

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
Income			
Levies		344,341	391,558
Fees and charges		37,432	29,994
Investment income net of third party expenses			
Investment income		49,355	19,734
Less: custody and advisory expenses		(1,971)	(1,996)
Recoveries from the Investor Compensation Fund		1,517	1,484
Exchange loss		(18,707)	(2,121)
Other income		94	131
		412,061	438,784
Expenses			
Staff costs and directors' emoluments	8(b)	348,407	330,855
Premises			
Rent		-	50,171
Rates, management fees and others		11,728	11,450
Other expenses		43,256	31,105
Depreciation		60,277	7,865
Finance costs	2	1,084	-
		464,752	431,446
(Loss)/surplus and total comprehensive income for the quarter		(52,691)	7,338

The notes on pages 29 to 32 form part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Non-current assets			
Fixed assets		97,917	94,835
Right-of-use assets	2	235,640	–
Financial assets at amortised costs – debt securities		522,592	981,502
		856,149	1,076,337
Current assets			
Financial assets at amortised costs – debt securities		936,962	563,877
Financial assets at fair value through profit or loss			
Debt securities		788,750	795,946
Pooled funds		926,339	925,476
Debtors, deposits and prepayments		263,071	227,018
Fixed deposits with banks		3,669,978	3,653,456
Cash at bank and in hand		47,105	71,908
		6,632,205	6,237,681
Current liabilities			
Fees received in advance		29,460	8,850
Creditors and accrued charges		158,838	189,855
Lease liabilities	2	197,134	–
		385,432	198,705
Net current assets		6,246,773	6,038,976
Total assets less current liabilities		7,102,922	7,115,313
Non-current liabilities			
Lease liabilities	2	33,827	–
Provisions	4	51,564	45,091
		85,391	45,091
Net assets		7,017,531	7,070,222
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,974,691	4,027,382
		7,017,531	7,070,222

The notes on pages 29 to 32 form part of these condensed consolidated financial statements.

Condensed statement of financial position

As at 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Non-current assets			
Fixed assets		97,831	94,738
Right-of-use assets	2	235,640	–
Financial assets at amortised costs – debt securities		522,592	981,502
		856,063	1,076,240
Current assets			
Financial assets at amortised costs – debt securities		936,962	563,877
Financial assets at fair value through profit or loss			
Debt securities		788,750	795,946
Pooled funds		926,339	925,476
Debtors, deposits and prepayments		260,868	233,187
Fixed deposits with banks		3,669,978	3,653,456
Cash at bank and in hand		46,110	49,747
		6,629,007	6,221,689
Current liabilities			
Fees received in advance		29,460	8,850
Creditors and accrued charges		155,554	173,766
Lease liabilities	2	197,134	–
		382,148	182,616
Net current assets		6,246,859	6,039,073
Total assets less current liabilities		7,102,922	7,115,313
Non-current liabilities			
Lease liabilities	2	33,827	–
Provisions	4	51,564	45,091
		85,391	45,091
Net assets		7,017,531	7,070,222
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,000,000	3,000,000
Accumulated surplus		3,974,691	4,027,382
		7,017,531	7,070,222

The notes on pages 29 to 32 form part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2019 (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 2018	42,840	3,000,000	4,121,924	7,164,764
Surplus and total comprehensive income for the quarter	–	–	7,338	7,338
Balance at 30 June 2018	42,840	3,000,000	4,129,262	7,172,102
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

The notes on pages 29 to 32 form part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
Cash flows from operating activities			
(Loss)/surplus for the quarter		(52,691)	7,338
Adjustments for:			
Depreciation		60,277	7,865
Investment income		(49,355)	(19,734)
Exchange difference		18,703	1,614
Loss on disposal of fixed assets		2	–
		(23,064)	(2,917)
(Increase)/decrease in debtors, deposits and prepayments		(29,375)	3,879
Increase/(decrease) in fees received in advance		20,610	(596)
(Decrease)/increase in creditors and accrued charges		(30,339)	30,775
Increase in non-current liabilities		–	1,313
Net cash (used in)/generated from operating activities		(62,168)	32,454
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		285,203	596,622
Interest received		29,490	31,748
Debt securities at fair value through profit or loss purchased		(80,717)	(81,019)
Debt securities at fair value through profit or loss sold or redeemed		91,017	76,680
Pooled funds sold		1,103	1,150
Debt securities at amortised costs redeemed at maturity		78,454	–
Fixed assets purchased		(13,065)	(9,599)
Net cash generated from investing activities		391,485	615,582
Cash flows from financing activities			
Principal elements of lease payments		(49,180)	–
Net cash used in financing activities		(49,180)	–
Net increase in cash and cash equivalents		280,137	648,036
Cash and cash equivalents at the beginning of the quarter		289,657	292,105
Cash and cash equivalents at the end of the quarter	3	569,794	940,141

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2019 \$'000	at 30 Jun 2018 \$'000
Fixed deposits with banks	522,689	895,310
Cash at bank and in hand	47,105	44,831
	569,794	940,141

The notes on pages 29 to 32 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2019 (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) since the annual financial statements for the year ended 31 March 2019. 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 2019 included in this report does not constitute the SFC'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), (the Group) are made up to 30 June 2019. We eliminated all material intragroup 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 2019 to the interim financial information, except for the adoption of HKFRS 16, *Leases* as issued by the HKICPA and effective for accounting periods beginning on or after 1 April 2019. The impact of the adoption of HKFRS 16 is disclosed in note 2 below.

There were no significant changes in the operations of the SFC for the quarter ended 30 June 2019.

2. Changes in accounting policies

Impact on the interim financial information

Nature of change

HKFRS 16 primarily affects the accounting as a lessee of leases for assets which are previously classified as operating leases. The application of the new accounting model leads to an increase in both assets and liabilities and impacts the timing of the expense recognition in the condensed consolidated statement of profit or loss and other comprehensive income over the period of the lease. The Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption.

Prior to the adoption of HKFRS 16, leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as a lessee are classified as operating leases. We treat the rent payable under operating leases as an expense in equal instalments over the accounting periods covered by the lease term. We recognise lease incentives received in the condensed consolidated statement of profit or loss and other comprehensive income as an integral part of the aggregate net lease payments made.

Upon adoption of HKFRS 16, leases are recognised in the condensed consolidated statement of financial position as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Impact

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease liabilities include the net present value of future lease payments and are subsequently measured at amortised costs. The right-of-use assets are measured at net present value (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received) and depreciated on a straight-line basis during the lease term. For short-term leases and leases of low-value assets, lease rentals are recognised under operating expenses in the condensed consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease terms.

The Group has applied HKFRS 16 from 1 April 2019. As permitted by the simplified transitional approach of HKFRS 16, comparatives were not restated. As at 31 March 2019, the Group has non-cancellable operating lease commitments for properties of \$285,809,000. As a result of initially applying HKFRS 16, the Group recognised right-of-use assets of \$285,936,000 and lease liabilities of \$280,141,000. The discount rate applied to the lease liabilities was 1.55%. Overall net assets increased by \$5,795,000. Surplus decreased by \$1,117,000 for the quarter as a result of adopting HKFRS 16. During the quarter ended 30 June 2019, the Group recognised depreciation expense for right-of-use assets of \$50,296,000 and interest expense on lease liabilities of \$1,084,000.

3. Cash and cash equivalents

	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Cash at bank and in hand	47,105	71,908
Fixed deposits with banks	3,669,978	3,653,456
Amounts shown in the condensed consolidated statement of financial position	3,717,083	3,725,364
Less: Amounts with an original maturity beyond three months	(3,147,289)	(3,435,707)
Cash and cash equivalents in the condensed consolidated statement of cash flows	569,794	289,657

4. Provisions

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

5. 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 2019. Therefore, we do not provide an ageing analysis of debtors and creditors.

6. Exchange risk

The SFC'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, we do not consider we are exposed to significant exchange rate risk.

7. 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 2019, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as 31 March 2019: \$0.2). The balance is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

8. Related party transactions

We have related party relationships with the ICF, Unified Exchange Compensation Fund (UECF), Securities Ordinance (Chapter 333) – Dealers’ Deposits Fund (SDD), Commodities Trading Ordinance (Chapter 250) – Dealers’ Deposits Fund (CDD) and Securities Ordinance (Chapter 333) – Securities Margin Financiers’ Security Fund (SMF). In addition to the related parties relationship disclosed in elsewhere in these condensed consolidated financial statements, we have the following significant 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 quarter, \$1,517,000 was recovered from the ICF for the ICC’s expenses (2018: \$1,484,000). As at 30 June 2019, the amount due to the ICF from the ICC was \$428,000 (as at 31 March 2019: \$54,000).

- b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Directors’ fees and salaries, allowances and benefits in kind	8,614	8,307
Retirement scheme contributions	775	761
	9,389	9,068

The total remuneration is included in “staff costs and directors’ emoluments” on page 24. 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 2019.

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 2019 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 quarter ended 30 June 2019 and up to the date of this report were:

Mr Keith Lui (Chairman)
Mr Thomas Allan Atkinson
Dr William Wong Ming Fung, SC
Mr Tai Chi Kin Calvin

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

Keith Lui
Chairman

12 August 2019

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
Income			
Net investment income/(loss)		15,971	(6,028)
Exchange difference		(6,342)	(1,267)
		9,629	(7,295)
Expenses			
Investor Compensation Company Limited expenses	2	1,517	1,484
Auditor's remuneration		52	51
Bank charges		-	230
Professional fees		-	1,064
		1,569	2,829
Surplus/(deficit) and total comprehensive income for the quarter		8,060	(10,124)

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

Investor Compensation Fund

Condensed statement of financial position

As at 30 June 2019 (Expressed in Hong Kong dollars)

	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Current assets		
Interest receivable	25,138	25,425
Due from Investor Compensation Company Limited	428	54
Fixed deposits with banks	2,373,730	2,365,483
Cash at bank	616	845
	2,399,912	2,391,807
Current liabilities		
Creditors and accrued charges	347	302
	347	302
Net current assets	2,399,565	2,391,505
Net assets	2,399,565	2,391,505
Representing:		
Compensation fund	2,399,565	2,391,505

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 quarter ended 30 June 2019 (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 2018	994,718	108,923	1,257,509	2,361,150
Deficit and total comprehensive income for the quarter	-	-	(10,124)	(10,124)
Balance at 30 June 2018	994,718	108,923	1,247,385	2,351,026
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

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

Investor Compensation Fund

Condensed statement of cash flows

For the quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
Cash flows from operating activities			
Surplus/(deficit) for the quarter		8,060	(10,124)
Adjustments for:			
Net investment (income)/loss		(15,971)	6,028
Exchange difference		6,342	1,267
		(1,569)	(2,829)
Increase in amount due from Investor Compensation Company Limited		(374)	(409)
Increase in creditors and accrued charges		45	79
Net cash used in operating activities		(1,898)	(3,159)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		161,615	–
Debt securities purchased		–	(145,306)
Debt securities sold or redeemed		–	132,602
Pooled fund sold		–	338,934
Interest received		16,186	14,370
Net cash generated from investing activities		177,801	340,600
Net increase in cash and cash equivalents		175,903	337,441
Cash and cash equivalents at beginning of the quarter		32,944	55,933
Cash and cash equivalents at end of the quarter	3	208,847	393,374

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2019 \$'000	at 30 Jun 2018 \$'000
Fixed deposits with banks	208,231	15,042
Cash at bank	616	378,332
	208,847	393,374

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

Notes to the condensed financial statements

For the quarter ended 30 June 2019 (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 2019. 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 2019 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 2019 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2019.

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 2019, the ICC incurred costs of \$1,517,000 for its operation (for the quarter ended 30 June 2018: \$1,484,000) which were reimbursed by the Fund.

3. Cash and cash equivalents

	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Cash at bank	616	845
Fixed deposits with banks	2,373,730	2,365,483
Amounts shown in the condensed statement of financial position	2,374,346	2,366,328
Less: Amounts with an original maturity of beyond three months	(2,165,499)	(2,333,384)
Cash and cash equivalents in the condensed statement of cash flows	208,847	32,944

Investor Compensation Fund

4. Material related party transactions

The Fund has related party relationships with the SFC, ICC and the Unified Exchange Compensation Fund. There were no significant related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2018 and 2019.

5. Contingent liabilities

As at the date of this report, there are 15 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 \$2,227,000 (at 31 March 2019: \$2,121,000). This is determined based on the lower of the maximum compensation limit of \$150,000 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 2019.

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 2019, 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 2019 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 quarter ended 30 June 2019 and up to the date of this report were:

Mr Keith Lui (Chairman)
Mr Thomas Allan Atkinson
Dr William Wong Ming Fung, SC
Mr Tai Chi Kin Calvin
Ms Mak Po Shuen

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

Keith Lui
Chairman

31 July 2019

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
Income			
Interest income		390	271
Recoveries	2	(1)	–
		389	271
Expenses			
Auditor's remuneration		26	25
Surplus and total comprehensive income for the quarter		363	246

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 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited at 30 Jun 2019 \$'000	Audited at 31 Mar 2019 \$'000
Current assets			
Equity securities received under subrogation	2	–	1
Interest receivable		221	187
Accounts receivable		9	9
Fixed deposits with banks		90,494	88,338
Cash at bank		822	1,922
		91,546	90,457
Current liabilities			
Creditors and accrued charges		10,351	10,325
Relinquished trading rights payable to SEHK	3	950	800
		11,301	11,125
Net current assets		80,245	79,332
Net assets		80,245	79,332
Representing:			
Compensation fund		80,245	79,332

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 quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Unaudited							Total \$'000
	Trading rights deposits from SEHK (note 3) \$'000	Excess transaction levy from SEHK \$'000	Additional contributions from SEHK and the SFC \$'000	Other contributions \$'000	Accumulated surplus \$'000	Contributions to Investor Compensation Fund \$'000		
Balance at 1 April 2018	53,500	353,787	630,000	6,502	26,733	(994,718)	75,804	
Net contributions from SEHK	350	-	-	-	-	-	350	
Surplus and total comprehensive income for the quarter	-	-	-	-	246	-	246	
Balance at 30 June 2018	53,850	353,787	630,000	6,502	26,979	(994,718)	76,400	
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	

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 quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Unaudited quarter ended	
	30 Jun 2019 \$'000	30 Jun 2018 \$'000
Cash flows from operating activities		
Surplus for the quarter	363	246
Adjustments for:		
Interest income	(390)	(271)
Recoveries	1	–
	(26)	(25)
Increase in creditors and accrued charges	26	25
Increase in relinquished trading rights payable to SEHK	150	–
Net cash generated from operating activities	150	–
Cash flows from investing activities		
Interest received	356	239
Net cash generated from investing activities	356	239
Cash flows from financing activities		
Net trading rights deposits from SEHK	550	350
Net cash generated from financing activities	550	350
Net increase in cash and cash equivalents	1,056	589
Cash and cash equivalents at beginning of the quarter	90,260	86,749
Cash and cash equivalents at end of the quarter	91,316	87,338

Analysis of the balance of cash and cash equivalents

	Unaudited	
	at 30 Jun 2019 \$'000	at 30 Jun 2018 \$'000
Fixed deposits with banks	90,494	87,132
Cash at bank	822	206
	91,316	87,338

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

Notes to the condensed financial statements

For the quarter ended 30 June 2019 (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.

This 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 2019. 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 2019 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 2019 to the interim financial information.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2019.

2. Recoveries/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 recognised in "Recoveries". Dividend income, if any, is also recognised in Recoveries.

As at 30 June 2019, the equity securities received under subrogation amounted to \$318 (at 31 March 2019: \$1,191). The balance as at 30 June 2019 is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

3. 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 Fund 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 \$700,000 in respect of 14 new trading rights were received from SEHK.

At 30 June 2019, there were 19 trading rights in total of \$950,000 that have been relinquished but not yet refunded (at 31 March 2019: 16). The net trading right deposits from SEHK at 30 June 2019, excluding the relinquished trading rights payable, amounted to \$55,050,000 (at 31 March 2019: \$54,500,000).

Unified Exchange Compensation Fund

4. Material related party transactions

The Fund has related party relationships with the Investor Compensation Fund and the SFC. There were no significant related party transactions other than those disclosed in the interim financial information of the Fund for the quarters ended 30 June 2019 and 2018.