

Securities and Futures Commission

Independent auditor's report To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

Opinion

We have audited the consolidated financial statements of the Securities and Futures Commission (the SFC) and its subsidiaries (collectively referred to as the Group) set out on pages 118 to 150, which comprise the consolidated statement of financial position as at 31 March 2026, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss ("FVTPL")	
The aggregate carrying value of the Group's financial assets at FVTPL was HK\$1,359 million, which represented 11.7% of consolidated total assets as at 31 March 2026. As disclosed in note 11 to the consolidated financial statements, the financial assets at FVTPL of the Group comprise of pooled funds (equity instruments). As disclosed in note 25(f)(i), the Group's financial assets at FVTPL are categorised as Level 1 in the fair value hierarchy based on prices quoted in active markets. We identified valuation of financial assets at FVTPL as a key audit matter because of the size of these items in the consolidated financial statements and the impact of changes in valuation on the profit or loss.	Our procedures in relation to address the key audit matter included: - Obtaining an understanding of the internal controls over the valuation of financial assets at FVTPL. - Obtaining independent confirmations from the custodians of the financial assets at FVTPL held as at 31 March 2026 and agreeing the quantity held to the accounting records of the Group. - Testing the valuation of financial assets at FVTPL that are quoted in active markets by independently agreeing the valuation of financial assets at FVTPL to third-party sources at 31 March 2026.

Independent auditor's report (continued) To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

Other information

The directors of the SFC are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors of the SFC are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent auditor's report (continued) To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with Section 16(3) of the Securities and Futures Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report (continued) To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ha, Hong Yiu Vico (practicing certificate number: P06612).

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
1 June 2026

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

	Note	2026 \$'000	2025 \$'000
Income			
Levies	2(a)	3,310,849	2,217,760
Fees and charges	2(b)	282,687	165,916
Net Investment income			
Investment income	5	427,493	216,815
Less: custody and advisory expenses		(11,945)	(10,469)
Recoveries from the Investor Compensation Fund		6,402	6,439
Exchange gain/(loss)		36,122	(25,861)
Other income	6	301	3,300
		4,051,909	2,573,900
Expenses			
Staff costs and directors' emoluments	7	1,708,686	1,746,904
Depreciation			
Fixed assets	12	171,862	193,861
Right-of-use assets	13(b)	9,008	10,242
Other premises expenses		39,901	36,711
Finance costs	8	75,773	95,326
Other expenses	9	265,148	250,138
		2,270,378	2,333,182
Surplus and total comprehensive income for the year		1,781,531	240,718

The notes on pages 124 to 150 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 March 2026 (Expressed in Hong Kong dollars)

	Note	2026 \$'000	2025 \$'000
Non-current assets			
Fixed assets	12	4,666,232	4,288,119
Right-of-use assets	13	14,114	22,168
Deposits and prepayments	22	401,258	469,729
Financial assets at amortised cost – debt securities	10	2,031,757	1,703,416
		7,113,361	6,483,432
Current assets			
Financial assets at amortised cost – debt securities	10	1,526,687	1,445,025
Financial assets at fair value through profit or loss – pooled funds	11	1,358,664	1,065,993
Debtors, deposits and prepayments	16	420,344	362,879
Fixed deposits with banks	14	1,075,406	486,687
Cash held for Grant Scheme	15	41,297	50,003
Cash at bank and in hand	14	67,437	58,677
		4,489,835	3,469,264
Current liabilities			
Fees received in advance		103,549	8,319
Creditors and accrued charges	17	226,675	243,953
Bank loan	18	18,262	18,262
Lease liabilities	13	6,229	8,393
		354,715	278,927
Net current assets		4,135,120	3,190,337
Total assets less current liabilities		11,248,481	9,673,769

Consolidated statement of financial position (continued)

As at 31 March 2026 (Expressed in Hong Kong dollars)

	Note	2026 \$'000	2025 \$'000
Non-current liabilities			
Bank loan	18	1,599,545	1,800,432
Lease liabilities	13	8,546	14,478
Provisions for reinstatement costs	19	1,764	1,764
		1,609,855	1,816,674
Net assets		9,638,626	7,857,095
Funding and reserves			
Initial funding by Government	21	42,840	42,840
Reserve for property acquisition	27	579,925	1,108,884
Accumulated surplus		9,015,861	6,705,371
		9,638,626	7,857,095

Approved and authorised for issue by the Securities and Futures Commission on 1 June 2026 and signed on its behalf by

Dr Kelvin Wong, SBS, JP
Chairman

Julia Leung, SBS, JP
Chief Executive Officer

The notes on pages 124 to 150 form part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

	Initial funding by Government \$'000	Reserve for property acquisition (Note 27) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Surplus and total comprehensive income for the year	–	–	240,718	240,718
Transfer to accumulated surplus	–	(202,916)	202,916	–
Transfer to reserve for property acquisition	–	125,000	(125,000)	–
Balance at 31 March 2025	42,840	1,108,884	6,705,371	7,857,095
Surplus and total comprehensive income for the year	–	–	1,781,531	1,781,531
Transfer to accumulated surplus	–	(653,959)	653,959	–
Transfer to reserve for property acquisition	–	125,000	(125,000)	–
Balance at 31 March 2026	42,840	579,925	9,015,861	9,638,626

The notes on pages 124 to 150 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

	Note	2026 \$'000	2025 \$'000
Cash flows from operating activities			
Surplus for the year		1,781,531	240,718
Adjustments for:			
Depreciation – Fixed assets		171,862	193,861
Depreciation – Right-of-use assets		9,008	10,242
Finance costs		75,773	95,326
Investment income		(427,493)	(216,815)
Exchange (gain)/loss		(33,845)	26,265
Loss on disposal of fixed assets		1	17
Loss arising from lease termination		–	6
		1,576,837	349,620
Increase in right-of-use assets		–	(16)
Increase in debtors, deposits and prepayments		(47,235)	(171,011)
Decrease in cash held for Grant Scheme		8,706	8,653
Increase/(decrease) in fees received in advance		95,230	(178)
(Decrease)/increase in creditors and accrued charges		(15,749)	44,770
Net cash generated from operating activities		1,617,789	231,838
Cash flows from investing activities			
(Placement)/withdrawal of fixed deposits other than cash and cash equivalents		(453,419)	25,050
Interest received		122,741	109,069
Pooled funds sold		7,070	117,546
Debt securities at amortised cost purchased		(3,470,540)	(7,232,416)
Debt securities at amortised cost redeemed at maturity		3,089,163	7,074,684
Down payment of properties acquisition		(89,064)	(134,168)
Fixed assets purchased		(392,384)	(70,847)
Net cash used in investing activities		(1,186,433)	(111,082)

Consolidated statement of cash flows (continued)

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

	Note	2026 \$'000	2025 \$'000
Cash flows from financing activities	20		
Repayment of bank loan		(202,916)	(202,916)
Interest expense on bank loan		(74,764)	(93,071)
Principal element of lease payments		(9,050)	(10,143)
Interest element of lease payments		(566)	(513)
Net cash used in financing activities		(287,296)	(306,643)
Net increase/(decrease) in cash and cash equivalents		144,060	(185,887)
Cash and cash equivalents at the beginning of the year		545,364	731,251
Cash and cash equivalents at the end of the year	14	689,424	545,364

Analysis of the balance of cash and cash equivalents

	2026 \$'000	2025 \$'000
Fixed deposits with banks	621,987	486,687
Cash at bank and in hand	67,437	58,677
	689,424	545,364

The notes on pages 124 to 150 form part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

1. Status and principal activities

The Securities and Futures Commission (SFC) is governed by Part II of the Hong Kong Securities and Futures Ordinance (SFO). Under the SFO, the SFC has a duty to ensure an efficient, fair and transparent market and to promote public confidence and investor awareness in Hong Kong's securities, futures and related financial markets. In performing its duty, the SFC is required to act in the interest of the public and ensure that improper and illegal market activities are properly investigated. The registered office and principal place of business of the SFC is 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong.

2. Source of funding

Details of the SFC's funding are set out in Section 14 and Sections 394 to 396 of the SFO. Major sources of funding include:

- (a) levies collected by the Stock Exchange of Hong Kong Limited (SEHK) and Hong Kong Futures Exchange Limited (HKFE) on transactions recorded on the exchanges at rates specified by the Chief Executive in Council.
- (b) fees and charges in relation to its functions and services according to the provision of subsidiary legislation.

The SFC also generates investment income from fixed deposits and investments in debt securities and pooled funds.

3. Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. Material accounting policies adopted by the SFC and its subsidiaries (together, the Group or we) are set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are mandatorily effective for the current period of the Group. None of these amendments have a material effect on how the Group's results and financial position for the current or prior periods are prepared and presented.

We have not early applied any new or amendments to HKFRS Accounting Standards that have been issued but are not yet effective for the current period. We anticipate that the application of these new or amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group but may affect certain presentation and disclosure of the consolidated financial statements upon HKFRS 18 *Presentation and Disclosure in Financial Statements* becoming mandatorily effective for annual periods beginning on or after 1 January 2027.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(b) Basis of preparation

We have prepared these consolidated financial statements using the historical cost as the measurement basis except that financial assets at fair value through profit or loss are stated at their fair value (see note 3(i)). The accounting policies have been applied consistently by the Group.

We prepare the consolidated financial statements in conformity with HKFRS Accounting Standards which require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

We measure items in the consolidated financial statements using the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Hong Kong dollars (HKD), which is the Group's functional and presentation currency.

The classification of debt securities requires judgment. In making this judgment, we evaluate business model and the contractual cash flows characteristics of these securities. The measurement of fair value for financial instruments is determined by using either publicly available market data or valuation models (see note 3(i)).

(c) Basis of consolidation

Subsidiaries are entities controlled by the SFC. The SFC controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the SFC has power, only substantive rights are considered.

Inter-company transactions and balances between group companies are eliminated.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

(d) Recognition of income

We recognise income in the consolidated statement of profit or loss and other comprehensive income when or as the Group satisfies a performance obligation by transferring promised services to the customers in an amount to which the Group expects to be entitled in exchange for these services. We record our income as follows:

(i) Levies

We recognise levies from SEHK and HKFE as income on the trade date which the transactions are entered by investors and executed in SEHK and HKFE which is at a point in time basis.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(d) Recognition of income (continued)

(ii) Fees and charges

We recognise annual fees as income on a straight-line basis over the periods to which they relate as the services are performed over time. We record other fees and charges as income when the performance obligation is satisfied which is on a point in time basis. We record other fees and charges received in advance as a liability.

We also record the following income in the consolidated statement of profit or loss and other comprehensive income:

(i) Interest income

We record interest income as it accrues using the effective interest method. It comprises (a) interest earned on bank deposits and debt securities measured at amortised cost; and (b) the amortisation of premiums or discounts on purchases of debt securities measured at amortised cost.

(ii) Net gain/loss on financial assets at fair value through profit or loss

For financial assets at fair value through profit or loss, we recognise gains or losses from the change in fair value or disposal of financial assets in profit or loss as they arise.

(e) Employee benefits

We make accruals for salaries and allowances, annual leave and contributions to defined contribution schemes in the year in which the associated services are rendered by employees. Other benefits for services received are accrued when a contractual or constructive obligation arises for the Group.

The Group operates in Hong Kong and is obliged to pay long services payment (LSP) to employees under certain circumstances as specified in the Hong Kong Employment Ordinance. We recognise the past service cost by estimating the present value of LSP with a number of parameters and assumptions with reference to actuarial valuations being carried out annually. The change of the LSP is recognised as part of the staff costs in the consolidated statement of profit or loss and other comprehensive income.

(f) Translation of foreign currencies

We translate foreign currency transactions during the year into Hong Kong dollars at the exchange rates prevailing at the transaction dates. We translate monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at the closing rate at the end of the reporting period. We recognise exchange gains and losses on translation in the consolidated statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(g) Leases

Leases are recognised 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.

Lease liabilities included fixed lease payments less any lease incentives receivable, variable lease payment based on an index or a rate, amounts expected to be payable under residual value guarantees and payments of penalties for terminating the lease. The lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the lease commencement date. The lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss using the incremental borrowing rate on the remaining balance of the lease liabilities for each period. The lease liabilities are reduced by an amount equal to the lease payments made less the finance costs charged for that period.

The right-of-use assets are measured at the amount equal to the initial measurement of the lease liability, adjusted for any prepaid lease payments, lease incentives received, any initial direct costs or reinstatement provisions relating to that lease. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(h) Fixed assets

We state fixed assets at historical cost less accumulated depreciation and any impairment losses (see note 3(o)). Historical cost includes expenditure that is directly attributable to the acquisition of those items. We charge depreciation to the consolidated statement of profit or loss and other comprehensive income using the straight-line method over the estimated useful lives from the point at which the asset is ready for use as follows:

Leasehold land and buildings	50 years
Leasehold improvements	5 years or, if shorter, the life of the respective leases
Furniture and fixtures	5 years
Office equipment	5 years
Computer application systems	4 years
Motor vehicles	4 years
Personal computers and software	3 years

We capitalise subsequent expenditure only when it increases the future economic benefits embodied in the fixed assets. We recognise all other expenditure in the consolidated statement of profit or loss and other comprehensive income as an expense as incurred.

We recognise gains or losses arising from the retirement or disposal of an item of fixed assets, being the difference between the net disposal proceeds and the carrying amount of the item, in the consolidated statement of profit or loss and other comprehensive income on the date of retirement or disposal.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(h) Fixed assets (continued)

We review the assets' residual values and useful lives and adjust, if appropriate, at the end of each reporting period, and the effect of changes in estimate, if any, is accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- measured subsequently at fair value through profit or loss (FVTPL); and
- measured subsequently at amortised cost.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the assets are delivered to or from the Group. From this date, we record in our books any gains and losses arising from changes in fair value of the financial assets at FVTPL.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Investments in debt securities and pooled funds are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(i) Financial assets (continued)

(iii) Measurement (continued)

Amortised cost:

Investments in debt securities that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets are included in investment income using the effective interest method. Any gain or loss arising from derecognition is recognised directly in the consolidated statement of profit or loss and other comprehensive income. Impairment losses, if any, are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

FVTPL:

Changes in fair value of investments in pooled funds that are subsequently measured at FVTPL are recognised in the consolidated statement of profit or loss and other comprehensive income and presented net within investment income/loss in the period in which they arise.

The fair value is determined based on the Group's share of the net assets value of the pooled funds which are publicly available in the active markets.

(iv) Impairment

We assess on a forward-looking basis the expected credit losses (ECL) associated with our financial instruments carried at amortised cost. We perform impairment assessments using the 12-month ECL, unless there has been a significant increase in credit risk by comparing the risk of a default as at the reporting date and the initial recognition date.

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

We consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(j) Related parties

For the purpose of these consolidated financial statements, we consider that the following are related parties of the Group:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. As the SFC is a statutory body with its Board members appointed by the Chief Executive of the Hong Kong Special Administrative Region (the Government) under the SFO, transactions with other government departments and agencies under normal dealings are not necessarily regarded as related party transactions in the context of HKAS 24 *Related Party Disclosures*.

(k) Debtors and deposits

Debtors and deposits are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less impairment losses (see note 3(i)(iv)).

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

3. Material accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and fixed deposits with banks with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(m) Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Bank loan

The bank loan is stated initially at fair value, net of transaction costs incurred, and thereafter at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

(o) Impairment of non-financial assets

We review the carrying amounts of the Group's assets at the end of each reporting period to determine whether there is any objective evidence of impairment. If any such evidence exists, we estimate the asset's recoverable amount, which is the higher of its net selling price and value in use. We recognise in the consolidated statement of profit or loss and other comprehensive income the difference between the asset's carrying amount and the recoverable amount as an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

We reverse an impairment loss in respect of an asset in a subsequent period if the circumstances and events that are objectively linked to the write down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. We reverse an impairment loss only to the extent that the asset's carrying amount does not exceed the carrying amount that we should have determined, net of depreciation, as if we had not recognised any impairment loss.

(p) Provisions and contingent liabilities

We recognise a provision in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, we disclose the obligation as a contingent liability, unless the probability of the outflow of economic benefits is remote. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

4. Taxation

Section 3(3) of the SFO exempts the SFC from Hong Kong taxes.

5. Investment income

	2026 \$'000	2025 \$'000
Interest income from bank deposits	27,007	25,755
Interest income from debt securities at amortised cost	110,735	87,901
Net gain on financial assets at FVTPL – pooled funds	289,751	103,159
	427,493	216,815

6. Other income

	2026 \$'000	2025 \$'000
Investigation costs awarded	216	3,239
Others	85	61
	301	3,300

7. Staff costs and directors' emoluments

	2026 \$'000	2025 \$'000
Salaries and allowances	1,522,934	1,563,676
Retirement scheme contributions	100,383	101,550
Medical and life insurance	73,749	72,329
Staff functions	3,842	4,755
Recruitment	5,666	2,475
Registration and membership fees	2,112	2,119
	1,708,686	1,746,904

The total number of staff as at 31 March 2026 was 988 (961 for the SFC, 24 for the Investor and Financial Education Council and 3 for the Investor Compensation Company Limited) (as at 31 March 2025: the total number of staff was 981, comprising 954 for the SFC, 24 for the Investor and Financial Education Council and 3 for the Investor Compensation Company Limited).

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

7. Staff costs and directors' emoluments (continued)

Directors' emoluments included in the above comprised:

	Chief Executive Officer ²	Executive Directors ^{2,3}	Non-executive Chairman	Non-executive Directors ³
<u>2026</u>				
Number of executives	1	6	1	9

	\$'000	\$'000	\$'000	\$'000
Directors' fee	–	–	1,255	2,512
Salaries, allowances and benefits	6,758	25,588	–	–
Discretionary pay	2,140	7,432	–	–
Retirement scheme contributions ¹	676	2,552	–	–
	9,574	35,572	1,255	2,512

	Chief Executive Officer ²	Executive Directors ^{2,3}	Non-executive Chairman ³	Non-executive Directors ³
<u>2025</u>				
Number of executives	1	6	2	10

	\$'000	\$'000	\$'000	\$'000
Directors' fee	–	–	1,255	2,512
Salaries, allowances and benefits	6,634	26,689	–	–
Discretionary pay	1,954	6,806	–	–
Retirement scheme contributions ¹	663	2,634	–	–
	9,251	36,129	1,255	2,512

- 1 This represents net contribution expenses accrued during the year ended 31 March 2026 in accordance with the accounting policy set out in note 3(e). The future payment of contributions is subject to completion of a vesting period, which is based on total years of service with the SFC. The amount vested as at 31 March 2026 was \$2,584,000 (as at 31 March 2025: \$2,464,000).
- 2 Directors' emoluments to Chief Executive Officer and Executive Directors are for services in connection with the management of the affairs of the SFC.
- 3 Number of executives includes those who did not serve out a full year, i.e. new appointment and retirement during the year.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

7. Staff costs and directors' emoluments (continued)

The aggregate of the emoluments of the five highest paid individuals, representing the emoluments of the Chief Executive Officer and four senior management, was \$35,785,000 (2025: \$34,528,000) with the breakdown as follows:

	2026 \$'000	2025 \$'000
Salaries, allowances and benefits	25,433	25,318
Discretionary pay	7,809	6,678
Retirement scheme contributions	2,543	2,532
	35,785	34,528

Their emoluments are within the following bands:

	2026 No. of individuals	2025 No. of individuals
\$5,500,001 to \$6,000,000	0	1
\$6,000,001 to \$6,500,000	2	2
\$6,500,001 to \$7,000,000	2	1
\$9,000,001 to \$9,500,000	0	1
\$9,500,001 to \$10,000,000	1	0

Employee benefits

Abolition of Mandatory Provident Fund (MPF)/Occupational Retirement Schemes Ordinance (ORSO) offsetting arrangement

The Government phased out the MPF/ORSO offsetting arrangement for severance payment (SP) and long service payment (LSP) from 1 May 2025. Effective 1 April 2025, the SFC as a general principle ceased the offsetting arrangement for SP and LSP by not offsetting the employer's MPF/ORSO contributions retrospectively for employees.

Retirement scheme

We provide retirement benefits to our staff through a defined contribution scheme under the Occupational Retirement Schemes Ordinance (ORSO Scheme) and a Mandatory Provident Fund Scheme (MPF Scheme). Prior to the inception of the MPF Scheme, all general grade staff were included in the Group's ORSO Scheme. Following the introduction of the MPF Scheme in December 2000, new general grade staff have since been covered under the MPF Scheme while executive staff have been allowed to opt for either the Group's ORSO Scheme or the MPF Scheme.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

7. Staff costs and directors' emoluments (continued)

Employee benefits (continued)

Retirement scheme (continued)

(a) *ORSO Scheme*

(i) General grade staff

For general grade staff, we make monthly contributions which are a percentage of the fixed pay, subject to a vesting scale with the benefit fully vested upon completion of 10 years' service. We reinvest forfeited contributions for general grade staff who leave the Group prior to qualifying for 100% disbursement of the contributions into the total pool of contributions that will be shared by the existing members in the scheme at the end of the scheme year. The amount so reinvested during the year was nil (2025: nil).

(ii) Executive staff

For executive staff, we make monthly contributions which are a percentage of the fixed pay. We use forfeited contributions in respect of executive staff who leave the Group prior to qualifying for 100% disbursement of the contributions to offset the Group's future contributions. The amount so forfeited during the year was \$4,638,000 (2025: \$2,505,000) and the amount so forfeited available at the end of the reporting period was \$591,000 (2025: \$89,000).

This scheme has obtained an exemption under Section 5 of the MPF Schemes Ordinance.

(b) *MPF Scheme*

We have participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPF Schemes Ordinance.

8. Finance costs

	2026 \$'000	2025 \$'000
Interest expense on bank loan and related charges	75,207	94,813
Interest expense on lease liabilities (Note 13b)	566	513
	75,773	95,326

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

9. Other expenses

	2026	2025
	\$'000	\$'000
Information and systems services	118,220	111,223
Legal and professional services and others	68,969	63,234
Investor and other education programme costs incurred by the Investor and Financial Education Council	31,494	31,503
Overseas travelling, regulatory meeting expenses and others	18,714	19,124
General office and insurance	15,147	14,942
Learning and development	7,256	8,269
Funding to the Financial Dispute Resolution Centre	3,500	–
Auditor's remuneration	1,028	1,008
Funding to the International Financial Reporting Standards Foundation	819	818
Loss on disposal of fixed assets	1	17
	265,148	250,138

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

10. Financial assets at amortised cost – debt securities

	2026 \$'000	2025 \$'000
(a) Amortised cost		
Listed – outside Hong Kong	2,371,233	2,049,603
Listed – in Hong Kong	909,526	1,027,494
Unlisted	277,685	71,344
	3,558,444	3,148,441
(b) Fair value		
Listed – outside Hong Kong	2,351,757	2,023,021
Listed – in Hong Kong	869,803	967,137
Unlisted	276,691	71,374
	3,498,251	3,061,532
(c) Maturity profile		
Within one year	1,526,687	1,445,025
After one year but within two years	415,293	749,479
After two years but within five years	1,514,239	605,829
After five years	102,225	348,108
	3,558,444	3,148,441

As at 31 March 2026, the weighted average yield to maturity of the debt securities was 4.4% p.a. (2025: 4.2% p.a.).

11. Financial assets at fair value through profit or loss

	2026 \$'000	2025 \$'000
Pooled funds – unlisted	1,358,664	1,065,993

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

12. Fixed assets

	Leasehold land and buildings (Note 22) \$'000	Furniture, fixtures and leasehold improvements \$'000	Office equipment \$'000	Computer application systems \$'000	Personal computers and software \$'000	Motor vehicles \$'000	Total \$'000
Cost							
At 1 April 2025	4,258,265	195,124	23,835	375,808	201,915	3,611	5,058,558
Additions	473,265	7,410	2,686	39,935	26,680	–	549,976
Disposals	–	(84)	(241)	–	(24,624)	–	(24,949)
At 31 March 2026	4,731,530	202,450	26,280	415,743	203,971	3,611	5,583,585
Accumulated depreciation							
At 1 April 2025	113,554	184,440	21,018	264,225	183,919	3,283	770,439
Charge for the year	88,321	8,589	1,841	58,179	14,646	286	171,862
Written back on disposals	–	(84)	(240)	–	(24,624)	–	(24,948)
At 31 March 2026	201,875	192,945	22,619	322,404	173,941	3,569	917,353
Net book value							
At 31 March 2026	4,529,655	9,505	3,661	93,339	30,030	42	4,666,232
Cost							
At 1 April 2024	4,258,265	194,412	22,918	498,393	211,671	3,611	5,189,270
Additions	–	779	1,210	55,712	13,484	–	71,185
Disposals	–	(67)	(293)	(178,297)	(23,240)	–	(201,897)
At 31 March 2025	4,258,265	195,124	23,835	375,808	201,915	3,611	5,058,558
Accumulated depreciation							
At 1 April 2024	28,388	146,239	17,032	389,035	194,881	2,883	778,458
Charge for the year	85,166	38,266	4,264	53,487	12,278	400	193,861
Written back on disposals	–	(65)	(278)	(178,297)	(23,240)	–	(201,880)
At 31 March 2025	113,554	184,440	21,018	264,225	183,919	3,283	770,439
Net book value							
At 31 March 2025	4,144,711	10,684	2,817	111,583	17,996	328	4,288,119

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

13. Leases

As at 31 March 2026 and 2025, the Group had right-of-use assets and lease liabilities as follows:

	2026 \$'000	2025 \$'000
Right-of-use assets		
Premises	13,819	21,976
Office equipment	295	192
	14,114	22,168
Lease liabilities		
Current	6,229	8,393
Non-current	8,546	14,478
	14,775	22,871

- (a) During the year ended 31 March 2026, the Group recognised right-of-use assets of \$953,000 under new lease agreements for office equipment (2025: \$10,999,000 for premises).
- (b) For the year ended 31 March 2026, the Group recognised depreciation expense for the right-of-use assets for premises of \$8,158,000 (2025: \$9,364,000) and office equipment of \$850,000 (2025: \$878,000). The interest expense on lease liabilities was \$566,000 (2025: \$513,000) and total cash outflow for leases during the year was \$9,616,000 (2025: \$10,656,000).
- (c) For the year ended 31 March 2026, there was no lease termination. For the year ended 31 March 2025, \$6,000 was recorded as loss arising from lease termination.

14. Bank deposits and cash at bank

As at 31 March 2026, the effective interest rate on bank deposits ranged from 1.85% p.a. to 2.85% p.a. (2025: 2.60% p.a. to 3.87% p.a.). These balances mature within one year as at both 31 March 2026 and 2025.

Reconciliation to cash and cash equivalents

	2026 \$'000	2025 \$'000
Fixed deposits with banks	1,075,406	486,687
Cash at bank and in hand	67,437	58,677
Amounts shown in the consolidated statement of financial position	1,142,843	545,364
Less: amounts with an original maturity beyond three months	(453,419)	–
Cash and cash equivalents in the consolidated statement of cash flows	689,424	545,364

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

15. 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 to provide subsidies for qualified open-ended fund companies and real estate investment trusts to establish 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.

16. Debtors, deposits and prepayments

Debtors, deposits and prepayments include \$344,529,000 of receivables in relation to levies receivable from SEHK and HKFE (2025: \$303,948,000) which are usually due within 30 days. Due to the short-term nature of the balance, the carrying amount is considered to be the same as their fair value.

17. Creditors and accrued charges

Creditors and accrued charges mainly include accruals and payables to creditors relating to operating expenses.

Payables are usually due within one year. Amount due to the Government as disclosed in note 15 are payable on demand. Due to the short-term nature of the balance, the carrying amount is considered to be the same as their fair value.

18. Bank loan

	2026 \$'000	2025 \$'000
Bank loan – secured		
Current	18,262	18,262
Non-current	1,599,545	1,800,432
	1,617,807	1,818,694

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 the Hong Kong Interbank Offered Rate for the interest period of one month (HIBOR for 1 month) plus 0.55% per annum, with a capped interest rate of the prime rate less 0.1% per annum. The term loan is secured by the Group's land and buildings.

The carrying amount is considered to be the same as its fair value as the interest payable on the bank loan is at the current market rate.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

19. Provisions for reinstatement costs

Provisions represent reinstatement costs to restore the premises to a condition as stipulated in the relevant lease agreements upon termination or expiry of the lease.

20. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 April 2025 \$'000	Cash flows \$'000	Non-cash changes				31 March 2026 \$'000
			Bank loan related charges \$'000	Interest element \$'000	New leases \$'000	Termination of leases \$'000	
Bank loan	1,818,694	(202,916)	2,029	–	–	–	1,617,807
Interest payable ¹	2,587	(74,764)	–	73,178	–	–	1,001
Lease liabilities	22,871	(9,616)	–	566	954	–	14,775
	1,844,152	(287,296)	2,029	73,744	954	–	1,633,583

	1 April 2024 \$'000	Cash flows \$'000	Non-cash changes				31 March 2025 \$'000
			Bank loan related charges \$'000	Interest element \$'000	New leases \$'000	Termination of leases \$'000	
Bank loan	2,019,581	(202,916)	2,029	–	–	–	1,818,694
Interest payable ¹	2,874	(93,071)	–	92,784	–	–	2,587
Lease liabilities	22,091	(10,656)	–	513	10,982	(59)	22,871
	2,044,546	(306,643)	2,029	93,297	10,982	(59)	1,844,152

1 The balance represents interest payable for bank loan and it is included in creditors and accrued charges.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

21. Initial funding by Government

The Government provided funds to pay for the SFC's initial non-recurrent and capital expenditure. These funds are not repayable to the Government.

22. Capital commitment

As at 31 March 2026 and 2025, the Group had capital commitments contracted for but not yet incurred as follows:

	2026 \$'000	2025 \$'000
Land and buildings	534,383	939,176
Other fixed assets	81,999	30,168
	616,382	969,344

On 17 November 2023, a sales and purchase agreement was entered into between the SFC and its landlord with a consideration of \$5.4 billion to acquire 12 office floors. Transaction of the nine office floors was completed in December 2023, one office floor was completed in December 2025 and the remaining two office floors will be completed by 2028. As at 31 March 2026, a down payment of \$400,135,000 (2025: \$468,606,000) was included in deposits and prepayments. Transaction costs of \$473,265,000 related to the additional floor possessed in December 2025 have been capitalised as fixed assets during the year.

23. Subsidiaries

The SFC formed the Investor Compensation Company Limited (ICC) on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the Investor and Financial Education Council (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 established under the 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 March 2026, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (2025: \$0.2). The balance is too small to present on the statement of financial position of the SFC which is expressed in thousands of dollars.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

24. Related party transactions

We have related party relationships with the Investor Compensation Fund (ICF) and the Unified Exchange Compensation Fund (UECF). In addition to the related party relationships disclosed in note 26, we have 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 year, \$6,402,000 was recovered from the ICF for the ICC's expenses (2025: \$6,439,000). As at 31 March 2026, ICC had an amount due from the ICF of \$375,000 (2025: \$295,000).

(b) Remuneration of key management personnel

We consider that the directors' emoluments as disclosed in note 7 are the only remuneration for key management personnel of the Group.

25. Financial risk management and fair value

Financial instruments of the Group mainly comprise investments in debt securities and pooled funds, bank balances and the bank loan. The underlying investments of the pooled funds comprised of listed equity securities and cash and other receivables to be used for re-investment purposes.

As of 31 March 2026, the financial assets measured at amortised cost and FVTPL were \$5,123,817,000 (2025: \$4,073,655,000) and \$1,358,664,000 (2025: \$1,065,993,000) respectively; the financial liabilities measured at amortised cost were \$1,690,549,000 (2025: \$1,905,388,000).

The main financial risks of the Group arise from its investments in debt securities and pooled funds. The Group appoints external investment managers to manage the Group's investments and to ensure that the portfolio's investments comply with the investment policy approved by the Financial Secretary which sets control limits on credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The external investment managers report thereon to the Group on a regular basis. Bank balances and the bank loan mainly have exposure to credit and interest rate risks which management regularly monitor.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

25. Financial risk management and fair value (continued)

(a) Credit risk

The Group's investment policy allows investments in debt securities rated Baa1 or above by Moody's, or BBB+ or above by Standard and Poor's (S&P), and bank balances placed with licensed banks in Hong Kong rated P-1 or above by Moody's, or A-1 or above by S&P. Investment in pooled funds up to 25% of the total value of funds under management is permitted. The policy also limits the exposure of the total value of funds to 10% for each organisation and 20% for each country outside the Mainland and Hong Kong, except for the holdings of US Treasuries.

During the year, the Group complied with the above investment policy in order to manage its credit risk, and as a result, was not exposed to significant credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group performed impairment assessment using the 12-month ECL model as there were no financial assets with significant increase in credit risk. As at 31 March 2026 and 2025, the financial assets subject to the 12-month ECL assessment included debt securities at amortised cost, debtors and deposits, fixed deposits with banks, and cash at bank and in hand. Since no allowance for ECL was provided for both years, the respective carrying value of these financial assets as of the balance sheet dates were the same as their respective gross carrying amount.

(b) Interest rate risk

The Group's interest-bearing assets mainly comprise debt securities, fixed deposits with banks and bank balances, and its interest-bearing liabilities mainly comprise a bank loan.

The Group is exposed to the risk that future cash flows from re-investments will fluctuate because of changes in market interest rates. As at 31 March 2026, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's surplus and accumulated surplus by approximately \$26,021,000 (2025: \$19,317,000). This sensitivity analysis reflects the annualised impact on interest income assuming the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis for 2025.

The Group is also exposed to cash flow interest rate risk in relation to its bank loan which changed from a fixed interest rate to a floating interest rate during the year. As at 31 March 2026, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's surplus and accumulated surplus by approximately \$16,233,000. The sensitivity analysis is prepared assuming the bank loan outstanding at the end of the reporting period were outstanding for the whole year. In the prior year, the Group was exposed to limited cash flow interest rate risk in relation to its bank loan.

The Group manages interest rate risk of its debt securities and fixed deposits by imposing different levels of concentration and maturity limits to the investments, while interest rate risk relating to its bank loan is managed by monitoring market interest rate movements and reviewing the financing terms.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

25. Financial risk management and fair value (continued)

(c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. See note 27 for funding requirements.

Balances due within one year equal their carrying balances, as the impact of discounting is not significant, except for bank loan and lease liabilities. As at 31 March 2026 and 2025, the contractual undiscounted cash flows for financial liabilities were as follows:

	Contractual undiscounted cash flows				
	Carrying amount \$'000	Total \$'000	Within one year \$'000	After one year but within two years \$'000	After two years but within five years \$'000
<u>2026</u>					
Creditors	57,967	57,967	57,967	–	–
Bank loan	1,617,807	1,755,724	68,842	68,363	1,618,519
Lease liabilities	14,775	15,461	6,582	5,559	3,320
	1,690,549	1,829,152	133,391	73,922	1,621,839
<u>2025</u>					
Creditors	63,823	63,823	63,823	–	–
Bank loan	1,818,694	2,142,692	105,890	104,937	1,931,865
Lease liabilities	22,871	24,123	8,958	6,410	8,755
	1,905,388	2,230,638	178,671	111,347	1,940,620

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

25. Financial risk management and fair value (continued)

(d) Foreign exchange risk

The Group's investment policy for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). Exposure to RMB should not exceed 15% of the investment portfolio. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the years ended 31 March 2026 and 2025, the exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets and there was no RMB exposure.

As at 31 March 2026, the Group had USD denominated financial assets of \$4,955,508,000 (2025: \$4,240,235,000) and the USD/HKD exchange rate was 7.84020 (2025: 7.78030). Holding all other variables constant, movement in USD/HKD exchange rate to the upper bound of the Convertibility Zone would increase the Group's surplus and accumulated surplus by approximately \$6,194,000 (2025: \$37,986,000); while movement in USD/HKD exchange rate to the lower bound of the Convertibility Zone would decrease the Group's surplus and accumulated surplus by approximately \$57,012,000 (2025: \$16,513,000).

(e) Market risk

The Group's investment activities also expose the Group to various types of market risks which are associated with the markets in which it invests, to the extent of the amount invested in debt securities and pooled funds. Such risks will be reflected in the price and the carrying value of the financial assets concerned.

The Group's investment policy allow the Group to invest in non-fixed income investment instruments up to 25% of the total value of funds under management. During the year, the Group complied with the above investment policy in order to manage its market risk. The Group invests in units of pooled funds, which comprised of listed equity securities and cash and other receivables to be used for re-investment purposes, the performance of which is measured against the results of benchmark indices, MSCI AC Asia ex Japan (Net Return) and MSCI AC World (Net Return), including their returns and volatilities. Based on the weighted average volatilities of these benchmark indices in the corresponding period, it is estimated that a general increase/decrease of such benchmark indices of 17.0% (2025: 14.8%) would increase/decrease the Group's surplus and the accumulated surplus by approximately \$240,239,000 (2025: \$163,020,000).

The sensitivity analysis above indicates the instantaneous change in the Group's accumulated surplus that would arise assuming that the changes in the benchmark indices had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair value of the Group's investment in pooled funds would change in accordance with the historical correlation with the relevant benchmark indices since the portfolio is diversified in terms of industry distribution and that all other variables remain constant.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

25. Financial risk management and fair value (continued)

(f) Fair value measurement

(i) 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*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs (unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date).
- Level 2 valuations: Fair value measured using only Level 2 inputs (observable inputs which fail to meet Level 1, and not using significant unobservable inputs for which market data are not available).
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>2026</u>				
Pooled funds – unlisted	1,358,664	1,358,664	–	–
<u>2025</u>				
Pooled funds – unlisted	1,065,993	1,065,993	–	–

The fair value of the investments in the pooled funds is determined based on publicly available quoted prices of the pooled funds in active markets.

Changes in market conditions could materially affect fair value estimates. Any increase or decrease in the fair value of financial instruments would affect profit or loss in future years.

During both years, 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.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

25. Financial risk management and fair value (continued)

(f) Fair value measurement (continued)

(ii) 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 March 2026 and 2025 except for the following financial instruments, for which their carrying amount, fair value and the level of their fair value hierarchy are disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>2026</u>					
Financial assets at amortised cost					
– debt securities	3,558,444	3,498,251	–	3,498,251	–
<u>2025</u>					
Financial assets at amortised cost					
– debt securities	3,148,441	3,061,532	–	3,061,532	–

The fair value of debt securities is based on current bid prices at the end of the reporting period without any deduction for transaction costs.

26. Sponsored unconsolidated structured entities

The SFC considers the ICF and the UECF as unconsolidated structured entities sponsored by the SFC where no interests are held by the SFC.

Pursuant to Section 236 of the SFO, the SFC has established and maintained the ICF to compensate investors who suffer a loss due to the default of an intermediary in relation to the trading of products on Hong Kong Exchanges and Clearing Limited. The SFC is primarily responsible for the administration and management of the ICF in accordance with Section 238 of the SFO, but has transferred some functions to the ICC under Section 80 of the SFO. According to Section 237(2)(b) of the SFO, the SFC may, with the consent in writing of the Financial Secretary, pay into the ICF from its reserves such amount of money as it considers appropriate. As at 31 March 2026, the ICF's maximum liability in respect of claims received was \$6,744,000 (2025: \$5,593,000) and the net asset value was \$2.9 billion (2025: \$2.7 billion).

The SFC is also responsible for the administration and management of the UECF under respective provisions in the repealed Securities Ordinance. This fund provides compensation to investors who suffer a loss due to the default of an exchange participant of the SEHK occurring before 1 April 2003 when the SFO came into effect. As at 31 March 2026, the UECF's maximum liability in respect of claims received was \$10,161,000 (2025: \$10,161,000) and the net asset value was \$93,793,000 (2025: \$89,510,000). Claims for any defaults occurring after 31 March 2003 should be made against the ICF.

During the year, the SFC did not provide financial or other support to these unconsolidated structured entities that it was not contractually required to provide (2025: nil). The related party relationships with these entities are disclosed in note 24.

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

27. Funding and reserve management

The SFC manages its funding requirements from its income and accumulated surplus. Apart from the initial funding by the Government as disclosed in note 21, the SFC is eligible to receive an appropriation from the Government in each financial year. Since the financial year ended 31 March 1994, the SFC has requested the Government not to make an appropriation to it. There were no externally imposed capital requirements to which the SFC is subject to.

The SFC has a reserve for the future acquisition of office premises. As of 31 March 2026, \$0.58 billion is set aside to support the acquisition of two additional office floors and future principal bank loan repayments (2025: \$1.109 billion). The SFC's investment holdings and available cash balances will be used to support this reserve.

During the year, there was \$653,959,000 (2025: \$202,916,000) transfer to the accumulated surplus which represented the cash outflow in relation to acquisition of land and buildings (Note 12) and repayment of bank loan in relation to this acquisition (Note 18).

28. Statement of financial position of the SFC

	2026 \$'000	2025 \$'000
Non-current assets		
Investment in subsidiaries	–	–
Fixed assets	4,663,448	4,283,399
Right-of-use assets	13,864	21,530
Deposits and prepayments	401,029	469,500
Financial assets at amortised cost – debt securities	2,031,757	1,703,416
	7,110,098	6,477,845
Current assets		
Financial assets at amortised cost – debt securities	1,526,687	1,445,025
Financial assets at fair value through profit or loss – pooled funds	1,358,664	1,065,993
Debtors, deposits and prepayments	419,357	366,802
Fixed deposits with banks	1,075,406	486,687
Cash held for Grant Scheme	41,297	50,003
Cash at bank and in hand	55,634	45,607
	4,477,045	3,460,117

Notes to the consolidated financial statements

For the year ended 31 March 2026 (Expressed in Hong Kong dollars)

28. Statement of financial position of the SFC (continued)

	2026 \$'000	2025 \$'000
Current liabilities		
Fees received in advance	103,549	8,319
Creditors and accrued charges	211,186	230,139
Bank loan	18,262	18,262
Lease liabilities	6,106	7,877
	339,103	264,597
Net current assets	4,137,942	3,195,520
Total assets less current liabilities	11,248,040	9,673,365
Non-current liabilities		
Bank loan	1,599,545	1,800,432
Lease liabilities	8,422	14,391
Provisions for reinstatement costs	1,447	1,447
	1,609,414	1,816,270
Net assets	9,638,626	7,857,095
Funding and reserves		
Initial funding by Government	42,840	42,840
Reserve for property acquisition	579,925	1,108,884
Accumulated surplus	9,015,861	6,705,371
	9,638,626	7,857,095