

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Income					
Levies		1,460,271	1,032,329	623,127	326,126
Fees and charges		107,213	85,770	48,078	29,809
Net investment income/(loss)					
Investment income/(loss)		193,451	153,003	(19,243)	100,920
Less: custody and advisory expenses		(7,934)	(7,988)	(2,581)	(2,517)
Recoveries from the Investor Compensation Fund	8(a)	4,755	4,566	1,566	1,514
Exchange (loss)/gain		(32,506)	(26,187)	256	(13,753)
Other income	2	836	113,026	55	112,173
		1,726,086	1,354,519	651,258	554,272
Expenses					
Staff costs and directors' emoluments	8(b)	1,256,260	1,177,642	418,449	397,260
Depreciation					
Fixed assets		144,268	82,450	49,253	31,949
Right-of-use assets		7,979	106,184	2,495	32,962
Other premises expenses		29,120	27,275	9,879	9,336
Finance costs		73,475	7,277	24,491	4,192
Other expenses		179,286	154,692	69,582	55,912
		1,690,388	1,555,520	574,149	531,611
Surplus/(deficit) and total comprehensive income for the period		35,698	(201,001)	77,109	22,661

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Non-current assets			
Fixed assets		4,322,463	4,410,812
Right-of-use assets		24,497	21,477
Deposits and prepayments		469,729	335,414
Financial assets at amortised cost – debt securities	9(b)	1,580,982	2,102,479
		6,397,671	6,870,182
Current assets			
Financial assets at amortised cost – debt securities	9(b)	1,542,381	898,557
Financial assets at fair value through profit or loss – pooled funds	9(a)	1,070,169	1,087,666
Debtors, deposits and prepayments		237,151	196,080
Fixed deposits with banks	3	490,834	610,147
Cash held for Grant Scheme	4	66,611	58,656
Cash at bank and in hand	3	54,584	146,154
		3,461,730	2,997,260
Current liabilities			
Fees received in advance		7,406	8,497
Creditors and accrued charges		354,808	199,132
Bank loan	5	16,233	18,262
Lease liabilities		8,565	9,212
Provisions for reinstatement costs		–	574
		387,012	235,677
Net current assets		3,074,718	2,761,583
Total assets less current liabilities		9,472,389	9,631,765
Non-current liabilities			
Bank loan	5	1,801,954	2,001,319
Lease liabilities		16,596	12,879
Provisions for reinstatement costs		1,764	1,190
		1,820,314	2,015,388
Net assets		7,652,075	7,616,377
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		1,186,800	1,186,800
Accumulated surplus		6,422,435	6,386,737
		7,652,075	7,616,377

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2024 (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 2023	42,840	3,375,000	4,496,293	7,914,133
Deficit and total comprehensive income for the period	–	–	(201,001)	(201,001)
Transfer to accumulated surplus	–	(2,313,200)	2,313,200	–
Balance at 31 December 2023	42,840	1,061,800	6,608,492	7,713,132
Balance at 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Surplus and total comprehensive income for the period	–	–	35,698	35,698
Balance at 31 December 2024	42,840	1,186,800	6,422,435	7,652,075

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

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Condensed consolidated statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
Cash flows from operating activities			
Surplus/(deficit) for the period		35,698	(201,001)
Adjustments for:			
Depreciation – Fixed assets		144,268	82,450
Depreciation – Right-of-use assets		7,979	106,183
Finance costs		73,475	7,337
Interest income on deposits for leases		–	(211)
Investment income		(193,451)	(153,003)
Exchange loss		32,937	23,917
Loss on disposal of fixed assets		15	16
Gain arising from lease termination		–	(112,034)
		100,921	(246,346)
Increase in right-of-use assets		(16)	(7)
Increase in debtors, deposits and prepayments		(180,381)	(253,380)
(Increase)/decrease in cash held for Grant Scheme		(7,955)	41,261
Decrease in fees received in advance		(1,091)	(673)
Increase in creditors and accrued charges		160,729	137,454
Net cash generated from/(used in) operating activities		72,207	(321,691)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		25,050	2,145,190
Interest received		86,535	214,696
Debt securities at fair value through profit or loss purchased		–	(72,193)
Debt securities at fair value through profit or loss sold or redeemed		–	466,030
Pooled funds sold		115,980	4,601
Debt securities at amortised cost purchased		(4,369,286)	(786,759)
Debt securities at amortised cost redeemed at maturity		4,227,450	874,729
Fixed assets purchased		(60,229)	(4,303,045)
Net cash generated from/(used in) investing activities		25,500	(1,456,751)
Cash flows from financing activities			
Principal element of lease payments		(7,913)	(103,798)
Interest element of lease payments		(334)	(4,403)
(Repayment on)/proceeds from bank loan		(202,916)	2,019,014
Interest expense on bank loan		(72,377)	(2,874)
Net cash (used in)/generated from financing activities		(283,540)	1,907,939
Net (decrease)/increase in cash and cash equivalents		(185,833)	129,497
Cash and cash equivalents at the beginning of the nine-month period		731,251	407,901
Cash and cash equivalents at the end of the nine-month period	3	545,418	537,398

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	490,834	431,552
Cash at bank and in hand	54,584	105,846
	545,418	537,398

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

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Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

1. Basis of preparation

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2024. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2024 included in this report as comparative information does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, the Investor Compensation Company Limited (ICC) and the Investor and Financial Education Council (IFEC), are made up to 31 December 2024. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2024 to the interim financial information.

There were no significant changes in the operations of the Group for the nine months ended 31 December 2024.

2. Other income

Other income mainly comprised investigation costs awarded by the courts. In the prior year, a one-off reversal of lease related provisions of \$112,034,000 was also recorded as a result of the property acquisition.

3. Cash and cash equivalents

	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank and in hand	54,584	146,154
Fixed deposits with banks	490,834	610,147
Amounts shown in the condensed consolidated statement of financial position	545,418	756,301
Less: Amounts with an original maturity beyond three months	–	(25,050)
Cash and cash equivalents in the condensed consolidated statement of cash flows	545,418	731,251

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

4. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Government of the Hong Kong Special Administrative Region (the Government) to provide subsidies for qualified open-ended fund companies and real estate investment trusts to set up in Hong Kong. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in creditors and accrued charges.

5. Bank loan

To finance the property acquisition transaction, the Group has obtained a 5-year term loan of \$2,029,160,000 on 21 December 2023. The term loan carries a fixed interest rate of 4.7% per annum for the first two years and subsequently carries a floating interest rate of 1-month HIBOR plus 0.55% per annum. The term loan is secured by the Group's land and buildings. During the period, the Group has made a principal bank loan repayment of \$202,916,000.

6. Foreign exchange risk

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

7. Consolidation

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

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

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

As at 31 December 2024, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2024: \$0.2).

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For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

8. Related party transactions

The Group has related party relationships with the ICF and the Unified Exchange Compensation Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions and balances.

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

During the period, \$4,755,000 was recovered from the ICF for the ICC's expenses (31 December 2023: \$4,566,000). As at 31 December 2024, the ICC had an amount due from the ICF of \$189,000 (as at 31 March 2024: amount due to the ICF of \$148,000).

(b) Remuneration of key management personnel

	Unaudited Nine months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Directors' fee and salaries, allowances and benefits in kind	27,632	23,672
Retirement scheme contributions	2,445	2,082
	30,077	25,754

The total remuneration is included in the staff costs and directors' emoluments. Directors' emoluments are for services in connection with the management of the affairs of the SFC. 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.

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

9. Fair value measurement

(a) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*, which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>At 31 December 2024 (Unaudited)</u> Pooled funds	1,070,169	–	–	1,070,169
<u>At 31 March 2024 (Audited)</u> Pooled funds	1,087,666	–	–	1,087,666

During the nine months ended 31 December 2024 and the year ended 31 March 2024, there were no transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between the different levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The fair value of the investment in the pooled funds is determined based on the net asset values of the pooled funds which are publicly available in the active markets.

(b) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2024 and 31 March 2024 except for the following financial instruments, for which their carrying amount, fair value and the level of their fair value hierarchy were disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>At 31 December 2024 (Unaudited)</u> Financial assets at amortised cost – debt securities	3,123,363	3,006,760	–	3,006,760	–
<u>At 31 March 2024 (Audited)</u> Financial assets at amortised cost – debt securities	3,001,036	2,829,751	–	2,829,751	–