Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their report together with the unaudited condensed financial statements for the quarter ended 30 June 2026.

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 period ended 30 June 2026 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 57 to 62.

Members of the Committee

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

Leung Chung Yin, Rico (Chairman)	
Chan, Chung Sze Vicky	(appointed on 17 July 2026)
Jenkins, Tom	
Yih, Dieter Lai Tak, JP	
Xu, Liang	(retired on 18 June 2026)

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 August 2026

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Income			
Interest income		**23,573**	27,820
Exchange gain		**393**	13,985
		23,966	41,805
Expenses			
Investor Compensation Company Limited expenses	2	**1,624**	1,570
Compensation expenses	4	**3**	–
Auditor's remuneration		**52**	52
		1,679	1,622
Surplus and total comprehensive income for the quarter		**22,287**	40,183

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of financial position

As at 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Current assets			
Interest receivable		**26,853**	27,592
Fixed deposits with banks	3	**2,858,037**	2,835,124
Cash at bank	3	**378**	497
		2,885,268	2,863,213
Current liabilities			
Provision for compensation	4	**4,283**	4,280
Creditors and accrued charges		**174**	256
Amount due to the Investor Compensation Company Limited	5	**222**	375
		4,679	4,911
Net current assets		**2,880,589**	2,858,302
Net assets		**2,880,589**	2,858,302
Representing:			
Compensation fund		**2,880,589**	2,858,302

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of changes in equity

For the quarter ended 30 June 2026 (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 $'000	Contributions from the Commodities Dealers' Deposits Fund $'000	Accumulated surplus $'000	Total $'000
Balance at 1 April 2025	994,718	108,923	5,470	617	1,638,763	2,748,491
Surplus and total comprehensive income for the quarter	–	–	–	–	40,183	40,183
Balance at 30 June 2025	994,718	108,923	5,470	617	1,678,946	2,788,674
Balance at 1 April 2026	**994,718**	**108,923**	**5,470**	**617**	**1,748,574**	**2,858,302**
Surplus and total comprehensive income for the quarter	**–**	**–**	**–**	**–**	**22,287**	**22,287**
Balance at 30 June 2026	**994,718**	**108,923**	**5,470**	**617**	**1,770,861**	**2,880,589**

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of cash flows

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Cash flows from operating activities			
Surplus for the quarter		**22,287**	40,183
Adjustments for:			
Interest income		**(23,573)**	(27,820)
Exchange gain		**(393)**	(13,985)
		(1,679)	(1,622)
Increase in provision for compensation		**3**	–
Decrease in creditors and accrued charges		**(82)**	(83)
Decrease in amount due to the Investor Compensation Company Limited		**(153)**	(96)
Net cash used in operating activities		**(1,911)**	(1,801)
Cash flows from investing activities			
Withdrawal of fixed deposits other than cash and cash equivalents		**209,504**	228,925
Interest received		**24,318**	34,098
Net cash generated from investing activities		**233,822**	263,023
Net increase in cash and cash equivalents		**231,911**	261,222
Cash and cash equivalents at the beginning of the quarter		**709,350**	1,252,514
Cash and cash equivalents at the end of the quarter	3	**941,261**	1,513,736

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2026 $'000	At 30 Jun 2025 $'000
Fixed deposits with banks	**940,883**	1,513,355
Cash at bank	**378**	381
	941,261	1,513,736

The notes on pages 61 and 62 form part of these condensed financial statements.

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (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.

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 Investor Compensation Fund (the Fund) since the annual financial statements for the year ended 31 March 2026. 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 2026 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 2026 to the condensed financial statements.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2026.

2. Investor Compensation Company Limited 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 to investors and other functions under Part III and Part XII of the Securities and Futures Ordinance (SFO). The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2026, the ICC incurred costs of $1,624,000 for its operations (for the quarter ended 30 June 2025: $1,570,000).

3. Cash and cash equivalents

	Unaudited At 30 Jun 2026 $'000	**Audited At 31 Mar 2026 $'000**
Fixed deposits with banks	**2,858,037**	2,835,124
Cash at bank	**378**	497
Amounts shown in the condensed statement of financial position	**2,858,415**	2,835,621
Less: amounts with an original maturity beyond three months	**(1,917,154)**	(2,126,271)
Cash and cash equivalents in the condensed statement of cash flows	**941,261**	709,350

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (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.

	Unaudited **$'000**
Balance at 1 April 2026	4,280
Add: compensation expenses during the quarter ended 30 June 2026	3
Balance at 30 June 2026	4,283

The provision of compensation as at 30 June 2026 was $4,283,000, which was related to a number of claims received in respect of two default cases (as at 31 March 2026: $4,280,000). The maximum liability of the Fund to these claims is the lower of the maximum compensation limit per claimant or the amount claimed. As at 30 June 2026, the provision was expected to be paid within one year.

5. Related party transactions

The Fund has related party relationships with the SFC, the ICC, and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the condensed financial statements of the Fund for the quarters ended 30 June 2026 and 2025.

As at 30 June 2026, the Fund had an amount due to the ICC of $222,000 (as at 31 March 2026: $375,000).

6. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 13 outstanding claims as at 30 June 2026 (13 outstanding claims as at 31 March 2026). The maximum liability in respect of these claims in aggregate was $2,464,000 (as at 31 March 2026: $2,464,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

7. Foreign exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the quarters ended 30 June 2026 and 2025, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.