

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their report together with the unaudited condensed financial statements for the six months ended 30 September 2025.

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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 2025, 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Part X of the repealed Securities Ordinance remains effective in respect of the operations of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 2025 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 71 to 77.

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
Mr Wan Chi Yiu, Andrew
Mr Yih, Dieter Lai Tak, JP

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

14 November 2025

Report on review of condensed financial statements To the Securities and Futures Commission

Introduction

We have reviewed the condensed financial statements of Unified Exchange Compensation Fund (the “Fund”) set out on pages 72 to 77, which comprise the condensed statement of financial position as of 30 September 2025 and the related condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and notes to the condensed financial statements. The directors of the Securities and Futures Commission are responsible for the preparation and presentation of these condensed financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Our responsibility is to express a conclusion on these condensed financial statements based on our review, and to report our conclusion solely to you 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” as issued by the HKICPA. A review of these condensed financial statements 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 condensed financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of matter

We draw attention to note 1 to the condensed financial statements which indicates 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 condensed financial statements are set out in note 1 to the condensed financial statements. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
14 November 2025

Condensed statement of profit or loss and other comprehensive income

For the three months ended 30 September 2025 (Expressed in Hong Kong dollars)

| | Unaudited and unreviewed Three months ended | |
|---|--|-----------------------|
| | 30 Sep 2025 \$'000 | 30 Sep 2024 \$'000 |
| Income | | |
| Interest income | 456 | 1,087 |
| Recoveries | 2,961 | – |
| | 3,417 | 1,087 |
| Expense | | |
| Auditor's remuneration | 23 | 28 |
| Surplus and total comprehensive income for the quarter | 3,394 | 1,059 |

This condensed statement of profit or loss and other comprehensive income for the three months ended 30 September 2025 is for information only.

Condensed statement of profit or loss and other comprehensive income

For the six months ended 30 September 2025 (Expressed in Hong Kong dollars)

| | Note | Unaudited Six months ended | |
|--|------|-------------------------------|-----------------------|
| | | 30 Sep 2025 \$'000 | 30 Sep 2024 \$'000 |
| Income | | | |
| Interest income | | 1,283 | 2,181 |
| Recoveries | 2 | 2,961 | – |
| | | 4,244 | 2,181 |
| Expense | | | |
| Auditor's remuneration | | 47 | 56 |
| Surplus and total comprehensive income for the period | | 4,197 | 2,125 |

The notes on pages 76 and 77 form part of these condensed financial statements.

Condensed statement of financial position

As at 30 September 2025 (Expressed in Hong Kong dollars)

| | Note | Unaudited At 30 Sep 2025 \$'000 | Audited At 31 Mar 2025 \$'000 |
|--|------|---------------------------------------|-------------------------------------|
| Current assets | | | |
| Interest receivable | | 212 | 455 |
| Fixed deposits with banks | 3 | 103,589 | 100,107 |
| Cash at bank | 3 | 1,120 | 364 |
| | | 104,921 | 100,926 |
| Current liabilities | | | |
| Creditors, accrued charges and other payable | | 10,214 | 10,216 |
| Relinquished trading rights payable to SEHK | 4 | 2,050 | 1,200 |
| | | 12,264 | 11,416 |
| Net current assets | | 92,657 | 89,510 |
| Net assets | | 92,657 | 89,510 |
| Representing: | | | |
| Compensation fund | | 92,657 | 89,510 |

The notes on pages 76 and 77 form part of these condensed financial statements.

Condensed statement of changes in equity

For the six months ended 30 September 2025 (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 2024 | 50,050 | 353,787 | 630,000 | 6,502 | 42,477 | (994,718) | 88,098 |
| Net contributions to SEHK | (1,700) | – | – | – | – | – | (1,700) |
| Surplus and total comprehensive income for the period | – | – | – | – | 2,125 | – | 2,125 |
| Balance at 30 September 2024 | 48,350 | 353,787 | 630,000 | 6,502 | 44,602 | (994,718) | 88,523 |
| Balance at 1 April 2025 | 47,400 | 353,787 | 630,000 | 6,502 | 46,539 | (994,718) | 89,510 |
| Net contributions to SEHK | (1,050) | – | – | – | – | – | (1,050) |
| Surplus and total comprehensive income for the period | – | – | – | – | 4,197 | – | 4,197 |
| Balance at 30 September 2025 | 46,350 | 353,787 | 630,000 | 6,502 | 50,736 | (994,718) | 92,657 |

The notes on pages 76 and 77 form part of these condensed financial statements.

Condensed statement of cash flows

For the six months ended 30 September 2025 (Expressed in Hong Kong dollars)

| | Note | Unaudited Six months ended | |
|---|------|-------------------------------|-----------------------|
| | | 30 Sep 2025 \$'000 | 30 Sep 2024 \$'000 |
| Cash flows from operating activities | | | |
| Surplus for the period | | 4,197 | 2,125 |
| Adjustment for: | | | |
| Interest income | | (1,283) | (2,181) |
| | | 2,914 | (56) |
| Decrease in creditors and accrued charges and other payable | | (2) | (9) |
| Increase in relinquished trading rights payable to SEHK | | 850 | 50 |
| Net cash generated from/(used in) operating activities | | 3,762 | (15) |
| Cash flows from investing activities | | | |
| Withdrawal of fixed deposits other than cash and cash equivalents | | 21,005 | 24,700 |
| Interest received | | 1,526 | 2,235 |
| Net cash generated from investing activities | | 22,531 | 26,935 |
| Cash flows from financing activity | | | |
| Net trading rights deposits refunded to SEHK | | (1,050) | (1,700) |
| Net cash used in financing activity | | (1,050) | (1,700) |
| Net increase in cash and cash equivalents | | 25,243 | 25,220 |
| Cash and cash equivalents at the beginning of the six-month period | | 79,466 | 62,362 |
| Cash and cash equivalents at the end of the six-month period | 3 | 104,709 | 87,582 |

Analysis of the balance of cash and cash equivalents

| | Unaudited | |
|---------------------------|--------------------------|--------------------------|
| | At 30 Sep 2025 \$'000 | At 30 Sep 2024 \$'000 |
| Fixed deposits with banks | 103,589 | 87,295 |
| Cash at bank | 1,120 | 287 |
| | 104,709 | 87,582 |

The notes on pages 76 and 77 form part of these condensed financial statements.

Notes to the condensed financial statements

For the six months ended 30 September 2025 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the condensed financial statements 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 operations as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have prepared the condensed financial statements 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. We have not provided for potential future claims and recoveries as these cannot be reliably estimated. We have also not provided in the condensed financial statements for all expenses expected to be incurred subsequent to the end of the reporting period and up to the date operations will cease and these are estimated to be immaterial.

The condensed financial statements contain selected explanatory notes which provide 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 2025. The condensed financial statements do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The condensed financial statements are unaudited and the financial information relating to the financial year ended 31 March 2025 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 2025 to the condensed financial statements.

There were no significant changes in the operations of the Fund for the six months ended 30 September 2025.

2. Recoveries/Equity securities received under subrogation

For the six months ended 30 September 2025, the Fund received HK\$2,961,000 under subrogation, which was recognised as recoveries (for the six months ended 30 September 2024: nil).

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 included in "Recoveries". Dividend income, if any, is also included in "Recoveries". As at 30 September 2025, the equity securities received under subrogation amounted to \$14 (as at 31 March 2025: \$13). The balances as at 30 September 2025 and 31 March 2025 are too small to present on the condensed statement of financial position which is expressed in thousands of dollars.

Notes to the condensed financial statements

For the six months ended 30 September 2025 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

| | Unaudited At 30 Sep 2025 \$'000 | Audited At 31 Mar 2025 \$'000 |
|--|---------------------------------------|-------------------------------------|
| Fixed deposits with banks | 103,589 | 100,107 |
| Cash at bank | 1,120 | 364 |
| Amounts shown in the condensed statement of financial position | 104,709 | 100,471 |
| Less: amounts with an original maturity beyond three months | – | (21,005) |
| Cash and cash equivalents in the condensed statement of cash flows | 104,709 | 79,466 |

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 months ended 30 September 2025, deposits of \$150,000 in respect of 3 new trading rights were received from SEHK and deposits of \$350,000 in respect of 7 relinquished trading rights were refunded to SEHK. As at 30 September 2025, 41 trading rights totalling \$2,050,000 were relinquished but not yet refunded (as at 31 March 2025: 24 trading rights totalling \$1,200,000 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 2025 \$'000 | 30 Sep 2024 \$'000 |
| Balance at the beginning of the six-month period | 47,400 | 50,050 |
| Add: new trading rights issued | 150 | – |
| Less: relinquished trading rights refunded | (350) | (1,650) |
| Adjustment for: net increase in relinquished trading rights payable to SEHK | (850) | (50) |
| Balance at the end of the six-month period | 46,350 | 48,350 |

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 2025 and 2024.