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This is the Securities and Futures Commission's second Quarterly Report for the financial year from 1 April 2006 to 31 March 2007. The report aims to enhance the transparency and accountability of the Commission.

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Operations Highlights

1 July to 30 September 2006

During the quarter, the SFC took a series of decisive actions in protecting investors, including:

- In relation to suspected misappropriation by two brokers, the SFC issued restriction notices, applied to the Court for the appointment of administrators and other orders to protect the interests of affected clients and assist the administrators to carry out their functions.
- We embarked on a three-pronged action plan to minimise broker frauds and explain to the public common tactics of brokers seeking to misappropriate client assets.
- We prosecuted 13 entities and took disciplinary actions against 15 entities for various breaches.

Other highlights:

- Mr Eddy Fong has been appointed as the SFC's Chairman. Mr Brian Ho, Mr Keith Lui, Mr Mark Steward and Mr Paul Kennedy have been appointed Executive Directors of the SFC.
- We published the consultation conclusions on possible reforms to the prospectus regime in the Companies Ordinance and those on the Draft Guidelines on Marketing Materials for Listed Structured Products.
- Total revenue for the second quarter was \$266 million, down 11% from the first quarter on reduced levy income.



This is the Securities and Futures Commission's second Quarterly Report for the financial year starting 1 April 2006.

Market Overview

At the beginning of the quarter, the US markets dropped on intensifying geopolitical unrest and worries over corporate earnings and economic slowdown. The markets later rebounded as geopolitical tensions eased, oil prices retreated and on the Fed's decision to keep interest rate unchanged. Overall, the Dow, S&P and NASDAQ rose 4.7%, 5.2% and 4.0% respectively. European markets were also robust. The DAX, FTSE and CAC rose 5.6%, 2.2% and 5.7% respectively.

The Mainland markets reacted positively to the relaxation of the rules on margin financing and short selling in early August, and to the strong debut of IPOs. There were, however, liquidity concerns over the upcoming IPOs and an unexpected interest rate hike. Strong GDP growth also triggered worries over further macroeconomic tightening measures. During the quarter, the Shanghai Composite Index and the Shenzhen Composite Index gained 4.8% and 1.3% respectively.

In early July, the local market was hurt by record-high oil prices and worries over Mainland macro-economic measures. However, the market rebounded strongly in late August on optimism over the interest rate outlook and declining oil prices. The market extended its gains in September and at the end of the month the HSI closed at 17,543, 7.8% higher from the previous quarter, after reaching a six-year high of 17,620 on 21 September. The H-shares index and red chips index rose 4.6% and 15.0% respectively during the quarter.

Average daily turnover fell 22.2% from the previous quarter to \$26.5 billion. However, on a monthly basis the average daily turnover had increased progressively throughout the quarter. The average daily turnover of HSI constituent stocks decreased 22.3% during the quarter to \$8.0 billion, while those of H-shares and red chips fell by almost one-third to \$6.7 billion and \$3.3 billion respectively.

On the Growth Enterprise Market, the S&P/HKEx GEM index closed 6.4% lower than the previous quarter at 1,103 on 30 September. The average daily turnover was \$134.6 million, a 30.7% decrease from the previous quarter.

There were nine IPOs on the Main Board and one on GEM. The total amount of funds raised was \$32.6 billion, compared with \$93.7 billion, as the IPO of Bank of China alone raised \$86.7 billion during the previous quarter.

At the end of September, the open interests of HSI futures and HSI options were 122,697 contracts and 217,698 contracts, 11.6% and 2.0% higher than the end-June levels respectively. The open interests of H-shares Index futures increased 13.2% to 56,752 contracts.

Review of Operations

Raising Market Standards

The SFC published the consultation conclusions on possible reforms to the prospectus regime in the Companies Ordinance (CO) on 22 September. Of the 21 reform initiatives proposed, 12 will be pursued in principle, including:

- moving the provisions in the CO relating to the public offering of shares and debentures to the Securities and Futures Ordinance (SFO);
- regulating the act of offering rather than any document containing the offer;
- regulating offerors without regard to place of incorporation or their legal form;
- attaching prospectus liability unequivocally to specified persons;
- taking steps to ensure independence and objectivity of analysts in pre-IPO research and that sponsors will ensure that no material information not already contained in the draft prospectus is disclosed to analysts by the IPO applicant; and
- requiring the issuer to publish a supplemental prospectus and provide investors with withdrawal rights where materially adverse new developments occur prior to allocation.

The SFC has analysed the responses to the market consultation on proposed amendments to the Securities and Futures (Stock Market Listing) Rules to give statutory backing to major listing requirements. The SFC, the Government and HKEx are working on how the proposals may be implemented.

The SFC released the Consultation Conclusions on the Draft Guidelines on Marketing Materials for Listed Structured Products on 19 September. The Guidelines is one of the proposals under the Six-Point Plan released in the November 2005 Report on the Derivatives Warrants Market in Hong Kong. The overriding principle in the Guidelines is that marketing materials should not be false, biased, misleading or deceptive and should include appropriate risk warnings. The Guidelines came into effect on 1 October.

The new regime for sponsors and compliance advisers will take effect on 1 January 2007. The Guidelines for Sponsors and Compliance Advisers, which is part of the Fit and Proper Guidelines, was gazetted on 1 September. Circulars and frequently asked questions were published to assist the industry to prepare for the new requirements set out in the guidelines. As of 20 October, 85 corporate finance advisory firms had indicated that they would not act as sponsors under the new regime.

Partnership with the Industry

The number of persons licensed by the SFC continued to rise, with a steady growth of 4% to 27,609 as at 30 September. During the quarter, there were 3,067 new licence applications, 25% higher than the previous quarter. In addition, there were 551 from existing intermediaries wishing to diversify their businesses by adding new regulated activities to their existing licence.

Statistical Information and Financial Position of the Securities Industry			
	As at 30 Sep 2006	As at 30 Sep 2005	
Total number of securities dealers and securities			
margin financiers	641	639	
Total number of active cash clients (Note 2)	685,539	610,062	
Total number of active margin clients (Note 2)	83,480	71,455	
Balance Sheet (Note 3)	(\$ Million)	(\$ Million)	
Cash in hand and at bank (Note 4)	125,192	95,156	
Amounts receivable from margin clients (Note 5)	17,087	14,286	
Amounts receivable from clients and other dealers			
arising from dealing in securities	210,958	159,054	
Proprietary positions	90,067	108,534	
Other assets	147,695	76,690	
Total assets	590,999	453,720	
Amounts payable to clients and other dealers			
arising from dealing in securities	232,217	209,494	
Total borrowings from financial institutions	146,488	66,118	
Short positions held for own account	41,325	36,855	
Other liabilities	75,527	62,237	
Total shareholders' fund (Note 6)	95,442	79,016	
Total liabilities and shareholders' fund	590,999	453,720	

Note 1: The above data were extracted from the monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by licensed corporations licensed for dealing in securities or securities margin financing. Figures reported by an overseas incorporated licensed corporation which carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded from the above figures. Note 2: Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statement of

accounts in respect of the relevant reporting month in accordance with Securities and Futures (Contracts Notes, Statements of Account and Receipts) Rules.

Note 3: The significant increases in various items of the balance sheet are primarily attributable to the uprising market turnover and IPO activities at the end of September 2006.

Note 4: Cash in hand and at bank includes trust monies held on behalf of clients amounting to \$53,048 million (30/9/2005: \$47,234 million).

Average collateral coverage (the number of times the aggregate market value of securities collateral deposited by Note 5: clients covers the amounts receivable from margin clients on a given date on an industry-wide basis): As at 30 Sep 2005 As at 30 Sep 2006 5.1

4.4

Note 6: The value of shareholder's fund includes value of redeemable shares.

Facilitating Market Development

The SFC continued to monitor the latest developments in the Undertakings for Collective Investment in Transferable Securities (UCITS) III, the regulations issued by the European Union Commission that govern funds domiciled in the EU states. As of the end of September, the SFC had authorised 1,301 UCITS III funds, representing over 91% of the UCITS III fund applications received.

In order to enhance the understanding of fund managers and practitioners of the SFC's requirements and to facilitate the authorisation process, the SFC issued in August a guide to the information relating to the risk



management and control process that should be provided in support of applications for UCITS III funds using expanded investment powers, especially those using financial derivative instruments for investment purposes.

Number of SFC Authorised Collective Investment Schemes				
	30 Sep 2006	30 Jun 2006	30 Sep 2005	
Unit Trusts and Mutual Funds	1,955	1,968	1,997	
Investment-Linked Assurance Schemes	197	192	187	
Pooled Retirement Funds	37	37	37	
MPF Master Trust / Industry Schemes	39	39	45	
MPF Pooled Investment Funds (Note 1)	281	281	280	
Real Estate Investment Trusts	4	4	0	
Other Schemes (Note 2)	127	116	94	
Total	2,640	2,637	2,640	
Note 1. This potegory included funds that were offered both as rotall unit truste as well as pooled investment funds for MDE				

Note 1:This category included funds that were offered both as retail unit trusts as well as pooled investment funds for MPF purposes.

Note 2: The schemes included equity-linked deposits.

Enforcement and Regulatory Actions

In July - September, the SFC successfully prosecuted 13 entities for disclosure of interests breaches, unlicensed dealing, unlicensed leveraged foreign exchange trading, unlicensed securities margin financing, cold calling, short selling and giving false answers to the SFC. One entity was acquitted after three summonses against him were withdrawn due to failure of service. Another entity was acquitted after trial on one summons of false trading.

On discipline, the SFC took action against 15 entities during the quarter for various breaches:

1. Settlement with sanctions - Four licensed corporations agreed to disciplinary actions, including reprimands and fines ranging from \$21,000 to \$400,000, for internal control failings and Financial Resources Rules (FRR) breaches.

Three responsible officers and two licensed securities dealer's representatives, one former responsible officer and a former licensed leveraged foreign exchange trading representative agreed to disciplinary actions (including reprimands, fines ranging from \$7,000 to \$240,000 and suspension from six weeks to five months) for failings relating to internal control, FRR, concealing discretionary trading arrangement, anti-money laundering, the Code of Conduct, employer's internal and staff dealing policies, and unlicensed activities.

2. Ban from re-entering the industry - A former licensed representative was prohibited from re-entering the industry for six months for facilitating cold calling and failing to give reasonable investment advice to clients.



- 3. Suspensions The Securities and Futures Appeals Tribunal (SFAT) upheld an SFC decision to suspend a licensed representative for six weeks for breaching the Code of Conduct's "Know your Client" requirements. In another case, the Court of Appeal upheld the SFAT's ruling that a former licensed investment adviser be suspended for one month for giving unsuitable investment advice.
- 4. Reprimand and fine A former licensed securities dealer's representative, who was also his firm's financial controller, was reprimanded and fined \$40,000 for failing to verify the accuracy of the FRR returns and failing to ensure that the firm met the FRR whilst providing margin financing to clients to participate in IPOs.

Statistics of Enforcement Actions				
	Jul - Sep 2006	Apr - Jun 2006	Jul - Sep 2005	
Successful prosecutions	13	22	15	
Actions against entities	15	38	29	
(Note 1)				
Warning letters issued (Note 2)	74	42	30	
Cases under investigation				
(Notes 3 and 4)	457	497	494	
Disciplinary inquiries in progress				
(Note 4)	115	122	109	

Note 1: Number of entities including settlement cases with or without formal sanctions. The number includes current and previously licensed entities.

Note 2: The increase from the last quarter was mainly due to disclosure of interests breaches.

Note 3: Some cases are ongoing investigations from the previous quarter.

Note 4: Number of cases as at the end of quarters.

In May, we issued a restriction notice on Whole Win Securities Limited to preserve the assets of the company and its clients, and to protect the interests of these clients and the investing public. Since early July 2006, the administrator of Whole Win has been returning securities to those clients who were not indebted to it. As of 29 September, \$66 million worth of stocks have been returned to 451 clients.

The Administrator has reached an agreement with a third party who has expressed an interest in restructuring Whole Win. Subject to the agreement being sanctioned by the Court, the third party will provide funds to settle Whole Win's obligations to its clients.

During the course of an inspection on Tiffit Securities (HK) Limited, the SFC discovered that Tiffit had breached the minimum liquid capital requirement, window-dressed its liquid capital position, and had misappropriated client securities. The SFC served a restriction notice on Tiffit on 18 July and administrators were appointed on 24 July. On 27 July, the SFC obtained a prohibition order to refrain Mr Kwok Wood Yan, majority shareholder and responsible officer of Tiffit, from leaving Hong Kong to facilitate the administrators carrying out their functions. On 29 August, the SFC also obtained an interim Mareva injunction to freeze known assets of Mr Kwok and his wife and a disclosure order for them to provide information on their assets. The administrators applied to Court on 19 October for directions to return the assets to affected clients.



On 7 August, the SFC served a restriction notice on Wing Yip Company Limited after discovering that client securities may have been misappropriated by its majority shareholder and responsible officer and that the firm had a deficit in required liquid capital as at 30 June. On 10 August, the Court appointed administrators to Wing Yip. The administrators will shortly seek a Court Order to return to the affected clients those securities held for them by Wing Yip.

The SFC has adopted a three-pronged approach to minimise broker frauds and enhance the protection of client assets held by brokers, which includes continuing rigorous supervision of brokers, discussion with the accounting profession to make more effective use of circularisation of client accounts, and investor education on the use of Investor Participant (IP) Accounts. The SFC also explained to the public several common tactics of brokers seeking to misappropriate client assets, as well as the warning signals.

Strengthening Communication with Investors and Other Stakeholders

During the quarter, we jointly launched with MetroFinance a radio series entitled "Learn More About Investing" to help investors ask the right questions in different investment activities.

A survey on engagement of investment advisers (IAs) found that nine out of 10 investors were satisfied with their IAs' services on the customer services front, but wanted more suitable product recommendations from them. Investors primarily looked at reputation and service quality when choosing IAs and would check expected return and calculation method, fees and charges as well as historical performance before buying a product.

The SFC partnered with The Chinese University of Hong Kong for the first time to offer a course on Personal Financial Management for non-business-major students. We also expanded the existing courses at the Lingnan University. By now, the SFC has taken investor education to all eight local universities.

During the quarter, Dr Wise's column discussed IP Accounts, Stock Segregated Accounts, Investor Compensation Fund, and privatisations.

We published the First Quarterly Report for the financial year 2006/2007 in August to inform the public of our finances and work progress during April to June.

We continued to publish the bi-monthly newsletter SFC Alert, the monthly SFC Enforcement Reporter, and the summer issue of Quarterly Bulletin to communicate with the public on our work and enforcement actions and to educate the investing public. All these publications are available on the SFC website.



Statistics of Investor Enquiries and Public Complaints				
	Jul - Sep 2006	Apr - Jun 2006	Jul - Sep 2005	
Enquiries	1,697	1,792	1,205	
Complaints	282	294	252	

International Co-operation and External Relations

During the quarter, we received 70 requests from overseas regulators, 56 relating to licensing status and history, eight seeking non-public information, one seeking public information, and five seeking investigatory assistance. During the period, we made four requests to Mainland and overseas regulators for investigatory assistance.

We received 14 complaints during the quarter in relation to boiler room operations and acted upon seven of them, of which two were referred to overseas regulators.

We welcomed a group of summer interns from local law firms, five Mainland delegations and two Mainland media delegations during the quarter.

Financial Review¹

Total revenue for July - September dropped 11% from \$297 million in the previous quarter to \$266 million. Levy income decreased 17% to \$192 million from \$230 million as the average daily stock market turnover decreased from \$37 billion to \$28 billion². Expenditure (including depreciation) was \$121 million, 4% lower than the last quarter. As a result, the SFC recorded a surplus of \$145 million for the quarter, compared with the \$171 million in the previous quarter. Our reserves stood at \$1.5 billion at the end of September.

Based on the current information and by managing our budget prudently, we continue to expect a surplus in the next quarter.

The total number of staff at the end of September was 441, comprising 400 regular staff and 41 temporary staff. There were 437 staff a year ago.

¹ We have consolidated the financial results of Investor Compensation Company Limited in this financial report.

² For income purpose, the turnover figure includes the amount of new fund raisings, which also attract transaction levy.



Looking Ahead

We warmly welcome the appointment by the HKSAR Chief Executive of Mr Eddy Fong as the Commission's Chairman. With Mr Fong's extensive knowledge and experience in Hong Kong's financial and securities market, he will be in a position to ensure that the SFC continues to fulfil its responsibilities. We look forward to Mr Fong's leadership of the Board in the next few years in setting the overall directions, strategies and priorities of the Commission.

Following the Financial Secretary's recent appointment of four Executive Directors - Mr Brian Ho, Executive Director of Corporate Finance; Mr Keith Lui, Executive Director of Supervision of Markets; Mr Mark Steward, Executive Director of Enforcement and Mr Paul Kennedy, Executive Director / Chief Operating Officer - I am delighted to note that we now have a full team of Executive Directors.

I look forward to working closely with the new team in discharging the SFC's regulatory responsibilities effectively and efficiently, and in continuing to help Hong Kong strengthen its position as an international financial centre.

Martin Wheatley Chief Executive Officer

14 November 2006



INDEPENDENT REVIEW REPORT TO THE SECURITIES AND FUTURES COMMISSION (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance)

Introduction

We have been instructed by the SFC to review the interim financial report for the six months ended 30 September 2006 set out on pages 12 to 19. We have not been instructed to review and have not reviewed the financial information for the three months ended 30 September 2006 included on page 12 of the interim financial report.

Respective responsibilities of directors and auditors

The directors are responsible for preparing an interim financial report of the SFC to comply with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



INDEPENDENT REVIEW REPORT TO THE SECURITIES AND FUTURES COMMISSION (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance) (cont' d)

Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006. As we have not reviewed the financial information for the three months ended 30 September 2006 included on page 12 of the interim financial report, we do not express any review conclusion on that information.

KPMG Certified Public Accountants Hong Kong

8 November 2006

Consolidated Income and Expenditure Account For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

	<u>Note</u>	Unaudited Three <u>30 Sep 2006</u>	e Months Ended <u>30 Sep 2005</u>	Uhaudited Six M 30 Sep 2006	Nonths Ended <u>30 Sep 2005</u>
		\$'000	\$'000	\$'000	\$'000
Income					
Levies	9	191,664	150,973	422,032	260,638
Fees and charges		56,137	48,123	103,861	93,982
Investment income		16,123	8,161	29,345	15,051
Recoveries from the Investor					
Compensation Fund		892	768	1,657	1,558
Other income		1,278	262	6,838	1,626
		266,094	208,287	563,733	372,855
Expenses					
Staff costs and directors'					
emoluments	8	95,559	94,184	192,241	185,742
Premises					
rent		5,336	5,358	10,694	10,716
other		3,783	3,430	7,571	6,868
Other expenses		12,910	13,401	30,745	24,520
		117,588	116,373	241,251	227,846
Depreciation		3,069	4,957	5,667	9,496
		120,657	121,330	246,918	237,342
Surplus	2	145,437	86,957	316,815	135,513

We have not prepared a separate statement of changes in equity as the surplus would be the only component of such a statement.

The notes on pages 16 to 19 form part of the condensed consolidated financial statements.

Consolidated Balance Sheet At 30 September 2006 (Expressed in Hong Kong Dollars)

		Unaudited	Audited
	Note	<u>At 30 Sep 2006</u>	At 31 Mar 2006
		\$'000	\$'000
Non-current assets			
Fixed assets		17,453	17,934
Held-to-maturity debt securities	3	910,847	580,962
		928,300	<u>598,896</u>
Current assets			
Held-to-maturity debt securities	3	609,448	617,931
Debtors, deposits and prepayments		104,636	96,562
Bank deposits		39,851	47,505
Cash at bank and in hand		4,656	2,378
		758,591	764,376
Current liabilities			
Fees received in advance		50,344	52,195
Creditors and accrued charges		46,454	33,343
-		96,798	85,538
		<u></u>	
Net current assets		661,793	678,838
		<u></u>	<u></u>
Total assets less current liabilities		1,590,093	1,277,734
Non-current liabilities	4	58,684	63,140
Net assets		1,531,409	1,214,594
Funding and reserves			
Initial funding by Government		42,840	42,840
Accumulated surplus	2	1,488,569	<u>1,171,754</u>
	-	1,531,409	1,214,594

The notes on pages 16 to 19 form part of the condensed consolidated financial statements.

Balance Sheet

At 30 September 2006

(Expressed in Hong Kong Dollars)

		Unaudited	Audited
	<u>Note</u>	At 30 Sep 2006	<u>At 31 Mar 2006</u>
		\$'000	\$'000
Non-current assets			
Fixed assets		17,388	17,866
Held-to-maturity debt securities	3	910,847	580,962
		928,235	598,828
Current assets			
Held-to-maturity debt securities	3	609,448	617,931
Debtors, deposits and prepayments		104,168	96,223
Bank deposits		39,851	47,505
Cash at bank and in hand		3,055	1,014
		756,522	762,673
Current liabilities			
Fees received in advance		50,344	52,195
Creditors and accrued charges		44,320	<u>31,572</u>
		94,664	83,767
		<u></u>	<u></u>
Net current assets		661,858	678,906
Net current assets		<u></u>	<u></u>
Total assets less current liabilities		1,590,093	1,277,734
Non-current liabilities	4	58,684	63,140
Net assets		1,531,409	1,214,594
Funding and reserves			
Initial funding by Government		42,840	42,840
Accumulated surplus	2	<u>1,488,569</u>	<u>1,171,754</u>
		1,531,409	1,214,594

The notes on pages 16 to 19 form part of the condensed consolidated financial statements.

Consolidated Cash Flow Statement For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

Cash flows from operating activities	
Surplus for the period 316,815 135,513 Adjustments for : 5,667 9,496 Investment income (29,345) (15,051) Gain on sale of fixed assets 110 - 293,121 129,958	
Increase in debtors, deposits and prepayments(2,445)(3,593)Increase in creditors and accrued charges13,21915,201(Decrease) / increase in fees received in advance(1,851)6,658Decrease in non-current liabilities(4,456)(4,471)Net cash generated from operating activities297,588143,753	
Cash flows from investing activities	
Interest received 22,478 15,878 Held-to-maturity debt securities bought (533,724) (375,815) Held-to-maturity debt securities redeemed 213,560 176,704 Fixed assets bought (5,295) (7,048) Fixed assets sold 17 - Net cash used in investing activities (302,964) (190,281)	
<u></u>	
Net decrease in cash and cash equivalents(5,376)(46,528)	
Cash and cash equivalents at beginning of the six-month period49,88371,348	
Cash and cash equivalents at end of the six-month period 44,507 24,820	
Analysis of the balance of cash and cash equivalents :	

	Unaudited	Unaudited
	<u>At 30 Sep 2006</u>	At 30 Sep 2005
	\$'000	\$'000
Bank deposits	39,851	21,851
Cash at bank and in hand	4,656	2,969
	44,507	24,820



Notes to the Condensed Consolidated Financial Statements For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

1. BASIS OF PREPARATION

We have prepared the interim financial report in accordance with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board.

The interim financial report is unaudited and the financial information relating to the financial year ended 31 March 2006 included in this report does not constitute the SFC's statutory accounts for that financial year but is derived from those financial statements.

We consolidated the financial results of Investor Compensation Company Limited (ICC) in the SFC's condensed financial statements made up to 30 September 2006. 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 2006 to the interim financial report.

There were no significant changes in the operation of the SFC for the six months ended 30 September 2006.

2. ACCUMULATED SURPLUS

The Group and the SFC

Movements of accumulated surplus during the six months ended 30 September 2006 are as follows :

	<u>Unaudited</u>
	\$'000
Balance at 31 March 2006	1,171,754
Surplus	316,815
	<u> </u>
Balance at 30 September 2006	1,488,569



Notes to the Condensed Consolidated Financial Statements For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

3. HELD-TO-MATURITY DEBT SECURITIES

As of 30 September 2006, the total market value of held-to-maturity debt securities amounted to \$1,521,319,000 (31 March 2006 : \$1,187,471,000), which was above the total carrying cost of \$1,520,295,000 (31 March 2006 : \$1,198,893,000).

4. NON-CURRENT LIABILITIES

The Group and the SFC

Non-current liabilities represent deferred lease incentives and provision for premises reinstatement cost. Deferred lease incentives consist of incentives granted by our landlord in connection with the lease of our office premises. We recognise the deferred lease incentives in our income and expenditure account on a straight line basis over the lease period from 2004 to 2013 as an integral part of the lease expense.

5. AGEING ANALYSIS OF DEBTORS AND CREDITORS

There was no material debtor balance and creditor balance included in "debtors, deposits and prepayments" and "creditors and accrued charges" respectively as at 30 September 2006. Therefore we do not provide an ageing analysis of debtors and creditors.

6. EXCHANGE FLUCTUATION

All our balance sheet items are denominated in either United States dollars or Hong Kong dollars, and, as a result, we are not exposed to significant exchange rate risk.



Notes to the Condensed Consolidated Financial Statements For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

7. INVESTMENTS IN SUBSIDIARIES

The SFC formed FinNet Limited (FinNet) on 6 November 2000 with an authorised share capital of \$10,000 and issued share capital of \$2 and ICC on 11 September 2002 with an authorised share capital of \$1,000 and issued share capital of \$0.2. Both FinNet and ICC are incorporated in Hong Kong.

The objective of FinNet is to operate an electronic network to facilitate payment and delivery transactions and interconnection of all financial institutions and financial entities in Hong Kong.

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

Both companies are wholly owned subsidiaries of the SFC. As at 30 September 2006, the investment in subsidiaries, which is stated at cost less any impairment losses, amounted to \$2.2. The balance is too small to appear on the balance sheet which is expressed in thousands of dollars.

FinNet has not commenced operations. The balance sheet of FinNet as at 30 September 2006 and the income and expenditure account for the period then ended were immaterial. Therefore, we have not accounted for its result in the condensed consolidated financial statements.

The financial statements of ICC are included in the condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

8. RELATED PARTY TRANSACTIONS

We have related party relationships with the Unified Exchange Compensation Fund, the Investor Compensation Fund, the Securities Ordinance (Chapter 333) - Dealers' Deposits Fund, the Commodities Trading Ordinance (Chapter 250) - Dealers' Deposits Fund and the Securities Ordinance (Chapter 333) - Securities Margin Financiers' Security Fund. In addition to the transactions and balances disclosed elsewhere in these financial statements, the group entered into the following material related party transactions :

- a) During the period, we received reimbursement from the Investor Compensation Fund for all the ICC's expenses amounted to \$1,657,000 (2005 : \$1,558,000), which is in accordance with section 242(1) of the Securities and Futures Ordinance.
- b) Remuneration for key management personnel (including all directors) comprised :

	Unaudited six months ended		
	<u>30 Sep 2006</u> <u>30 Sep 200</u>		
	\$'000	\$'000	
	0.045	45 400	
Short-term employee benefits	9,645	15,100	
Post employment benefits	63	74	
	9,708	15,174	

The total remuneration is included in "staff costs and directors' emoluments" on page 12.

c) Included in creditors and accrued charges is an amount due to Investor Compensation Fund amounted to \$2,092,000 (2005 : \$1,726,000).

9. NON-ADJUSTING POST BALANCE SHEET EVENT

The Securities and Futures (Reduction of Levy) Order 2006 will come into operation on 1 December 2006. The levy payable by a seller or a purchaser in respect of the sale and purchase of securities and futures and options contracts will be reduced by 20% thereafter.



Investor Compensation Fund (the Fund)

Report of the Investor Compensation Fund Committee (the Committee)

The members of the Committee present their quarterly report and the unaudited condensed financial statements for the six months ended 30 September 2006.

1. ESTABLISHMENT OF THE FUND

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Fund on 1 April 2003.

2. FINANCIAL RESULTS

The Committee presents the financial results which are set out in the financial statements on pages 23 to 28.

3. MEMBERS OF THE COMMITTEE

The members of the Committee during the six months ended 30 September 2006 and up to the date of this report were:-

Mr. Keith Lui (Chairman)	(appointed on 19 September 2006)
Mr. Gerald Greiner	
Mrs. Alexa Lam	
Mr. Eddy Fong, SBS, JP	
Mr. Martin Wheatley	(resigned on 18 September 2006)
Ms. Anna HY. Wu, SBS, JP	(resigned on 11 August 2006)

4. INTERESTS IN CONTRACTS

No contract of significance to which the Fund was a party and in which a Committee member had a material interest, whether directly or indirectly, subsisted at the balance sheet date or at any time during the six months.

On behalf of the Committee

Keith Lui Chairman

8 November 2006



Independent review report to the board of directors of the Securities and Futures Commission (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance)

Introduction

We have been instructed by the SFC to review the interim financial report for the six months ended 30 September 2006 of the Investor Compensation Fund (the Fund), established under Part XII of the Securities and Futures Ordinance, set out on pages 23 to 28. We have not been instructed to review and have not reviewed the financial information for the three months ended 30 September 2006 included on page 23 of the interim financial report.

Respective responsibilities of directors and auditors

The SFC is responsible for preparing an interim report of the Fund to comply with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board. The interim financial report is the responsibility of SFC, and has been approved by the SFC.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



Independent review report to the board of directors of the Securities and Futures Commission (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance) (cont' d)

Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006. As we have not reviewed the financial information for the three months ended 30 September 2006 included on page 23 of the interim financial report, we do not express any review conclusion on that information.

KPMG Certified Public Accountants Hong Kong

8 November 2006

Income and Expenditure Account For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

		Uhaudited Three Months Ended		Unaudited Six Months Ended	
	<u>Note</u>	<u>30 Sep 2006</u>	<u>30 Sep 2005</u>	<u>30 Sep 2006</u>	<u>30 Sep 2005</u>
		\$'000	\$'000	\$'000	\$'000
Income					
Net investment income		32,671	11,844	43,865	35,505
Exchange difference		2,826	(1,949)	3,413	(4,982)
Transaction levy from the SEHK		-	56,899	-	97,903
Contract levy from the HKFE			4,366		7,925
		35,497	71,160	47,278	136,351
Expenses					
ICC expenses	2	892	769	1,657	1,558
Provision for compensation	3	47,412	-	47,412	-
Auditors' remuneration		18	15	36	30
Bank charges		185	344	370	772
Professional fees		668	601	1,309	1,161
Sundry expenses		-	-	1	1
		49,175	1,729	50,785	3,522
(Definit) / cumplus for the period		(40,070)	CO 424	(2 5 0 7)	400,000
(Deficit) / surplus for the period		(13,678)	69,431	(3,507)	132,829
Accumulated surplus brought forwa	ard	581,699	416,877	571,528	353,479
Accumulated surplus carried forwa	rd	568,021	486,308	568,021	486,308

The notes on pages 27 and 28 form part of the condensed financial statements.

Balance Sheet

At 30 September 2006

(Expressed in Hong Kong dollars)

	<u>Note</u>	Unaudited <u>At 30 Sep 2006</u> \$'000	Audited <u>At 31 Mar 2006</u> \$'000
Current assets			
Financial assets designated at fair value through profit or loss			
- Debt securities		1,475,065	1,357,440
- Equity securities		148,826	145,608
Interest receivable		19,638	17,848
Due from ICC		2,092	1,726
Fixed and call deposits with banks		74,216	152,341
Cash at bank		<u> </u>	9
		1,719,838	1,674,972
Current liabilities			
Provision for compensation	3	47,412	-
Accounts payable and accrued charges		762	766
Other payable		2	
		48,176	766
Net current assets		1,671,662	1,674,206
Net assets		1,671,662	1,674,206
Representing:			
Compensation fund			
Contributions from UECF		994,718	994,718
Contributions from CECF		108,923	107,960
Accumulated surplus		568,021	571,528
		1,671,662	1,674,206

The notes on pages 27 and 28 form part of the condensed financial statements.

Statement of Changes in Equity For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

	Uhaudited Six Months Ended <u>30 Sep 2006</u> \$'000	Unaudited Six Months Ended <u>30 Sep 2005</u> \$'000
Compensation fund balance as at 1 April	1,674,206	1,456,157
(Deficit) / surplus for the period	(3,507)	132,829
Contributions from CECF	963	-
Compensation fund balance as at 30 September	1,671,662	1,588,986

The notes on pages 27 and 28 form part of the condensed financial statements.

Cash Flow Statement

For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

	Unaudited Six Months Ended <u>30 Sep 2006</u> \$'000	Unaudited Six Months Ended <u>30 Sep 2005</u> \$'000
Cash flows from operating activities		
(Deficit) / surplus for the period	(3,507)	132,829
Net investment income	(43,865)	(35,505)
Exchange difference	(3,413)	4,982
Decrease in levies receivable	-	223
Increase in amuont due from ICC	(366)	(1,260)
Increase in provision for compensation	47,412	-
Decrease in accounts payable		
and accrued charges	(4)	(127)
Net cash (used in) / generated from operating activities	(3,743)	101,142
Cash flows from investing activities		
Purchase of debt securities	(997,772)	(1,943,070)
Sale or maturity of debt securities	891,498	1,838,015
Sale of equity securities	362	308
Interest received	30,559	25,343
Net cash used in investing activities	(75,353)	(79,404)
Cash flows from financing activities		
Contributions received from CECF	963	-
Net cash generated from financing activities	963	-
5		
Net (decrease) / increase in cash and cash equivalents	(78,133)	21,738
	(70,100)	21,750
Cash and cash equivalents at beginning of the		
six-month period	152,350	118,958
Cash and cash equivalents at end of the six-month period	74,217	140,696
Analysis of the balance of cash and cash equivalents:		

Unaudited Unaudited Unaudited At 30 Sep 2006 At 30 Sep 2005 \$'000 \$'000 \$'000 \$'000 Cash at bank 1 438 Fixed and call deposits with banks 74,216 140,258 74,217 140,696

Notes to the Condensed Financial Statements For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

1. BASIS OF PREPARATION

The Fund prepares the interim financial report in accordance with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board.

The interim financial report is unaudited and the financial information relating to the financial year ended 31 March 2006 included in this report does not constitute the Fund's statutory accounts for that financial year but is derived from those accounts.

We applied the same accounting policies adopted in the financial statements for the year ended 31 March 2006 to the interim financial report.

2. ICC EXPENSES

The 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 (SFO). The Fund is responsible for funding the establishment and operation of ICC. For the six months ended 30 September 2006, ICC incurred \$1,657,000 for its operation (For the six months ended 30 September 2005 : \$1,558,000).

3. PROVISION FOR COMPENSATION

	<u>Unaudited</u>
	\$'000
Balance as at 31 March 2006	-
Add: provision made during the six months ended 30 September 2006	47,412
Balance as at 30 September 2006	47,412

We made provision for liabilities arising from claims received resulting from two default cases for which ICC has published a notice calling for claims pursuant to Section 3 of the Securities & Futures (Investor Compensation-Claims) Rules. The maximum liability of the Fund to claims for each default case is set at \$150,000 per claimant.

Notes to the Condensed Financial Statements For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

4. RELATED PARTY TRANSACTIONS

We have related party relationships with the SFC, the ICC, the SEHK, the HKFE, the UECF and the CECF. During the six months, the Commodity Exchange Compensation Fund had transferred its balance of \$962,535 to the Fund. There were no significant related party transactions other than those disclosed in the financial statements.

5. CONTINGENT LIABILITIES

As at the date of this report, the Fund has 111 outstanding claims in respect of three intermediaries. The validity of these claims is under investigation. SFC or ICC has not yet published any notice calling for claims pursuant to Section 3 of the Securities & Futures (Investor Compensation-Claims) Rules in respect of these cases. We have not made any provision for these claims. The maximum contingent liability of the Fund to these claims is \$9,877,000 (As at 31 March 2006 : \$900,000).

Unified Exchange Compensation Fund (the Fund)

Report of the Securities Compensation Fund Committee (the Committee)

The members of the Committee present their quarterly report and the unaudited condensed financial statements for the six months ended 30 September 2006.

1. ESTABLISHMENT OF THE FUND

Part X of the repealed Securities Ordinance (Chapter 333) established 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. After reserving sufficient money in the Fund to meet claims against it and its other liabilities, the 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.

2. FINANCIAL RESULTS

The Committee presents the financial results which are set out in the condensed financial statements on pages 32 to 37.

3. MEMBERS OF THE COMMITTEE

The members of the Committee during the six months ended 30 September 2006 and up to the date of this report were: -

Mr. Keith Lui (Chairman)	(appointed on 19 September 2006)
Mrs. Alexa Lam	
Mr. Eddy C. Fong, SBS, JP	
Mr. Gerald Greiner	
Mr. Roger Lee	(appointed on 1 April 2006)
Mr. Martin Wheatley	(resigned on 18 September 2006)

4. INTERESTS IN CONTRACTS

No contract of significance to which the Fund was a party and in which a Committee member had a material interest, whether directly or indirectly, subsisted at the balance sheet date or at any time during the six months.

On behalf of the Committee

Keith Lui Chairman

7 November 2006



Independent review report to the board of directors of the Securities and Futures Commission (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance)

Introduction

We have been instructed by the SFC to review the interim financial report for the six months ended 30 September 2006 of the Unified Exchange Compensation Fund (the Fund) set out on pages 32 to 37. We have not been instructed to review and have not reviewed the financial information for the three months ended 30 September 2006 included on page 32 of the interim financial report.

Respective responsibilities of directors and auditors

The SFC is responsible for preparing an interim report of the Fund to comply with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board. The interim financial report is the responsibility of the SFC and has been approved by the Securities Compensation Fund Committee on behalf of the SFC.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.



Independent review report to the board of directors of the Securities and Futures Commission (the SFC) (Established in Hong Kong under the Securities and Futures Ordinance) (cont' d)

Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006. As we have not reviewed the financial information for the three months ended 30 September 2006 included on page 32 of the interim financial report, we do not express any review conclusion on that information.

KPMG Certified Public Accountants Hong Kong

7 November 2006

Income and Expenditure Account For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

		Unaudited Three Months Ended		Unaudited Six Months Ended	
	<u>Note</u>	<u>30 Sep 2006</u>	<u>30 Sep 2005</u>	<u>30 Sep 2006</u>	<u>30 Sep 2005</u>
		\$'000	\$'000	\$'000	\$'000
Income					
Net investment income		666	412	1,292	704
Recoveries	2	4,993	726	7,440	890
Replenishments from the SEHK					1
		5,659	1,138	8,732	1,595
Expenses					
Provision for compensation made/	(reversed) (129)	(861)	(129)	15
Auditors' remuneration		8	9	16	19
Professional fees		11	10	11	10
Sundry expenses		-	-	1	1
		(110)	(842)	(101)	45
				<u></u>	
Surplus		5,769	1,980	8,833	1,550
Accumulated surplus brought forw	vard	12,648	7,025	9,584	7,455
Accumulated surplus carried forwa	ard	18,417	9,005	18,417	9,005

The notes on pages 36 and 37 form part of the condensed financial statements.

Balance Sheet At 30 September 2006 (*Expressed in Hong Kong dollars*)

		Unaudited	Audited
	<u>Note</u>	<u>At 30 Sep 2006</u>	<u>At 31 Mar 2006</u>
		\$'000	\$'000
Current assets			
Equity securities received under subrogation	2	529	721
Interest receivable		233	91
Fixed and call deposits with banks		65,983	57,236
Cash at bank		67	14
		66,812	58,062
Current liabilities			
Accounts payable and accrued charges		4,300	4,254
Provision for compensation	3	2,424	2,553
		6,724	6,807
Net current assets		60,088	51,255
			<u></u>
Net assets		60,088	51,255
Net 055el5			
Representing:			
Compensation fund			
Contributions from the SEHK		46,100	46,100
Excess transaction levy from the SEHK		353,787	353,787
Special contribution		3,500	3,500
Additional contribution from the SEHK		300,000	300,000
Additional contribution from the SFC		330,000	330,000
Special levy surplus		3,002	3,002
Accumulated surplus		18,417	9,584
		1,054,806	1,045,973
Contributions to Investor Compensation Fund		<u>(994,718)</u>	(994,718)
		60,088	51,255

The notes on pages 36 and 37 form part of the condensed financial statements.

Statement of Changes in Equity For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

	Unaudited Six Months Ended <u>30 Sep 2006</u> \$'000	Uhaudited Six Months Ended <u>30 Sep 2005</u> \$'000
Compensation fund balance as at 1 April	51,255	49,126
Surplus for the period	8,833	1,550
Compensation fund balance as at 30 September	60,088	50,676

The notes on pages 36 and 37 form part of the condensed financial statements.

Cash Flow Statement

For the six months ended 30 September 2006 (Expressed in Hong Kong dollars)

	Unaudited Six Months Ended <u>30 Sep 2006</u> \$'000	Unaudited Six Months Ended <u>30 Sep 2005</u> \$'000
Cash flows from operating activities		
Surplus for the period	8,833	1,550
Net investment income	(1,292)	(704)
Decrease in equity securities received under		· · · ·
subrogation	192	7,099
Increase in accounts payable and accrued charges	46	36
Decrease in provision for compensation	(129)	(774)
Net cash generated from operating activities	7,650	7,207
Cash flows from investing activities		
Interest received	1,150	685
Net cash generated from investing activities	1,150	685
	<u></u>	<u></u>
Net increase in cash and cash equivalents	8,800	7,892
Cash and cash equivalents at beginning of the		
six-month period	57,250	47,080
Cash and cash equivalents at end of the six-month period	66,050	54,972
	<i>.</i>	

Analysis of the balance of cash and cash equivalents:

	Unaudited	Unaudited
	<u>At 30 Sep 2006</u>	<u>At 30 Sep 2005</u>
	\$'000	\$'000
Cash at bank	67	82
Fixed and call deposits with banks	65,983	54,890
	66,050	54,972



Notes to the Condensed Financial Statements For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

1. BASIS OF PREPARATION

The Fund prepares the interim financial report in accordance with International Accounting Standard 34 "Interim financial reporting" adopted by the International Accounting Standards Board. As the Fund will eventually cease operation as a result of the Securities and Futures Ordinance (SFO) which came into effect from 1 April 2003, the Fund prepares the interim financial report on a break-up basis with assets stated at recoverable amounts.

The interim financial report is unaudited and the financial information relating to the financial year ended 31 March 2006 included in this report does not constitute the Fund's statutory accounts for that financial year but is derived from those accounts.

We applied the same accounting policies adopted in the financial statements for the year ended 31 March 2006 to the interim financial report.

2. EQUITY SECURITIES AND RECOVERIES

In relation to the share distribution from C.A. Pacific Securities Ltd. and C.A. Pacific Finance Ltd., the liquidators have advised the Securities and Futures Commission (SFC) that shares were allocated to the Fund under its subrogation rights, subject to paying a processing fee to the liquidators. The Fund recognised as recoveries the sale proceeds and the revaluation of the remaining shares at market value as of 30 September 2006.

During the six months, the Fund recognised recoveries in total of \$7,440,074 in respect of C.A. Pacific and Chark Fung cases.

Notes to the Condensed Financial Statements For the six months ended 30 September 2006 (*Expressed in Hong Kong dollars*)

3. PROVISION FOR COMPENSATION

Balance as at 1 April 2005 Less: amount paid during the year ended 31 March 2006 Add: provision made	<u>Unaudited</u> \$'000 1,492 (944) 2,005
Balance as at 31 March 2006 Less: provision reversed	2,553 (129)
Balance as at 30 September 2006	2,424

We maintain provision for claims in respect of two SEHK exchange participants for which the SEHK has published a notice calling for claims.

4. RELATED PARTY TRANSACTIONS

We have related party relationships with the ICF, the SFC and the SEHK. During the six months, there were no significant related party transactions other than those disclosed in the financial statements.

5. CONTINGENT LIABILITIES

As at the date of this report, the validity of outstanding claims received against three exchange participants is still under investigation by the SEHK. They are subject to the normal \$8 million ceiling pursuant to section 109 of the repealed Securities Ordinance. We have not made any provision for these claims. The maximum contingent liability of the Fund to these claims is \$24 million (As at 31 March 2006 : \$24 million).