

# Securities and Futures Commission

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

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Income</b>					
Levies		1,019,101	744,321	390,758	242,102
Fees and charges		120,278	105,992	45,662	37,900
Investment income		271,939	91,901	90,638	3,696
Less : custody and advisory expenses		(5,726)	(4,220)	(1,984)	(1,537)
Investment income net of third party expenses		266,213	87,681	88,654	2,159
Recoveries from the Investor Compensation Fund		4,314	4,133	1,431	1,353
Other income		18,490	452	3,350	11
		1,428,396	942,579	529,855	283,525
<b>Expenses</b>					
Staff costs and directors' emoluments	8(b)	961,033	903,634	318,721	301,679
Premises					
rent		154,209	156,333	49,807	52,411
rates, management fees and others		36,036	37,305	11,147	12,474
Other expenses		136,802	137,692	51,981	51,486
Depreciation		21,810	33,485	7,635	12,140
		1,309,890	1,268,449	439,291	430,190
<b>Surplus / (deficit) and total comprehensive income for the period</b>		118,506	(325,870)	90,564	(146,665)

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

## Securities and Futures Commission

### Condensed consolidated statement of financial position

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
<b>Non-current assets</b>			
Fixed assets		63,598	63,455
Held-to-maturity debt securities	2	878,000	–
		<b>941,598</b>	63,455
<b>Current assets</b>			
Held-to-maturity debt securities	2	–	30,003
Financial assets designated at fair value through profit or loss			
Debt securities		767,066	716,403
Pooled funds		1,053,367	941,911
Debtors, deposits and prepayments		182,935	158,450
Fixed deposits with banks		4,344,250	5,107,808
Cash at bank and in hand		46,676	75,462
		<b>6,394,294</b>	7,030,037
<b>Current liabilities</b>			
Fees received in advance		8,011	9,210
Creditors and accrued charges		247,704	128,218
		<b>255,715</b>	137,428
<b>Net current assets</b>		<b>6,138,579</b>	6,892,609
<b>Total assets less current liabilities</b>		<b>7,080,177</b>	6,956,064
<b>Non-current liabilities</b>	4	<b>39,771</b>	34,164
<b>Net assets</b>		<b>7,040,406</b>	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		3,997,566	3,879,060
		<b>7,040,406</b>	6,921,900

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

## Securities and Futures Commission

### Condensed statement of financial position

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
<b>Non-current assets</b>			
Fixed assets		63,483	63,167
Held-to-maturity debt securities	2	878,000	–
		<b>941,483</b>	63,167
<b>Current assets</b>			
Held-to-maturity debt securities	2	–	30,003
Financial assets designated at fair value through profit or loss			
Debt securities		767,066	716,403
Pooled funds		1,053,367	941,911
Debtors, deposits and prepayments		189,261	158,516
Fixed deposits with banks		4,344,250	5,107,808
Cash at bank and in hand		31,131	71,262
		<b>6,385,075</b>	7,025,903
<b>Current liabilities</b>			
Fees received in advance		8,011	9,210
Creditors and accrued charges		238,370	123,796
		<b>246,381</b>	133,006
<b>Net current assets</b>		<b>6,138,694</b>	6,892,897
<b>Total assets less current liabilities</b>		<b>7,080,177</b>	6,956,064
<b>Non-current liabilities</b>	4	<b>39,771</b>	34,164
<b>Net assets</b>		<b>7,040,406</b>	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		3,997,566	3,879,060
		<b>7,040,406</b>	6,921,900

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

## Securities and Futures Commission

### Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Initial funding by Government \$'000	Unaudited		Total \$'000
		Reserve for property acquisition \$'000	Accumulated surplus \$'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 period	–	–	(325,870)	(325,870)
Balance at 31 December 2016	<b>42,840</b>	<b>3,000,000</b>	<b>3,908,830</b>	<b>6,951,670</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 period	–	–	<b>118,506</b>	<b>118,506</b>
Balance at 31 December 2017	<b>42,840</b>	<b>3,000,000</b>	<b>3,997,566</b>	<b>7,040,406</b>

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## Securities and Futures Commission

### Condensed consolidated statement of cash flows

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Cash flows from operating activities</b>			
Surplus / (deficit) for the period		118,506	(325,870)
Adjustments for :			
Depreciation		21,810	33,281
Investment income		(271,939)	(91,901)
Exchange difference		(10,293)	1,819
Loss on disposal of fixed assets		719	7
		(141,197)	(382,664)
(Increase) / decrease in debtors, deposits and prepayments		(20,111)	453
Increase in creditors and accrued charges		119,486	112,890
Decrease in fees received in advance		(1,199)	(765)
Increase in non-current liabilities		5,607	5,575
<i>Net cash used in operating activities</i>		<b>(37,414)</b>	(264,511)
<b>Cash flows from investing activities</b>			
Decrease / (increase) in fixed deposits other than cash and cash equivalents		1,091,420	(636,644)
Interest received		61,417	49,951
Held-to-maturity debt securities purchased		(879,337)	-
Held-to-maturity debt securities redeemed at maturity		30,000	460,553
Debt securities designated at fair value through profit or loss purchased		(487,785)	(1,267,501)
Debt securities designated at fair value through profit or loss sold or redeemed		438,565	502,830
Pooled funds purchased		-	(155,133)
Pooled funds sold		104,882	1,824
Fixed assets purchased		(22,672)	(24,009)
<i>Net cash generated from / (used in) investing activities</i>		<b>336,490</b>	(1,068,129)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>299,076</b>	(1,332,640)
<b>Cash and cash equivalents at beginning of the nine-month period</b>		<b>676,727</b>	1,522,116
<b>Cash and cash equivalents at end of the nine-month period</b>	3	<b>975,803</b>	189,476

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

	Unaudited	
	At 31 Dec 2017 \$'000	At 31 Dec 2016 \$'000
Fixed deposits with banks	929,127	149,856
Cash at bank and in hand	46,676	39,620
	<b>975,803</b>	189,476

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

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 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 (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 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 (HKFRSs).

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 31 December 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 nine months ended 31 December 2017.

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

As of 31 December 2017, the total carrying cost of held-to-maturity debt securities amounted to \$878,000,000 (at 31 March 2017: \$30,003,000), with a market value of \$869,091,000 (at 31 March 2017: \$30,006,000).

#### 3. Cash and cash equivalents

Reconciliation with the condensed consolidated statement of financial position

	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
Cash at bank and in hand	46,676	75,462
Fixed deposits with banks	4,344,250	5,107,808
Amounts shown in the condensed consolidated statement of financial position	4,390,926	5,183,270
Less : Amounts with an original maturity of beyond three months	(3,415,123)	(4,506,543)
Cash and cash equivalents in the consolidated statement of cash flows	975,803	676,727

#### 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 2017 to 2020 as an integral part of rental expense.

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

#### 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 2017. 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. Investments 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 2017, the investment in subsidiaries, which is stated at cost less any impairment losses, amounted to \$0.2 (at 31 March 2017: \$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 \$4,314,000 (2016: \$4,133,000), which is in accordance with section 242(1) of the SFO. As at 31 December 2017, the amount due to the ICF from the ICC was \$172,000 (at 31 March 2017: \$75,000).

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

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

(b) Remuneration for key management personnel comprised:

	Unaudited Nine months ended	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Directors' fees and salaries, allowances and benefits in kind	24,264	23,354
Retirement scheme contributions	2,218	2,092
	<b>26,482</b>	25,446

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 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, are as follows:

	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
Payable next year	200,617	205,077
Payable in one to five years	334,199	477,534
Payable in more than five years	–	–
	<b>534,816</b>	682,611

During the period, \$154,209,000 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: \$156,333,000).



# 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 nine months ended 31 December 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 31 December 2017 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 30 to 35.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 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 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

20 February 2018

## Investor Compensation Fund

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

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Income</b>					
Net investment income		<b>80,346</b>	26,092	<b>23,249</b>	(28,438)
Exchange difference		<b>9,836</b>	(736)	<b>1,413</b>	(576)
Recovery income		–	1	–	1
		<b>90,182</b>	25,357	<b>24,662</b>	(29,013)
<b>Expenses</b>					
Investor Compensation Company Limited expenses	2	<b>4,314</b>	4,133	<b>1,431</b>	1,353
Compensation expenses	3	–	6	–	11
Auditor's remuneration		<b>132</b>	127	<b>33</b>	33
Bank charges		<b>727</b>	727	<b>248</b>	245
Professional fees		<b>3,097</b>	2,879	<b>1,041</b>	964
		<b>8,270</b>	7,872	<b>2,753</b>	2,606
<b>Surplus/ (loss) and total comprehensive income for the period</b>		<b>81,912</b>	17,485	<b>21,909</b>	(31,619)

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

## Investor Compensation Fund

### Condensed statement of financial position

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
<b>Current assets</b>			
Financial assets designated at fair value through profit or loss			
Debt securities		1,983,317	1,893,248
Pooled fund		351,630	330,386
Interest receivable		14,514	13,651
Due from Investor Compensation Company Limited		172	75
Fixed deposits with banks		11,407	26,201
Cash at bank		2,967	18,770
		<b>2,364,007</b>	2,282,331
<b>Current liabilities</b>			
Provision for compensation	3	300	476
Creditors and accrued charges		1,389	1,449
		<b>1,689</b>	1,925
<b>Net current assets</b>		<b>2,362,318</b>	2,280,406
<b>Net assets</b>		<b>2,362,318</b>	2,280,406
Representing :			
<b>Compensation fund</b>			
Contributions from Unified Exchange Compensation Fund		994,718	994,718
Contributions from Commodity Exchange Compensation Fund		108,923	108,923
Accumulated surplus		1,258,677	1,176,765
		<b>2,362,318</b>	2,280,406

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

## Investor Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Unaudited			Total \$'000
	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	
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	<b>994,718</b>	<b>108,923</b>	<b>1,124,723</b>	<b>2,228,364</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 period	–	–	<b>81,912</b>	<b>81,912</b>
Balance at 31 December 2017	<b>994,718</b>	<b>108,923</b>	<b>1,258,677</b>	<b>2,362,318</b>

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

## Investor Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Cash flows from operating activities</b>		
Surplus for the period	81,912	17,485
Adjustments for:		
Net investment income	(80,346)	(26,092)
Exchange difference	(9,836)	736
	(8,270)	(7,871)
Increase in amount due from Investor Compensation Company Limited	(97)	(261)
Decrease in provision for compensation	(176)	(1,073)
(Decrease)/increase in creditors and accrued charges	(60)	68
<i>Net cash used in operating activities</i>	<b>(8,603)</b>	(9,137)
<b>Cash flows from investing activities</b>		
Purchase of debt securities	(919,710)	(407,885)
Sale or maturity of debt securities	825,678	341,989
Sale of equity securities	36,356	1,081
Interest received	35,682	35,509
<i>Net cash used in investing activities</i>	<b>(21,994)</b>	(29,306)
<b>Net decrease in cash and cash equivalents</b>	<b>(30,597)</b>	(38,443)
<b>Cash and cash equivalents at beginning of the nine-month period</b>	<b>44,971</b>	50,963
<b>Cash and cash equivalents at end of the nine-month period</b>	<b>14,374</b>	12,520

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

	Unaudited	
	At 31 Dec 2017 \$'000	At 31 Dec 2016 \$'000
Fixed deposits with banks	11,407	9,195
Cash at bank	2,967	3,325
	<b>14,374</b>	12,520

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

## Investor Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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 (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 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 the condensed interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2017.

#### 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 2017, the ICC incurred \$4,314,000 for its operations (for the nine months ended 31 December 2016: \$4,133,000).

#### 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 nine months ended 31 December 2017	(176)
Balance as at 31 December 2017	300

As at 31 December 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 is set at \$150,000 per claimant. The provision for compensation at 31 December 2017 was \$300,000 (31 March 2017: \$476,000). As at 31 December 2017, all provisions were expected to be paid within one year.

## Investor Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 2017 (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 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 \$2,258,000 (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 nine months ended 31 December 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 31 December 2017, 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 2017 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 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 nine months.

On behalf of the Committee

**Keith Lui**  
Chairman

5 February 2018



## Unified Exchange Compensation Fund

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

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended		Unaudited Three months ended	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Income</b>				
Interest income	456	375	164	129
<b>Expenses</b>				
Recoveries re-distributed	–	1,152	–	–
Auditors' remuneration	63	60	14	14
Sundry expenses	–	3	–	–
	63	1,215	14	14
<b>Surplus/(loss) and total comprehensive income for the period</b>	<b>393</b>	<b>(840)</b>	<b>150</b>	<b>115</b>

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

## Unified Exchange Compensation Fund

### Condensed statement of financial position

At 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
<b>Current assets</b>			
Equity securities received under subrogation	2	1	1
Interest receivable		80	77
Accounts receivable		59	-
Fixed deposits with banks		85,708	83,744
Cash at bank		563	332
		<b>86,411</b>	84,154
<b>Current liabilities</b>			
Creditors and accrued charges		10,327	10,663
Relinquished trading rights payable to SEHK	4	700	600
		<b>11,027</b>	11,263
<b>Net current assets</b>			
		<b>75,384</b>	72,891
<b>Net assets</b>			
		<b>75,384</b>	72,891
Representing :			
<b>Compensation fund</b>			
Contributions from SEHK	4	53,300	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		26,513	26,120
		<b>1,070,102</b>	1,067,609
Contributions to Investor Compensation Fund		<b>(994,718)</b>	(994,718)
		<b>75,384</b>	72,891

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

## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Unaudited						Total \$'000
	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	
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
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>2,100</b>	-	-	-	-	-	<b>2,100</b>
Surplus and total comprehensive income for the period	-	-	-	-	<b>393</b>	-	<b>393</b>
Balance at 31 December 2017	<b>53,300</b>	<b>353,787</b>	<b>6,502</b>	<b>630,000</b>	<b>26,513</b>	<b>(994,718)</b>	<b>75,384</b>

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

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2017 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2017 \$'000	31 Dec 2016 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(loss) for the period		393	(840)
Adjustments for:			
Interest income		(456)	(375)
		(63)	(1,215)
Increase in accounts receivable		(59)	-
(Decrease)/increase in creditors and accrued charges		(336)	478
Increase/(decrease) in relinquished trading rights payable to SEHK		100	(200)
<i>Net cash used in operating activities</i>		<b>(358)</b>	(937)
<b>Cash flows from investing activities</b>			
Increase in fixed deposits other than cash and cash equivalents		(20,891)	-
Interest received		453	376
<i>Net cash (used in)/generated from investing activities</i>		<b>(20,438)</b>	376
<b>Cash flows from financing activities</b>			
Net contributions from SEHK		2,100	1,500
<i>Net cash generated from financing activities</i>		<b>2,100</b>	1,500
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,696)</b>	939
<b>Cash and cash equivalents at beginning of the nine-month period</b>		<b>84,076</b>	82,457
<b>Cash and cash equivalents at end of the nine-month period</b>	3	<b>65,380</b>	83,396

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

	Unaudited	
	At 31 Dec 2017 \$'000	At 31 Dec 2016 \$'000
Fixed deposits with banks	64,817	83,303
Cash at bank	563	93
	<b>65,380</b>	83,396

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

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 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 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 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, *Fair value measurement*. According to HKFRS 13, *Financial Instruments: Recognition and 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. Cash and cash equivalents

Reconciliation with the condensed statement of financial position

	Unaudited At 31 Dec 2017 \$'000	Audited At 31 Mar 2017 \$'000
Cash at bank	563	332
Fixed deposits with banks	85,708	83,744
Amounts shown in the condensed statement of financial position	86,271	84,076
Less : Amounts with an original maturity of beyond three months	(20,891)	-
Cash and cash equivalents in the condensed statement of cash flows	65,380	84,076

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 2017 (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 \$2,450,000 in respect of 49 new trading rights were received from SEHK and deposits of \$250,000 in respect of 5 relinquished trading rights were refunded to SEHK.

At 31 December 2017, there were 14 trading rights in total of \$700,000 that have been relinquished but not yet refunded (at 31 March 2017: 12). The net contributions from SEHK at 31 December 2017, excluding the relinquished trading rights payable, amounted to \$53,300,000 (at 31 March 2017: \$51,200,000).

#### 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 2016 and 2017.

#### 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.