

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	NOTE	Unaudited quarter ended	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000
Income			
Levies		352,256	441,998
Fees and charges		24,904	25,409
Net investment income/(loss)			
Investment income/(loss)		45,339	(77,922)
Less: custody and advisory expenses		(2,856)	(2,576)
Recoveries from the Investor Compensation Fund	7(a)	1,520	1,484
Exchange (loss)/gain		(8,555)	9,440
Other income		744	1,371
		413,352	399,204
Expenses			
Staff costs and directors' emoluments	7(b)	392,331	378,558
Depreciation			
Fixed assets		25,255	26,996
Right-of-use assets		36,620	36,522
Other premises expenses		8,914	8,707
Finance costs		1,542	1,781
Other expenses		49,751	41,450
		514,413	494,014
Deficit and total comprehensive income for the quarter		(101,061)	(94,810)

The notes on pages 38 to 41 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of financial position

As at 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Non-current assets			
Fixed assets		202,827	216,366
Right-of-use assets		665,785	700,776
Deposits for leases		37,911	37,609
Financial assets at amortised costs – debt securities	8	2,700,699	2,903,608
		3,607,222	3,858,359
Current assets			
Financial assets at amortised costs – debt securities	8	607,670	381,528
Financial assets at fair value through profit or loss			
Debt securities	8	397,033	403,649
Pooled funds	8	1,040,302	1,045,571
Debtors, deposits and prepayments		249,321	283,492
Fixed deposits with banks	3	2,825,238	2,845,253
Cash held for Grant Scheme	4	114,697	124,205
Cash at bank and in hand	3	68,217	66,647
		5,302,478	5,150,345
Current liabilities			
Fees received in advance		7,993	8,378
Creditors and accrued charges		311,317	274,732
Lease liabilities		141,408	141,385
Provisions for reinstatement cost		873	873
		461,591	425,368
Net current assets		4,840,887	4,724,977
Total assets less current liabilities		8,448,109	8,583,336
Non-current liabilities			
Lease liabilities		546,673	581,156
Provisions for reinstatement cost		88,364	88,047
		635,037	669,203
Net assets		7,813,072	7,914,133
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,375,000	3,375,000
Accumulated surplus		4,395,232	4,496,293
		7,813,072	7,914,133

The notes on pages 38 to 41 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2022	42,840	3,250,000	4,722,183	8,015,023
Deficit and total comprehensive income for the quarter	–	–	(94,810)	(94,810)
Balance at 30 June 2022	42,840	3,250,000	4,627,373	7,920,213
Balance at 1 April 2023	42,840	3,375,000	4,496,293	7,914,133
Deficit and total comprehensive income for the quarter	–	–	(101,061)	(101,061)
Balance at 30 June 2023	42,840	3,375,000	4,395,232	7,813,072

The notes on pages 38 to 41 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of cash flows

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash flows from operating activities			
Deficit for the quarter		(101,061)	(94,810)
Adjustments for:			
Depreciation – Fixed assets		25,255	26,996
Depreciation – Right-of-use assets		36,620	36,522
Finance costs		1,542	1,781
Interest income on deposits for leases		(73)	(72)
Investment (income)/loss		(45,339)	77,922
Exchange loss/(gain)		8,491	(9,456)
Loss/(gain) on disposal of fixed assets		8	(3)
		(74,557)	38,880
Increase in right-of-use assets		(1)	–
Decrease in debtors, deposits and prepayments		35,102	53,750
Decrease/(increase) in cash held for Grant Scheme		9,508	(81,406)
Decrease in fees received in advance		(385)	(37)
Increase in creditors and accrued charges		37,544	128,303
Net cash generated from operating activities		7,211	139,490
Cash flows from investing activities			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		490,805	(703,619)
Interest received		57,188	28,085
Debt securities at fair value through profit or loss purchased		(66,811)	(78,901)
Debt securities at fair value through profit or loss sold or redeemed		67,128	69,569
Pooled funds sold		1,547	1,385
Debt securities at amortised cost purchased		(77,499)	(66,743)
Debt securities at amortised cost redeemed at maturity		43,266	31,423
Fixed assets purchased		(12,683)	(20,817)
Proceeds from fixed assets disposal		–	9
Net cash generated from/(used in) investing activities		502,941	(739,609)
Cash flows from financing activities			
Principal element of lease payments		(35,771)	(35,474)
Interest element of lease payments		(1,542)	(1,781)
Net cash used in financing activities		(37,313)	(37,255)
Net increase/(decrease) in cash and cash equivalents		472,839	(637,374)
Cash and cash equivalents at the beginning of the quarter		407,901	973,151
Cash and cash equivalents at the end of the quarter	3	880,740	335,777

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2023 \$'000	At 30 Jun 2022 \$'000
Fixed deposits with banks	812,523	259,944
Cash at bank and in hand	68,217	75,833
	880,740	335,777

The notes on pages 38 to 41 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2023 (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* issued 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 the financial position and performance of the Securities and Futures Commission (the SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2023. 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 (HKFRSs).

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2023 included in this report as comparative information 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, the Investor Compensation Company Limited (ICC) and the Investor and Financial Education Council (IFEC), are made up to 30 June 2023. 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 2023 to the interim financial information.

There were no significant changes in the operations of the Group for the quarter ended 30 June 2023.

2. Recent developments in HKFRSs

Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16

The Group has certain debt securities at amortised cost that are referenced to the 3-month USD London Interbank Offered Rate (LIBOR). These exposures will remain outstanding until the Interbank Offered Rate (IBOR) ceases and will therefore transit in the future. The Group has assessed the impact and there was no significant effect on the condensed consolidated financial statements. The Group is closely monitoring the market and managing the transition to a new benchmark interest rate.

As at 30 June 2023, the carrying amounts of debt securities at amortised cost that are referenced to USD LIBOR and have yet to be transitioned to an alternate benchmark was \$95,091,000 (as at 31 March 2023: \$116,105,000). The total notional contract amount was \$95,003,000 (as at 31 March 2023: \$115,967,000).

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Cash at bank and in hand	68,217	66,647
Fixed deposits with banks	2,825,238	2,845,253
Amounts shown in the condensed consolidated statement of financial position	2,893,455	2,911,900
Less: Amounts with an original maturity beyond three months	(2,012,715)	(2,503,999)
Cash and cash equivalents in the condensed consolidated statement of cash flows	880,740	407,901

4. 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 are solely restricted for the use of such subsidies and are 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.

5. 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 (loss)/gain was mainly driven by the revaluation of USD denominated financial assets.

6. 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 30 June 2023, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2023: \$0.2).

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

7. Related party transactions

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

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

During the period, \$1,520,000 was recovered from the ICF for the ICC's expenses (30 June 2022: \$1,484,000). As at 30 June 2023, the ICC had an amount due to the ICF of \$125,000 (as at 31 March 2023: amount due from the ICF of \$208,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Directors' fees and salaries, allowances and benefits in kind	7,481	6,703
Retirement scheme contributions	654	576
	8,135	7,279

The total remuneration is included in "staff costs and directors' emoluments" on page 34. Directors' emoluments are for services in connection with management of the affairs of the SFC. 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 was nil (30 June 2022: \$88,000) for the period under normal commercial terms and conditions.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

8. 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 2023.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>At 30 June 2023 (Unaudited)</u>				
Debt securities	–	397,033	–	397,033
Pooled funds	1,040,302	–	–	1,040,302
	1,040,302	397,033	–	1,437,335
<u>At 31 March 2023 (Audited)</u>				
Debt securities	–	403,649	–	403,649
Pooled funds	1,045,571	–	–	1,045,571
	1,045,571	403,649	–	1,449,220

During the quarter ended 30 June 2023 and year ended 31 March 2023, 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.

The fair value of debt securities is based on evaluated prices at the end of the reporting period using current bid prices without any deduction for transaction costs. The fair value of the investment in the pooled funds is determined based on the net asset values of the pooled funds which are publicly available in the active market.

(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 were not materially different from their fair values as at 30 June 2023 and 31 March 2023 except for the following financial instruments, for which their carrying amount, fair value and the level of fair value hierarchy were disclosed below.

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>At 30 June 2023 (Unaudited)</u>					
Financial assets at amortised costs – debt securities	3,308,369	3,071,701	–	3,071,701	–
<u>At 31 March 2023 (Audited)</u>					
Financial assets at amortised costs – debt securities	3,285,136	3,066,896	–	3,066,896	–

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their quarterly report together with the unaudited condensed financial statements for the quarter ended 30 June 2023.

Establishment of the Investor Compensation Fund

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Investor Compensation Fund (the Fund) on 1 April 2003.

Financial statements

The financial performance of the Fund for the reporting period ended 30 June 2023 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 reporting period and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)

Dr Lin, James C.

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 reporting period.

On behalf of the Committee

Rico Leung

Chairman

9 August 2023

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000
Income			
Interest income		26,535	6,283
Exchange (loss)/gain		(2,409)	2,718
		24,126	9,001
Expenses			
Investor Compensation Company Limited expenses	2	1,520	1,484
Auditor's remuneration		57	55
		1,577	1,539
Surplus and total comprehensive income for the quarter		22,549	7,462

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

Investor Compensation Fund

Condensed statement of financial position

As at 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Current assets			
Interest receivable		47,465	47,392
Amount due from the Investor Compensation Company Limited		125	–
Fixed deposits with banks	3	2,501,021	2,472,685
Cash at bank	3	646	847
		2,549,257	2,520,924
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		179	274
Amount due to the Investor Compensation Company Limited		–	208
		3,573	3,876
Net current assets		2,545,684	2,517,048
Net assets		2,545,684	2,517,048
Representing:			
Compensation fund		2,545,684	2,517,048

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

Investor Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Unaudited					
	Contributions from the Unified Exchange Compensation Fund \$'000	Contributions from the Commodity Exchange Compensation Fund \$'000	Contributions from the Securities Dealers' Deposits Fund (note 5) \$'000	Contributions from the Commodities Dealers' Deposits Fund (note 5) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2022	994,718	108,923	-	-	1,351,263	2,454,904
Surplus and total comprehensive income for the quarter	-	-	-	-	7,462	7,462
Balance at 30 June 2022	994,718	108,923	-	-	1,358,725	2,462,366
Balance at 1 April 2023	994,718	108,923	-	-	1,413,407	2,517,048
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund	-	-	5,470	617	-	6,087
Surplus and total comprehensive income for the quarter	-	-	-	-	22,549	22,549
Balance at 30 June 2023	994,718	108,923	5,470	617	1,435,956	2,545,684

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



Investor Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash flows from operating activities			
Surplus for the quarter		22,549	7,462
Adjustments for:			
Interest income		(26,535)	(6,283)
Exchange loss/(gain)		2,409	(2,718)
		(1,577)	(1,539)
Change in amount due from/to the Investor Compensation Company Limited		(333)	(281)
Decrease in creditors and accrued charges		(95)	(97)
Net cash used in operating activities		(2,005)	(1,917)
Cash flows from investing activities			
Increase in fixed deposits other than cash and cash equivalents		(79,869)	(152,804)
Interest received		26,392	2,515
Net cash used in investing activities		(53,477)	(150,289)
Cash flows from financing activities			
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund		6,087	–
Net cash generated from financing activities		6,087	–
Net decrease in cash and cash equivalents		(49,395)	(152,206)
Cash and cash equivalents at the beginning of the quarter		164,980	451,903
Cash and cash equivalents at the end of the quarter	3	115,585	299,697

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2023 \$'000	At 30 Jun 2022 \$'000
Fixed deposits with banks	114,939	299,401
Cash at bank	646	296
	115,585	299,697

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

Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2023 (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* issued 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 events and transactions that are significant to an understanding of the changes in the financial position and performance of the Investor Compensation Fund (the Fund) since the annual financial statements for the year ended 31 March 2023. 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 2023 included in this report as comparative information 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 2023 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2023.

2. ICC 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 of investors and other functions under Part III and Part XII of the Securities and Futures Ordinance. The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2023, the ICC incurred costs of \$1,520,000 for its operation (for the quarter ended 30 June 2022: \$1,484,000).

3. Cash and cash equivalents

	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Cash at bank	646	847
Fixed deposits with banks	2,501,021	2,472,685
Amounts shown in the condensed statement of financial position	2,501,667	2,473,532
Less: Amounts with an original maturity beyond three months	(2,386,082)	(2,308,552)
Cash and cash equivalents in the condensed statement of cash flows	115,585	164,980



Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2023 (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 is \$150,000 per claimant for each default case occurring on or before 31 December 2019 or \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 30 June 2023 was \$3,394,000, which was related to a number of claims received in respect of a default case (as at 31 March 2023: \$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 is expected to be paid within one year.

5. Contributions from the SDD and the CDD

Under Section 76 (11) of Schedule 10 of the Securities and Futures Ordinance, the SFC shall pay into the Fund any remaining balance in the Securities Dealers' Deposits Fund (SDD) and the Commodities Dealers' Deposits Fund (CDD) after repaying the dealers' deposits and any money due to the registered dealers.

During the quarter ended 30 June 2023, the SFC paid \$5,470,000 and \$617,000 into the Fund from the SDD and the CDD respectively (for the quarter ended 30 June 2022: nil).

6. Related party transactions

The Fund has related party relationships with the SFC, the ICC, the Unified Exchange Compensation Fund, the SDD and the CDD. The SDD and the CDD were wound up in June 2023. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2023 and 2022.

7. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 14 outstanding claims as at 30 June 2023 (14 outstanding claims as at 31 March 2023). The maximum liability in respect of these claims in aggregate was \$2,430,000 (as at 31 March 2023: \$2,430,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

8. Exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the quarters ended 30 June 2023 and 2022, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

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 together with the unaudited condensed financial statements for the quarter ended 30 June 2023.

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 2023, 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 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 2023 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 50 to 55.

Members of the Committee

The members of the Committee during the reporting period and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Ms Kwok Hom Siu Sally
Ms Lai Chun Mei Hilda (appointed on 1 July 2023)
Mr Yiu Ka Yan Wilfred (retired on 30 June 2023)
Dr Lin, James C.
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 reporting period.

On behalf of the Committee

Rico Leung
Chairman

1 August 2023



Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Unaudited quarter ended	
	30 Jun 2023 \$'000	30 Jun 2022 \$'000
Income		
Interest income	904	134
Expenses		
Recoveries re-distributed	–	22
Auditor's remuneration	27	27
	27	49
Surplus and total comprehensive income for the quarter	877	85

The notes on pages 54 and 55 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Current assets			
Interest receivable		466	454
Fixed deposits with banks		97,856	96,869
Cash at bank		387	491
		98,709	97,814
Current liabilities			
Creditors and accrued charges		10,293	10,325
Relinquished trading rights payable to SEHK	4	2,400	1,650
		12,693	11,975
Net current assets		86,016	85,839
Net assets		86,016	85,839
Representing:			
Compensation fund		86,016	85,839

The notes on pages 54 and 55 form part of these condensed financial statements.



Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Unaudited						
	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	Total \$'000
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
Balance at 1 April 2023	52,150	353,787	630,000	6,502	38,118	(994,718)	85,839
Net contributions to SEHK	(700)	-	-	-	-	-	(700)
Surplus and total comprehensive income for the quarter	-	-	-	-	877	-	877
Balance at 30 June 2023	51,450	353,787	630,000	6,502	38,995	(994,718)	86,016

The notes on pages 54 and 55 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2023 \$'000	30 Jun 2022 \$'000
Cash flows from operating activities			
Surplus for the quarter		877	85
Adjustment for:			
Interest income		(904)	(134)
		(27)	(49)
Decrease in creditors and accrued charges		(32)	(37)
Increase in relinquished trading rights payable to SEHK		750	150
Net cash generated from operating activities		691	64
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		6,479	26,364
Interest received		892	90
Net cash generated from investing activities		7,371	26,454
Cash flows from financing activities			
Net contribution to SEHK		(700)	(50)
Net cash used in financing activities		(700)	(50)
Net increase in cash and cash equivalents		7,362	26,468
Cash and cash equivalents at the beginning of the quarter		69,384	71,486
Cash and cash equivalents at the end of the quarter	3	76,746	97,954

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2023 \$'000	At 30 Jun 2022 \$'000
Fixed deposits with banks	76,359	97,760
Cash at bank	387	194
	76,746	97,954

The notes on pages 54 and 55 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2023 (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* issued by the Hong Kong Institute of Certified Public Accountants. As the Unified Exchange Compensation Fund (the Fund) will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have 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 events and transactions that are significant to an understanding of the changes in the financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2023. 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 2023 included in this report as comparative information 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 2023 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2023.

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 2023, the equity securities received under subrogation amounted to \$77 (as at 31 March 2023: \$30). The balances as at 30 June 2023 and 31 March 2023 are too small to present 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 2023 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2023 \$'000	Audited At 31 Mar 2023 \$'000
Cash at bank	387	491
Fixed deposits with banks	97,856	96,869
Amounts shown in the condensed statement of financial position	98,243	97,360
Less: Amounts with an original maturity beyond three months	(21,497)	(27,976)
Cash and cash equivalents in the condensed statement of cash flows	76,746	69,384

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, a deposit of \$50,000 in respect of a new trading right was received from SEHK. As at 30 June 2023, 48 trading rights totalling \$2,400,000 were relinquished but not yet refunded (as at 31 March 2023: 33 trading rights totalling \$1,650,000 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 2023 \$'000	30 Jun 2022 \$'000
Balance at the beginning of the quarter	52,150	54,300
Add: new trading rights issued	50	100
Adjustment for: net increase in relinquished trading rights payable to SEHK	(750)	(150)
Balance at the end of the quarter	51,450	54,250

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 2023 and 2022.