase of debt securities	(407,885)	(440,175)
Sale or maturity of debt securities	341,989	397,362
Sale of equity securities	1,081	1,107
Interest received	35,509	36,619
Net cash used in investing activities	(29,306)	(8,122)
<b>Net decrease in cash and cash equivalents</b>	<b>(38,443)</b>	<b>(47,273)</b>
<b>Cash and cash equivalents at beginning of the nine-month period</b>	<b>50,963</b>	<b>54,045</b>
<b>Cash and cash equivalents at end of the nine-month period</b>	<b>12,520</b>	<b>6,772</b>

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

	Unaudited At 31 December 2016 \$'000	Unaudited At 31 December 2015 \$'000
Fixed deposits with banks	9,195	4,411
Cash at bank	3,325	2,361
	<b>12,520</b>	<b>6,772</b>

The notes on pages 34 to 35 form part of the condensed financial statements.

## Notes to the condensed financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

The Fund has prepared the condensed interim financial information in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants (HKICPA).

This condensed 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 financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2016. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The condensed interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2016 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2016 to the condensed interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2016.

### 2. Investor Compensation Company Limited expenses

The Securities and Futures Commission (SFC) formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation to investors and other functions under Part III and Part XII of the Securities and Futures Ordinance (SFO). The Fund is responsible for funding the establishment and operation of the ICC. For the nine months ended 31 December 2016, the ICC incurred \$4,133,000 for its operations (for the nine months ended 31 December 2015: \$4,015,000).

### 3. Provision for compensation

	\$'000
Balance as at 1 April 2015	43,808
Add: compensation expenses during the year ended 31 March 2016	11,142
Less: compensation write-backs during the year ended 31 March 2016	(3,801)
Less: compensation paid during the year ended 31 March 2016	(49,737)
Balance as at 31 March 2016 and 1 April 2016	1,412
Add: compensation expenses during the nine months ended 31 December 2016	300
Less: compensation write-backs during the nine months ended 31 December 2016	(294)
Less: compensation paid during the nine months ended 31 December 2016	(1,079)
Balance as at 31 December 2016	339

As at 31 December 2016, the provision for compensation relates to a number of claims received in respect of two default cases. The maximum liability of the Fund to claims for these cases are set at \$150,000 per claimant. The provision for compensation at 31 December 2016 was \$339,000 (31 March 2016: \$1,412,000). As at 31 December 2016, all provisions were expected to be paid within one year.

## Notes to the condensed financial statements

For the Nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 4. Material related party transactions

We have related party relationships with the SFC, the ICC and the Unified Exchange Compensation Fund. There were no significant related party transactions other than those disclosed in the condensed interim financial information of the Fund for the nine months ended 31 December 2015 and 2016.

### 5. Contingent liabilities

As at the date of this report, in addition to the provision made as described in note 3, there are other claims received for which currently there is insufficient information to determine the likely level of payment. The maximum liability of these claims is \$3,008,000 (31 March 2016: \$2,619,000). This is determined based on the lower of the maximum compensation limit of \$150,000 per claimant or the amount claimed.

# Unified Exchange Compensation Fund

## Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the nine months ended 31 December 2016.

### 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 on 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 2016, the Fund transferred \$994,718,000 to the ICF. After settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission (SFC) will eventually transfer the remaining balance of the Fund to the ICF.

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

### Financial statements

The financial performance of the Fund for the reporting period ended 31 December 2016 and the financial position of the Fund as at that date are set out in the financial statements on pages 37 to 42.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 2016 and up to the date of this report were:

Mr Keith Lui	(Chairman)
Ms Mak Po Shuen	
Ms Teresa Ko Yuk-yin, JP	
Mr Lee Kwok Keung	
Mr Thomas Allan Atkinson	(appointed on 28 September 2016)

### 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 nine months.

On behalf of the Committee

**Keith Lui**  
Chairman

13 February 2017

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

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

Note	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000	Unaudited Three months ended 31 December 2016 \$'000	Unaudited Three months ended 31 December 2015 \$'000
<b>Income</b>				
Interest income	375	389	129	118
<b>Expenses</b>				
Recoveries re-distributed	1,152	–	–	–
Auditor's remuneration	41	39	14	13
Professional fees	19	18	–	–
Sundry expenses	3	–	–	–
	<b>1,215</b>	57	14	13
<b>(Loss)/surplus and total comprehensive income for the period</b>	<b>(840)</b>	332	115	105

The notes on pages 41 to 42 form part of the condensed financial statements.

## Condensed statement of financial position

At 31 December 2016 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 December 2016 \$'000	Audited At 31 March 2016 \$'000
<b>Current assets</b>			
Equity securities received under subrogation	2	1	1
Interest receivable		58	59
Fixed deposits with banks		83,303	82,179
Cash at bank		93	278
		<b>83,455</b>	82,517
<b>Current liabilities</b>			
Relinquished trading rights payable to SEHK	4	600	800
Creditors and accrued charges		10,784	10,306
		<b>11,384</b>	11,106
<b>Net current assets</b>			
		<b>72,071</b>	71,411
<b>Net assets</b>			
		<b>72,071</b>	71,411
Representing:			
<b>Compensation fund</b>			
Contributions from SEHK	4	50,550	49,050
Excess transaction levy from SEHK		353,787	353,787
Special contribution		3,500	3,500
Additional contribution from SEHK		300,000	300,000
Additional contribution from the SFC		330,000	330,000
Special levy surplus		3,002	3,002
Accumulated surplus		25,950	26,790
		<b>1,066,789</b>	1,066,129
Contributions to the Investor Compensation Fund		(994,718)	(994,718)
		<b>72,071</b>	71,411

The notes on pages 41 to 42 form part of the condensed financial statements.

## Condensed statement of changes in equity

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

	Unaudited Contributions from SEHK \$'000	Unaudited Excess transaction levy from SEHK \$'000	Unaudited Special contributions and special levy surplus \$'000	Unaudited Additional contributions from SEHK and the SFC \$'000	Unaudited Accumulated surplus \$'000	Unaudited Contributions to Investor Compensation Fund \$'000	Unaudited Total \$'000
Balance at 1 April 2015	48,100	353,787	6,502	630,000	26,342	(994,718)	70,013
Net contributions from SEHK	650	-	-	-	-	-	650
Surplus and total comprehensive income for the period	-	-	-	-	332	-	332
Balance at 31 December 2015	48,750	353,787	6,502	630,000	26,674	(994,718)	70,995
Balance at 1 April 2016	49,050	353,787	6,502	630,000	26,790	(994,718)	71,411
Net contributions from SEHK	1,500	-	-	-	-	-	1,500
Loss and total comprehensive income for the period	-	-	-	-	(840)	-	(840)
Balance at 31 December 2016	50,550	353,787	6,502	630,000	25,950	(994,718)	72,071

The notes on pages 41 to 42 form part of the condensed financial statements.

## Condensed statement of cash flows

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended 31 December 2016 \$'000	Unaudited Nine months ended 31 December 2015 \$'000
<b>Cash flows from operating activities</b>		
(Loss)/surplus for the period	(840)	332
Adjustments for:		
Interest income	(375)	(389)
	(1,215)	(57)
Decrease in relinquished trading rights payable to SEHK	(200)	(1,150)
Increase/(decrease) in creditors and accrued charges	478	(11)
Net cash used in operating activities	(937)	(1,218)
<b>Cash flows from investing activities</b>		
Increase in fixed deposits other than cash and cash equivalents	–	(28,074)
Interest received	376	397
Net cash generated from/(used in) investing activities	376	(27,677)
<b>Cash flows from financing activities</b>		
Net contributions from SEHK	1,500	650
Net cash generated from financing activities	1,500	650
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>939</b>	<b>(28,245)</b>
<b>Cash and cash equivalents at beginning of the nine-month period</b>	<b>82,457</b>	<b>82,357</b>
<b>Cash and cash equivalents at end of the nine-month period</b>	<b>83,396</b>	<b>54,112</b>

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

	Unaudited At 31 December 2016 \$'000	Unaudited At 31 December 2015 \$'000
Fixed deposits with banks	83,303	53,988
Cash at bank	93	124
	<b>83,396</b>	<b>54,112</b>

The notes on pages 41 to 42 form part of the condensed financial statements.

## Notes to the condensed financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

The Fund has prepared the condensed interim financial information in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants (HKICPA). As the Fund will eventually cease operation as a result of the Securities and Futures Ordinance (SFO) which came into effect from 1 April 2003, the Fund has prepared the condensed 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.

This condensed 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 financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2016. The condensed interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The condensed interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2016 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2016 to this condensed interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2016.

### 2. Equity securities received under subrogation

In relation to the share distribution from C.A. Pacific Securities Ltd. and C.A. Pacific Finance Ltd., the liquidators had advised the SFC that shares were allocated to the Fund under its subrogation rights, subject to paying a processing fee to the liquidators. The Fund recognised as recoveries the payments from liquidators, the sale proceeds of shares allocated and the remaining shares at market value as of 31 December 2016 after deducting relevant processing fees and charges for collecting and selling the shares received.

The shares allocated to the Fund under its subrogation rights are classified as designated at fair value through profit and loss securities in accordance with the determination in HKAS 39, *Financial Instruments: Recognition and measurement*. According to HKFRS 13, *Fair value measurement*, these subrogated shares shall be classified as level 1 financial instruments as they all have quoted market price (unadjusted) in an active market for an identical instrument. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in "Recoveries". Dividend income, if any, is also recognised in "Recoveries".

### 3. Recoveries re-distributed

The Fund received recoveries by virtue of the SFC's subrogation rights in respect of claimants who received compensation payments from the Fund. On 17 May 2016, the Securities Compensation Fund Committee of the SFC decided to return the excess amount and relevant interest amount totalled to \$1,152,000 to some of the claimants of the C.A. Pacific case. The excess amount for each claimant represents the excess of total recovered amount from the liquidators over the compensation amount paid to the claimant.

## Notes to the condensed financial statements

For the nine months ended 31 December 2016 (Expressed in Hong Kong dollars)

### 4. Contributions 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 Fund in respect of each trading right at the rate of \$50,000 per trading right. 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-month period, deposits of \$1,700,000 in respect of 34 new trading rights were received from SEHK and deposits of \$400,000 in respect of eight trading rights were refunded to SEHK.

At 31 December 2016, there were 12 trading rights for \$600,000 in total that have been relinquished but not yet refunded (at 31 March 2016: 16). The net contributions from SEHK at 31 December 2016, excluding the relinquished trading rights payable, amounted to \$50,550,000 (at 31 March 2016: \$49,050,000).

### 5. Material related party transactions

We have related party relationships with the Investor Compensation Fund and the SFC. There were no significant related party transactions other than those disclosed in the condensed interim financial information of the Fund for the nine months ended 31 December 2015 and 2016.

### 6. Contingent liabilities

As at the date of this report, there is no outstanding claim against the Fund.

In relation to the default cases, any excess of recovered amounts (refer to note 2) will be re-distributed to claimants. As the timing of re-distribution and amount of these potential excess amounts are uncertain at the date of this report, we disclose this as a contingent liability.