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 quarter ended 30 June 2026.

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Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund).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 2026, 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Part X of the repealed Securities Ordinance remains effective in respect of the operations of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.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 June 2026 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 64 to 69.

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	
Wu, Phillip Chi Hang	
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

29 July 2026

Condensed statement of profit or loss and other comprehensive income

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

	Unaudited quarter ended	
	30 Jun 2026 $'000	30 Jun 2025 $'000
Income		
Interest income	**597**	827
Expense		
Auditor's remuneration	**24**	24
Surplus and total comprehensive income for the quarter	**573**	803

The notes on pages 68 and 69 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		**366**	405
Fixed deposits with banks	3	**104,449**	103,905
Cash at bank	3	**335**	299
		105,150	104,609
Current liabilities			
Creditors and accrued charges		**10,184**	10,216
Relinquished trading rights payable to SEHK	4	**650**	600
		10,834	10,816
Net current assets		**94,316**	93,793
Net assets		**94,316**	93,793
Representing:			
Compensation fund		**94,316**	93,793

The notes on pages 68 and 69 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						
	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 2025	47,400	353,787	630,000	6,502	46,539	(994,718)	89,510
Net contributions to SEHK	(200)	–	–	–	–	–	(200)
Surplus and total comprehensive income for the quarter	–	–	–	–	803	–	803
Balance at 30 June 2025	47,200	353,787	630,000	6,502	47,342	(994,718)	90,113
Balance at 1 April 2026	**46,100**	**353,787**	**630,000**	**6,502**	**52,122**	**(994,718)**	**93,793**
Net contributions to SEHK	**(50)**	**–**	**–**	**–**	**–**	**–**	**(50)**
Surplus and total comprehensive income for the quarter	**–**	**–**	**–**	**–**	**573**	**–**	**573**
Balance at 30 June 2026	**46,050**	**353,787**	**630,000**	**6,502**	**52,695**	**(994,718)**	**94,316**

The notes on pages 68 and 69 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		573	803
Adjustment for:			
Interest income		(597)	(827)
		(24)	(24)
Decrease in creditors and accrued charges		(32)	(32)
Increase/(decrease) in relinquished trading rights payable to SEHK		50	(100)
Net cash used in operating activities		(6)	(156)
Cash flows from investing activities			
Withdrawal of fixed deposits other than cash and cash equivalents		50,076	21,005
Interest received		636	902
Net cash generated from investing activities		50,712	21,907
Cash flows from financing activity			
Net contributions to SEHK		(50)	(200)
Net cash used in financing activity		(50)	(200)
Net increase in cash and cash equivalents		50,656	21,551
Cash and cash equivalents at the beginning of the quarter		54,128	79,466
Cash and cash equivalents at the end of the quarter	3	104,784	101,017

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2026 $'000	At 30 Jun 2025 $'000
Fixed deposits with banks	104,449	100,658
Cash at bank	335	359
	104,784	101,017

The notes on pages 68 and 69 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. 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 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. 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 included in “Recoveries”. Dividend income, if any, is also included in “Recoveries”.

As at 30 June 2026, the equity securities received under subrogation amounted to $15 (as at 31 March 2026: $10). The balances as at 30 June 2026 and 31 March 2026 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 quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Fixed deposits with banks	**104,449**	103,905
Cash at bank	**335**	299
Amounts shown in the condensed statement of financial position	**104,784**	104,204
Less: amounts with an original maturity beyond three months	**–**	(50,076)
Cash and cash equivalents in the condensed statement of cash flows	**104,784**	54,128

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, there were no deposits received from SEHK in respect of new trading rights and no deposits refunded to SEHK in respect of relinquished trading rights. As at 30 June 2026, 13 trading rights totalling $650,000 were relinquished but not yet refunded (as at 31 March 2026: 12 trading rights totalling $600,000 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 2026 $'000	30 Jun 2025 $'000
Balance at the beginning of the quarter	**46,100**	47,400
Add: new trading rights issued	**–**	50
Less: relinquished trading rights refunded	**–**	(350)
Adjustment for: net (increase)/decrease in relinquished trading rights payable to SEHK	**(50)**	100
Balance at the end of the quarter	**46,050**	47,200

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 2026 and 2025.