

# Unified Exchange Compensation Fund

## Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their half-yearly report and the unaudited condensed financial statements for the six months ended 30 September 2021.

## Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 30 September 2021, the Fund transferred \$994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission (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Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 September 2021 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 46 to 52.

## Members of the Committee

The members of the Committee during the six months ended 30 September 2021 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)  
Mr Thomas Allan Atkinson  
Dr Lin, James C.  
Mr Yiu Ka Yan Wilfred  
Ms Kwok Hom Siu Sally

## 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 six months.

On behalf of the Committee

**Rico Leung**  
Chairman

11 November 2021

# Unified Exchange Compensation Fund

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

### Introduction

We have reviewed the interim financial information set out on pages 47 to 52, which comprises the condensed statement of financial position of Unified Exchange Compensation Fund (the Fund), established under Part X of the repealed Securities Ordinance (Chapter 333), which remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the Securities and Futures Ordinance, as at 30 September 2021 and the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The directors of the Securities and Futures Commission are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 11 November 2021

## Unified Exchange Compensation Fund

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

For the three months ended 30 September 2021 (Expressed in Hong Kong dollars)

	Unaudited and unreviewed Three months ended	
	30 Sep 2021 \$'000	30 Sep 2020 \$'000
<b>Income</b>		
Interest income	36	189
<b>Expense</b>		
Auditor's remuneration	27	27
<b>Surplus and total comprehensive income for the quarter</b>	<b>9</b>	<b>162</b>

This condensed statement of profit or loss and other comprehensive income for the three months ended 30 September 2021 is for information only.

## Unified Exchange Compensation Fund

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

For the six months ended 30 September 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2021 \$'000	30 Sep 2020 \$'000
<b>Income</b>			
Interest income		80	571
Recoveries	2	–	3,626
		80	4,197
<b>Expense</b>			
Auditor's remuneration		54	54
<b>Surplus and total comprehensive income for the period</b>		26	4,143

The notes on pages 51 and 52 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of financial position

As at 30 September 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Sep 2021 \$'000	Audited At 31 Mar 2021 \$'000
<b>Current assets</b>			
Interest receivable		16	27
Fixed deposits with banks		97,579	97,518
Cash at bank		502	336
		98,097	97,881
<b>Current liabilities</b>			
Creditors and accrued charges		10,299	10,309
Relinquished trading rights payable to SEHK	4	1,500	1,500
		11,799	11,809
<b>Net current assets</b>		86,298	86,072
<b>Net assets</b>		86,298	86,072
Representing:			
<b>Compensation fund</b>		86,298	86,072

The notes on pages 51 and 52 form part of these condensed financial statements.

# Unified Exchange Compensation Fund

## Condensed statement of changes in equity

For the six months ended 30 September 2021 (Expressed in Hong Kong dollars)

	Unaudited							Total \$'000
	Trading rights deposits from SEHK (note 4) \$'000	Excess transaction levy from SEHK \$'000	Additional contributions from SEHK and the SFC \$'000	Other contributions \$'000	Accumulated surplus \$'000	Contributions to the ICF \$'000		
Balance at 1 April 2020	55,450	353,787	630,000	6,502	31,024	(994,718)	82,045	
Net contributions to SEHK	(350)	-	-	-	-	-	(350)	
Surplus and total comprehensive income for the period	-	-	-	-	4,143	-	4,143	
Balance at 30 September 2020	55,100	353,787	630,000	6,502	35,167	(994,718)	85,838	
Balance at 1 April 2021	54,750	353,787	630,000	6,502	35,751	(994,718)	86,072	
Net contributions from SEHK	200	-	-	-	-	-	200	
Surplus and total comprehensive income for the period	-	-	-	-	26	-	26	
Balance at 30 September 2021	54,950	353,787	630,000	6,502	35,777	(994,718)	86,298	

The notes on pages 51 and 52 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the six months ended 30 September 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Six months ended	
		30 Sep 2021 \$'000	30 Sep 2020 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		26	4,143
Adjustment for:			
Interest income		(80)	(571)
		(54)	3,572
Decrease in creditors and accrued charges		(10)	(7)
Increase in relinquished trading rights payable to SEHK		–	50
Net cash (used in)/generated from operating activities		(64)	3,615
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		23,877	53,055
Interest received		91	758
Net cash generated from investing activities		23,968	53,813
<b>Cash flows from financing activities</b>			
Net trading rights deposits received from/(refunded to) SEHK		200	(350)
Net cash generated from/(used in) financing activities		200	(350)
<b>Net increase in cash and cash equivalents</b>		<b>24,104</b>	<b>57,078</b>
Cash and cash equivalents at the beginning of the six-month period		52,905	31,999
<b>Cash and cash equivalents at the end of the six-month period</b>	3	<b>77,009</b>	<b>89,077</b>

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

	Unaudited	
	At 30 Sep 2021 \$'000	At 30 Sep 2020 \$'000
Fixed deposits with banks	76,507	88,807
Cash at bank	502	270
	<b>77,009</b>	<b>89,077</b>

The notes on pages 51 and 52 form part of these condensed financial statements.

# Unified Exchange Compensation Fund

## Notes to the condensed financial statements

For the six months ended 30 September 2021 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

The Fund has prepared the interim financial information in accordance with the Hong Kong Accounting Standard 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 interim financial information on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31 March 2003 have been fully settled.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of the 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 2021. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2021 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.

The Fund has applied the same accounting policies adopted in the financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Fund for the six months ended 30 September 2021.

### 2. Recoveries/Equity securities received under subrogation

There was no recovery recorded for the six months ended 30 September 2021. For the six months ended 30 September 2020, the Fund recognised as recoveries the payment of \$3,626,000 from the liquidator of C.A. Pacific Securities Ltd. and C.A. Pacific Finance Ltd.

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being recognised in "Recoveries". Dividend income, if any, is also recognised in "Recoveries".

As at 30 September 2021, the equity securities received under subrogation amounted to \$130 (as at 31 March 2021: \$150). The balances as at 30 September 2021 and 31 March 2021 are too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.



## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the six months ended 30 September 2021 (Expressed in Hong Kong dollars)

#### 3. Cash and cash equivalents

	Unaudited At 30 Sep 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank	502	336
Fixed deposits with banks	97,579	97,518
Amounts shown in the condensed statement of financial position	98,081	97,854
Less: Amounts with an original maturity beyond three months	(21,072)	(44,949)
Cash and cash equivalents in the condensed statement of cash flows	77,009	52,905

#### 4. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, The Stock Exchange of Hong Kong Limited (SEHK) contributes to the Securities and Futures Commission (SFC) in respect of each trading right at the rate of \$50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to SEHK the deposit within six months after the trading right was relinquished. During the six-month period, deposits of \$700,000 in respect of 14 new trading rights were received from SEHK and deposits of \$500,000 in respect of 10 relinquished trading rights were refunded to SEHK. As at 30 September 2021, 30 trading rights totalling \$1,500,000 were relinquished but not yet refunded (as at 31 March 2021: 30 trading rights totalling \$1,500,000 were relinquished but not yet refunded).

The movement of trading rights deposits from SEHK during the period was as follows:

	Unaudited Six months ended	
	30 Sep 2021 \$'000	30 Sep 2020 \$'000
Balance at the beginning of the six-month period	54,750	55,450
Add: new trading rights issued	700	300
Less: relinquished trading rights refunded	(500)	(600)
Adjustment for: net increase in relinquished trading rights payable to SEHK	–	(50)
Balance at the end of the six-month period	54,950	55,100

#### 5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the six months ended 30 September 2021 and 2020.