

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Income			
Levies		414,111	344,341
Fees and charges		53,023	37,432
Investment income net of third party expenses			
Investment income		159,703	49,355
Less: custody and advisory expenses		(2,020)	(1,971)
Recoveries from the Investor Compensation Fund	7(a)	1,559	1,517
Exchange loss		(243)	(18,707)
Other income		143	94
		626,276	412,061
Expense			
Staff costs and directors' emoluments	7(b)	360,440	348,407
Other premises expenses		19,474	11,728
Depreciation			
Fixed assets		16,728	9,981
Right-of-use assets		87,805	50,296
Finance costs		2,482	1,084
Other expenses		34,339	43,256
		521,268	464,752
Surplus/(loss) and total comprehensive income for the quarter		105,008	(52,691)

The notes on pages 30 to 31 form part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Non-current assets			
Fixed assets		301,519	135,712
Right-of-use assets		1,111,708	324,040
Deposits for leases		33,299	33,767
Financial assets at amortised costs – debt securities		1,584,810	1,600,123
		3,031,336	2,093,642
Current assets			
Financial assets at amortised costs – debt securities		555,613	984,239
Financial assets at fair value through profit or loss			
Debt securities		425,405	419,469
Pooled funds		768,782	648,510
Debtors, deposits and prepayments		258,470	265,200
Fixed deposits with banks		3,260,671	2,832,302
Cash at bank and in hand		56,058	51,871
		5,324,999	5,201,591
Current liabilities			
Fees received in advance		31,250	47,097
Creditors and accrued charges	7(a)	316,848	167,043
Lease liabilities		132,890	96,115
Provisions	3	59,295	66,532
		540,283	376,787
Net current assets		4,784,716	4,824,804
Total assets less current liabilities		7,816,052	6,918,446
Non-current liabilities			
Lease liabilities		928,077	203,558
Provisions	3	88,047	19,968
		1,016,124	223,526
Net assets		6,799,928	6,694,920
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,757,088	3,652,080
		6,799,928	6,694,920

The notes on pages 30 to 31 form part of these condensed consolidated financial statements.

Condensed statement of financial position

As at 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Non-current assets			
Fixed assets		301,366	135,658
Right-of-use assets		1,111,708	324,040
Deposits for leases		33,299	33,767
Financial assets at amortised costs – debt securities		1,584,810	1,600,123
		3,031,183	2,093,588
Current assets			
Financial assets at amortised costs – debt securities		555,613	984,239
Financial assets at fair value through profit or loss			
Debt securities		425,405	419,469
Pooled funds		768,782	648,510
Debtors, deposits and prepayments		266,430	274,141
Fixed deposits with banks		3,260,671	2,832,302
Cash at bank and in hand		41,170	29,836
		5,318,071	5,188,497
Current liabilities			
Fees received in advance		31,250	47,097
Creditors and accrued charges		309,767	153,895
Lease liabilities		132,890	96,115
Provisions	3	59,295	66,532
		533,202	363,639
Net current assets		4,784,869	4,824,858
Total assets less current liabilities		7,816,052	6,918,446
Non-current liabilities			
Lease liabilities		928,077	203,558
Provisions	3	88,047	19,968
		1,016,124	223,526
Net assets		6,799,928	6,694,920
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,757,088	3,652,080
		6,799,928	6,694,920

The notes on pages 30 to 31 form part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2019	42,840	3,000,000	4,027,382	7,070,222
Loss and total comprehensive income for the quarter	–	–	(52,691)	(52,691)
Balance at 30 June 2019	42,840	3,000,000	3,974,691	7,017,531
Balance at 1 April 2020	42,840	3,000,000	3,652,080	6,694,920
Surplus and total comprehensive income for the quarter	–	–	105,008	105,008
Balance at 30 June 2020	42,840	3,000,000	3,757,088	6,799,928

The notes on pages 30 to 31 form part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter end	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities			
Surplus/(loss) for the quarter		105,008	(52,691)
Adjustments for:			
Depreciation – Fixed assets		16,728	9,981
Depreciation – Right-of-use assets		87,805	50,296
Finance costs		2,482	1,084
Interest income on deposits for leases		(71)	–
Investment income		(159,703)	(49,355)
Exchange difference		230	18,703
Loss on disposal of fixed assets		–	2
		52,479	(21,980)
Decrease/(increase) in debtors, deposits and prepayments		189	(29,375)
(Decrease)/increase in fees received in advance		(15,847)	20,610
Increase/(decrease) in creditors and accrued charges		154,213	(30,339)
Decrease in provisions		(7,237)	–
Net cash generated from/(used in) operating activities		183,797	(61,084)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		539,735	285,203
Interest received		37,004	29,490
Debt securities at fair value through profit or loss purchased		(72,848)	(80,717)
Debt securities at fair value through profit or loss sold or redeemed		76,006	91,017
Pooled funds sold		1,094	1,103
Debt securities at amortised cost purchased		(8,525)	–
Debt securities at amortised cost redeemed at maturity		449,608	78,454
Fixed assets purchased		(182,535)	(13,065)
Net cash generated from investing activities		839,539	391,485
Cash flows from financing activities			
Principal element of lease payments		(48,470)	(49,180)
Interest element of lease payments		(2,482)	(1,084)
Net cash used in financing activities		(50,952)	(50,264)
Net increase in cash and cash equivalents		972,384	280,137
Cash and cash equivalents at the beginning of the quarter		753,406	289,657
Cash and cash equivalents at the end of the quarter	2	1,725,790	569,794

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2020 \$'000	at 30 Jun 2019 \$'000
Fixed deposits with banks	1,669,732	522,689
Cash at bank and in hand	56,058	47,105
	1,725,790	569,794

The notes on pages 30 to 31 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants (HKICPA).

This interim financial information contains condensed consolidated 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 financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2020. The interim financial information does not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2020 included in this report does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, Investor Compensation Company Limited (ICC) and Investor and Financial Education Council (IFEC), are made up to 30 June 2020. We eliminated all material intra group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2020 to the interim financial information.

There were no significant changes in the operations of the Group for the quarter ended 30 June 2020.

2. Cash and cash equivalents

	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Cash at bank and in hand	56,058	51,871
Fixed deposits with banks	3,260,671	2,832,302
Amounts shown in the condensed consolidated statement of financial position	3,316,729	2,884,173
Less: Amounts with an original maturity beyond three months	(1,590,939)	(2,130,767)
Cash and cash equivalents in the condensed consolidated statement of cash flows	1,725,790	753,406

3. Provisions

Provisions represent premises reinstatement cost to restore the premises to its original condition when the lease expires.

4. Ageing analysis of debtors and creditors

There was no material overdue debtors and creditors balance included in "debtors, deposits and prepayment" and "creditors and accrued charges" respectively as at 30 June 2020. Therefore, an ageing analysis of debtors and creditors is not provided.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

5. Exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars, US dollars and renminbi. Exposure in renminbi should not exceed 5% of the investment portfolio. As the majority of the financial assets are denominated in either US dollars or Hong Kong dollars which are closely pegged, the exposure to exchange rate risk is not considered significant.

6. Investments in subsidiaries

The SFC formed the ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the IFEC as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance (SFO).

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 30 June 2020, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2020: \$0.2). The balance is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

7. Related party transactions

The Group has related party relationships with the ICF, Unified Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers' Deposits Fund, Commodities Trading Ordinance (Chapter 250) – Dealers' Deposits Fund and Securities Ordinance (Chapter 333) – Securities Margin Financiers' Security Fund. In addition to the related parties transactions disclosed in elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions.

(a) Reimbursement from the ICF for all the ICC's expenses, in accordance with Section 242(1) of the SFO

During the period, \$1,559,000 was recovered from the ICF for the ICC's expenses (2019: \$1,517,000). As at 30 June 2020, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$538,000 (as at 31 March 2020: \$138,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Directors' fees and salaries, allowances and benefits in kind	8,554	8,614
Retirement scheme contributions	769	775
	9,323	9,389

The total remuneration is included in "staff costs and directors' emoluments" on page 25. Discretionary pay is not included above as the decision to pay is subject to the approval process towards the end of the financial year and therefore is not determined until then.

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the quarter ended 30 June 2020.

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 reporting period ended 30 June 2020 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 33 to 38.

Members of the Committee

The members of the Committee during the quarter ended 30 June 2020 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)

Mr Thomas Allan Atkinson

Dr Lin, James C.

(appointed on 1 August 2020)

Dr William Wong Ming Fung, SC, JP

(retired on 31 July 2020)

Mr Kok Ka Keung

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 quarter.

On behalf of the Committee

Rico Leung

Chairman

13 August 2020

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Income			
Interest income		10,173	15,971
Exchange loss		(78)	(6,342)
		10,095	9,629
Expenses			
Investor Compensation Company Limited expenses	2	1,559	1,517
Auditor's remuneration		55	52
		1,614	1,569
Surplus and total comprehensive income for the quarter		8,481	8,060

The notes on pages 37 and 38 form part of the condensed financial statements.

Investor Compensation Fund

Condensed statement of financial position

As at 30 June 2020 (Expressed in Hong Kong dollars)

	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Current assets		
Interest receivable	5,423	7,185
Due from Investor Compensation Company Limited	538	138
Fixed deposits with banks	2,430,610	2,420,558
Cash at bank	351	651
	2,436,922	2,428,532
Current liabilities		
Creditors and accrued charges	177	268
	177	268
Net current assets	2,436,745	2,428,264
Net assets	2,436,745	2,428,264
Representing:		
Compensation fund	2,436,745	2,428,264

The notes on pages 37 and 38 form part of the condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Unaudited			
	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2019	994,718	108,923	1,287,864	2,391,505
Surplus and total comprehensive income for the quarter	–	–	8,060	8,060
Balance at 30 June 2019	994,718	108,923	1,295,924	2,399,565
Balance at 1 April 2020	994,718	108,923	1,324,623	2,428,264
Surplus and total comprehensive income for the quarter	–	–	8,481	8,481
Balance at 30 June 2020	994,718	108,923	1,333,104	2,436,745

The notes on pages 37 and 38 form part of the condensed financial statements.

Investor Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities			
Surplus for the quarter		8,481	8,060
Adjustments for:			
Interest income		(10,173)	(15,971)
Exchange loss		78	6,342
		(1,614)	(1,569)
Increase in amount due from Investor Compensation Company Limited		(400)	(374)
(Decrease)/increase in creditors and accrued charges		(91)	45
Net cash used in operating activities		(2,105)	(1,898)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		367,425	161,615
Interest received		11,935	16,186
Net cash generated from investing activities		379,360	177,801
Net increase in cash and cash equivalents		377,255	175,903
Cash and cash equivalents at the beginning of the quarter		1,086,662	32,944
Cash and cash equivalents at the end of the quarter	3	1,463,917	208,847

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2020 \$'000	at 30 Jun 2019 \$'000
Fixed deposits with banks	1,463,566	208,231
Cash at bank	351	616
	1,463,917	208,847

The notes on pages 37 and 38 form part of the condensed financial statements.

Notes to the condensed financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

1. Basis of preparation

The Fund has prepared the interim financial information in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of the events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2020. The interim financial information does not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2020 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

The Fund has applied the same accounting policies adopted in the financial statements for the year ended 31 March 2020 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2020.

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. The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2020, the ICC incurred costs of \$1,559,000 for its operation (for the quarter ended 30 June 2019: \$1,517,000) which were reimbursed by the Fund.

3. Cash and cash equivalents

	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Cash at bank	351	651
Fixed deposits with banks	2,430,610	2,420,558
Amounts shown in the condensed statement of financial position	2,430,961	2,421,209
Less: Amounts with an original maturity of beyond three months	(967,044)	(1,334,547)
Cash and cash equivalents in the condensed statement of cash flows	1,463,917	1,086,662

Investor Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

4. Related party transactions

The Fund has related party relationships with the SFC, ICC and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2020 and 2019.

5. Contingent liabilities

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit per claimant is \$150,000 for each default case occurring on or before 31 December 2019 and \$500,000 for each default case occurring on or after 1 January 2020.

As at the date of this report, there are 13 claims received for which currently there is insufficient information to determine the likely level of payment. The maximum liability in respect of these claims in aggregate is \$2,053,000 (at 31 March 2020: \$2,204,000). This is determined based on the lower of the maximum compensation limit per claimant or the amount claimed.

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their quarterly report and the unaudited condensed financial statements for the quarter ended 30 June 2020.

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 2020, 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 (SFC) 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 reporting period ended 30 June 2020 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 40 to 45.

Members of the Committee

The members of the Committee during the quarter ended 30 June 2020 and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)

Mr Thomas Allan Atkinson

Dr Lin, James C.

(appointed on 1 August 2020)

Dr William Wong Ming Fung, SC, JP

(retired on 31 July 2020)

Mr Yiu Ka Yan Wilfred

Ms Kwok Hom Siu

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 quarter.

On behalf of the Committee

Rico Leung

Chairman

5 August 2020

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Income			
Interest income		382	390
Recoveries	2	3,626	(1)
		4,008	389
Expenses			
Auditor's remuneration		27	26
Surplus and total comprehensive income for the quarter		3,981	363

The notes on pages 44 and 45 form part of the condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Current assets			
Interest receivable		199	243
Accounts receivable		9	9
Fixed deposits with banks		96,606	92,879
Cash at bank		334	470
		97,148	93,601
Current liabilities			
Creditors and accrued charges		10,272	10,306
Relinquished trading rights payable to SEHK	4	1,100	1,250
		11,372	11,556
Net current assets		85,776	82,045
Net assets		85,776	82,045
Representing:			
Compensation fund		85,776	82,045

The notes on pages 44 and 45 form part of the condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the quarter ended 30 June 2020 (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 ICF \$'000	Total \$'000
Balance at 1 April 2019	54,500	353,787	630,000	6,502	29,261	(994,718)	79,332
Net contributions from SEHK	550	-	-	-	-	-	550
Surplus and total comprehensive income for the quarter	-	-	-	-	363	-	363
Balance at 30 June 2019	55,050	353,787	630,000	6,502	29,624	(994,718)	80,245
Balance at 1 April 2020	55,450	353,787	630,000	6,502	31,024	(994,718)	82,045
Net contributions to SEHK	(250)	-	-	-	-	-	(250)
Surplus and total comprehensive income for the quarter	-	-	-	-	3,981	-	3,981
Balance at 30 June 2020	55,200	353,787	630,000	6,502	35,005	(994,718)	85,776

The notes on pages 44 and 45 form part of the condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2020 \$'000	30 Jun 2019 \$'000
Cash flows from operating activities			
Surplus for the quarter		3,981	363
Adjustments for:			
Interest income		(382)	(390)
Recoveries		–	1
		3,599	(26)
(Decrease)/increase in creditors and accrued charges		(34)	26
(Decrease)/increase in relinquished trading rights payable to SEHK		(150)	150
Net cash generated from operating activities		3,415	150
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		61,350	–
Interest received		426	356
Net cash generated from investing activities		61,776	356
Cash flows from financing activities			
Net trading rights deposits (refunded to)/received from SEHK		(250)	550
Net cash (used in)/generated from financing activities		(250)	550
Net increase in cash and cash equivalents		64,941	1,056
Cash and cash equivalents at the beginning of the quarter		31,999	90,260
Cash and cash equivalents at the end of the quarter	3	96,940	91,316

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2020 \$'000	at 30 Jun 2019 \$'000
Fixed deposits with banks	96,606	90,494
Cash at bank	334	822
	96,940	91,316

The notes on pages 44 and 45 form part of the condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

1. Basis of preparation

The Fund has prepared the interim financial information in accordance with Hong Kong Accounting Standard 34, *Interim Financial Reporting* adopted by the Hong Kong Institute of Certified Public Accountants. As the Fund will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, the Fund has 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 the events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2020. The interim financial information does not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2020 included in this report does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

The Fund has applied the same accounting policies adopted in the financial statements for the year ended 31 March 2020 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2020.

2. Recoveries/Equity securities received under subrogation

For the quarter ended 30 June 2020, the Fund recognised as recoveries the payment of \$3,626,000 from the liquidator of C.A. Pacific Securities Ltd. and C.A. Pacific Finance Ltd (for the quarter ended 30 June 2019: 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 recognised in "Recoveries". Dividend income, if any, is also recognised in "Recoveries".

As at 30 June 2020, the equity securities received under subrogation amounted to \$193 (as at 31 March 2020: \$142). The balance as at 30 June 2020 is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

3. Cash and cash equivalents

	Unaudited at 30 Jun 2020 \$'000	Audited at 31 Mar 2020 \$'000
Cash at bank	334	470
Fixed deposits with banks	96,606	92,879
Amounts shown in the condensed statement of financial position	96,940	93,349
Less: Amounts with an original maturity of beyond three months	–	(61,350)
Cash and cash equivalents in the condensed statement of cash flows	96,940	31,999

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the quarter ended 30 June 2020 (Expressed in Hong Kong dollars)

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 per trading right. 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, deposits of \$200,000 in respect of 4 new trading rights were received from SEHK and deposits of \$600,000 in respect of 12 relinquished trading rights were refunded to SEHK.

As at 30 June 2020, 22 trading rights totalling \$1,100,000 were relinquished but not yet refunded (as at 31 March 2020: 25 trading rights totalling \$1,250,000 were relinquished but not yet refunded). The net trading right deposits from SEHK as at 30 June 2020, excluding the relinquished trading rights payable, amounted to \$55,200,000 (as at 31 March 2020: \$55,450,000).

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 quarters ended 30 June 2020 and 2019.