

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 nine months ended 31 December 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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 31 December 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Part X of the repealed Securities Ordinance remains effective in respect of the operations of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 31 December 2025 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 65 to 70.

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

27 January 2026

Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2025 \$'000	31 Dec 2024 \$'000	31 Dec 2025 \$'000	31 Dec 2024 \$'000
Income					
Interest income		2,013	3,192	730	1,011
Recoveries	2	2,961	–	–	–
		4,974	3,192	730	1,011
Expense					
Auditor's remuneration		61	73	14	17
Surplus and total comprehensive income for the period		4,913	3,119	716	994

The notes on pages 69 and 70 form part of these condensed financial statements.

Condensed statement of financial position

As at 31 December 2025 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2025 \$'000	Audited At 31 Mar 2025 \$'000
Current assets			
Interest receivable		479	455
Fixed deposits with banks	3	103,556	100,107
Cash at bank	3	760	364
		104,795	100,926
Current liabilities			
Creditors and accrued charges		10,222	10,216
Relinquished trading rights payable to SEHK	4	1,350	1,200
		11,572	11,416
Net current assets		93,223	89,510
Net assets		93,223	89,510
Representing:			
Compensation fund		93,223	89,510

The notes on pages 69 and 70 form part of these condensed financial statements.

Condensed statement of changes in equity

For the nine months ended 31 December 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	(2,050)	–	–	–	–	–	(2,050)
Surplus and total comprehensive income for the period	–	–	–	–	3,119	–	3,119
Balance at 31 December 2024	48,000	353,787	630,000	6,502	45,596	(994,718)	89,167
Balance at 1 April 2025	47,400	353,787	630,000	6,502	46,539	(994,718)	89,510
Net contributions to SEHK	(1,200)	–	–	–	–	–	(1,200)
Surplus and total comprehensive income for the period	–	–	–	–	4,913	–	4,913
Balance at 31 December 2025	46,200	353,787	630,000	6,502	51,452	(994,718)	93,223

The notes on pages 69 and 70 form part of these condensed financial statements.

Condensed statement of cash flows

For the nine months ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2025 \$'000	31 Dec 2024 \$'000
Cash flows from operating activities			
Surplus for the period		4,913	3,119
Adjustment for:			
Interest income		(2,013)	(3,192)
		2,900	(73)
Increase in creditors and accrued charges		6	8
Increase/(decrease) in relinquished trading rights payable to SEHK		150	(550)
Net cash generated from/(used in) operating activities		3,056	(615)
Cash flows from investing activities			
Withdrawal of fixed deposits other than cash and cash equivalents		8,101	32,972
Interest received		1,989	3,315
Net cash generated from investing activities		10,090	36,287
Cash flows from financing activity			
Net trading rights deposits refunded to SEHK		(1,200)	(2,050)
Net cash used in financing activity		(1,200)	(2,050)
Net increase in cash and cash equivalents		11,946	33,622
Cash and cash equivalents at the beginning of the nine-month period		79,466	62,362
Cash and cash equivalents at the end of the nine-month period	3	91,412	95,984

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2025 \$'000	At 31 Dec 2024 \$'000
Fixed deposits with banks	90,652	95,697
Cash at bank	760	287
	91,412	95,984

The notes on pages 69 and 70 form part of these condensed financial statements.

Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 2025.

2. Recoveries/Equity securities received under subrogation

For the nine months ended 31 December 2025, the Fund received HK\$2,961,000 under subrogation, which was recognised as recoveries (for the nine months ended 31 December 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 31 December 2025, the equity securities received under subrogation amounted to \$11 (as at 31 March 2025: \$13). The balances as at 31 December 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 nine months ended 31 December 2025 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 31 Dec 2025 \$'000	Audited At 31 Mar 2025 \$'000
Fixed deposits with banks	103,556	100,107
Cash at bank	760	364
Amounts shown in the condensed statement of financial position	104,316	100,471
Less: amounts with an original maturity beyond three months	(12,904)	(21,005)
Cash and cash equivalents in the condensed statement of cash flows	91,412	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 nine months ended 31 December 2025, deposits of \$250,000 in respect of 5 new trading rights were received from SEHK and deposits of \$1,300,000 in respect of 26 relinquished trading rights were refunded to SEHK. As at 31 December 2025, 27 trading rights totalling \$1,350,000 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 Nine months ended	
	31 Dec 2025 \$'000	31 Dec 2024 \$'000
Balance at the beginning of the nine-month period	47,400	50,050
Add: new trading rights issued	250	–
Less: relinquished trading rights refunded	(1,300)	(2,600)
Adjustment for: net (increase)/decrease in relinquished trading rights payable to SEHK	(150)	550
Balance at the end of the nine-month period	46,200	48,000

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 2025 and 2024.