

# 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 together with the unaudited condensed financial statements for the six months ended 30 September 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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 September 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Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 period ended 30 September 2023 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 55 to 61.

## Members of the Committee

The members of the Committee during the 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

13 November 2023



# 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 56 to 61, 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statement of financial position of Unified Exchange Compensation Fund (the Fund), established under Part X of the repealed Securities Ordinance (Chapter 333), which remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the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 2023 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 selected 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”.

### Emphasis of matter

We draw attention to the fact that the Fund is in the process of terminating its business and operations and is no longer considered to be a going concern. Details about the basis of preparation of the interim financial information are set out in note 1 to the interim financial information. Our conclusion is not modified in respect of this matter.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 13 November 2023

## Unified Exchange Compensation Fund

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

For the three months ended 30 September 2023 (Expressed in Hong Kong dollars)

	Unaudited and unreviewed Three months ended	
	30 Sep 2023 \$'000	30 Sep 2022 \$'000
<b>Income</b>		
Interest income	1,148	374
<b>Expense</b>		
Auditor's remuneration	27	27
<b>Surplus and total comprehensive income for the quarter</b>	<b>1,121</b>	<b>347</b>

This condensed statement of profit or loss and other comprehensive income for the three months ended 30 September 2023 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 2023 (Expressed in Hong Kong dollars)

	Unaudited six months ended	
	30 Sep 2023 \$'000	30 Sep 2022 \$'000
<b>Income</b>		
Interest income	2,052	508
<b>Expenses</b>		
Recoveries re-distributed	–	22
Auditor's remuneration	54	54
	54	76
<b>Surplus and total comprehensive income for the period</b>	<b>1,998</b>	<b>432</b>

The notes on pages 60 and 61 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of financial position

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

	Note	Unaudited At 30 Sep 2023 \$'000	Audited At 31 Mar 2023 \$'000
<b>Current assets</b>			
Interest receivable		586	454
Fixed deposits with banks		97,494	96,869
Cash at bank		477	491
		98,557	97,814
<b>Current liabilities</b>			
Creditors and accrued charges		10,320	10,325
Relinquished trading rights payable to SEHK	4	1,500	1,650
		11,820	11,975
<b>Net current assets</b>		86,737	85,839
<b>Net assets</b>		86,737	85,839
Representing:			
<b>Compensation fund</b>		86,737	85,839

The notes on pages 60 and 61 form part of these condensed financial statements.



## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the six months ended 30 September 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	(450)	–	–	–	–	–	(450)
Surplus and total comprehensive income for the period	–	–	–	–	432	–	432
Balance at 30 September 2022	53,850	353,787	630,000	6,502	36,286	(994,718)	85,707
Balance at 1 April 2023	52,150	353,787	630,000	6,502	38,118	(994,718)	85,839
Net contributions to SEHK	(1,100)	–	–	–	–	–	(1,100)
Surplus and total comprehensive income for the period	–	–	–	–	1,998	–	1,998
Balance at 30 September 2023	51,050	353,787	630,000	6,502	40,116	(994,718)	86,737

The notes on pages 60 and 61 form part of these condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the six months ended 30 September 2023 (Expressed in Hong Kong dollars)

	Note	Unaudited six months ended	
		30 Sep 2023 \$'000	30 Sep 2022 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		1,998	432
Adjustment for:			
Interest income		(2,052)	(508)
		(54)	(76)
Decrease in creditors and accrued charges		(5)	(10)
Decrease in relinquished trading rights payable to SEHK		(150)	(400)
Net cash used in operating activities		(209)	(486)
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		24,194	22,764
Interest received		1,920	284
Net cash generated from investing activities		26,114	23,048
<b>Cash flows from financing activities</b>			
Net trading rights deposits refunded to SEHK		(1,100)	(450)
<b>Net cash used in financing activities</b>		(1,100)	(450)
Net increase in cash and cash equivalents		24,805	22,112
<b>Cash and cash equivalents at the beginning of the six-month period</b>		69,384	71,486
<b>Cash and cash equivalents at the end of the six-month period</b>	3	94,189	93,598

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

	Unaudited	
	At 30 Sep 2023 \$'000	At 30 Sep 2022 \$'000
Fixed deposits with banks	93,712	93,075
Cash at bank	477	523
	94,189	93,598

The notes on pages 60 and 61 form part of these condensed financial statements.



# Unified Exchange Compensation Fund

## Notes to the condensed financial statements

For the six months ended 30 September 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 six months ended 30 September 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 September 2023, the equity securities received under subrogation amounted to \$18 (as at 31 March 2023: \$30). The balances as at 30 September 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 six months ended 30 September 2023 (Expressed in Hong Kong dollars)

#### 3. Cash and cash equivalents

	Unaudited At 30 Sep 2023 \$'000	Audited At 31 Mar 2023 \$'000
Cash at bank	477	491
Fixed deposits with banks	97,494	96,869
Amounts shown in the condensed statement of financial position	97,971	97,360
Less: Amounts with an original maturity beyond three months	(3,782)	(27,976)
Cash and cash equivalents in the condensed statement of cash flows	94,189	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 six-month period, deposits of \$150,000 in respect of 3 new trading rights were received from SEHK and deposits of \$1,400,000 in respect of 28 relinquished trading rights were refunded to SEHK. As at 30 September 2023, 30 trading rights totalling \$1,500,000 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 period was as follows:

	Unaudited six months ended	
	30 Sep 2023 \$'000	30 Sep 2022 \$'000
Balance at the beginning of the six-month period	52,150	54,300
Add: new trading rights issued	150	200
Less: relinquished trading rights refunded	(1,400)	(1,050)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	150	400
Balance at the end of the six-month period	51,050	53,850

#### 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 2023 and 2022.