

# Securities and Futures Commission

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

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Income</b>					
Levies		1,619,185	1,479,250	465,262	514,290
Fees and charges		124,743	146,211	33,383	37,707
Net investment (loss)/income					
Investment income		8,418	469,525	29,294	182,685
Less: custody and advisory expenses		(8,810)	(7,585)	(2,899)	(3,084)
Recoveries from the Investor Compensation Fund	6(a)	4,258	4,593	1,406	1,587
Exchange gain		13,560	1,504	7,256	2,128
Other income		1,425	1,091	1,198	862
		1,762,779	2,094,589	534,900	736,175
<b>Expenses</b>					
Staff costs and directors' emoluments	6(b)	1,060,078	1,104,907	352,404	358,404
Depreciation					
Fixed assets		70,580	62,026	25,151	22,481
Right-of-use assets		107,566	194,596	36,295	35,616
Other premises expenses		25,062	43,205	8,533	8,367
Finance costs		6,001	7,008	1,927	2,220
Other expenses		121,247	102,521	36,267	39,889
		1,390,534	1,514,263	460,577	466,977
<b>Surplus and total comprehensive income for the period</b>		372,245	580,326	74,323	269,198

The notes on pages 31 to 34 form part of these condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of financial position

As at 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
<b>Non-current assets</b>			
Fixed assets		257,739	291,496
Right-of-use assets		883,029	978,261
Deposits for leases		38,043	37,656
Financial assets at amortised costs – debt securities		2,975,169	3,023,857
		4,153,980	4,331,270
<b>Current assets</b>			
Financial assets at amortised costs – debt securities		213,068	107,673
Financial assets at fair value through profit or loss			
Debt securities		430,710	425,610
Pooled funds		972,624	1,018,610
Debtors, deposits and prepayments		248,205	336,704
Fixed deposits with banks		3,247,386	2,641,008
Cash held for Grant Scheme	3	76,552	–
Cash at bank and in hand		47,401	65,287
		5,235,946	4,594,892
<b>Current liabilities</b>			
Fees received in advance		7,327	8,198
Creditors and accrued charges		370,227	186,408
Lease liabilities		141,996	137,461
Provisions for reinstatement cost		–	574
		519,550	332,641
<b>Net current assets</b>		4,716,396	4,262,251
<b>Total assets less current liabilities</b>		8,870,376	8,593,521
<b>Non-current liabilities</b>			
Lease liabilities		734,923	830,887
Provisions for reinstatement cost		88,920	88,346
		823,843	919,233
<b>Net assets</b>		8,046,533	7,674,288
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,125,000	3,125,000
Accumulated surplus		4,878,693	4,506,448
		8,046,533	7,674,288

The notes on pages 31 to 34 form part of these condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Unaudited			Total \$'000
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	
Balance at 1 April 2020	42,840	3,000,000	3,652,080	6,694,920
Surplus and total comprehensive income for the period	–	–	580,326	580,326
Balance at 31 December 2020	42,840	3,000,000	4,232,406	7,275,246
Balance at 1 April 2021	<b>42,840</b>	<b>3,125,000</b>	<b>4,506,448</b>	<b>7,674,288</b>
Surplus and total comprehensive income for the period	–	–	<b>372,245</b>	<b>372,245</b>
Balance at 31 December 2021	<b>42,840</b>	<b>3,125,000</b>	<b>4,878,693</b>	<b>8,046,533</b>

The notes on pages 31 to 34 form part of these condensed consolidated financial statements.

## Securities and Futures Commission

### Condensed consolidated statement of cash flows

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited nine months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		372,245	580,326
Adjustments for:			
Depreciation – Fixed assets		70,580	62,026
Depreciation – Right-of-use assets		107,566	194,596
Provisions for reinstatement cost		–	(12,197)
Finance costs		6,001	7,008
Interest income on deposits for leases		(214)	(212)
Investment income		(8,418)	(469,525)
Exchange gain		(13,599)	(1,616)
(Gain)/loss on disposal of fixed assets		(58)	4,889
		534,103	365,295
Increase in right-of-use assets		(1)	(50)
Decrease/(increase) in debtors, deposits and prepayments		88,734	(23,043)
Increase in cash held for Grant Scheme		(76,552)	–
Decrease in fees received in advance		(871)	(38,296)
Increase in creditors and accrued charges		207,822	111,569
Decrease in provisions for reinstatement cost		–	(37,940)
Net cash generated from operating activities		753,235	377,535
<b>Cash flows from investing activities</b>			
(Increase)/decrease in fixed deposits other than cash and cash equivalents		(801,116)	353,378
Interest received		77,212	91,111
Debt securities at fair value through profit or loss purchased		(411,358)	(150,699)
Debt securities at fair value through profit or loss sold or redeemed		403,936	146,429
Pooled funds sold		4,700	3,485
Debt securities at amortised cost purchased		(92,016)	(1,512,389)
Debt securities at amortised cost redeemed at maturity		22,530	860,401
Fixed assets purchased		(60,826)	(194,037)
Proceeds from fixed assets disposal		58	2
Net cash used in investing activities		(856,880)	(402,319)
<b>Cash flows from financing activities</b>			
Principal element of lease payments		(103,762)	(114,971)
Interest element of lease payments		(6,001)	(7,008)
Net cash used in financing activities		(109,763)	(121,979)
<b>Net decrease in cash and cash equivalents</b>		<b>(213,408)</b>	<b>(146,763)</b>
Cash and cash equivalents at the beginning of the nine-month period		855,099	753,406
<b>Cash and cash equivalents at the end of the nine-month period</b>	2	<b>641,691</b>	<b>606,643</b>

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

	Unaudited	
	At 31 Dec 2021 \$'000	At 31 Dec 2020 \$'000
Fixed deposits with banks	594,290	570,199
Cash at bank and in hand	47,401	36,444
	641,691	606,643

The notes on pages 31 to 34 form part of these condensed consolidated financial statements.

# Securities and Futures Commission

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 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 (HKFRS).

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 Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, Investor Compensation Company Limited (ICC) and Investor and Financial Education Council (IFEC), are made up to 31 December 2021. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Group for the nine months ended 31 December 2021.

### 2. Cash and cash equivalents

	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank and in hand	47,401	65,287
Fixed deposits with banks	3,247,386	2,641,008
Amounts shown in the condensed consolidated statement of financial position	3,294,787	2,706,295
Less: Amounts with an original maturity beyond three months	(2,653,096)	(1,851,196)
Cash and cash equivalents in the condensed consolidated statement of cash flows	641,691	855,099

# Securities and Futures Commission

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

### 3. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Government of the Hong Kong Special Administrative Region (the Government) to provide subsidies for qualified open-ended fund companies and real estate investment trusts to set up in Hong Kong. The cash held for the Grant Scheme is solely restricted for the use of such subsidies and is therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in the creditors and accrued charges.

### 4. Exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. The exchange gain or loss was mainly driven by the revaluation on financial assets denominated in USD.

### 5. 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 IFEC as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance (SFO).

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 31 December 2021, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2021: \$0.2).

## Securities and Futures Commission

### Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

#### 6. Related party transactions

The Group has related party relationships with the ICF, Unified Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers’ Deposits Fund and Commodities Trading Ordinance (Chapter 250) – Dealers’ Deposits Fund. In addition to the related parties transactions disclosed in elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions.

##### (a) Reimbursement from the ICF for all the ICC’s expenses, in accordance with Section 242(1) of the SFO

During the period, \$4,258,000 was recovered from the ICF for the ICC’s expenses (31 December 2020: \$4,593,000). As at 31 December 2021, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$276,000 (as at 31 March 2021: \$242,000).

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

	Unaudited Nine months ended	
	31 Dec 2021 \$’000	31 Dec 2020 \$’000
Directors’ fees and salaries, allowances and benefits in kind	24,095	25,662
Retirement scheme contributions	2,136	2,307
	26,231	27,969

The total remuneration is included in “staff costs and directors’ emoluments” on page 27. 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.

##### (c) Legal services provided by a Non-executive Director

Prior to the appointment of a Non-executive Director (NED), the Group engaged him to provide legal services in respect of a number of matters. The NED had continued to provide services in respect of matters that commenced prior to his appointment on 1 August 2020. Fees paid or payable to him for such services amounted to \$242,000 (31 December 2020: \$786,000) for the period under normal commercial terms and conditions.

# Securities and Futures Commission

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

### 7. Fair value measurement

#### (a) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*, which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2021.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>As at 31 December 2021 (Unaudited)</u>				
Debt securities	–	430,710	–	430,710
Pooled funds	972,624	–	–	972,624
	972,624	430,710	–	1,403,334
<u>As at 31 March 2021 (Audited)</u>				
Debt securities	–	425,610	–	425,610
Pooled funds	1,018,610	–	–	1,018,610
	1,018,610	425,610	–	1,444,220

During the nine months ended 31 December 2021 and year ended 31 March 2021, there were no significant transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### (b) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December and 31 March 2021 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>As at 31 December 2021 (Unaudited)</u>					
Financial assets at amortised costs					
– debt securities	3,188,237	3,204,247	–	3,204,247	–
<u>As at 31 March 2021 (Audited)</u>					
Financial assets at amortised costs					
– debt securities	3,131,530	3,159,434	–	3,159,434	–

The following summarises the major methods and assumptions used in estimating the fair values of these financial instruments.

The fair value of listed debt securities is based on quoted prices at the end of the reporting period using current bid prices without any deduction for transaction costs. Fair value for unlisted debt investments are based on third-party quotes.



# Investor Compensation Fund

## Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present this report and the unaudited condensed financial statements for the nine months ended 31 December 2021.

### 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 2021 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 36 to 41.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 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 Kok Ka Keung Kenneth

(retired on 31 December 2021)

### 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

**Rico Leung**

Chairman

21 February 2022

## Investor Compensation Fund

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

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Income</b>					
Interest income		4,544	18,893	1,512	3,414
Exchange gain		3,812	513	2,032	670
Recoveries		119	–	119	–
		8,475	19,406	3,663	4,084
<b>Expenses</b>					
Investor Compensation Company Limited expenses	2	4,258	4,593	1,406	1,587
Auditor's remuneration		148	148	38	38
		4,406	4,741	1,444	1,625
<b>Surplus and total comprehensive income for the period</b>		4,069	14,665	2,219	2,459

The notes on pages 40 and 41 form part of these condensed financial statements.

## Investor Compensation Fund

### Condensed statement of financial position

As at 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
<b>Current assets</b>			
Interest receivable		1,234	2,174
Due from Investor Compensation Company Limited		276	242
Fixed deposits with banks		2,449,655	2,444,671
Cash at bank		586	633
		2,451,751	2,447,720
<b>Current liabilities</b>			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		236	274
		3,630	3,668
<b>Net current assets</b>		2,448,121	2,444,052
<b>Net assets</b>		2,448,121	2,444,052
Representing:			
<b>Compensation fund</b>		2,448,121	2,444,052

The notes on pages 40 and 41 form part of these condensed financial statements.

## Investor Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Unaudited			
	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2020	994,718	108,923	1,324,623	2,428,264
Surplus and total comprehensive income for the period	–	–	14,665	14,665
Balance at 31 December 2020	994,718	108,923	1,339,288	2,442,929
Balance at 1 April 2021	<b>994,718</b>	<b>108,923</b>	<b>1,340,411</b>	<b>2,444,052</b>
Surplus and total comprehensive income for the period	–	–	4,069	4,069
Balance at 31 December 2021	<b>994,718</b>	<b>108,923</b>	<b>1,344,480</b>	<b>2,448,121</b>

The notes on pages 40 and 41 form part of these condensed financial statements.

## Investor Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		4,069	14,665
Adjustments for:			
Interest income		(4,544)	(18,893)
Exchange gain		(3,812)	(513)
		(4,287)	(4,741)
Increase in amount due from Investor Compensation Company Limited		(34)	(38)
Decrease in creditors and accrued charges		(38)	(32)
Net cash used in operating activities		(4,359)	(4,811)
<b>Cash flows from investing activities</b>			
Increase in fixed deposits other than cash and cash equivalents		(175,646)	(60,655)
Interest received		5,485	23,244
Net cash used in investing activities		(170,161)	(37,411)
<b>Net decrease in cash and cash equivalents</b>		(174,520)	(42,222)
Cash and cash equivalents at the beginning of the nine-month period		647,514	1,086,662
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	472,994	1,044,440

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

	Unaudited	
	At 31 Dec 2021 \$'000	At 31 Dec 2020 \$'000
Fixed deposits with banks	472,408	1,044,078
Cash at bank	586	362
	472,994	1,044,440

The notes on pages 40 and 41 form part of these condensed financial statements.

## Investor Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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.

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 nine months ended 31 December 2021.

#### 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. The Fund is responsible for funding the establishment and operation of the ICC. For the nine months ended 31 December 2021, the ICC incurred costs of \$4,258,000 for its operation (for the nine months ended 31 December 2020: \$4,593,000) which were reimbursed by the Fund.

#### 3. Cash and cash equivalents

	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank	586	633
Fixed deposits with banks	2,449,655	2,444,671
Amounts shown in the condensed statement of financial position	2,450,241	2,445,304
Less: Amounts with an original maturity beyond three months	(1,977,247)	(1,797,790)
Cash and cash equivalents in the condensed statement of cash flows	472,994	647,514

# Investor Compensation Fund

## Notes to the condensed financial statements

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

### 4. Provision for compensation

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit to claims is \$150,000 per claimant for each default case occurring on or before 31 December 2019 and \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 31 December 2021 was \$3,394,000, which was related to a number of claims received in respect of a default case (as at 31 March 2021: \$3,394,000). The maximum liability of the Fund to these claims is the lower of \$150,000 per claimant or the amount claimed. The provision was expected to be paid within one year.

### 5. Related party transactions

The Fund has related party relationships with the SFC, ICC and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the nine months ended 31 December 2021 and 2020.

### 6. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there are 12 outstanding claims as at the date of this report (10 outstanding claims as at the date of the report of 31 March 2021). The maximum liability in respect of these claims in aggregate is \$1,875,000 (31 March 2021: \$1,575,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

### 7. Exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. As at 31 December 2021 and 31 March 2021, all financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the nine months ended 31 December 2021 and 2020, the Fund's exchange gain was mainly driven by the revaluation on financial assets denominated in USD.

# Unified Exchange Compensation Fund

## Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present this report and the unaudited condensed financial statements for the nine months ended 31 December 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 31 December 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 31 December 2021 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 43 to 48.

## Members of the Committee

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

On behalf of the Committee

**Rico Leung**  
Chairman

9 February 2022



## Unified Exchange Compensation Fund

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

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Income</b>					
Interest income		123	680	43	109
Recoveries	2	–	3,845	–	219
		123	4,525	43	328
<b>Expense</b>					
Auditor's remuneration		70	70	16	16
<b>Surplus and total comprehensive income for the period</b>		<b>53</b>	<b>4,455</b>	<b>27</b>	<b>312</b>

The notes on pages 47 and 48 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of financial position

As at 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
<b>Current assets</b>			
Interest receivable		18	27
Fixed deposits with banks		97,620	97,518
Cash at bank		330	336
		97,968	97,881
<b>Current liabilities</b>			
Creditors and accrued charges		10,293	10,309
Relinquished trading rights payable to SEHK	4	1,750	1,500
		12,043	11,809
<b>Net current assets</b>		85,925	86,072
<b>Net assets</b>		85,925	86,072
Representing:			
<b>Compensation fund</b>		85,925	86,072

The notes on pages 47 and 48 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 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	(500)	-	-	-	-	-	(500)	
Surplus and total comprehensive income for the period	-	-	-	-	4,455	-	4,455	
Balance at 31 December 2020	54,950	353,787	630,000	6,502	35,479	(994,718)	86,000	
Balance at 1 April 2021	54,750	353,787	630,000	6,502	35,751	(994,718)	86,072	
Net contributions to SEHK	(200)	-	-	-	-	-	(200)	
Surplus and total comprehensive income for the period	-	-	-	-	53	-	53	
Balance at 31 December 2021	54,550	353,787	630,000	6,502	35,804	(994,718)	85,925	

The notes on pages 47 and 48 form part of these condensed financial statements.

# Unified Exchange Compensation Fund

## Condensed statement of cash flows

For the nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		53	4,455
Adjustment for:			
Interest income		(123)	(680)
		(70)	3,775
Decrease in creditors and accrued charges		(16)	(13)
Increase in relinquished trading rights payable to SEHK		250	50
Net cash generated from operating activities		164	3,812
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		15,570	8,134
Interest received		132	868
Net cash generated from investing activities		15,702	9,002
<b>Cash flows from financing activities</b>			
Net trading rights deposits refunded to SEHK		(200)	(500)
Net cash used in financing activities		(200)	(500)
<b>Net increase in cash and cash equivalents</b>		15,666	12,314
Cash and cash equivalents at the beginning of the nine-month period		52,905	31,999
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	68,571	44,313

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

	Unaudited	
	At 31 Dec 2021 \$'000	At 31 Dec 2020 \$'000
Fixed deposits with banks	68,241	44,209
Cash at bank	330	104
	68,571	44,313

The notes on pages 47 and 48 form part of these condensed financial statements.

# Unified Exchange Compensation Fund

## Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 2021.

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

There was no recovery recorded for the nine months ended 31 December 2021. For the nine months ended 31 December 2020, the Fund received \$3,845,000 from certain liquidators which was recognised as recoveries.

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 31 December 2021, the equity securities received under subrogation amounted to \$107 (as at 31 March 2021: \$150). The balances as at 31 December 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 nine months ended 31 December 2021 (Expressed in Hong Kong dollars)

#### 3. Cash and cash equivalents

	Unaudited At 31 Dec 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank	330	336
Fixed deposits with banks	97,620	97,518
Amounts shown in the condensed statement of financial position	97,950	97,854
Less: Amounts with an original maturity beyond three months	(29,379)	(44,949)
Cash and cash equivalents in the condensed statement of cash flows	68,571	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 nine-month period, deposits of \$850,000 in respect of 17 new trading rights were received from SEHK and deposits of \$800,000 in respect of 16 relinquished trading rights were refunded to SEHK. As at 31 December 2021, 35 trading rights totalling \$1,750,000 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 Nine months ended	
	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Balance at the beginning of the nine-month period	54,750	55,450
Add: new trading rights issued	850	350
Less: relinquished trading rights refunded	(800)	(800)
Adjustment for: net increase in relinquished trading rights payable to SEHK	(250)	(50)
Balance at the end of the nine-month period	54,550	54,950

#### 5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the nine months ended 31 December 2021 and 2020.