

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 2022.

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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 June 2022, 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Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 June 2022 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 41 to 46.

Members of the Committee

The members of the Committee during the quarter ended 30 June 2022 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Dr Lin, James C.
Mr Yiu Ka Yan Wilfred
Ms Kwok Hom Siu Sally
Mr Wan Chi Yiu Andrew

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

Rico Leung
Chairman

26 July 2022

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2022 (Expressed in Hong Kong dollars)

	Unaudited quarter ended	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Income		
Interest income	134	44
Expenses		
Recoveries re-distributed	22	-
Auditor's remuneration	27	27
	49	27
Surplus and total comprehensive income for the quarter	85	17

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 30 June 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2022 \$'000	Audited At 31 Mar 2022 \$'000
Current assets			
Interest receivable		78	34
Fixed deposits with banks		97,760	97,670
Cash at bank		194	180
		98,032	97,884
Current liabilities			
Creditors and accrued charges		10,272	10,309
Relinquished trading rights payable to SEHK	4	2,000	1,850
		12,272	12,159
Net current assets		85,760	85,725
Net assets		85,760	85,725
Representing:			
Compensation fund		85,760	85,725

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2022 (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 ICF \$'000		
Balance at 1 April 2021	54,750	353,787	630,000	6,502	35,751	(994,718)	86,072	
Net contributions to SEHK	(100)	-	-	-	-	-	(100)	
Surplus and total comprehensive income for the quarter	-	-	-	-	17	-	17	
Balance at 30 June 2021	54,650	353,787	630,000	6,502	35,768	(994,718)	85,989	
Balance at 1 April 2022	54,300	353,787	630,000	6,502	35,854	(994,718)	85,725	
Net contributions to SEHK	(50)	-	-	-	-	-	(50)	
Surplus and total comprehensive income for the quarter	-	-	-	-	85	-	85	
Balance at 30 June 2022	54,250	353,787	630,000	6,502	35,939	(994,718)	85,760	

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2022 \$'000	30 Jun 2021 \$'000
Cash flows from operating activities			
Surplus for the quarter		85	17
Adjustment for:			
Interest income		(134)	(44)
		(49)	(27)
Decrease in creditors and accrued charges		(37)	(37)
Increase/(decrease) in relinquished trading rights payable to SEHK		150	(50)
Net cash generated from/(used in) operating activities		64	(114)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		26,364	44,949
Interest received		90	51
Net cash generated from investing activities		26,454	45,000
Cash flows from financing activities			
Net trading rights deposits refunded to SEHK		(50)	(100)
Net cash used in financing activities		(50)	(100)
Net increase in cash and cash equivalents		26,468	44,786
Cash and cash equivalents at the beginning of the quarter		71,486	52,905
Cash and cash equivalents at the end of the quarter	3	97,954	97,691

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2022 \$'000	At 30 Jun 2021 \$'000
Fixed deposits with banks	97,760	97,569
Cash at bank	194	122
	97,954	97,691

The notes on pages 45 and 46 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2022 (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 2022. 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 2022 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 2022 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2022.

2. Equity securities received under subrogation

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 June 2022, the equity securities received under subrogation amounted to \$39 (as at 31 March 2022: \$68). The balances as at 30 June 2022 and 31 March 2022 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 quarter ended 30 June 2022 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2022 \$'000	Audited At 31 Mar 2022 \$'000
Cash at bank	194	180
Fixed deposits with banks	97,760	97,670
Amounts shown in the condensed statement of financial position	97,954	97,850
Less: Amounts with an original maturity beyond three months	–	(26,364)
Cash and cash equivalents in the condensed statement of cash flows	97,954	71,486

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 quarter, deposits of \$100,000 in respect of 2 new trading rights were received from SEHK. As at 30 June 2022, 40 trading rights totalling \$2,000,000 were relinquished but not yet refunded (as at 31 March 2022: 37 trading rights totalling \$1,850,000 were relinquished but not yet refunded).

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

	Unaudited quarter ended	
	30 Jun 2022 \$'000	30 Jun 2021 \$'000
Balance at the beginning of the quarter	54,300	54,750
Add: new trading rights issued	100	100
Less: relinquished trading rights refunded	–	(250)
Adjustment for: net (increase)/decrease in relinquished trading rights payable to SEHK	(150)	50
Balance at the end of the quarter	54,250	54,650

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 quarters ended 30 June 2022 and 2021.