

# 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
<b>Income</b>			
Net investment income/(loss)		15,971	(6,028)
Exchange difference		(6,342)	(1,267)
		9,629	(7,295)
<b>Expenses</b>			
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
<b>Surplus/(deficit) and total comprehensive income for the quarter</b>		<b>8,060</b>	<b>(10,124)</b>

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
<b>Current assets</b>		
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
	<b>2,399,912</b>	2,391,807
<b>Current liabilities</b>		
Creditors and accrued charges	347	302
	<b>347</b>	302
<b>Net current assets</b>	<b>2,399,565</b>	2,391,505
<b>Net assets</b>	<b>2,399,565</b>	2,391,505
Representing:		
<b>Compensation fund</b>	<b>2,399,565</b>	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	<b>994,718</b>	<b>108,923</b>	<b>1,287,864</b>	<b>2,391,505</b>
Surplus and total comprehensive income for the quarter	-	-	<b>8,060</b>	<b>8,060</b>
Balance at 30 June 2019	<b>994,718</b>	<b>108,923</b>	<b>1,295,924</b>	<b>2,399,565</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 quarter ended 30 June 2019 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2019 \$'000	30 Jun 2018 \$'000
<b>Cash flows from operating activities</b>			
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)
<b>Cash flows from investing activities</b>			
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
<b>Net increase in cash and cash equivalents</b>		<b>175,903</b>	<b>337,441</b>
<b>Cash and cash equivalents at beginning of the quarter</b>		<b>32,944</b>	<b>55,933</b>
<b>Cash and cash equivalents at end of the quarter</b>	3	<b>208,847</b>	<b>393,374</b>

#### 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
	<b>208,847</b>	<b>393,374</b>

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.