

# Securities and Futures Commission

## Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Income</b>					
Levies		1,479,250	972,326	514,290	306,990
Fees and charges		146,211	118,998	37,707	45,229
Net investment income					
Investment income		469,525	177,781	182,685	120,621
Less: custody and advisory expenses		(7,585)	(5,854)	(3,084)	(1,915)
Recoveries from the Investor Compensation Fund	6(a)	4,593	4,544	1,587	1,503
Exchange gain/(loss)		1,504	(29,608)	2,128	(23,947)
Other income		1,091	292	862	192
		2,094,589	1,238,479	736,175	448,673
<b>Expenses</b>					
Staff costs and directors' emoluments	6(b)	1,104,907	1,057,169	358,404	349,743
Depreciation					
Fixed assets		62,026	31,054	22,481	10,527
Right-of-use assets		194,596	157,686	35,616	57,068
Other premises expenses		31,008	33,401	8,367	11,268
Finance costs		7,008	2,519	2,220	349
Other expenses		114,718	159,418	39,889	58,704
		1,514,263	1,441,247	466,977	487,659
<b>Surplus/(loss) and total comprehensive income for the period</b>		<b>580,326</b>	<b>(202,768)</b>	<b>269,198</b>	<b>(38,986)</b>

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

## Condensed consolidated statement of financial position

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
<b>Non-current assets</b>			
Fixed assets		288,081	135,712
Right-of-use assets		1,013,519	324,040
Deposits for leases		37,585	33,767
Financial assets at amortised costs – debt securities		3,079,176	1,600,123
		4,418,361	2,093,642
<b>Current assets</b>			
Financial assets at amortised costs – debt securities		145,044	984,239
Financial assets at fair value through profit or loss			
Debt securities		432,540	419,469
Pooled funds		1,033,477	648,510
Debtors, deposits and prepayments		277,383	265,200
Fixed deposits with banks		2,347,710	2,832,302
Cash at bank and in hand		36,444	51,871
		4,272,598	5,201,591
<b>Current liabilities</b>			
Fees received in advance		8,801	47,097
Creditors and accrued charges		299,398	167,043
Lease liabilities		137,254	96,115
Provisions	3	16,969	66,532
		462,422	376,787
<b>Net current assets</b>		3,810,176	4,824,804
<b>Total assets less current liabilities</b>		8,228,537	6,918,446
<b>Non-current liabilities</b>			
Lease liabilities		864,945	203,558
Provisions	3	88,346	19,968
		953,291	223,526
<b>Net assets</b>		7,275,246	6,694,920
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		4,232,406	3,652,080
		7,275,246	6,694,920

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

## Condensed statement of financial position

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
<b>Non-current assets</b>			
Fixed assets		287,934	135,658
Right-of-use assets		1,013,436	324,040
Deposits for leases		37,585	33,767
Financial assets at amortised costs – debt securities		3,079,176	1,600,123
		4,418,131	2,093,588
<b>Current assets</b>			
Financial assets at amortised costs – debt securities		145,044	984,239
Financial assets at fair value through profit or loss			
Debt securities		432,540	419,469
Pooled funds		1,033,477	648,510
Debtors, deposits and prepayments		277,521	274,141
Fixed deposits with banks		2,347,710	2,832,302
Cash at bank and in hand		24,264	29,836
		4,260,556	5,188,497
<b>Current liabilities</b>			
Fees received in advance		8,801	47,097
Creditors and accrued charges		287,208	153,895
Lease liabilities		137,236	96,115
Provisions	3	16,969	66,532
		450,214	363,639
<b>Net current assets</b>		3,810,342	4,824,858
<b>Total assets less current liabilities</b>		8,228,473	6,918,446
<b>Non-current liabilities</b>			
Lease liabilities		864,881	203,558
Provisions	3	88,346	19,968
		953,227	223,526
<b>Net assets</b>		7,275,246	6,694,920
<b>Funding and reserves</b>			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		4,232,406	3,652,080
		7,275,246	6,694,920

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

## Condensed consolidated statement of changes in equity

For the nine months ended 31 December 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 period	–	–	(202,768)	(202,768)
Balance at 31 December 2019	42,840	3,000,000	3,824,614	6,867,454
Balance at 1 April 2020	<b>42,840</b>	<b>3,000,000</b>	<b>3,652,080</b>	<b>6,694,920</b>
Surplus and total comprehensive income for the period	–	–	<b>580,326</b>	<b>580,326</b>
Balance at 31 December 2020	<b>42,840</b>	<b>3,000,000</b>	<b>4,232,406</b>	<b>7,275,246</b>

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

## Condensed consolidated statement of cash flows

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(loss) for the period		580,326	(202,768)
Adjustments for:			
Depreciation – Fixed assets		62,026	31,054
Depreciation – Right-of-use assets		194,596	157,686
Provisions for reinstatement		(12,197)	–
Finance costs		7,008	2,519
Interest income on deposits for leases		(212)	–
Investment income		(469,525)	(177,781)
Exchange difference		(1,616)	29,635
Loss on disposal of fixed assets		4,889	3
		365,295	(159,652)
Increase in right-of-use assets		(50)	–
Increase in debtors, deposits and prepayments		(23,043)	(17,076)
(Decrease)/increase in fees received in advance		(38,296)	50,700
Increase in creditors and accrued charges		111,569	81,844
Decrease in provisions for reinstatement		(37,940)	–
Net cash generated from/(used in) operating activities		377,535	(44,184)
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		353,378	1,373,433
Interest received		91,111	113,549
Debt securities at fair value through profit or loss purchased		(150,699)	(326,992)
Debt securities at fair value through profit or loss sold or redeemed		146,429	722,468
Pooled funds sold		3,485	153,396
Debt securities at amortised cost purchased		(1,512,389)	(1,086,352)
Debt securities at amortised cost redeemed at maturity		860,401	342,842
Fixed assets purchased		(194,037)	(43,102)
Proceeds from fixed assets disposal		2	–
Net cash (used in)/generated from investing activities		(402,319)	1,249,242
<b>Cash flows from financing activities</b>			
Principal element of lease payments		(114,971)	(148,325)
Interest element of lease payments		(7,008)	(2,519)
Net cash used in financing activities		(121,979)	(150,844)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(146,763)</b>	<b>1,054,214</b>
Cash and cash equivalents at the beginning of the nine-month period		753,406	289,657
<b>Cash and cash equivalents at the end of the nine-month period</b>	2	<b>606,643</b>	<b>1,343,871</b>

## Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2020 \$'000	At 31 Dec 2019 \$'000
Fixed deposits with banks	570,199	1,277,201
Cash at bank and in hand	36,444	66,670
	606,643	1,343,871

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

### 1. Basis of preparation

We have 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.

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.

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 31 December 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 nine months ended 31 December 2020.

### 2. Cash and cash equivalents

	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
Cash at bank and in hand	36,444	51,871
Fixed deposits with banks	2,347,710	2,832,302
Amounts shown in the condensed consolidated statement of financial position	2,384,154	2,884,173
Less: Amounts with an original maturity beyond three months	(1,777,511)	(2,130,767)
Cash and cash equivalents in the condensed consolidated statement of cash flows	606,643	753,406

### 3. Provisions

Provisions represent premises reinstatement cost to restore the premises to a condition as stipulated in the relevant lease agreements when the lease expires.

### 4. Exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. The exchange loss or income was mainly driven by the USD revaluation on financial assets.

## Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

### 5. 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 31 December 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.

### 6. 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, \$4,593,000 was recovered from the ICF for the ICC’s expenses (2019: \$4,544,000). As at 31 December 2020, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$176,000 (as at 31 March 2020: \$138,000).

#### (b) Remuneration of key management personnel

	Unaudited Nine months ended	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Directors’ fees and salaries, allowances and benefits in kind	25,662	26,839
Retirement scheme contributions	2,307	2,320
	27,969	29,159

The total remuneration is included in “staff costs and directors’ emoluments” on page 26. 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 this report and the unaudited condensed financial statements for the nine months ended 31 December 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 31 December 2020 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 34 to 39.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 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 nine months.

On behalf of the Committee

**Rico Leung**

Chairman

10 February 2021



## Investor Compensation Fund

### Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Income</b>					
Interest income		18,893	46,705	3,414	14,771
Exchange gain/(loss)		513	(9,940)	670	(8,176)
		19,406	36,765	4,084	6,595
<b>Expenses</b>					
Investor Compensation Company Limited expenses	2	4,593	4,544	1,587	1,503
Auditor's remuneration		148	142	38	36
		4,741	4,686	1,625	1,539
<b>Surplus and total comprehensive income for the period</b>		14,665	32,079	2,459	5,056

The notes on pages 38 and 39 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of financial position

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
<b>Current assets</b>		
Interest receivable	2,834	7,185
Due from Investor Compensation Company Limited	176	138
Fixed deposits with banks	2,439,793	2,420,558
Cash at bank	362	651
	<b>2,443,165</b>	2,428,532
<b>Current liabilities</b>		
Creditors and accrued charges	236	268
	<b>236</b>	268
<b>Net current assets</b>	<b>2,442,929</b>	2,428,264
<b>Net assets</b>	<b>2,442,929</b>	2,428,264
Representing:		
<b>Compensation fund</b>	<b>2,442,929</b>	2,428,264

The notes on pages 38 and 39 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 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 period	–	–	32,079	32,079
Balance at 31 December 2019	994,718	108,923	1,319,943	2,423,584
Balance at 1 April 2020	<b>994,718</b>	<b>108,923</b>	<b>1,324,623</b>	<b>2,428,264</b>
Surplus and total comprehensive income for the period	–	–	14,665	14,665
Balance at 31 December 2020	<b>994,718</b>	<b>108,923</b>	<b>1,339,288</b>	<b>2,442,929</b>

The notes on pages 38 and 39 form part of the condensed financial statements.

## Investor Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		14,665	32,079
Adjustments for:			
Interest income		(18,893)	(46,705)
Exchange (gain)/loss		(513)	9,940
		(4,741)	(4,686)
Increase in amount due from Investor Compensation Company Limited		(38)	(246)
Decrease in creditors and accrued charges		(32)	(38)
Net cash used in operating activities		(4,811)	(4,970)
<b>Cash flows from investing activities</b>			
(Increase)/decrease in fixed deposits other than cash and cash equivalents		(60,655)	644,868
Interest received		23,244	54,897
Net cash (used in) generated from investing activities		(37,411)	699,765
<b>Net (decrease)/increase in cash and cash equivalents</b>		(42,222)	694,795
Cash and cash equivalents at the beginning of the nine-month period		1,086,662	32,944
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	1,044,440	727,739

#### Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2020 \$'000	At 31 Dec 2019 \$'000
Fixed deposits with banks	1,044,078	727,253
Cash at bank	362	486
	1,044,440	727,739

The notes on pages 38 and 39 form part of the condensed financial statements.

## Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2020, the ICC incurred costs of \$4,593,000 for its operation (for the nine months ended 31 December 2019: \$4,544,000) which were reimbursed by the Fund.

### 3. Cash and cash equivalents

	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
Cash at bank	362	651
Fixed deposits with banks	2,439,793	2,420,558
Amounts shown in the condensed statement of financial position	2,440,155	2,421,209
Less: Amounts with an original maturity of beyond three months	(1,395,715)	(1,334,547)
Cash and cash equivalents in the condensed statement of cash flows	1,044,440	1,086,662

## Investor Compensation Fund

### Notes to the condensed financial statements

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

There are 9 outstanding claims as at the date of this report. The maximum liability in respect of these claims in aggregate is \$1,567,000 (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 this report and the unaudited condensed financial statements for the nine months ended 31 December 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 31 December 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 31 December 2020 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 41 to 46.

### Members of the Committee

The members of the Committee during the nine months ended 31 December 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 nine months.

On behalf of the Committee

**Rico Leung**

Chairman

1 February 2021

## Unified Exchange Compensation Fund

### Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000	31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Income</b>					
Interest income		680	1,359	109	496
Recoveries	2	3,845	(1)	219	–
		4,525	1,358	328	496
<b>Expenses</b>					
Auditor's remuneration		70	67	16	15
<b>Surplus and total comprehensive income for the period</b>		<b>4,455</b>	<b>1,291</b>	<b>312</b>	<b>481</b>

The notes on pages 45 and 46 form part of the condensed financial statements.



## Unified Exchange Compensation Fund

### Condensed statement of financial position

As at 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
<b>Current assets</b>			
Interest receivable		55	243
Accounts receivable		9	9
Fixed deposits with banks		97,425	92,879
Cash at bank		104	470
		<b>97,593</b>	93,601
<b>Current liabilities</b>			
Creditors and accrued charges		10,293	10,306
Relinquished trading rights payable to SEHK	4	1,300	1,250
		<b>11,593</b>	11,556
<b>Net current assets</b>		<b>86,000</b>	82,045
<b>Net assets</b>		<b>86,000</b>	82,045
Representing:			
<b>Compensation fund</b>		<b>86,000</b>	82,045

The notes on pages 45 and 46 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of changes in equity

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Unaudited							Total \$'000
	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		
Balance at 1 April 2019	54,500	353,787	630,000	6,502	29,261	(994,718)	79,332	
Net contributions from SEHK	1,000	-	-	-	-	-	1,000	
Surplus and total comprehensive income for the period	-	-	-	-	1,291	-	1,291	
Balance at 31 December 2019	55,500	353,787	630,000	6,502	30,552	(994,718)	81,623	
Balance at 1 April 2020	55,450	353,787	630,000	6,502	31,024	(994,718)	82,045	
Net contributions to SEHK	(500)	-	-	-	-	-	(500)	
Surplus and total comprehensive income for the period	-	-	-	-	4,455	-	4,455	
Balance at 31 December 2020	54,950	353,787	630,000	6,502	35,479	(994,718)	86,000	

The notes on pages 45 and 46 form part of the condensed financial statements.

## Unified Exchange Compensation Fund

### Condensed statement of cash flows

For the nine months ended 31 December 2020 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2020 \$'000	31 Dec 2019 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the period		4,455	1,291
Adjustments for:			
Interest income		(680)	(1,359)
Recoveries		–	1
		3,775	(67)
Decrease in creditors and accrued charges		(13)	(13)
Increase in relinquished trading rights payable to SEHK		50	100
Net cash generated from operating activities		3,812	20
<b>Cash flows from investing activities</b>			
Decrease in fixed deposits other than cash and cash equivalents		8,134	–
Interest received		868	1,278
Net cash generated from investing activities		9,002	1,278
<b>Cash flows from financing activities</b>			
Net trading rights deposits (refunded to)/received from SEHK		(500)	1,000
Net cash (used in)/generated from financing activities		(500)	1,000
<b>Net increase in cash and cash equivalents</b>		12,314	2,298
Cash and cash equivalents at the beginning of the nine-month period		31,999	90,260
<b>Cash and cash equivalents at the end of the nine-month period</b>	3	44,313	92,558

#### Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2020 \$'000	At 31 Dec 2019 \$'000
Fixed deposits with banks	44,209	91,967
Cash at bank	104	591
	44,313	92,558

The notes on pages 45 and 46 form part of the condensed financial statements.

# Unified Exchange Compensation Fund

## Notes to the condensed financial statements

For the nine months ended 31 December 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 nine months ended 31 December 2020.

### 2. Recoveries/Equity securities received under subrogation

The Fund received \$3,845,000 in total from certain liquidators which was recognised as recoveries for the nine months ended 31 December 2020 (for the nine months ended 31 December 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 31 December 2020, the equity securities received under subrogation amounted to \$167 (as at 31 March 2020: \$142). The balance as at 31 December 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 31 Dec 2020 \$'000	Audited At 31 Mar 2020 \$'000
Cash at bank	104	470
Fixed deposits with banks	97,425	92,879
Amounts shown in the condensed statement of financial position	97,529	93,349
Less: Amounts with an original maturity of beyond three months	(53,216)	(61,350)
Cash and cash equivalents in the condensed statement of cash flows	44,313	31,999

## Unified Exchange Compensation Fund

### Notes to the condensed financial statements

For the nine months ended 31 December 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. 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-month period, deposits of \$350,000 in respect of 7 new trading rights were received from SEHK and deposits of \$800,000 in respect of 16 relinquished trading rights were refunded to SEHK. As at 31 December 2020, 26 trading rights totalling \$1,300,000 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 movement of trading rights deposits from SEHK during the period was as follows:

	Unaudited Nine months ended	
	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Balance brought forward	55,450	54,500
Add: new trading rights issued	350	1,600
Less: relinquished trading rights refunded	(800)	(500)
Adjustment for: net increase in relinquished trading rights payable to SEHK	(50)	(100)
Balance carried forward	54,950	55,500

#### 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 2020 and 2019.