

# Securities and Futures Commission

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

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Income</b>		
Levies	272,269	238,456
Fees and charges	40,854	34,079
Investment income	99,728	13,918
Less: custody and advisory expenses	(1,824)	(1,195)
Investment income net of third party expenses	97,904	12,723
Recoveries from the Investor Compensation Fund	1,450	1,390
Other income	13,139	156
	<b>425,616</b>	286,804
<b>Expenses</b>		
Staff costs and directors' emoluments	317,023	296,983
Premises		
Rent	52,630	51,511
Rates, management fees and others	12,700	12,251
Other expenses	34,391	44,000
Depreciation	6,938	10,684
	<b>423,682</b>	415,429
<b>Surplus/(loss) and total comprehensive income for the quarter</b>	<b>1,934</b>	(128,625)

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The notes on pages 28 to 30 form part of the condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of financial position

At 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 June 2017 \$'000	Audited at 31 March 2017 \$'000
<b>Non-current assets</b>			
Fixed assets		62,649	63,455
<b>Current assets</b>			
Held-to-maturity debt securities		30,001	30,003
Financial assets designated at fair value through profit or loss			
Debt securities		753,914	716,403
Pooled funds		1,023,656	941,911
Debtors, deposits and prepayments		176,590	158,450
Fixed deposits with banks	2	5,025,129	5,107,808
Cash at bank and in hand	2	38,605	75,462
		7,047,895	7,030,037
<b>Current liabilities</b>			
Fees received in advance		8,524	9,210
Creditors and accrued charges		140,622	128,218
		149,146	137,428
<b>Net current assets</b>		6,898,749	6,892,609
<b>Total assets less current liabilities</b>		6,961,398	6,956,064
<b>Non-current liabilities</b>	3	37,564	34,164
<b>Net assets</b>		6,923,834	6,921,900
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,880,994	3,879,060
		6,923,834	6,921,900

The notes on pages 28 to 30 form part of the condensed consolidated financial statements.

## Securities and Futures Commission

### Consolidated statement of financial position

At 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 June 2017 \$'000	Audited at 31 March 2017 \$'000
<b>Non-current assets</b>			
Fixed assets		62,424	63,167
<b>Current assets</b>			
Held-to-maturity debt securities		30,001	30,003
Financial assets designated at fair value through profit or loss			
Debt securities		753,914	716,403
Pooled funds		1,023,656	941,911
Debtors, deposits and prepayments		180,375	158,516
Fixed deposits with banks		5,025,129	5,107,808
Cash at bank and in hand		31,180	71,262
		7,044,255	7,025,903
<b>Current liabilities</b>			
Fees received in advance		8,524	9,210
Creditors and accrued charges		136,757	123,796
		145,281	133,006
<b>Net current assets</b>		6,898,974	6,892,897
<b>Total assets less current liabilities</b>		6,961,398	6,956,064
<b>Non-current liabilities</b>	3	37,564	34,164
<b>Net assets</b>		6,923,834	6,921,900
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,880,994	3,879,060
		6,923,834	6,921,900

The notes on pages 28 to 30 form part of the condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
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)	–
Loss and total comprehensive income for the quarter	–	–	(128,625)	(128,625)
Balance at 30 June 2016	<b>42,840</b>	<b>3,000,000</b>	<b>4,106,075</b>	<b>7,148,915</b>
Balance at 1 April 2017	<b>42,840</b>	<b>3,000,000</b>	<b>3,879,060</b>	<b>6,921,900</b>
Surplus and total comprehensive income for the quarter	–	–	<b>1,934</b>	<b>1,934</b>
Balance at 30 June 2017	<b>42,840</b>	<b>3,000,000</b>	<b>3,880,994</b>	<b>6,923,834</b>

The notes on pages 28 to 30 form part of the condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of cash flows

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(loss) and total comprehensive income for the quarter		1,934	(128,625)
Adjustments for:			
Depreciation		6,938	10,684
Investment income		(99,728)	(13,918)
Exchange difference		(7,793)	(174)
Loss on disposal of fixed assets		–	7
		(98,649)	(132,026)
Increase in debtors, deposits and prepayments		(16,990)	(22,104)
Increase in creditors and accrued charges		12,404	43,293
Decrease in fees received in advance		(686)	(56)
Increase in non-current liabilities		3,400	1,247
<i>Net cash used in operating activities</i>		(100,521)	(109,646)
<b>Cash flows from investing activities</b>			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		54,835	(309,385)
Interest received		19,950	15,861
Debt securities designated at fair value through profit or loss purchased		(159,335)	(945,156)
Debt securities designated at fair value through profit or loss sold or redeemed		125,684	175,898
Pooled funds sold		818	562
Fixed assets purchased		(6,132)	(6,734)
<i>Net cash generated from/(used in) investing activities</i>		35,820	(1,068,954)
<b>Net decrease in cash and cash equivalents</b>		(64,701)	(1,178,600)
<b>Cash and cash equivalents at beginning of the quarter</b>		676,727	1,522,116
<b>Cash and cash equivalents at end of the quarter</b>	2	612,026	343,516

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

	Unaudited at 30 June 2017 \$'000	Unaudited at 30 June 2016 \$'000
Fixed deposits with banks	573,421	324,083
Cash at bank and in hand	38,605	19,433
	612,026	343,516

The notes on pages 28 to 30 form part of the condensed consolidated financial statements.

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2017 (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 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

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 Securities and Futures Commission (SFC) since the annual financial statements for the year ended 31 March 2017. 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.

The condensed consolidated interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2017 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 30 June 2017. 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 2017 to the condensed consolidated interim financial information.

There were no significant changes in the operations of the SFC for the quarter ended 30 June 2017.

#### 2. Cash and cash equivalents

Reconciliation with the condensed consolidated statement of financial position

	Unaudited at 30 June 2017 \$'000	Audited at 31 March 2017 \$'000
Cash at bank and in hand	38,605	75,462
Fixed deposits with banks	5,025,129	5,107,808
Amounts shown in the condensed consolidated statement of financial position	5,063,734	5,183,270
Less : Amounts with an original maturity of beyond three months	(4,451,708)	(4,506,543)
Cash and cash equivalents in the condensed consolidated statement of cash flows	612,026	676,727

#### 3. 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 statement of profit or loss and other comprehensive income on a straight line basis over the lease period ranging from 2017 to 2020 as an integral part of the lease expense.

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

#### 4. 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 30 June 2017. Therefore we do not provide an ageing analysis of debtors and creditors.

#### 5. 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 foreign exchange risk.

#### 6. Investments in subsidiaries

The SFC formed ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched 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 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 IEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 30 June 2017, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (31 March 2017: \$0.2). The balance is too small to appear on the statement of financial position which is expressed in thousands of dollars.

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

#### 7. 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 quarter, we received reimbursement from the ICF for all ICC's expenses amounting to \$1,450,000 (2016: \$1,390,000), in accordance with section 242(1) of the SFO. As at 30 June 2017, the amount due to the ICF from ICC was \$516,000 (31 March 2017: \$75,000).

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

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

(b) Remuneration of key management personnel comprised:

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
Directors' fees and salaries, allowances and benefits in kind	8,060	7,586
Retirement scheme contributions	736	654
	<b>8,796</b>	8,240

The total remuneration is included in "staff costs and directors' emoluments" on page 23. 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.

#### 8. Commitment to pay rents for offices

At 30 June 2017 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, is as follows :

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
Payable next year	202,778	205,077
Payable in one to five years	434,235	477,534
Payable in more than five years	-	-
	<b>637,013</b>	682,611

During the quarter, \$52,630,000 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 (2016: \$51,511,000).



# 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 quarter ended 30 June 2017.

### 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 30 June 2017 and the financial position of the Fund's affairs as at that date are set out in the unaudited condensed financial statements on pages 32 to 37.

### Members of the Committee

The members of the Committee during the quarter ended 30 June 2017 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

### 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 quarter.

On behalf of the Committee

**Keith Lui**  
 Chairman

15 August 2017

## Investor Compensation Fund

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

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Income</b>			
Net investment income		30,226	23,729
Exchange difference		7,503	258
		<b>37,729</b>	23,987
<b>Expenses</b>			
Investor Compensation Company Limited expenses	2	1,450	1,390
Compensation expenses	3	–	289
Auditor's remuneration		34	33
Bank charges		236	235
Professional fees		1,059	974
		<b>2,779</b>	2,921
<b>Surplus and total comprehensive income for the quarter</b>		<b>34,950</b>	21,066

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The notes on pages 36 and 37 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of financial position

At 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 June 2017 \$'000	Audited at 31 March 2017 \$'000
<b>Current assets</b>			
Financial assets designated at fair value through profit or loss			
Debt securities		<b>1,883,375</b>	1,893,248
Pooled fund		<b>347,718</b>	330,386
Interest receivable		<b>13,946</b>	13,651
Due from Investor Compensation Company Limited		<b>516</b>	75
Fixed deposits with banks		<b>70,298</b>	26,201
Cash at bank		<b>1,405</b>	18,770
		<b>2,317,258</b>	2,282,331
<b>Current liabilities</b>			
Provision for compensation	3	<b>326</b>	476
Creditors and accrued charges		<b>1,576</b>	1,449
		<b>1,902</b>	1,925
<b>Net current assets</b>		<b>2,315,356</b>	2,280,406
<b>Net assets</b>		<b>2,315,356</b>	2,280,406
Representing:			
<b>Compensation fund</b>			
Contributions from Unified Exchange Compensation Fund		<b>994,718</b>	994,718
Contributions from Commodity Exchange Compensation Fund		<b>108,923</b>	108,923
Accumulated surplus		<b>1,211,715</b>	1,176,765
		<b>2,315,356</b>	2,280,406

The notes on pages 36 and 37 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of changes in equity

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2016	994,718	108,923	1,107,238	2,210,879
Surplus and total comprehensive income for the quarter	–	–	21,066	21,066
Balance at 30 June 2016	<b>994,718</b>	<b>108,923</b>	<b>1,128,304</b>	<b>2,231,945</b>
Balance at 1 April 2017	<b>994,718</b>	<b>108,923</b>	<b>1,176,765</b>	<b>2,280,406</b>
Surplus and total comprehensive income for the quarter	–	–	<b>34,950</b>	<b>34,950</b>
Balance at 30 June 2017	<b>994,718</b>	<b>108,923</b>	<b>1,211,715</b>	<b>2,315,356</b>

The notes on pages 36 and 37 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of cash flows

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>		
Surplus for the quarter	34,950	21,066
Adjustments for:		
Net investment income	(30,226)	(23,729)
Exchange difference	(7,503)	(258)
	(2,779)	(2,921)
Increase in amount due from Investor Compensation Company Limited	(441)	(490)
(Decrease)/ increase in provision for compensation	(150)	289
Increase in creditors and accrued charges	127	104
<i>Net cash used in operating activities</i>	<b>(3,243)</b>	(3,018)
<b>Cash flows from investing activities</b>		
Debt securities purchased	(255,998)	(119,283)
Debt securities sold or redeemed	273,651	80,243
Equity securities sold	399	335
Interest received	11,923	12,782
<i>Net cash generated from/(used in) investing activities</i>	<b>29,975</b>	(25,923)
Net increase/(decrease) in cash and cash equivalents	<b>26,732</b>	(28,941)
Cash and cash equivalents at beginning of the quarter	44,971	50,963
<b>Cash and cash equivalents at end of the quarter</b>	<b>71,703</b>	22,022

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

	Unaudited at 30 June 2017 \$'000	Unaudited at 30 June 2016 \$'000
Fixed deposits with banks	70,298	5,980
Cash at bank	1,405	16,042
	<b>71,703</b>	22,022

The notes on pages 36 and 37 form part of the condensed financial statements.

## Investor Compensation Fund

### Notes to the condensed financial statements

For the quarter ended 30 June 2017 (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 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

The 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 2017. 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.

The condensed interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2017 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 2017 to this condensed interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2017.

#### 2. Investor Compensation Company Limited expenses

The 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. The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2017, the ICC incurred \$1,450,000 for its operation (for the quarter ended 30 June 2016: \$1,390,000).

#### 3. Provision for compensation

	\$'000
Balance as at 1 April 2016	1,412
Add: compensation expenses during the year ended 31 March 2017	476
Less: compensation write-backs during the year ended 31 March 2017	(294)
Less: compensation paid during the year ended 31 March 2017	(1,118)
Balance as at 31 March 2017 and 1 April 2017	476
Less: compensation paid during the three months ended 30 June 2017	(150)
Balance as at 30 June 2017	326

As at 30 June 2017, 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 30 June 2017 was \$326,000 (31 March 2017: \$476,000). As at 30 June 2017, all provisions were expected to be paid within one year.

## Investor Compensation Fund

### Notes to the condensed financial statements

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

#### 4. Material related party transactions

We have related party relationships with the Securities and Futures Commission, 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 quarters ended 30 June 2016 and 2017.

#### 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 \$2,558,000 (31 March 2017: \$2,558,000). 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 quarter ended 30 June 2017.

### 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 30 June 2017, the Fund has transferred \$994,718,000 to the ICF. After settlement of all claims against the Fund and its other liabilities, the 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 30 June 2017 and the financial position of the Fund's affairs as at that date are set out in the unaudited condensed financial statements on pages 39 to 44.

### Members of the Committee

The members of the Committee during the quarter ended 30 June 2017 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

### 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 quarter.

On behalf of the Committee

**Keith Lui**  
Chairman

7 August 2017



## Unified Exchange Compensation Fund

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

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Income</b>		
Interest income	160	126
<b>Expenses</b>		
Recoveries re-distributed	–	1,152
Auditor's remuneration	14	14
Professional fees	10	9
Bank charges	–	3
	<b>24</b>	<b>1,178</b>
<b>Surplus/(loss) and total comprehensive income for the quarter</b>	<b>136</b>	<b>(1,052)</b>

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The notes on pages 43 and 44 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of financial position

At 30 June 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 June 2017 \$'000	Audited at 31 March 2017 \$'000
<b>Current assets</b>			
Equity securities received under subrogation		1	1
Interest receivable		66	77
Fixed deposits with banks		84,341	83,744
Accounts receivable		10	–
Cash at bank		550	332
		<b>84,968</b>	84,154
<b>Current liabilities</b>			
Creditors and accrued charges		10,591	10,663
Relinquished trading rights payable to SEHK	3	800	600
		<b>11,391</b>	11,263
<b>Net current assets</b>			
		<b>73,577</b>	72,891
<b>Net assets</b>			
		<b>73,577</b>	72,891
Representing:			
<b>Compensation fund</b>			
Contributions from SEHK	3	51,750	51,200
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		26,256	26,120
		<b>1,068,295</b>	1,067,609
Contributions to the Investor Compensation Fund		(994,718)	(994,718)
		<b>73,577</b>	72,891

The notes on pages 43 and 44 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Contributions from SEHK \$'000	Excess transaction levy from SEHK \$'000	Special contributions and special levy surplus \$'000	Additional contributions from SEHK and the SFC \$'000	Accumulated surplus \$'000	Contributions to Investor Compensation Fund \$'000	Total \$'000
Balance at 1 April 2016	49,050	353,787	6,502	630,000	26,790	(994,718)	71,411
Net contributions from SEHK	150	-	-	-	-	-	150
Loss and total comprehensive income for the quarter	-	-	-	-	(1,052)	-	(1,052)
Balance at 30 June 2016	49,200	353,787	6,502	630,000	25,738	(994,718)	70,509
Balance at 1 April 2017	<b>51,200</b>	<b>353,787</b>	<b>6,502</b>	<b>630,000</b>	<b>26,120</b>	<b>(994,718)</b>	<b>72,891</b>
Net contributions from SEHK	<b>550</b>	-	-	-	-	-	<b>550</b>
Surplus and total comprehensive income for the quarter	-	-	-	-	<b>136</b>	-	<b>136</b>
Balance at 30 June 2017	<b>51,750</b>	<b>353,787</b>	<b>6,502</b>	<b>630,000</b>	<b>26,256</b>	<b>(994,718)</b>	<b>73,577</b>

The notes on pages 43 and 44 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

	Unaudited quarter ended 30 June 2017 \$'000	Unaudited quarter ended 30 June 2016 \$'000
<b>Cash flows from operating activities</b>		
Surplus/(loss) for the quarter	136	(1,052)
Adjustment for:		
Interest income	(160)	(126)
	(24)	(1,178)
Increase in accounts receivable	(10)	–
(Decrease)/increase in creditors and accrued charges	(72)	26
Increase in relinquished trading rights payable to SEHK	200	200
<i>Net cash generated from/(used in) operating activities</i>	<b>94</b>	(952)
<b>Cash flows from investing activities</b>		
Interest received	171	138
<i>Net cash generated from investing activities</i>	<b>171</b>	138
<b>Cash flows from financing activities</b>		
Net contributions from SEHK	550	150
<i>Net cash generated from financing activities</i>	<b>550</b>	150
Net increase/(decrease) in cash and cash equivalents	<b>815</b>	(664)
Cash and cash equivalents at beginning of the quarter	<b>84,076</b>	82,457
<b>Cash and cash equivalents at end of the quarter</b>	<b>84,891</b>	81,793

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

	Unaudited at 30 June 2017 \$'000	Unaudited at 30 June 2016 \$'000
Fixed deposits with banks	84,341	81,619
Cash at bank	550	174
	<b>84,891</b>	81,793

The notes on pages 43 and 44 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the quarter ended 30 June 2017 (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. As the Fund will eventually cease operation as a result of the Securities and Futures Ordinance 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 2017. 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 2017 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 2017 to this condensed interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2017.

#### 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 Securities and Futures Commission (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 30 June 2017 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. 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 quarter, deposits of \$750,000 in respect of 15 new trading rights were received from SEHK and no trading rights was refunded.

At 30 June 2017, there were 16 trading rights in total of \$800,000 that have been relinquished but not yet refunded (at 31 March 2017: 12). The net contributions from SEHK at 30 June 2017, excluding the relinquished trading rights payable, amounted to \$51,750,000 (at 31 March 2017: \$51,200,000).

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the quarter ended 30 June 2017 (Expressed in Hong Kong dollars)

#### 4. Material related party transactions

The Fund has 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 quarters ended 30 June 2016 and 2017.

#### 5. 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 any future re-distribution and amount of these potential excess amounts are uncertain at the date of this report, we disclose this as a contingent liability.