

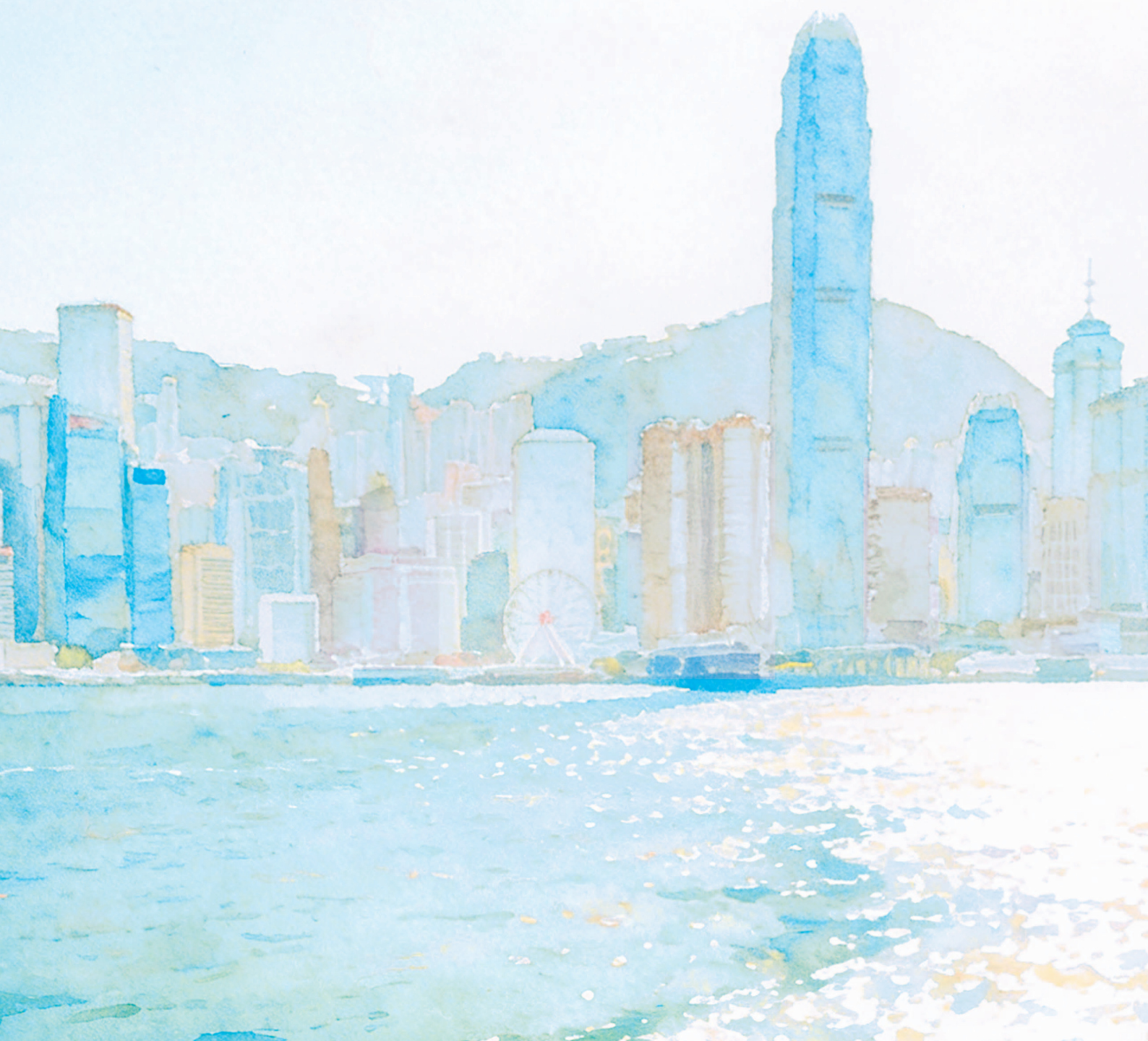


SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Annual Report
2025-26



For years, the Securities and Futures Commission (the SFC) has built up a robust regulatory framework for the Hong Kong securities and futures markets, upholding high standards of market integrity while enhancing market connectivity with the Mainland and the rest of the world. Through these efforts, the SFC has reinforced Hong Kong's reputation as a trusted, resilient and competitive hub for fund-raising and asset management, effectively consolidating the city's status as a leading international financial centre.



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Mission and Mandates

The Securities and Futures Commission (SFC) is an independent statutory body set up in 1989 to regulate Hong Kong's securities and futures markets.

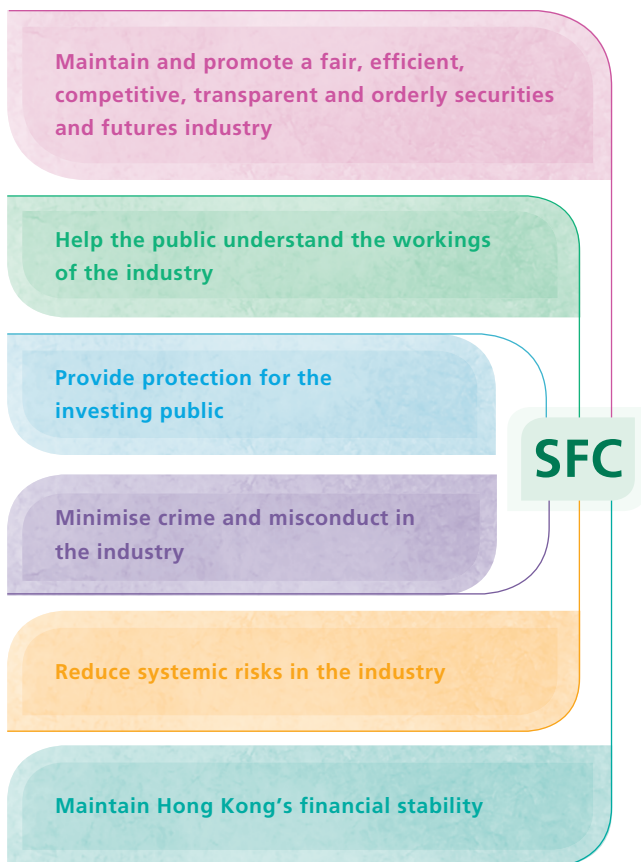
Our mission

As a financial regulator in one of the world's leading international financial centres, the SFC strives to strengthen and protect the integrity, orderliness and competitiveness of Hong Kong's securities and futures markets for the benefit of the industry, investing public and the Hong Kong society as a whole.

Our mandates

The SFC's work is defined and governed by the Securities and Futures Ordinance (SFO), which sets out our powers, roles and responsibilities.

Our regulatory objectives



Since the SFO was amended in 2012 to broaden our statutory investor education objective, our education function has been delegated to a wholly-owned subsidiary, the Investor and Financial Education Council (IFEC), which is dedicated to promoting and delivering free and impartial investor and financial education in Hong Kong.

The Investor Compensation Company Limited, another SFC subsidiary, was established in 2003 to manage and administer claims against the Investor Compensation Fund. It provides a measure of protection for investors in cases of broker default.

Our regulatory functions

Our regulatory work covers five principal areas. Adopting a multidisciplinary approach under the "One SFC" ethos, we leverage all of our regulatory tools and pool our expertise to achieve our objectives.

Corporates



- Oversee listing and takeovers matters in Hong Kong (including vetting of listing applications), disclosure requirements for listed companies, corporate conduct and the listing-related functions of the Stock Exchange of Hong Kong Limited (SEHK)
- Intervene early in corporate cases when a proposal may harm investors or public interest¹
- Raise objections to listing applications and transactions proposed by listed companies, or direct SEHK to suspend trading in a listed company's shares
- Monitor company announcements daily to identify misconduct or irregularities and facilitate the fair treatment of investors in corporate activities such as mergers

Intermediaries



- Set standards and qualifying criteria for corporations and individuals operating in our markets
- Supervise licensed intermediaries to ensure their financial soundness and compliance with business conduct requirements through off-site monitoring and on-site inspections
- Detect risks early and contain them through timely intervention
- Promote industry awareness of emerging issues and encourage proper market conduct by providing guidance

¹ Empowered by the Securities and Futures (Stock Market Listing) Rules and more generally under the SFO.

Mission and Mandates

Products



- Formulate policies and support initiatives for the regulation of the asset and wealth management industry to develop Hong Kong as a full-service international asset and wealth management centre and preferred fund domicile
- Maintain robust regulations for investment products offered to the public in Hong Kong
- Act as a gatekeeper in authorising investment products and monitoring their compliance with disclosure and other requirements

Markets



- Formulate policies to facilitate market infrastructure development and strengthen links with Mainland and international markets
- Help reduce systemic risks of our markets and enhance their resilience
- Supervise market operators including exchanges, clearing houses, share registrars and alternative trading platforms in Hong Kong

Enforcement



- Combat crime and misconduct in our markets through surveillance, investigative and disciplinary work to maintain market integrity and protect the investing public
- Work with other law enforcement agencies as well as Mainland and overseas regulatory bodies on investigations
- Take action to mitigate the effects of market misconduct by applying to the court for injunctive and remedial orders where appropriate

Market development

We endeavour to expand the breadth and depth of our financial markets and enhance our market infrastructure to provide an environment to nurture the healthy and sustainable growth of participants and businesses, without compromising investors' interests. We also embrace innovation and constantly review our perimeters to ensure we have a clear, robust regulatory framework which accommodates technological advances.

Regulatory collaboration

To ensure our regulatory framework aligns with global standards, we actively participate in the International Organization of Securities Commissions and other global rule-setting bodies. We work closely with local and Mainland authorities on regulatory and market development initiatives to support Hong Kong's long-term strategic development amidst the high-level opening up of Mainland financial markets.

Communications and education

We maintain close communication with the industry and investment community to promote a better understanding of our work and the rationale behind. Through our outreach, we explain our functions and policies as well as specific issues to facilitate compliance and also seek feedback on proposed rule changes at an early stage. In addition, we promote investor education and collaborate with the IFEC to combat financial scams and help the public understand the workings of the market.

Chairman's Statement

By fulfilling our dual mandate as market guardian and facilitator, the SFC aims to boost investor confidence, enable capital formation, and support inclusive, sustainable prosperity for Hong Kong's capital markets.

Dr Kelvin Wong
Chairman



Effective Regulatory Balance for Sustainable Market Development

The past year reaffirmed that markets seldom follow linear trajectories. Geopolitical tensions, fluctuating interest-rate expectations, fast-evolving technological change and fierce competition among global financial centres have all tested market confidence through diverse channels. Amid such complexities, the top priority for Hong Kong's markets is to remain orderly, trusted and open for business.

This lies at the heart of the Securities and Futures Commission's (SFC) mission: to protect investors, maintain fair, orderly and transparent markets, and foster the sound development of Hong Kong as an international financial centre serving the local and Mainland economies, as well as global capital flows. Robust regulation is inseparable from market development; it underpins sustainable and trust-based growth. Regulatory discipline is no obstacle to expansion, but a fundamental driver of steady progress.

This mission operates within a broader national and local strategic context. The 15th Five-Year Plan renews focus on high-quality development, innovation, economic resilience and higher-standard opening-up, including deeper financial reforms and closer integration of Hong Kong into national development.

At the HKSAR level, the Chief Executive's 2025 Policy Address and the 2026-27 Budget reaffirmed the need to consolidate Hong Kong's status as an international financial centre by bolstering its equity, bond, currency, asset-management, Fintech and green-finance ecosystems. These initiatives call for a clear and consistent regulatory philosophy to guide all regulatory actions.

Our regulatory philosophy

Against this backdrop, the SFC's regulatory approach rests on a core belief: regulation is not an end in itself. Market development and investor protection are mutually reinforcing, much like the two banks of a river — one provides momentum, the other direction.

Regulation aims to ensure that markets and investment activities develop on a sound basis so that they can support real economic growth, innovation and long-term

wealth creation. In a volatile, risk-prone world, regulators must stay vigilant and forward-thinking, taking firm enforcement action against serious market misconduct while embracing innovation that serves the public interest.

This balanced philosophy guided the SFC's dual role throughout the year: acting as guardian of fair, orderly and transparent markets, and as facilitator of sustainable market development and transformation. Complementing this dual role is investor education, a key pillar for informed investing and sustainable market trust.

Our regulatory strategies

In FY2025/26, this philosophy was translated into four overarching regulatory strategies.

First, the SFC kept market resilience and mitigation of severe market harm at the core of its efforts. Amid heightened global uncertainty, market resilience is a prerequisite for investor confidence and sustainable growth. The goal is not just to shield markets from shocks, but also to achieve a virtuous cycle between market vitality and resilience.

Second, the SFC promoted a more inclusive and diversified market ecosystem in Hong Kong, enhancing market quality and competitiveness, deepening cross-border connectivity, and directing capital more efficiently towards innovation, corporate growth and economic upgrading.

Third, it steered technology-driven financial market transformation by balancing innovation with trust. Digital finance, tokenisation and virtual assets offer real opportunities, but they can only be realised with sound regulation, resilient market infrastructure and robust investor protection.

Fourth, all major initiatives were aligned with Hong Kong's unique position as a bridge between the Chinese Mainland and global capital markets. The SFC continued to reinforce this pivotal role, leveraging Hong Kong's competitive strengths and its status under "One Country, Two Systems" to support national development while retaining its international orientation.

Chairman's Statement

Our policies

These strategies were advanced through targeted policy initiatives during the year.

A key focus was the continued development of Hong Kong's fixed-income and currency (FIC) markets. The joint roadmap released by the SFC and the Hong Kong Monetary Authority embodies a shared commitment to building a more dynamic, diversified and globally connected FIC ecosystem in Hong Kong. This is strategically important for market diversification, liquidity enhancement, offshore renminbi business, cross-border capital intermediation, and Hong Kong's broader contribution to national financial opening-up and renminbi internationalisation.

Complementing traditional market development, the SFC oversaw the steady evolution of Hong Kong's digital finance sector. The aim is purposeful innovation — strengthening Hong Kong's long-term competitiveness while safeguarding market quality and investor confidence.

More broadly, sustainable market development relies not only on financial products and trading platforms, but also on a high-quality market environment. Strict governance standards, professional integrity, ethical conduct, and active collaboration among regulators, issuers, intermediaries, investors and professional advisers remain indispensable for building robust, trusted markets.

Detailed measures to advance these strategies are elaborated in the CEO's Message and the Strategic Priorities chapter.

Our strength and our people

Delivering this strategic agenda requires us to maintain institutional resilience, adaptability and a forward-looking mindset. The Board has deepened its commitment to effective governance, with stronger engagement and constructive dialogue between executive and non-executive directors, improving decision-making and keeping it closely aligned with market realities.

As Ludwig Wittgenstein observed, resting on one's laurels can be as dangerous as resting while walking in the snow. For a public regulator, complacency is itself a risk. Doing the right thing at the right time is not optional, but a core duty of the SFC and a fundamental expectation of the public.

Looking ahead, the SFC's effectiveness will hinge on three strategic pillars: data, talent and governance. A more data-driven model will help identify market trends earlier, strengthen supervisory effectiveness and enable faster responses to emerging risks.

Continued investment in talent development and succession is just as important, equipping the SFC with specialised expertise and leadership depth to oversee evolving markets and new technologies. These efforts are underpinned by governance frameworks that clarify the respective roles of the Board and management,

strengthen accountability and independence, and keep decisions anchored in Hong Kong's public interest.

Ultimately, our strength comes from the dedication and professionalism of our staff. Through their daily work, they turn the SFC's mission into reality — safeguarding market integrity, protecting investors and upholding Hong Kong's status as an international financial centre. They are the often-unseen professionals whose dedication and hard work underpin Hong Kong's status as a leading global financial hub.

Organisational culture carries equal weight to formal rules: ethical conduct is cultivated over time, and leadership at every level sets the tone. The Board remains committed to fostering a high-performing, values-driven organisational culture and to strengthening succession planning, so that the SFC maintains the expertise and leadership capacity needed for the long term.

Outlook

The years ahead will bring ongoing challenges. Global capital flows will continue to be influenced by macroeconomic uncertainty, geopolitical shifts, rapid technological advances including digital finance and artificial intelligence, and the transition to a more sustainable economy. While Hong Kong cannot control these external forces, it can strengthen the preparedness of its markets and institutions.

The national strategic direction set under the 15th Five-Year Plan, coupled with the HKSAR Government's agenda to consolidate and expand Hong Kong's role as an international financial centre, provides a clear framework for the city's next phase of development.

Within this framework, the SFC will stay focused on a few core priorities: deepening market resilience, driving high-quality market development, steering responsible innovation, and reinforcing Hong Kong's unique role as a gateway connecting the Chinese Mainland and the global market.

By fulfilling its dual mandate as market guardian and facilitator — strengthening regulation and risk prevention while supporting healthy, high-quality growth of Hong Kong's markets — the SFC aims to boost investor confidence, enable capital formation, and support inclusive, sustainable prosperity.

This work also supports Hong Kong's contribution to national development under "One Country, Two Systems", and helps secure its position as a vital bridge between the Mainland and the international financial community.

Finally, I want to thank our Board for its valuable insights and guidance, management for their dedication, and our staff for their meaningful contribution. I particularly thank Mr Christopher Wilson for his work in combatting market misconduct, and I warmly welcome Mr Tony Tang, whose extensive international financial expertise will further strengthen the Board.

CEO's Message

The SFC champions regulatory collaboration to shape international standards and uphold a rules-based international financial order. We promote transparency, accountability and robust governance locally and globally.

Julia Leung
Chief Executive Officer



Collaborative Growth for Enduring Resilience

Today's global landscape is evolving at a breakneck speed as geoeconomic fragmentation, technology and other disruptive forces reshape capital markets everywhere. As one of the world's leading international financial centres, Hong Kong cannot stand still — we must respond with urgency and resolve. At the Securities and Futures Commission (SFC), we are more committed than ever to building resilience — not merely as a defence mechanism but also as a powerful engine to support our market transformation.

Our core mandate remains intact: protect investors and drive sustainable growth. This mandate demands vigilance, agility and bold action in a world of constant change. Our robust regulation aims to equip Hong Kong's markets to navigate complexity and seize every opportunity. But we cannot do it alone: only through deep collaboration with our partners — local, Mainland and overseas — can we reinforce Hong Kong's status as a globally trusted, competitive international financial centre.

Strengthening global networks and partnerships

As regional clusters fast replace global supply chains, this network realignment is elevating the importance of strong regional market ties in Asia-Pacific and with the Middle East, while reinforcing our vital role as an East-West financial corridor.

We are actively expanding our overseas network to facilitate greater, more efficient capital flows. Working closely with regulatory partners and Hong Kong Exchanges and Clearing Limited (HKEX), the SFC is striving to broaden our pool of listings and investors, as Asian companies and overseas funds are showing keen interest to go public in our markets. Our streamlined

frameworks for international listings and cross-listings of investment products support this diversification, increasing our market depth and sharpening the city's edge as a premier fund-raising hub.

As Chair of IOSCO's¹ Asia-Pacific Regional Committee, the SFC champions regulatory collaboration to shape international standards and uphold a rules-based international financial order. We promote transparency, accountability and robust governance locally and globally. Through close coordination with regional regulators, we tackle shared challenges in financial stability, investor protection and sustainable finance. We are also intensifying cross-border efforts to combat financial crime and scams to uphold market integrity.

Local cooperation to diversify growth and enhance market quality

At home, the SFC is forging even stronger partnerships with the HKSAR Government, Hong Kong Monetary Authority (HKMA) and HKEX, to unlock growth drivers and build lasting financial resilience.

A top priority is to position Hong Kong as an all-weather financial hub. Together with the HKMA and the industry, we launched the fixed income and currency (FIC) market roadmap — a strategic blueprint to boost liquidity, issuances, renminbi business and infrastructure in our FIC markets. This vision will help us anchor long-term capital and navigate every market cycle.

For the equity market, we are working hand-in-hand with HKEX to drive quality, liquidity and capital efficiency in our listed market. Initiatives launched over the past year to improve sponsors' quality, narrow bid-ask spreads and lower collateral costs are already delivering impact.

¹ International Organization of Securities Commissions.

CEO's Message

More are in the pipeline, to reform board lot sizes and launch the uncertificated securities market. Together, the measures will further cement Hong Kong's standing as a globally competitive market with enduring resilience.

For further efficiency gains, we have also streamlined vetting processes. The enhanced new listing application process — in partnership with HKEX — has shortened IPO vetting time significantly. Our FASTrack² has also slashed the processing time for eligible funds. Simplified processes are also set to energise the city's real estate investment trust (REIT) market.

Equally important is to maintain a secure, healthy and quality ecosystem that instils confidence among investors. We partner with the Hong Kong Police Force, licensed firms and technology enterprises to combat fraud and suspicious activities. We are also stepping up enforcement and investor education efforts — often collaborative — to bolster anti-scam initiatives.

Public-private partnership for future readiness

True market transformation requires close partnership with the industry. We engage deeply with the Fintech community — locally and increasingly globally — to drive responsible innovation and shape the future of finance.

Under our ASPIRe roadmap, we are nurturing a resilient digital asset ecosystem through direct engagement with trading platforms, the Digital Asset Consultative Panel and other communication channels. Project Ensemble also exemplifies this public-private synergy. Working with asset managers and the HKMA, we are developing an on-chain product ecosystem in a regulated, secure environment. These concerted efforts are steadily positioning Hong Kong as a trusted nexus of financial innovation.

With close industry cooperation, we drive product innovation and diversification to open fresh avenues for growth. We are expanding the exchange-traded fund (ETF) ecosystem — including leveraged and inverse products — to further bolster Hong Kong's offerings for both investment and risk management.

Moreover, generative artificial intelligence (GenAI) is revolutionising financial markets with immense potential for productivity and efficiency gains. To harness it responsibly, we have established with other financial regulators³ a risk-controlled sandbox for industry participants. The collaborative platform

is powering real-world experiments in AI-driven risk management, anti-fraud tools and enhanced customer experience. We also work closely with the industry to ensure operational and cyber resilience and prepare well for the advent of quantum computing.

Strong foundation of Mainland-Hong Kong cooperation

Deeper connectivity is fundamental to the stable development of both Mainland and Hong Kong markets. Our close cooperation with the China Securities Regulatory Commission continues to expand mutual market access schemes and facilitate listings of leading Mainland enterprises in Hong Kong. Further initiatives such as the inclusion of RMB counters in southbound trading and REIT Connect will accelerate coordinated growth for our markets. Working with the Ministry of Finance and the People's Bank of China, we are advancing RMB internationalisation and the high-quality opening-up of Mainland financial markets.

This collaboration underpins Hong Kong's role as a leading offshore RMB centre and an irreplaceable Mainland gateway, especially under the Nation's 15th Five-Year Plan. In support of national priorities, particularly the financial powerhouse development, the SFC is proud to contribute to Hong Kong's upcoming first Five-Year Plan.

Galvanising collaboration for a resilient future

In this ever-changing landscape, the road ahead will not be without challenge, but our collective resolve can shape it into one of opportunity. This spirit of partnership — local and global, public and private — runs through every facet of the SFC's work, whether in driving innovation or safeguarding integrity. To steer the next stage of development, we stand ready to review and revitalise our strategic priorities to prepare for future challenges.

Hong Kong's resilient growth depends on uniting broad stakeholders across sectors and borders around one clear purpose: to build a safe, vibrant and future-ready financial ecosystem that powers sustained economic prosperity.

Last but not least, I extend my deepest gratitude to the SFC Board and all our dedicated staff. Your unwavering commitment and passion form the backbone of Hong Kong's bright future as a premier international financial centre.

² Fund Authorisation Simple Track.

³ These include the HKMA, Insurance Authority and Mandatory Provident Fund Schemes Authority.

Strategic Priorities

It is vital for the SFC to set strategic priorities in response to changing market conditions and steer market development to guard Hong Kong's position as a world-class financial centre. Our top four priorities for 2024-26 are:

Maintaining market resilience and mitigating harm



- Managing systemic risks and enhancing HKEX oversight
- Counteracting suspicious activities and investment scams
- Combatting misconduct of all forms
- Enhancing local and cross-border enforcement collaboration
- Expanding surveillance and investigatory toolkit

Enhancing Hong Kong's global competitiveness



- Strengthening competitiveness of Hong Kong's listing framework
- Enhancing stock market liquidity and efficiency
- Developing fixed income and currency markets in Hong Kong
- Deepening Mainland and international market connectivity
- Reinforcing Hong Kong's position as asset and wealth management hub
- Building offshore RMB and risk management hub
- Reforming over-the-counter derivatives regime
- Enhancing local market infrastructure
- Leading international standard-setting efforts and regional cooperation

TOP PRIORITIES

Leading market transformations via technology and ESG



- Enhancing digital asset regulatory framework
- Facilitating investment product tokenisation
- Advancing Hong Kong's role as sustainable finance hub
- Adopting global sustainability disclosure standards
- Contributing to voluntary carbon market development

Enhancing SFC's resilience and efficiency



- Prudent financial control and effective resource deployment
- Driving operational efficiency with technology
- Maintaining a competent workforce

SFC's Strategic Priorities for 2024-26



Strategic Priority 1

Maintaining market resilience and mitigating serious harm to our markets

We commit ourselves to keeping markets resilient against global challenges and heightened risks to financial stability. This involves strengthening the risk management capabilities of our markets and intermediaries, as well as driving better outcomes from law enforcement and investor protection through regulatory collaboration, technology deployment and greater education efforts.

■ Managing systemic risks and enhancing HKEX oversight

We closely monitor systemic risks in financial markets, and collaborate with Hong Kong Exchanges and Clearing Limited (HKEX) and other financial regulators to navigate global market uncertainties and ensure robust securities markets. This year, we will further strengthen the resilience of the clearing houses and our capability to monitor derivatives markets by concluding our consultation on extending the investor identification regime to the exchange-traded derivatives markets.

■ Counteracting suspicious activities and investment scams

We take a multi-faceted approach to combat financial scams: detection, collaboration, public education and enforcement. We monitor online content to identify potential scams, and collaborate with other regulators, law enforcement agencies, social media platforms and telecommunication companies to remove harmful and fraudulent content. Moreover, we boost public awareness through investor alerts, targeted outreach, education campaigns, high-impact publicity and collaborative efforts with other organisations. When needed, we take decisive enforcement actions — from initiating prosecutions to seeking court orders and pursuing civil remedies for victims.

To enhance client account security, we also plan to require internet brokers and SFC-licensed virtual asset (VA) services providers to step up phishing-resistant authentication measures.

■ Combatting misconduct of all forms

We safeguard market integrity through targeted enforcement against listed companies, intermediaries and other market players involved in market manipulation, insider trading and other serious misconduct. Our actions include disrupting the operations of criminal syndicates, freezing illicit assets, and pursuing legal action against perpetrators. We also hold directors and management accountable for corporate fraud and misfeasance, seek court orders to compensate investors, and remain vigilant against intermediaries' control deficiencies.

■ Enhancing local and cross-border enforcement collaboration

Locally, we actively collaborate with other regulators and law enforcement agencies to take coordinated and comprehensive action against misconduct in financial markets. Our partnership with the China Securities Regulatory Commission (CSRC) enhances our ability to address cross-boundary misconduct in complex cases. Internationally, we maintain strong enforcement cooperation with overseas regulators by providing investigatory assistance, sharing intelligence, preserving assets and surrendering suspects.

■ Expanding surveillance and investigatory toolkit

We strengthen our surveillance and investigatory capabilities with technology, enabling earlier detection of market abuse, as well as faster and more effective enforcement against emerging threats.



Strategic Priorities

Strategic Priority 2

Enhancing the global competitiveness and appeal of Hong Kong's capital markets

To help Hong Kong stay competitive globally and uphold its status as a hub for raising funds as well as asset management, the SFC is dedicated to raising the quality, liquidity and efficiency of our equity market. We strive to deepen ties with Mainland and global capital markets, diversify market access, as well as broaden our products and risk management tools.

■ Strengthening competitiveness of Hong Kong's listing framework

Together with the Stock Exchange of Hong Kong Limited, we are reviewing the listing framework with a phased approach to bolster Hong Kong's competitiveness and unleash more opportunities for both investors and issuers. The consultation on its initial phase focuses on enhancing the weighted voting rights and secondary listing regimes, as well as extending the confidential filing option.

■ Enhancing stock market liquidity and efficiency

The SFC works closely with HKEX to implement medium- to long-term initiatives as recommended by the Task Force on Enhancing Stock Market Liquidity. These initiatives (eg, reducing trading spreads) aim to mitigate market frictions, improve capital efficiency and reduce transaction costs. Moreover, to lower the funding cost of collateral and further support the RMB internationalisation, we are exploring ways with HKEX to widen the use of Chinese Government Bonds as non-cash collateral. We are also looking to broaden the range of eligible non-cash collateral and enhance the framework for posting non-cash collateral.

■ Developing fixed income and currency (FIC) markets in Hong Kong

To position Hong Kong as a leading global FIC hub, the SFC joins forces with the Hong Kong Monetary Authority (HKMA) to implement the initiatives under the FIC Roadmap launched in 2025. The SFC is studying the feasibility of an electronic FIC-trading platform.

■ Deepening Mainland and international market connectivity

We are enhancing mutual market access schemes with Mainland regulators to advance initiatives such as REIT¹ Connect and extend coverage to additional cash products and derivatives products. These efforts will bolster Hong Kong's role as an international asset allocation gateway for Mainland investors, including medium to long-term funds. To further drive Greater Bay Area connectivity, we continue to work closely with the industry and authorities to enhance the Wealth Management Connect scheme. To further attract investors and capital, we are strengthening connectivity with international markets through bilateral regulatory engagement and memoranda of understanding.



¹ Real estate investment trust.

Strategic Priorities

■ Reinforcing Hong Kong's position as asset and wealth management hub

We are making our regulatory regimes more competitive to support the city's development as a top asset and wealth management hub. To align with global standards, we have proposed amendments to the Code on Unit Trusts and Mutual Funds. We are reviewing feedback to the consultation and will continue proactive industry engagement. We also aim to commence the legislative process this year to enhance the market conduct regime for listed collective investment schemes, and introduce a structured, transparent mechanism for REITs to conduct privatisation and corporate restructuring. In addition, to broaden choices for investors, we are working with the industry on new product proposals for listed closed-ended alternative funds.

■ Building offshore RMB and risk management hub

Together with Mainland authorities, we are enhancing cross-boundary financial connectivity by making preparations to include RMB counters in Southbound Stock Connect to promote broader usage of offshore RMB. We are expanding Swap Connect's product offerings with the People's Bank of China and OTC Clear, and working with HKEX for the launch of China Treasury bond futures to facilitate international investors' hedging needs.

■ Reforming over-the-counter derivatives (OTCD) regime

To support the resilient development of our OTCD market, we are introducing internationally comparable capital requirements for licensed corporations (LCs) engaging in OTCD activities. In 2026, we aim to conclude the consultations on draft amendments to the Securities and Futures (Financial Resources) Rules (FRR) and related guidelines. Various other FRR changes will support LCs' business development and diversification.

■ Enhancing local market infrastructure

Targeted for launch in November 2026, the Uncertificated Securities Market regime will enhance efficiency, provide better investor protection and ultimately elevate Hong Kong's securities market infrastructure. Together with HKEX and the Federation of Share Registrars Limited, we continue to promote stakeholders' understanding of the new regime. In addition, we continue to oversee HKEX's efforts to develop new platforms to facilitate derivatives trading and advance post-trade services in the cash market. To facilitate retail fund distribution, we work with HKEX and other parties on the next phase of the Integrated Fund Platform, ie, implementing Platform and Nominee Services.

■ Leading international standard-setting efforts and regional cooperation

We actively contribute to global regulatory standard setting through our participation and leadership in key international bodies, including the International Organization of Securities Commissions (IOSCO), where our CEO serves as a Board member and chairs its Asia-Pacific Regional Committee.



Strategic Priority 3

Leading financial market transformation through technology and ESG

We embrace both technology and sustainable finance in order to future-proof our financial markets. On one hand, we nurture a robust VA ecosystem and support the tokenisation of securities; on the other, we bolster Hong Kong's leading position as a sustainable finance hub by driving the adoption of corporate disclosure standards and intermediating between emerging and developed economies.

■ Enhancing digital asset regulatory framework

The SFC continues to increase the competitiveness of the city's digital asset market under the **ASPIRe** roadmap by completing the regulatory framework and expanding product and service offerings in phases. Together with the Financial Services and the Treasury Bureau (FSTB), we are finalising legislative proposals on the new licensing regimes for VA dealing, custody, advisory and asset management service providers. We aim to introduce a bill for these regimes into the Legislative Council in 2026.

■ Facilitating investment product tokenisation

As a key partner and member of the Ensemble Architecture Community, the SFC collaborates with the HKMA to promote tokenisation in the financial markets. Following the launch of Ensemble^{TX} to enable real-value transactions with tokenised deposits and digital assets, we are expanding the application of tokenisation across diverse asset classes, use cases and financial sectors. We are also working with product issuers to facilitate the authorisation and timely launches of tokenised retail products.

■ Advancing Hong Kong's role as sustainable finance hub

As Co-chair of the Green and Sustainable Finance Cross-Agency Steering Group, we collaborate with the Government and other local authorities to promote sustainable and transition finance. We are working to promote industry-developed good practices for transition planning and disclosure. Globally, we help shape international policymaking through IOSCO and other initiatives.

■ Adopting global sustainability disclosure standards

We align Hong Kong with international best practices to promote interoperability and strengthen investor confidence. In providing continued support for the implementation of the Roadmap on Sustainability Disclosure, we foster Hong Kong's sustainability disclosure ecosystem with a focus on sustainability assurance, data and technology, as well as skills and competencies. To support quality disclosure, we promote and enhance climate data tools, the non-listed company sustainability questionnaire, and green Fintech solutions.

■ Contributing to voluntary carbon market development

As Co-chair of the Carbon Market Workstream of Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group, we collaborate closely with HKEX to bolster Hong Kong's carbon trading platform and strengthen collaboration with both Mainland and international carbon markets. We also engage actively with overseas stakeholders to ensure Hong Kong aligns with best practices.



Strategic Priority 4

Enhancing institutional resilience and operational efficiency

The SFC pursues its own institutional resilience and operating efficiency in light of its critical role in developing Hong Kong's capital markets. We apply robust budgeting and internal controls to ensure financial sustainability and sound operations, while stepping up our cyber resilience in light of heightened risks. To enhance efficiency, we continue to streamline workflows across divisions and digitalise processes.

■ Prudent financial control and effective resource deployment

We continue to enhance operational resilience and optimise productivity by effectively deploying internal resources. We also adhere to a set of predefined measures to tightly monitor and control expenditures to strengthen our financial resilience. We continue to reassess our sources of revenue and balance it against our expenditure base.

■ Driving operational efficiency with technology

We continue to drive the SFC's digital transformation to enhance regulatory efficiency, market oversight and operational resilience. Artificial intelligence solutions are being deployed to strengthen our monitoring capabilities and facilitate our investigations; digital systems will be further enhanced, including electronic filings on the WINGS² platform to streamline submission and case processing. We are also developing new monitoring systems respectively for streamlining securities registrar approvals and compliance, and for monitoring licensed VA trading platforms to detect irregularities and mitigate custody risks.

■ Maintaining a competent workforce

We strive to provide staff with fulfilling career development opportunities and enhance our merit-based human resources policies to better align our people and culture with the SFC's regulatory objectives. We also ensure our employees stay competent through professional training, and uphold the highest standards of integrity through refresher programmes on our code of conduct and conflicts of interest management.



2 Web-based INTeGrated Service.

Our Board

**Michael
DUIGNAN**

Executive Director,
Enforcement

**Lisa CHEN
Ping**

Executive Director,
Legal Services

**Johnson KONG
Chi-how**

Non-Executive
Director

**CHEW
Fook-aun**

Non-Executive
Director



**Michael WONG
Yick-kam**

Non-Executive
Director

**Victor
DAWES**

Non-Executive
Director

**Eric YIP
Chee-hang**

Executive Director,
Intermediaries

**Kelvin WONG
Tin-yau**

Chairman

Our Board

**Rico LEUNG
Chung-yin**

Executive Director,
Supervision of Markets

**Christina CHOI
Fung-yee**

Executive Director,
Corporate Finance

**Vincent CHAN
Chun-hung**

Non-Executive
Director

**Tony TANG
Xiaodong**

Non-Executive
Director



Our
Board

**Julia LEUNG
Fung-yee**

Chief Executive Officer

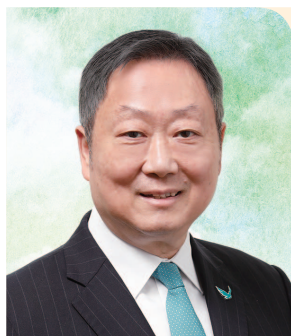
**Dieter YIH
Lai-tak**

Non-Executive
Director

**Keith
POGSON**

Non-Executive
Director

Our Board



Dr Kelvin WONG Tin-yau SBS, JP

Chairman

From 20 October 2024
Current appointment to 19 October 2027

Other SFC-related positions

- Chairman: Investment Committee, Remuneration Committee and Advisory Committee
- Member, Audit Committee
- Member, SFC (HKEC Listing) Appeals Committee
- Member, Process Review Panel for the Securities and Futures Commission

Current offices and public service

- Chairman, Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR
- Member: Exchange Fund Advisory Committee and Banking Advisory Committee, Hong Kong Monetary Authority
- Member, Listing Nominating Committee, The Stock Exchange of Hong Kong Limited (SEHK)
- Director, Hong Kong Academy of Finance
- Chairman, Corruption Prevention Advisory Committee; Member, Advisory Committee on Corruption, Hong Kong Independent Commission Against Corruption (ICAC)

Past offices and public service

- Chairman, Accounting and Financial Reporting Council (2018-2024)
- Chairman, Investor and Financial Education Council (2017-2018)
- Chairman, The Hong Kong Institute of Directors (2009-2014)
- Executive Director and Deputy Managing Director, COSCO SHIPPING Ports Limited (1996-2024)
- Non-Executive Director, SFC (2012-2018)
- Convenor-cum-member, Financial Reporting Review Panel (2013-2016)
- Member, Standing Committee on Company Law Reform (2010-2016)
- Member, Main Board and GEM Listing Committees, SEHK (2007-2013)
- Member, Operations Review Committee, ICAC (2017-2023)



Julia LEUNG Fung-ye SBS, JP

Chief Executive Officer

From 1 January 2023
Current appointment to 31 December 2027

Other SFC-related positions

- Member: Budget Committee and Investment Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

Current public service

- Chairperson, Asia-Pacific Regional Committee, International Organization of Securities Commissions
- Council Member, Treasury Markets Association
- Vice President, Council of The Hong Kong Institute of Bankers

Past offices and public service

- Under Secretary for Financial Services and the Treasury, the HKSAR Government (2008-2013)
- Executive Director, Hong Kong Monetary Authority (2000-2008)

Past SFC positions

- Deputy Chief Executive Officer (2018-2022)
- Executive Director, Intermediaries (2016-2022)
- Executive Director, Investment Products (2015-2016)

Publication

- *The Tides of Capital* (London: OMFIF Press, 2015)

Our Board



Vincent CHAN Chun-hung

Non-Executive Director

From 1 August 2024
Current appointment to 31 July 2026

Other SFC-related positions

- Member: Investment Committee and Remuneration Committee

Current offices and public service

- Treasurer and Executive Director, Hong Kong Venture Capital and Private Equity Association
- Member, Antiquities Advisory Board
- Member, Board of the Hong Kong Foundation for the University of Manchester
- Member, Hospital Governing Committee, Castle Peak Hospital and Siu Lam Hospital
- Member, Investment Committee of the Investment Sub-Committee, the University of Hong Kong endowment fund

Past SFC-related position

- Member, Public Shareholders Group (2006-2012)

Past offices

- Partner, Beyond Ventures (2023-2024)
- Senior Managing Director and Head of Asia, Samena Capital (2016-2022)
- Founding Chief Executive Officer, Spring Capital (2007-2015)
- Managing Director and Head of North Asia, JAFCO Asia (2000-2007)



Lisa CHEN Ping

Executive Director, Legal Services

From 22 May 2023
Current appointment to 21 May 2029

Other SFC-related position

- Member, SFC (HKEC Listing) Committee

Past SFC positions

- Senior Director, Enforcement (2017-2023)
- Deputy Chief Counsel, Legal Services (2014-2017)
- Senior Counsel, Legal Services (2004-2009)

Past offices

- Counsel, Davis Polk & Wardwell (2013-2014)
- Consultant, Clifford Chance (2009-2013)

Our Board



CHEW Fook-aun

Non-Executive Director

From 1 January 2023
Current appointment to 31 December 2026

Other SFC-related positions

- Chairman, Budget Committee
- Member: Investment Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices, public service and professional affiliations

- Independent Non-Executive Director, Karex Berhad
- Fellow Member, Hong Kong Institute of Certified Public Accountants
- Fellow Member, The Institute of Chartered Accountants in England and Wales
- Fellow Member, The Hong Kong Institute of Directors
- Vice Chairman, Hong Kong Sports Institute Limited
- Council Member, The Hong Kong Polytechnic University
- Director, Asian Youth Orchestra
- Vice President, Hong Kong Football Club
- Honorary Treasurer, Golf Association of Hong Kong, China

Past SFC-related position

- Member, Advisory Committee (2007-2013)

Past offices

- Member, Hong Kong Judiciary Barristers Disciplinary Tribunal Panel (2015-2025)
- Deputy Chairman, Malaysian Chamber of Commerce (2022-2024)
- Deputy Chairman and Non-Executive Director (2023), and Deputy Chairman and Executive Director (2012-2023), Lai Sun Garment (International) Limited
- Deputy Chairman and Non-Executive Director (2023), and Deputy Chairman and Executive Director (2012-2023), Lai Sun Development Company Limited
- Deputy Chairman and Non-Executive Director (2023), and Chairman and Executive Director (2012-2023), Lai Fung Holdings Limited



Christina CHOI Fung-ye

Executive Director, Corporate Finance

From 1 August 2016
Current appointment to 31 July 2028

Other SFC-related positions

- Chairman, Public Shareholders Group
- Member: Advisory Committee, Committee on Real Estate Investment Trusts and Nominations Committee

Current public service

- Member, Listing Nominating Committee, Hong Kong Exchanges and Clearing Limited

Past SFC positions

- Executive Director, Investment Products (2016-2025)
- Senior Director, Investment Products (2012-2016)

Past offices

- Partner, Clifford Chance (2001-2004)

Our Board



Victor DAWES SC, BBS

Non-Executive Director

From 1 August 2020
Current appointment to 31 July 2026

Other SFC-related positions

- Chairman, Investor and Financial Education Council
- Deputy Chairman, Audit Committee
- Member, Remuneration Committee
- Chairman, Nominations Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices and public service

- Senior Counsel, Temple Chambers
- Recorder, High Court
- Chairman, Air Transport Licensing Authority
- Member, Judicial Officers Recommendation Commission



Michael DUIGNAN

Executive Director, Enforcement

From 1 November 2022
Current appointment to 31 October 2028

Other SFC-related position

- Member, SFC (HKEC Listing) Committee

Past SFC positions

- Executive Director, Corporate Finance (2022-2025)
- Senior Director, Enforcement (2019-2022)
- Senior Director, Corporate Finance (2014-2018)

Past offices

- Director of Securities and Markets Supervision, Malta Financial Services Authority (2012-2014)
- Head of Market Supervision, Irish Stock Exchange (2008-2011)
- Manager, UK Financial Services Authority (2000-2008)

Our Board



Johnson KONG Chi-how

Non-Executive Director

From 15 November 2021
Current appointment to 14 November 2027

Other SFC-related positions

- Chairman, Audit Committee
- Deputy Chairman, Budget Committee
- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices, public service and professional affiliations

- Senior Advisor, BDO Hong Kong
- Accounting Advisor (Hong Kong), Ministry of Finance, People's Republic of China
- Fellow, Chair of Governance Committee, Member of Remuneration Committee and Audit Committee, Hong Kong Institute of Certified Public Accountants
- Fellow and Member of Hong Kong Strategy Advisory Group, Institute of Chartered Accountants in England and Wales
- Member, Election Committee, the HKSAR Government
- Member, Hong Kong Academy of Finance
- Member, Operations Review Committee and Panel of the Witness Protection Review Board, Independent Commission Against Corruption
- Council Member, Association of Hong Kong Accounting Advisors
- Alternate Director, Hong Kong Association of Registered Public Interest Entity Auditors



Rico LEUNG Chung-yin

Executive Director, Supervision of Markets

From 28 August 2019
Current appointment to 27 August 2028

Other SFC-related positions

- Chairman: Investor Compensation Fund Committee and Securities Compensation Fund Committee
- Director, Investor Compensation Company Limited
- Member, SFC (HKEC Listing) Committee

Current public service

- Member, Risk Management Committee, Hong Kong Exchanges and Clearing Limited
- Member, Council of Advisers for Applied Research, Hong Kong Institute for Monetary and Financial Research

Past SFC position

- Senior Director, Supervision of Markets (2008-2019)

Past offices

- Chief Operations Officer, HKFE Clearing Corporation Limited (1994-2000)

Our Board



Keith POGSON

Non-Executive Director

From 20 October 2024
Current appointment to 19 October 2026

Other SFC-related positions

- Member: Audit Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices, public service and professional affiliations

- Asia-Pacific Financial Services Senior Partner and Global Assurance Leader, Banking & Capital Markets, Ernst & Young
- Practising Fellow and Deputy Chair of Governance Committee, Hong Kong Institute of Certified Public Accountants
- Fellow and Member of Greater China Advisory Panel, Institute of Chartered Accountants in England and Wales
- Fellow, Hong Kong Securities and Investment Institute
- Member, Hong Kong Academy of Finance
- Treasurer and Chair, Financial Service Committee, British Chamber of Commerce



Tony TANG Xiaodong

Non-Executive Director

From 24 April 2025
Current appointment to 23 April 2027

Other SFC-related positions

- Member: Budget Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

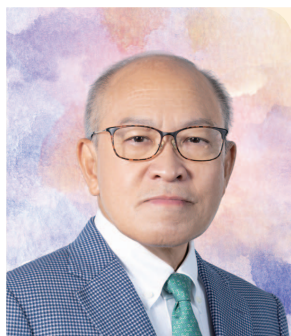
Current offices and public service

- Head of China and Chairman of Greater China, Citadel Securities
- Board member, Financial Services Development Council of Hong Kong
- Member, Dean's Council, University of Chicago Booth School of Business

Past offices

- Head of China, BlackRock (2019-2023)
- Chief Executive Officer of the international business, GF Securities (2018-2019)
- Chief Executive Officer and Chief Compliance Officer, China Asset Management Company (2014-2018)
- Senior Advisor of Strategic Planning Department, Deputy Director-General of Fund Supervision Department and Deputy Director-General of International Affairs Department, China Securities Regulatory Commission (2009-2014)

Our Board



Michael WONG Yick-kam SBS, MH, JP

Non-Executive Director

From 1 April 2021
Current appointment to 31 March 2027

Other SFC-related positions

- Deputy Chairman, Investment Committee
- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices and public service

- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Member, Estate Agents Authority
- Member, Land and Development Advisory Committee
- Member, Board of Trustees of New Asia College, The Chinese University of Hong Kong
- Member, Executive Committee, Hong Kong Youth Hostels Association

Past offices

- Non-Executive Director (2013-2015), Non-Executive Director and Group Principal Advisor (2009-2013), and Executive Director (1996-2009), Sun Hung Kai Properties Group



Dieter YIH Lai-tak JP

Non-Executive Director

From 15 November 2021
Current appointment to 14 November 2027

Other SFC-related positions

- Deputy Chairman, Remuneration Committee
- Member: Audit Committee and Budget Committee
- Member: SFC (HKEC Listing) Appeals Committee, Takeovers and Mergers Panel, and Takeovers Appeal Committee

Current offices and public service

- Partner, Kwok Yih & Chan, Solicitors
- Chairman, Quality Education Fund Steering Committee
- Non-Executive Director and Chairman of Risk Committee, eMPF Platform Company Limited
- Member, University Grants Committee

Our Board



Dr Eric YIP Chee-hang

Executive Director, Intermediaries

From 2 May 2024
Current appointment to 1 May 2027

Other SFC-related positions

- Member: Advisory Committee and SFC (HKEC Listing) Committee

Past offices

- General Manager and Head of China Division, The Bank of East Asia, Limited (2015-2024)
- Chief Executive Officer, Verdant Capital Group (2011-2015)
- Deputy Chief Operating Officer, Hong Kong Exchanges and Clearing Limited (2003-2011)

Notes: Except for the Chairman and CEO, other board members are listed in alphabetical order.

The Nominations Committee nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee. See pages 187–196 for information about SFC external committees.

Year in Review

Our strategic priorities underpin our multidisciplinary regulatory approach under the “One SFC” ethos. As the capital market regulator of a top international financial centre, we effectively harness the full spectrum of our regulatory tools and resources to maintain market resilience and mitigate serious harm to our markets, enhance the global competitiveness and appeal of Hong Kong capital markets, lead financial market transformation through technology and ESG, as well as enhance our institutional resilience and operational efficiency.



Highlights

Key figures for 2025-26¹

Maintaining market resilience and mitigating harm

47 alerts against suspicious virtual asset trading platforms and investment products

70 individuals and corporations subject to ongoing civil proceedings

4,727 requests for trading and account records

237 cases initiated for investigation

\$84.5 million in fines imposed on licensees

212 on-site inspections of licensed corporations and associated entities

90 anti-scams posts on anti-scams Instagram page

Enhancing Hong Kong's global competitiveness

603 new listing applications received (+282%) | **9,736** new licence applications² (+15%)

1,066 authorised Hong Kong-domiciled funds (+9.2%);
AUM³ **\$2,334 billion** (+19.4%)

213 authorised ETFs and **29** L&I products⁴:
Average daily turnover **+51%**
Total market capitalisation **+25%**

Stock Connect's cumulative net inflows:

Northbound: **RMB1.47 trillion**

Southbound: **\$5.3 trillion**

Leading market transformations via technology and ESG

12 licensed virtual asset trading platforms⁵

11 virtual asset spot ETFs; market capitalisation **\$4.3 billion** (+90% since launch)

13 tokenised retail products
AUM **\$10.8 billion** (+594%)

190 authorised ESG⁶ funds

Enhancing SFC's resilience and efficiency

Named a Caring Organisation for **20th** year

Expenses to income ratio stable at **80%** for 3 years

150+ senior executives' speaking engagements

880 social media posts, **216** press releases

¹ All figures as of 31 March 2026. All percentage changes are on a year-on-year basis, unless specified otherwise.

² Under the Securities and Futures Ordinance.

³ Assets under management.

⁴ Exchange-traded funds and leveraged and inverse products.

⁵ Under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

⁶ Environmental, Social and Governance.

Highlights

This Highlights chapter reviews the SFC's key initiatives undertaken in the year 2025-26 to implement our four Strategic Priorities:



Maintaining market resilience and mitigating serious harm to our markets

Enhancing resilience through supervision and surveillance

- Required **IPO⁷ sponsors** to conduct internal reviews and to rectify their deficiencies in listing document preparation and potential misconduct.
- Reviewed **SEHK's⁸ 2024 performance** in its **regulation of listing matters** and made recommendations.
- Proposed to extend the **Hong Kong investor identification regime** to the exchange-traded derivatives market.
- Conducted **thematic inspections of asset managers** managing private funds and discretionary accounts.
- Reviewed selected securities brokers' due diligence and their monitoring of **finfluencers** and **digital platforms**.

Combatting misconduct of all forms

- **Fined** 13 LCs for \$84.5 million and **disciplined** 23 individuals.
- Obtained a **compensation order of \$595 million** against shadow or former corporate directors for orchestrating fraudulent schemes.
- **First custodial sentence against an unlicensed finfluencer** for providing paid investment advice on social media.
- Initiated **64 new enquiries/ investigations** into listed company affairs and corporate misconduct.

Combatting suspicious activities and investment scams

- Alerted the public against **12 suspicious virtual asset trading platforms (VATPs)** and **35 suspicious investment products**.
- Co-launched⁹ the **Anti-Scam Consumer Protection Charter 3.0**.
- Strengthened our collaboration with the Police and established **protocol with ADCC¹⁰** and selected **licensed corporations (LCs)** to intercept scam-related fund flows; participated in the Virtual Asset Intelligence Taskforce¹¹.

7 Initial public offering.

8 The Stock Exchange of Hong Kong Limited.

9 In collaboration with the Hong Kong Monetary Authority (HKMA), Insurance Authority and Mandatory Provident Fund Schemes Authority.

10 The Anti-Deception Coordination Centre.

11 A public-private partnership platform led by the Police.



Enhancing the global competitiveness and appeal of Hong Kong capital markets

Boosting listing market competitiveness and securities market efficiency

- Received 108 and 72 applications from pre-profit biotech companies and specialist technology companies respectively from the launch of the **Technology Enterprises Channel** in May 2025 to March 2026.
- Worked with SEHK on **optimising IPO price discovery** and **enhancing public float requirements**.
- Oversaw HKEX's¹² comprehensive assessment of the **board lot structure**.
- Finalised preparation for launching the **uncertificated securities market** in November 2026.

Deepening and broadening connectivity to Mainland and international markets

- Enhanced financial services collaboration with **international markets**; signed two **memoranda of understanding (MoUs)** on mutual recognition of funds arrangements¹³ and four MoUs on exchange of information¹⁴ with overseas regulators.
- Fostered mutual market access by enhancing **Stock Connect**, **Swap Connect** and **Wealth Management Connect**.
- Built regional regulatory alignment as Chair of the **IOSCO APRC**¹⁵.

Reinforcing Hong Kong's position as asset and wealth management hub

- Launched the **REIT Channel** and streamlined the authorisation process for listings of new real estate investment trusts (REITs).
- Streamlined regulatory requirements** for SFC-authorized funds.
- Facilitated the **first cross-listing** of an active ETF using a master-feeder structure under streamlined requirements.
- Approved listing of the **first sukuk** (ie, Islamic bond) **ETF**, also Asia's first government sukuk ETF.

Building FIC and risk management hub

- Jointly announced the Roadmap for the Development of **Fixed Income and Currency (FIC) Markets** with the HKMA.
- Enhanced Hong Kong's **over-the-counter (OTC) derivatives reporting regime** with the HKMA to keep up with international developments.
- Proposed to **implement internationally comparable capital requirements** for LCs engaging in **OTC derivatives activities**.

12 Hong Kong Exchanges and Clearing Limited.

13 Signed with the Capital Market Authority (formerly known as the Securities and Commodities Authority) of the United Arab Emirates (UAE) and the Central Bank of Ireland, respectively.

14 Signed with the financial regulators in Dubai International Financial Centre, Abu Dhabi Global Market (ie, the international financial centre of the capital city of the UAE), and Ontario and Québec of Canada, respectively.

15 The International Organization of Securities Commissions' Asia-Pacific Regional Committee.



Leading financial market transformation through technology and ESG

Enhancing access to digital asset market with robust investor protection

- Launched and concluded a joint consultation with the FSTB¹⁶ on proposals to regulate **virtual asset (VA) dealing and custodian** service providers; further proposed to extend the licensing framework towards **VA advisory and management**.
- Allowed licensed VATPs to **tap global liquidity** via shared order book with their overseas affiliates.
- Permitted affiliates of licensed VATPs to act as **market makers** on the platforms.
- Provided further guidance on the minimum requirements for **VATPs' safe custody of client VAs**.

Driving tokenisation and technological adoption

- Co-led with the HKMA the **pilot phase of tokenisation initiatives** via Ensemble^{TX}.
- Authorised eight additional **tokenised retail money market funds**¹⁷ and one **gold ETF with a tokenised class**.
- Allowed **secondary trading** of tokenised SFC-authorized investment products¹⁸.
- Worked with the Government on **stamp duty waiver** for transfers of tokenised ETFs.
- Co-launched the **Generative Artificial Intelligence Sandbox++** initiative¹⁹.

Expanding VA product and service offerings

- Guided VATPs on providing **staking services** and SFC-authorized VA funds on engaging in staking.
- Became **Asia Pacific's first** in allowing staking for VA spot ETFs.
- Allowed VA brokers to offer **VA financing** to securities margin clients.
- Authorised Asia's **first Solana spot ETF**.
- Set out a high-level framework to guide VATPs in developing **VA-related leveraged products**.

Strengthening collaboration with counterparts and the industry

- Signed our first MoU with an overseas regulator — the Capital Market Authority of the UAE — on **supervisory collaboration on digital asset entities**.
- Maintained dialogue with VATPs through the **Digital Asset Consultative Panel**.

Steering global and Hong Kong's sustainable finance development

- Co-chaired the Green and Sustainable Finance Cross-Agency Steering Group, which published its **2026-28 strategic priorities** and the **Hong Kong Green Fintech Map 2025**.
- Helped Hong Kong become one of the first jurisdictions recognised by the IFRS²⁰ Foundation with a commitment to **"fully adopting" the ISSB Standards**²¹.

16 The Financial Services and the Treasury Bureau.

17 These include the introduction of tokenised classes to existing SFC-authorized money market funds.

18 Post-reporting period.

19 Launched jointly with the HKMA, Insurance Authority and Mandatory Provident Fund Schemes Authority and in collaboration with Hong Kong Cyberport Management Company Limited.

20 International Financial Reporting Standards.

21 IFRS Sustainability Disclosure Standards.



Enhancing institutional resilience and operational efficiency

Ramping up regulatory efficiency with AI

- Leveraged an analytics tool to enhance our **monitoring and risk assessment of listed companies**.
- Launched a **social media monitoring** tool “SENSOR” to detect suspicious activities.
- Adopted an advanced risk-monitoring solution to boost our **oversight of LCs**.

Increasing digital system capabilities and improving workflows

- Upgraded the **e-IP platform** to support the streamlined authorisation process and simplified documentation requirements for REITs.
- Enhanced **WINGS²²** to facilitate electronic submissions under the company re-domiciliation and itinerant professional regimes.
- Reduced average processing time for eligible simple funds by **more than 50%**.

Meeting performance pledges

- **Fulfilled our performance pledges** across a wide variety of functions such as licence application processing, product authorisation and complaint handling.

Proactive communications to facilitate effective regulation

- Co-organised the **Hong Kong Fixed Income and Currency Forum** with the HKMA.
- Co-hosted the **Conversations with Global Investors forum** with the HKMA and Hong Kong Academy of Finance.
- Hosted two **broker forums** and two **AML/CFT²³ webinars** for the industry.
- Spoke at **over 150** local and international events on important capital market topics.

Upholding financial discipline

- Managed carefully the expenses to income ratio to consistently maintain a **balanced and independently-funded position** over the past years.
- **Controlled expenditure rigorously** under heightened regulatory demand and increasing market complexity.

22 Web-based INteGrated Service.

23 Anti-money laundering and counter-financing of terrorism.

Maintaining market resilience and mitigating serious harm to our markets

Resilience is crucial to strengthening our financial markets to withstand volatilities and achieving sustainable growth. We are committed to maintaining high standards of market integrity, resilience and investor protection, thereby reinforcing Hong Kong's status as a leading international financial centre and risk management hub.

Enhancing resilience through supervision and surveillance

Upholding listing market quality and sponsor conduct

To support Hong Kong's sustainable development as a fund-raising hub, the SFC issued a circular in January 2026 to IPO¹ sponsors, pointing out highly concerning issues and setting our expectations amidst a surge in new listing applications in 2025. These issues included deficiencies in listing document preparation, sponsors' potential misconduct and significant resources mismanagement. We also required selected sponsors to conduct internal reviews on the issues raised and their resources available to conduct sponsor work.

The circular followed a joint letter issued by the SFC and the Stock Exchange of Hong Kong Limited (SEHK) to certain sponsors in late 2025. In this letter, the two regulators expressed concerns over the declining quality of new listing applications and substandard behaviours observed. It also drew sponsors' attention to potential regulatory actions to uphold market quality.

To maintain listing market quality, we published in March 2026 our review report on SEHK's performance in regulating listing matters during 2024. In the report, we made recommendations to SEHK particularly in two major areas: SEHK's vetting of listed issuers' internal control reviews and handling of late auditor resignations. In addition, we reviewed the general operations, processes and procedures of SEHK's Listing Division.

Enhancing HKEX and clearing house resilience

Our ongoing supervision of Hong Kong Exchanges and Clearing Limited (HKEX) focuses on a number of initiatives to improve its resilience. As part of the supervision, we commenced an on-site inspection of

HKEX's operational resilience and risk management framework in November 2025 to assess its preparedness to manage operational incidents and its ability to ensure continuous market operation during heightened stress. Meanwhile, at our request, HKEX enhanced the sizing methodology for the default fund in the stock options market clearing house ("Cover 2") in December 2025 to improve its risk management capability.

We worked closely with the Hong Kong Monetary Authority (HKMA), HKEX and Hong Kong Interbank Clearing Limited to extend the use of HKD Real-Time Gross Settlement (RTGS) accounts to the clearing houses for the futures market and stock options market to process money settlements. This will enhance the operational resilience of the clearing houses by reducing their exposure to and reliance on commercial banks. With the SFC's approval, HKEX put the RTGS accounts into use in April 2026².



Supervising intermediaries to build resilience

We conduct on-site reviews of licensed corporations (LCs) to understand their business operations, risk management and internal controls, while also gauging their compliance with legal and regulatory requirements. During the year, we commenced 212 risk-based on-site inspections and noted 1,856 breaches of our rules and regulations. Among these, we conducted thematic inspections of asset managers that manage private funds and discretionary accounts, and also reviewed selected securities brokers' due diligence, as well as their monitoring of financial influencers (finfluencers) and digital platforms.

1 Initial public offering.
2 Post-reporting period.

Maintaining market resilience and mitigating serious harm to our markets

We also reminded LCs to fully cooperate with the SFC during inspections and emphasised the importance to maintain fitness and properness. In an early 2026 circular, we highlighted unsatisfactory practices and behaviours observed during inspections, and reminded LCs of their statutory obligations under Section 180 of the Securities and Futures Ordinance (SFO). We also set out our expected standards on the maintenance, retrieval and provision of records, as well as the availability of responsible officers (ROs).

To monitor the risk exposure of Hong Kong-domiciled SFC-authorized funds, we require asset managers to report key data periodically, including subscription and redemption flows, liquidity profiles, asset allocations, credit quality, currency exposure and use of leverage. We also tailor our monitoring programme and conduct stress tests in response to different market circumstances and stress events. Additionally, we closely monitor the liquidity of SFC-authorized funds through asset managers' reports of unusual or untoward activities.

We reviewed securities brokers' internal controls for protecting client assets, and highlighted our observations in a June 2025 circular. We set out the regulatory standards in areas such as amendments to client particulars, handling of email requests and third-party transactions, operation of bank accounts, and the monitoring of dormant accounts.

Monitoring day-to-day market activities

We closely monitor market conditions and activities to uphold integrity and resilience, which sustains investor confidence. Our surveillance of untoward price and turnover movements resulted in 4,727 requests for trading and account records from intermediaries during the year. We also processed 547 notifications from intermediaries regarding suspicious equity and derivative trading.

During the year, we published 20 high shareholding concentration announcements to caution investors of the potential risks associated with trading in the shares of listed companies with a high concentration of ownership.



20 alerts of high shareholding concentration

We developed our in-house social media monitoring system — SENSOR — powered by generative artificial intelligence (AI). SENSOR scans targeted social media channels for suspicious activities, such as misleading promotions and stock manipulation. It can also conduct image and video analysis to monitor finfluencers to detect increasingly sophisticated scam tactics. Leveraging AI, the system collects, analyses and tracks online activities and profiles from different platforms to identify potentially misleading investment promotions, coordinated scams and manipulative behaviours. SENSOR also preserves data to support investigations.

Enhancing investor identification regime

To enhance market surveillance, we are extending the Hong Kong investor identification regime to the exchange-traded derivatives market, following the successful implementation of the regime for the securities market since 2023. As part of this effort, we launched a public consultation on the proposal in September 2025. This initiative aims to enhance our ability to detect and address market misconduct in the exchange-traded derivatives market while strengthening investor protection. We are now reviewing the feedback received and tentatively plan to issue the consultation conclusions by mid-2026.

Combatting suspicious activities and investment scams

We receive information regarding the latest trends of suspicious activities from complaints and market intelligence, based on which we formulate strategies to combat investment scams to safeguard market integrity. We push ahead investor education initiatives to raise public awareness of common scam tactics and promote informed decision-making among investors.

Maintaining market resilience and mitigating serious harm to our markets

Strengthening prevention of phishing and unauthorised trading

During the year, we observed a rise in unauthorised trading incidents at LCs, often involving phishing attacks where clients were deceived into entering credentials on fake websites closely resembling the LCs' genuine ones. To address these risks, we issued a circular to urge LCs to join the SMS Sender Registration Scheme to help clients identify legitimate messages, as well as strengthen internal controls to prevent unauthorised account access and transactions in client accounts.

Cautioning investors with timely alerts

We also observed a growing trend of ramp-and-dump scams orchestrated through social media platforms during the year. Fraudsters impersonated well-known financial commentators and offered investment advice in chat groups, inducing investors to purchase shares. In some cases, fraudsters impersonated the SFC senior executives and the SFC-licensed corporations to send deceptive emails or SMS messages with suspicious links to harvest login credentials. In response, we alerted the public through press releases and social media posts. We also proactively contacted victims, reminding them to remain vigilant, refrain from committing additional funds, and report the frauds to the Hong Kong Police Force (Police).



We update the alert lists on our website from time to time to put the public on guard against potential scams. During the year, we added 12 entities to the alert list for suspicious virtual asset trading platforms (VATPs) to caution the public against suspicious or unlicensed VATPs. Meanwhile, we cautioned the public against 35 suspicious investment products involving real property, tokenised assets (such as gold tokens) and other investments by posting related information on our Suspicious Investment Products Alert List, accompanied by social media posts and press releases.



Chief Executive Officer (CEO) Ms Julia Leung at the Charter 3.0 launch ceremony

Uniting public-private sector forces in scam fight

Anti-Scam Consumer Protection Charter 3.0

To foster a safe online environment, the SFC, the HKMA, the Insurance Authority and the Mandatory Provident Fund Schemes Authority jointly launched the Anti-Scam Consumer Protection Charter 3.0 (Charter 3.0) in July 2025. It unites financial regulators, major technology firms and telecommunications firms to combat financial scams that exploit digital platforms and telecommunications networks. Participating institutions are called upon to take actions to prevent fraudulent promotions on their platforms, remove scam advertisements or contents, and establish channels for regulators to follow up on suspicious activities.

Intercepting scam-related fund flows

We have strengthened our collaboration with the Police for the timely exchange of intelligence and coordinated responses to suspicious activities. To expedite the interception of crime proceeds, we have established a protocol with the Anti-Deception Coordination Centre and selected LCs on the 24/7 Stop Payment Mechanism since August 2025. Between September and December 2025, over 50% of the known deception and scam-related crime assets that flowed to licensed firms were intercepted.

Anti-scam collaboration on virtual assets

We continuously monitor and investigate illegal activities involving or purporting to involve VATPs through our joint working group with the Police. We have in place a mechanism for the Police to swiftly restrict access to websites of entities involved in suspected virtual asset (VA)-related fraud.

Maintaining market resilience and mitigating serious harm to our markets

The SFC also participates in the Virtual Asset Intelligence Taskforce (VAIT) led by the Police, which is a public-private partnership platform that aims at strengthening the detection, prevention and disruption of VA-related crimes and cybersecurity threats. Through the VAIT, we engage in intelligence exchange and operational collaboration with the Police, the Hong Kong Customs and Excise Department, the HKMA and licensed VA service providers to support a safe VA ecosystem in Hong Kong. In October 2025, we held the VAIT inauguration ceremony, which was attended by over 200 participants from the public and private sectors.

Restricting use of misleading names by unregulated entities

We conducted a two-month consultation from June to August 2025 on proposals to further restrict the use of certain names that may mislead investors. The proposals would extend the existing restrictions under Section 34³ of the SFO to reflect market developments, including the SFC's regulatory regime for VATPs. Similar restrictions are also proposed under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) Ordinance. We are reviewing the feedback received and considering possible enhancements. Conclusions will be published in due course.

Combating misconduct of all forms

We take proactive and resolute enforcement actions to protect investors, punish bad actors and safeguard the integrity and reputation of Hong Kong as a financial centre. Our strategic focus on high-impact

cases helps us address key risks in markets and send strong deterrent signals.

During the year, we fined 13 companies \$84.45 million, disciplined 23 individuals, suspending their licence or prohibiting them from entering the industry for 3.5 months to life.

Counteracting market misconduct

We secured the Court's custodial sentences for responsible individuals in various cases of market manipulation and insider dealings during the year; we also successfully sought orders to freeze assets, impose fines, demand disgorgement of illicit profits, and disqualify former corporate executives to restore market confidence.

Market manipulation

- We secured the conviction of Wong Yuk Lan, former Administration Controller of China All Access (Holdings) Limited (China All Access), who was sentenced to eight months of imprisonment for false trading in the company's shares. The Court found that these trades were designed to create a false or misleading appearance of demand in the company's shares in order to alleviate the margin call pressure on her "de facto husband" Chan Yuen Ming, Chairman of China All Access.
- With a view to compensating affected investors, we sought interim orders from the Court of First Instance (CFI) to freeze assets of defendants in various ongoing criminal proceedings in relation to market manipulation. These involve the shares of listed companies as below:

Listed companies	Details	Amount of assets frozen
Wan Cheng Metal Packaging Company Limited ⁴	Restrained 3 defendants from disposing of assets in Hong Kong	\$85.2 million
Smartac International Holdings Limited	Restrained 12 defendants from disposing of assets in Hong Kong	\$82.4 million
Eggiculture Foods Limited	Restrained 1 of the suspected ringleaders from disposing of assets in Hong Kong	\$62.6 million
Grand Talents Group Holdings Limited	Restrained 4 defendants from disposing of assets in Hong Kong	\$394 million
KNT Holdings Limited	Restrained 5 defendants from disposing of assets in Hong Kong	\$219 million

³ Section 34 of the SFO prohibits the use or taking of certain titles (or anything which closely resembles such titles) without the SFC's authority or without reasonable excuse. Any breach is an offence under the SFO.

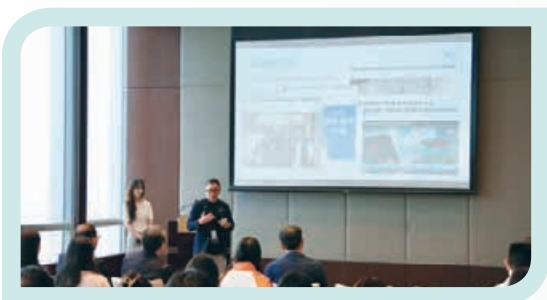
⁴ Now renamed to Hong Kong Entertainment International Holdings Limited.

Maintaining market resilience and mitigating serious harm to our markets

Public education as critical front in battling scams

Targeted outreach to intensify impact

To promote anti-scam resilience especially among the younger generation, we stepped up education efforts for university students. In September and October 2025, we delivered talks at the Hong Kong University of Science and Technology and the City University of Hong Kong, respectively. We also partnered with the HKMA and the Chinese Banking Association of Hong Kong to host a fraud prevention and investment education session for Mainland-based university students in Hong Kong in March 2026.



Educational talks for different community groups

Our anti-scam outreach extended to diverse community groups, including members of the Hong Kong Chinese Women's Club, as well as senior citizens at a Sik Sik Yuen community centre and those participating in a Consumer Council event.

In these sessions, we shared tips to avoid investment scams with around 400 attendees.

Raising awareness through "Shui Yu" campaign

As part of our "Don't be Sucker" (咪做水魚) anti-scam campaign, we launched advertisements featuring the campaign's character "Shui Yu" ("水魚" in Cantonese) to warn the public against prevalent investment scam tactics across high-visibility channels, including radio, MTR stations, over 200 public estates and other outdoor locations.

Our dedicated anti-scam Instagram page cautions the public against emerging scam tactics and provides useful tips through Shui Yu. Close to 90 posts were published and viewed by about 3 million unique users during the year. We expanded our outreach with WhatsApp and WeChat sticker packs to promote anti-scam awareness in a friendly and accessible manner.



Raising the public's anti-scam awareness with fun games and giveaways

We participated in the Anti-Crime Elite Games organised by the Police in October 2025, leveraging educational games and giveaways to deepen our anti-scam outreach. We further engaged with the public with Shui Yu-themed booths and souvenirs at four public estate shopping centres across Hong Kong in February 2026.

Moreover, the SFC and the Hong Kong Investment Funds Association jointly launched a short animation featuring interaction between our mascots in November 2025, doubling up the impact of our warning against fund manager impersonation and dubious investment schemes.



Maintaining market resilience and mitigating serious harm to our markets

Leading the fight on air

To enhance public vigilance, we launched radio advertisements in August and September 2025 to highlight risks associated with digital assets. In August 2025, Dr Eric Yip, the SFC's Executive Director of Intermediaries, was interviewed on TVB's news feature programme, "On the Record", in which he emphasised the importance of trading VAs only on SFC-licensed VATPs and flagged the risks of using unregulated platforms. Dr Yip also explained the SFC's investor-centric regulatory philosophy.



Executive Director of Intermediaries
Dr Eric Yip on TVB's "On the Record"

In June 2025, Mr Paul Yeung, Commission Secretary and Chief Governance Officer, also appeared on TVB's infotainment programme "Scoop" to share tips against investment scams. This feature story garnered over 2.8 million views in Hong Kong and Guangdong province.



Commission Secretary and Chief Governance Officer
Mr Paul Yeung on TVB's "Scoop"

- The Eastern Magistrates' Courts granted an application by the Department of Justice to transfer a securities fraud case brought by the SFC to the District Court for criminal proceedings, marking the first time that a criminal prosecution for securities fraud involving illegal short selling under Section 300 of the SFO will be held in the District Court. The SFC alleges that the two defendants employed a fraudulent scheme and made an illicit profit of around \$11 million.
- In another case, two individuals, Li King Hong and Lam Hin Fai, were sentenced to imprisonment of 24 and 22 months respectively for committing securities fraud via naked short selling. The Court heard that, in 2020, Li and Lam directed their wives to deceive an account executive at CVP Securities Limited (CVP) by falsely representing ownership of shares of Hong Kong-listed companies with the intent to defraud, and inducing CVP to place selling orders at inflated prices. They made illicit profits of \$3.3 million.

Insider dealings

- The criminal trial of the insider dealing prosecution against Wong Pak Ming was held at the Eastern Magistrates' Courts in February 2026. Wong allegedly counselled or procured another person to deal in the shares of Pegasus Entertainment Holdings Limited in 2017, when he was the chairman and the controlling shareholder of the company and had inside information on Pegasus. The Court will hand down its judgment in May 2026.
- We obtained from the CFI a worldwide interim injunction order against Chan Ching Wa, a former staff member of HKEX, and his two extended family members for alleged insider dealing. In parallel, we obtained an interim injunction order from the High Court of Justice, Business and Property Courts of England and Wales to freeze the respondents' assets in England and Wales. Under the two orders, the respondents were prohibited from disposing of or diminishing the value of their assets of up to \$4.3 million.

Maintaining market resilience and mitigating serious harm to our markets

Insider dealing

Company/Name	Breaches/Convictions	Action/Fine
CHOI Chun Wai, former vice president of Computershare Hong Kong Investor Services Limited	Sold his shares of ENM Holdings Limited (ENM) on inside information, ahead of ENM's announcement of the lapse of the privatisation, thereby avoiding a loss of around \$289,500	<ul style="list-style-type: none"> 2 months of imprisonment A fine of \$289,500, equivalent to the losses avoided
<ul style="list-style-type: none"> Cynthia CHEN Si Ying, former company secretary of Asiasec Properties Limited⁵ WEN Lide, Chen's Mainland associate 	Insider dealing in the company's shares	<ul style="list-style-type: none"> Disgorging over \$1 million in illicit profit Chen was disqualified from participating in the management of listed corporations in Hong Kong for 4 years

Tackling corporate misconduct

As part of our front-loaded approach against corporate misconduct, we conduct daily review of corporate announcements and disclosures to identify potential irregularities.

During the year, we issued Section 179⁶ directions to gather additional information in 29 cases. In one case, we wrote to the relevant issuer separately to express our concerns that their corporate transaction appeared potentially oppressive or unfairly prejudicial to their shareholders.

We also initiated 62 new enquiries into listed company affairs under Section 179 of the SFO and 223 new investigations into different forms of misconduct under Section 182⁷ of the SFO. We have also commenced one set of proceedings in the CFI under Section 214⁸ of the SFO seeking redresses for corporate misconduct, as summarised below:

- Among ongoing proceedings under Section 214 of the SFO, we obtained an order to freeze more than \$101 million in the personal bank account of Ng Kwok Fai, a suspected shadow director of Teamway International Group Holdings Limited (Teamway). Ng and another shadow director, Yang Zhihui, are alleged to have engineered transactions that prejudiced the interests of Teamway. We are seeking disqualification and compensation orders against Ng, Yang and 10 other former directors of Teamway for \$532 million in losses.



62 new enquiries into listed companies

Tackling corporate misconduct

Listed companies concerned	Respondents	Circumstances	Orders sought
Century Energy International Holdings Limited	Gregory HO Chun Kit, ZHENG Jian Peng, Eugenia YANG, Vincent LAU Sung Tat	Prolonged lack of oversight of the 4 former directors led to loss of control over 4 major operating subsidiaries in the Mainland, resulting in a loss of \$184 million for the company for the year ended 31 March 2019	Disqualification orders

⁵ Previously known as Dan Form Holdings Company Limited.

⁶ Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

⁷ Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

⁸ Under Section 214 of the SFO, the SFC may seek disqualification, compensation and other orders for breaches of duty by current and former directors of listed corporations.

Maintaining market resilience and mitigating serious harm to our markets

- Eight sets of proceedings that we brought under Section 214 of the SFO were concluded or partly concluded. Among these proceedings, we obtained from the CFI an order requiring three former directors and senior executives of Superb Summit International Group Limited (Superb Summit) to pay a total of \$595 million — equal to the amount lost — in compensation to Superb Summit for orchestrating and/or participating in fraudulent schemes to defraud the company. We also obtained disqualification orders from 2.5 to 15 years against the trio and 10 other directors of Superb Summit at the material time.

Table below summarises other orders under Section 214 of the SFO which we obtained in the year:

Listed companies in concern	Respondents	Circumstances	Orders obtained	
			Compensation	Disqualification
Arta TechFin Corporation Limited ⁹ (Arta TechFin)	Andrew LIU, Quincy HUI Kwong Hei ¹⁰	Misconduct led to acquisition and subsequent disposal within 6 months of a stake in Liu's Holdings Limited, which resulted in a loss of \$76.8 million to the company	\$57.5 million to Arta TechFin	Liu: 8-year disqualification Hui: 6-year disqualification
Coolpad Group Limited (Coolpad)	ZHANG Wei	Involvement in transactions undertaken without proper approval or disclosure and causing losses of about RMB84 million to Coolpad. Proceedings against other former directors are ongoing	\$4 million to Coolpad	5-year disqualification
National United Resources Holdings Limited (NUR)	LO Ka Wai	Committed NUR to fictitious transactions and approved related payments totalling \$302 million for purported settlement. Proceedings against other former directors and officers of NUR are ongoing	N/A	3-year disqualification
Zhongda International Holdings Limited (Zhongda)	ZHANG Yuqing	Failed to block or disclose unauthorised fund transfers totalling RMB150 million and the sale of Zhongda's stake in "Zhongwei Bus". Both problematic transactions involved 2 former executive directors of Zhongda	N/A	6-year disqualification
First Credit Finance Group Limited	HO Siu Man	Failed to disclose Cho Kwai Chee's de facto directorship in the company, resulting in false and misleading announcements	N/A	7-year disqualification
National Agricultural Holdings Limited	LU Ying, REN Hai, PENG Guojiang, TING Tit Cheung	Misconduct led to the dissipation of approximately \$3 billion of the company's funds from 2015 to 2017	N/A	Disqualifications of 2-9 years
Combest Holdings Limited (Combest)	NG Kwok Fai, LIU Tin Lap, LEE Man To	<ul style="list-style-type: none"> Orchestrated acquisitions of 2 subsidiaries that were substantially overvalued in 2016 and 2017 Arranged payments of fictitious loan interests and fees to entities related to Ng Grossly inflated Combest's revenue between 2016 and 2019 	<ul style="list-style-type: none"> \$192 million in compensation was distributed as special dividends to public shareholders of Combest Administrator successfully distributed more than 98% of the compensation to around 600 independent public shareholders of Combest 	Disqualifications of 8-12 years

⁹ Known as Freeman Financial Corporation Limited at the material time.

¹⁰ Seven other former directors of Arta TechFin including Lo Kan Sun, Sue Au Shuk Yee, Philip Suen Yick Lun, Scott Allen Phillips, Agustin V Que, Gary Drew Douglas and Peter Temple Whitelam were disqualified for one to two years.

Maintaining market resilience and mitigating serious harm to our markets

First-ever auditor compensation for listed company shareholders

Extending our efforts to enhance market quality and protect investors in a new fiscal year, we reached an agreement with PricewaterhouseCoopers Hong Kong (PwC HK) in April 2026 under which PwC HK will set aside \$1 billion to compensate eligible independent minority shareholders of China Evergrande Group[^]. This is the first time the auditor of a defunct company will compensate independent minority shareholders harmed by false and misleading financial statements, reinforcing the accountability of auditors as one of the essential gatekeepers in ensuring the accuracy and reliability of financial disclosures. We believe that this agreement best serves the interests of affected independent minority shareholders.

Our investigation found that China Evergrande had manipulated its annual revenue and profits by prematurely recognising revenue from property sales before completion and delivery. The company's financial statements for the fiscal years ended

31 December 2019 (FY2019) and 31 December 2020 (FY2020), audited by PwC HK, contained materially false or misleading information, significantly overstating its revenue by 45% and 69%, respectively. Consequently, the company's audited annual profits of RMB33.5 billion and RMB31.4 billion for FY2019 and FY2020, respectively, should have been reported as a loss of RMB7.12 billion and RMB19.9 billion, respectively.

We also examined the auditor's work and concluded that there had been multiple failings (not admitted by PwC HK), including a failure to exercise adequate professional scepticism and acquiescence in China Evergrande management's manipulation of audit samples and site inspections.



[^] Post-reporting period.

■ Under the Securities and Futures (Stock Market Listing) Rules, we directed SEHK to suspend dealings in the shares of Dashan Education Holdings Limited (Dashan) in December 2025, to maintain a fair and orderly market. Our investigation raised serious concerns on the integrity of the company's management. We found major discrepancies between bank statements submitted by Dashan to the SFC and those that we obtained independently. We also discovered material overstatements of bank balances in its financial statements.

■ In February 2026, we announced a settlement with Sino Wealth International Limited and Clear Prosper Global Limited in relation to dealings by their parent company, namely Chow Tai Fook Nominee Limited, and its concert parties in the shares in Giordano International Limited (Giordano) under the Takeovers Code. Subject to the number of successful claims received by the independent adjudicator, the payments the parties have agreed to make to eligible Giordano shareholders may potentially involve up to \$1.5 billion¹¹.

¹¹ For further details, please refer to the press release published by the SFC on 16 February 2026 and the announcement of even date made by Sino Wealth and Clear Prosper regarding the agreed cash payments, as posted on HKEXnews website under the stock code of Giordano.

Maintaining market resilience and mitigating serious harm to our markets

Combatting intermediary misconduct

Misappropriation of client assets

- We revoked the licences of two fund houses, namely Nerico Brothers Limited (NBL) and Amber Hill Capital Limited (AHCL), for their involvement in fraudulent schemes to misappropriate clients' assets, and banned three responsible individuals from engaging in any regulated activities for life. Between 2020 and 2021, NBL misused a client's funds of more than US\$68 million to subscribe for shares for the firm's own account, without the client's knowledge or consent. NBL also knowingly facilitated a scheme orchestrated by a then director (who has also been the ultimate sole shareholder) of AHCL, resulting in further misappropriation of about US\$154 million of the same client's funds since January 2021.

Internal control deficiencies

We reprimanded and fined the following intermediaries during the year for internal control failures:

Company/Name	Breaches/Convictions	Action/Fine
Deutsche Bank Aktiengesellschaft	<ul style="list-style-type: none"> ■ Overcharged clients on management fees of approximately \$39 million ■ Incorrectly assigned product risk ratings impacting 93 clients and 265 transactions ■ Failed to disclose its investment banking relationships with various Hong Kong-listed companies in more than 1,800 research reports 	A fine of \$23.8 million
EFG Bank AG (EFG)	<p>Failed to:</p> <ul style="list-style-type: none"> ■ Take into account the special features of 322 bonds ■ Update its internal policies in a timely manner ■ Provide clients with sufficient information and warning statements for certain complex products ■ Keep product due diligence records for 141 bonds 	A fine of \$10.85 million
UBS AG	Failed to ensure accurate classification of professional investors for over 12 years	A fine of \$8 million
Instinet Pacific Limited	Failed to comply with SEHK's reporting requirements for cross trades involving transactions worth around \$25.9 billion between its clients and affiliated company	A fine of \$8 million
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	Failed to disclose or made incorrect disclosures regarding its investment banking relationships with various companies covered in more than 4,200 research reports on Hong Kong-listed securities between 2013 and 2021	A fine of \$4.2 million
Interactive Brokers Hong Kong Limited	<ul style="list-style-type: none"> ■ Relied on expired standing authorities of 7,911 clients to loan their listed securities pursuant to a securities borrowing and lending agreement ■ Failed to send clients renewal notices for the standing authority 	A fine of \$4.2 million

Maintaining market resilience and mitigating serious harm to our markets

Fund management failures

- We reprimanded and fined Kylin International (HK) Co., Limited (Kylin) \$9 million for multiple failures in managing private funds over a period of three years. Breaches found included its failure to: (a) manage and disclose conflicts of interest regarding its loans; (b) perform monthly reconciliations of fund assets; (c) implement adequate systems and controls; and (d) maintain records on compliance with AML/CFT regulations. Kylin also misrepresented to its investors that it was exempt from the suitability assessment requirement. We also banned Zhu Hong, a director of Kylin, for 12 months and fined her \$400,000.
- We banned Lui Pak Tong, a former licensed representative of Thunder Capital Limited (Thunder), for life and fined him \$17.43 million. We found that he caused a fund managed by Thunder to extend five unsecured loans totalling \$22.5 million to a company he controlled without disclosing related conflicts of interest, and subsequently diverted a substantial portion of the loan proceeds to himself or connected persons.

Regulatory breaches over distribution of VA-related products

- We reprimanded and fined Saxo Capital Markets HK Limited (SCMHK) \$4 million for failures relating to distributing VA funds not authorised by the SFC and VA-related products (collectively, VA Products) on the firm's online trading platform. SCMHK allowed retail clients to trade complex VA Products that should only be offered to professional investors on its online platform. It executed transactions involving VA Products without assessing the clients' relevant knowledge or providing sufficient information and warning statements.

Sponsors' failures

- We reprimanded and fined RaffAello Capital Limited (RaffAello) \$4 million for failing to discharge its duties as the sponsor in the listing application of Paprika Holdings Limited after the Securities and Futures Appeals Tribunal upheld our disciplinary action against RaffAello.

AML/CFT-related breaches

- We reprimanded and fined Freeman Commodities Limited (Freeman) \$3.4 million for failures to comply with AML/CFT and other regulatory requirements. We also suspended its former ROs Pun Hong Hai and Li Chun Kei for 10 and four months, respectively, due to failures to discharge their duties. From 2017 to 2018, Freeman failed to conduct any due diligence on the customer-supplied systems used by clients for placing orders, or put in place an effective monitoring system to detect suspicious trading in client accounts.

Other notable cases

- We conducted a joint operation with the Independent Commission Against Corruption (ICAC), targeting a sophisticated syndicate suspected of manipulating the shares of a listed company and engaging in corrupt activities. The offices of the listed company and SFC-licensed brokers were searched. The ICAC arrested a former chairman and a former executive director of the listed company under the Prevention of Bribery Ordinance. The investigation is ongoing.
- The High Court, in October 2025, convicted Wong Ming Chun, former financial controller and company secretary of Hua Han Health Industry Holdings Limited (Hua Han), of two counts of money laundering charges related to the misappropriation of Hua Han's funds. Wong was sentenced to seven years and eight months' imprisonment. We then withdrew restriction notices imposed on three brokers to facilitate the return of restricted assets to affected parties.
- We prosecuted AMTD Global Markets Limited (AMTD; now known as oOo Securities (HK) Group Limited) for failing to comply with statutory notices issued. The CFI ordered AMTD to produce outstanding records by mid-January 2026 and ruled that its past non-compliance constituted contempt of court, warranting a penalty.

Maintaining market resilience and mitigating serious harm to our markets

Other disciplinary actions

Company/Name	Breaches/Convictions	Action/Fine
Roofer Securities Limited (Roofer)	Mishandling of client money: Roofer failed to maintain sufficient funds in its segregated client account in 12 incidents. The largest shortfall in 1 client account amounted to \$15.5 million	Public reprimand and a fine of \$2.1 million
Sino-Rich Securities & Futures Limited, BUDIARDJO Wilhelm Soeharsono	Failures concerning margin lending policy and practices	<ul style="list-style-type: none"> ■ Public reprimand and a fine of \$2 million ■ RO suspended for 5.5 months
Tung Tai Securities Company Limited (Tung Tai)	Failure to establish effective internal control: Tung Tai acted on instructions from a bogus email address and sold shares in a client's account	Public reprimand and a fine of \$0.9 million
SUEN Kin-wing	Criminal conviction for laundering over \$134 million by misappropriating client assets	Banned from re-entering the industry for life
CHEUNG Ngai Yi	Criminal conviction for stealing client assets totalling \$1.53 million	Banned from re-entering the industry for life
Andy LAU Ka Ho	Engaged in unauthorised trading in a client's accounts, falsified client instructions and account statements, and forestalled a client's withdrawal by falsely claiming a deposit arrangement between 2014 and 2019	Banned from re-entering the industry for life
TONG Ho Yin	Failure to discharge his duties as an RO of HF Asset Management Limited, which resulted in significant financial losses arising from the firm's failures to act in the best interests of a fund under its management and to properly manage conflicts of interest	Banned from re-entering the industry for 9 years and fined \$350,000
Richard Charles HEYES	Failure to discharge his duties as an RO of Citigroup Global Markets Asia Limited in ensuring adequate policies and system controls were in place	Banned from re-entering the industry for 5 years
KUO Che-jung	Operated secret accounts to conduct matched trades in Hang Seng Index options at his employer's expense, benefiting his wife's account at another brokerage	Banned from re-entering the industry for 4.5 years and fined \$1 million
MUI Chok Wah	Criminal conviction for theft and delay in notifying the SFC of his criminal charge	Licence revoked and banned from re-entering the industry for 2 years
LAW Man Wai	Executed 109 matched or wash trades in 9 stocks in his personal account and the accounts of his sister and friend; intentionally concealed his beneficial interests and personal trades	Banned from re-entering the industry for 3 years

Maintaining market resilience and mitigating serious harm to our markets

Curbing unlawful influencer activities with local enforcement and global collaboration

Locally, we secured the first custodial sentence against a influencer, Chau Pak Yin, for providing paid investment advice on social media without a licence. Chau was sentenced to six weeks' imprisonment. Our investigation found that, in 2021, Chau earned subscription fees totalling \$43,680 from operating a Telegram chat group named "Futu真。財自Private Group". In this group, he circulated commentaries, recommendations and target prices on securities, while responding to subscribers' questions on the securities' performance.

On the global front, we joined other members of the International Organization of Securities Commissions in the "Global Week of Action Against Unlawful Finfluencers" in June 2025, recognising the cross-border nature of these illicit activities. Together with fellow regulators, we highlighted how supervisory and enforcement powers are used to disrupt these activities. By combining these powers with education and consumer awareness programmes, we strive to safeguard market integrity and alert the investing public to misleading investment advice.

Issuing restriction notices

We issued restriction notices to 16 brokers to freeze assets held in their client accounts which were related to suspected market and corporate misconduct. We also issued a restriction notice to one LC, namely GA (Int'l) Capital Management Limited, due to doubts over its fitness and propriety to remain licensed.

Strengthening cross-boundary enforcement collaboration

During the year, we maintained close and effective cooperation with the Enforcement Bureau of the China Securities Regulatory Commission to safeguard market integrity and protect investor interests in both jurisdictions. The two regulators provided efficient and timely mutual investigatory assistance, driving significant progress in a number of important cases. Furthermore, our regular and constructive discussions helped streamline request-handling processes and enhance the effectiveness of cross-boundary enforcement cooperation.

To further facilitate in-depth experience sharing and mutual understanding between the two regulators, we held a two-day joint training event for over 140 officers in November 2025. The training covered key enforcement topics including market surveillance, case studies on market manipulation, misconduct by intermediaries and listed companies, and applying technology in enforcement work.

Handling public complaints and investor compensation claims

Processing complaints to protect the public

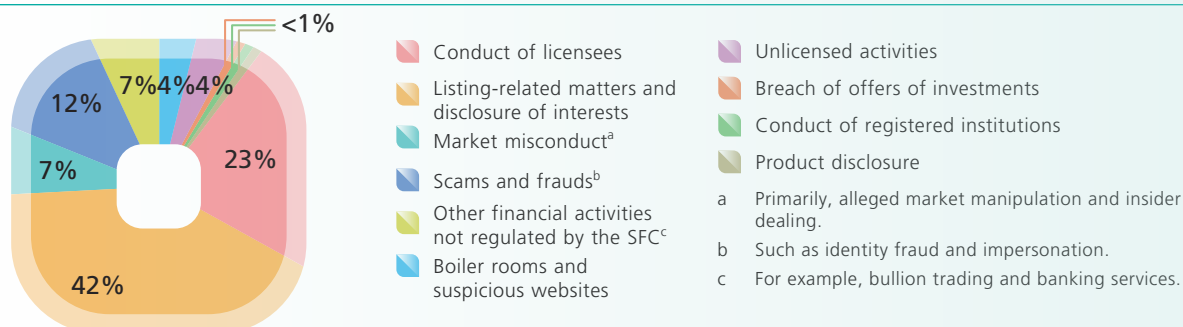
We foster a positive complaint-handling culture and administer procedures to ensure complaints, petitions and protests are handled properly with professionalism. We handle and evaluate public complaints about intermediaries' conduct, publicly-offered securities and market activities. After conducting preliminary assessments, we determine the appropriate course of action. We also handle petitions and protests, and liaise internally and with the Police.

During the year, the total number of complaints increased by 39% from the previous year, amongst which the conduct of licensees and listing-related matters accounted for about two-thirds. We received 5,770 complaints, handled over 3,565 calls with complainants, 117 walk-in requests, and four protests against intermediaries and market activities.

Complaints against listed companies mainly involved software or patent infringement, insufficient disclosure or misleading information in IPO prospectuses, and corporate actions. Meanwhile, complaints against intermediaries were largely related to trading disputes, conduct issues, system outages and unauthorised trades.

Maintaining market resilience and mitigating serious harm to our markets

Complaints against intermediaries and market activities



Processing claims for investor compensation

We regularly review the financial status of the Investor Compensation Fund (ICF) and the current compensation limit of \$500,000 per investor per default. The ICF provides protection to investors who suffer losses as a result of defaults by intermediaries licensed by or registered with the SFC in relation to trading of products on the exchanges and securities through the northbound trading link of Stock Connect. During the year, the Investor Compensation Company Limited, the SFC's wholly-owned subsidiary, received 18 claims and processed 10 claims against the ICF.

Net asset value of compensation funds

	As at 31.3.2026 (\$ million)	Change	As at 31.3.2025 (\$ million)	Change	As at 31.3.2024 (\$ million)
Unified Exchange Compensation Fund ^a (UECF)	93.8	4.8%	89.5	1.6%	88.1
Investor Compensation Fund ^b (ICF)	2,858.3	4.0%	2,748.5	4.2%	2,636.8
Total	2,952.1	4.0%	2,838.0	4.2%	2,724.9

a See pages 165–178 for the financial statements of the UECF. The ICF was established by the SFO on 1 April 2003 to replace the UECF. After settlement of all claims against the UECF and its other liabilities, any remaining balance will be transferred to the ICF.

b See pages 151–164 for the financial statements of the ICF.

Investor compensation claims

	2025/26	2024/25	2023/24
Balance brought forward	37	37	39
Received	18	7	2
Processed	10	7	4
– Not qualified for compensation	7	7	2
– Compensation payments made	0	0	0
– Rejected	3	0	2
– Withdrawn	0	0	0
– Reconsidered	0	0	0
Balance carried forward	45	37	37

Enhancing the global competitiveness and appeal of Hong Kong capital markets

To enhance Hong Kong’s appeal as a leading fundraising and asset management hub, the SFC continues to serve as a capital market enabler to improve liquidity and efficiency while deepening connectivity with Mainland and global markets through regulatory collaboration.

Enhancing listing market competitiveness

Reviewing Hong Kong’s listing regimes

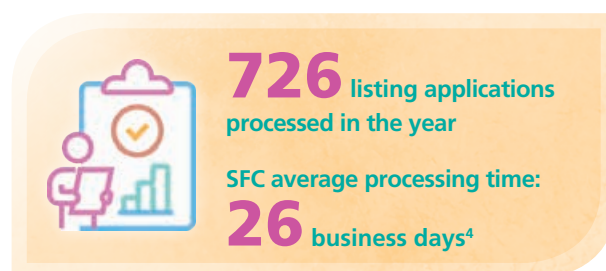
To ensure the long-term sustainable growth of Hong Kong as an international listing hub, the SFC has worked closely with the Stock Exchange of Hong Kong Limited (SEHK) to launch a public consultation in March 2026 on increasing the competitiveness of Hong Kong’s listing framework. Proposals for the initial phase include enhancing the weighted voting rights (WVR) and secondary listing regimes such as by lowering the financial eligibility thresholds. The proposals also cover other initial public offering (IPO)-related matters, such as extending the confidential filing option to all new listing applicants. The reforms aim to increase the diversity of companies eligible and suitable for listing in Hong Kong to broaden investment choices, while maintaining robust investor protection to buttress market confidence. The consultation period ended in May.

Gatekeeping listing applications

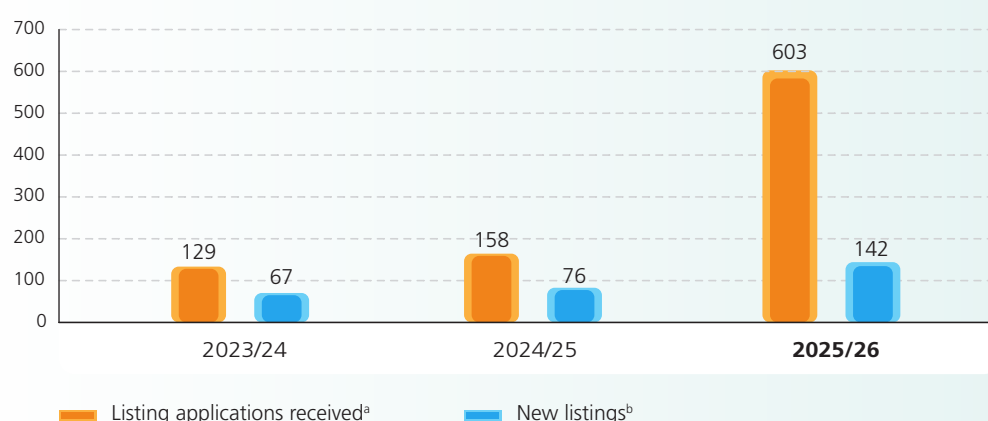
We vet listing applications and make enquiries to determine whether a listing application gives rise to any concerns under the Securities and Futures (Stock Market Listing) Rules (SMLR). We may object to a listing based on one or more of the grounds set out in section 6(2) of the SMLR.

During the year, we processed 726 listing applications¹, up 172% year-on-year. Of these, 603 were new listing applications², up 282% year-on-year. These applications included 15 from companies with a WVR structure, 110 from pre-profit biotech companies, 73 from specialist technology companies³, an investment company, and a very substantial acquisition deemed new listing.

For the 245 cleared listing applications, it took us an average of 26 business days to process.



New listing applications



a The figures include applications for transfer from GEM to the Main Board (2025/26: 5; 2024/25: 3; 2023/24: 1).
 b Including successful transfers from GEM to the Main Board (2025/26: 1; 2024/25: 1; 2023/24: 3). The Hang Seng Index closed at 24,788 on 31 March 2026 (31 March 2025: 23,119; 31 March 2024: 16,541).

1 Including 245 cleared cases of listing applications.
 2 New listing applications include (i) any application filed for the first time; and (ii) any application refiled by the same applicant where its previous application has been returned, rejected, withdrawn, or has lapsed by more than three months.
 3 Including three companies with a WVR structure.
 4 Out of the 245 cleared cases of listing applications during the year ended 31 March 2026, 212 applications were processed under the enhanced timeframe and the remaining applications were received prior to the implementation of the enhanced timeframe.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Enhanced timeframe for new listing application process

During the year, we processed 690 listing applications under the enhanced timeframe for new listing application process. Among these, 212 were cleared and 96%⁵ of them were cleared within the vetting time of 40 business days.

Out of these 690 listing applications, 130 were related to eligible A-share listed companies and processed under the accelerated timeframe. Among these, 55 listing applications were cleared — all within the vetting time of 30 business days.

TECH Channel — new fuel for fund-raising hub

Since its launch in May 2025, the Technology Enterprises Channel (TECH) has gained strong traction in enhancing Hong Kong's appeal as a fund-raising hub for innovative enterprises. From the launch of TECH and up to March 2026, 108 applications from pre-profit biotech companies and 72 from specialist technology companies were received. During the year, 28 companies of these two sectors were listed, raising over \$42 billion, marking a 660% year-on-year increase. This underscores the growing depth and breadth of Hong Kong's IPO market.



Enhanced timeframe:
2 rounds of regulatory comments
in **40** business days⁶ at maximum
by SFC and SEHK each



Accelerated timeframe:
1 round of regulatory comments
in **30** business days⁶ at maximum
by SFC and SEHK each



Optimising IPO price discovery and enhancing public float requirements

Working together with the SFC, SEHK concluded its consultation on optimising IPO price discovery and open market requirements in August 2025. The revised Listing Rules, including requiring an issuer to allocate at least 40% of shares in an IPO to the bookbuilding placing tranche, took effect in the same month.

The SEHK also consulted on proposals relating to ongoing public float requirements to offer issuers greater flexibility in corporate actions for better capital management, while ensuring market transparency and orderly trading. Following our approval, SEHK published the consultation conclusions in December 2025, with the new rules effective in January 2026.

5 Under the Joint Statement on Enhanced Timeframe for New Listing Application Process dated 18 October 2024, the timeline of the application process may be lengthened where the applicants and their sponsors provided materially incomplete responses or failed to satisfactorily address regulators' comments.

6 This refers to the time taken by each regulator to confirm whether there are any material regulatory concerns, being the number of business days in the hands of the regulators and excludes the response time of the applicant and its sponsor.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Attracting Mainland and overseas firms to list in Hong Kong

As at 31 March 2026, 16 Mainland leading enterprises had listed in Hong Kong and raised over \$150 billion in total since the China Securities Regulatory Commission's (CSRC) announcement in April 2024 to further support listings in Hong Kong. They are from sectors including electrical appliances, beverages, artificial intelligence, logistics, electric vehicle batteries, ride hailing, supply chain, folding bicycles, automobiles, semiconductors, autonomous driving and hog farming.

During the year, 33 A-share listed companies completed their H-share listings in Hong Kong and raised over \$200 billion in total. Two of these were Mainland leading enterprises, which raised \$51 billion.

After discussions with the SFC, SEHK added Thailand to its "list of overseas jurisdictions of incorporation" in June 2025. As a result, companies incorporated in Thailand can file a listing application in Hong Kong without first submitting a pre-IPO enquiry to SEHK to assess shareholder protection requirements.

Facilitating listings of specialist technology companies and de-SPAC transactions

During the year, 11 specialist technology companies were listed and one de-SPAC transaction was completed under the two new listing regimes for specialist technology companies and SPACs⁷. Since the launch of these listing regimes, a total of 14 specialist technology companies and five SPACs had been listed, and three de-SPAC transactions had been completed as of March 2026.

Enhancing structured product listing framework

In coordination with the SFC, SEHK launched a six-week consultation in September 2025 on proposed amendments to Chapter 15A of the Listing Rules for structured products. To elevate market competitiveness whilst enhancing investor protection, it was proposed that the minimum issue price be lowered for derivative warrants and removed for callable bull/bear contracts to widen the range of product terms; issuers' eligibility criteria be enhanced to improve market quality; and prescriptive product term requirements be removed from the Listing Rules to support product innovation. SEHK published the consultation conclusions in April 2026⁸.

⁷ A special purpose acquisition company (SPAC) raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

⁸ Post-reporting period.

Boosting market liquidity and efficiency

Laying the foundation for market progress

Working closely with HKEX, we have been proactively strengthening Hong Kong's market through a range of initiatives to reform market infrastructure, reduce costs, increase liquidity and bolster the city's global competitiveness. Our collaborative efforts with the Government, other regulators and industry stakeholders to increase Hong Kong's stock market liquidity over the past few years have begun to pay off, improving market efficiency and trading accessibility.

The Hang Seng Index advanced 7.2% between April 2025 and March 2026, while average daily trading surged 54% to an annual record high of \$258.1 billion. Trading became more active for wide-ranging types of securities (eg, from small to large cap stocks) and investors (eg, southbound investors, funds, retail investors, investment banks). New investors from both developed and emerging markets also entered the Hong Kong market, such as fund managers, pensions, securities firms and sovereign wealth funds.

Reviewing board lot framework

The SFC closely oversees HKEX's initiative to enhance the board lot framework. The reform plans to standardise the board lot units in Hong Kong from the current level of more than 40 to eight, a meaningful step towards global practices. In addition, the board lot floor will be lowered from \$2,000 to \$1,000 and a board lot ceiling of \$50,000 will be introduced. In December 2025, HKEX launched a consultation on the proposed changes, with tentative plans to issue consultation conclusions around mid-2026 and implement the changes within this year.

Reducing trading spreads

After Phase 1 of the minimum spread reduction was implemented in August 2025, HKEX conducted a review on market impact. During the six months following implementation, bid-ask spreads of related stocks narrowed by 38%, and order execution time improved by 26%. Under the SFC's oversight, Phase 2 will proceed to launch around mid-2026, reducing minimum spreads by 50% for applicable securities, subject to market readiness and testing. The initiative is expected to bring the overall spread cost of the Hong Kong market more in line with the levels of advanced markets.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Shortening settlement cycle to T+1

The SFC has been closely supervising HKEX's work to accelerate Hong Kong's securities settlement cycle, including its review of market feedback on the discussion paper. As the next step, we continue to oversee HKEX's formulation of an accelerated settlement model, with details for market consultation in April 2026⁹.

Increasing HKEX's interest rebates

The SFC has also worked with HKEX to reduce funding costs for collateral posted by market participants. With the SFC's approval, HKEX has changed the calculation methodology resulting in an increase of its interest rebates for cash collateral at the three on-exchange clearing houses starting October 2025, and OTC Clear beginning January 2026. Charges for the use of non-cash collateral have also been reduced.

Maintaining market trading under severe weather

We have monitored the operation of the severe weather trading arrangement since its implementation in September 2024. The arrangement was activated several times, including a prolonged activation for more than one day in September 2025 due to a super typhoon. During those days, trading and clearing operations of our securities and derivatives markets continued as normal. Broker participation and trading volumes also remained comparable to those on normal trading days.

Preparing for launch of uncertificated securities market (USM) regime

The past year marked a major milestone in our implementation of the USM regime. In March 2026, we set a target launch date of 16 November 2026. Before then, we concluded in June 2025 our consultation on fee limits that will apply to approved securities registrars (ASR) under USM. We also completed our review of the fee changes proposed by Hong Kong Securities Clearing Company Limited, and all USM-related amendments to various rules, procedures and other regulations of the HKEX principal subsidiaries in February 2026. All relevant laws, rules and regulations are now in place, and accessible on the SFC's USM webpage.

USM webpage



Together with HKEX and the Federation of Share Registrars Limited, we also continued to engage with the industry during the year. To provide one-stop access to all useful information on USM, we launched a dedicated webpage in April 2025. The webpage includes relevant USM-related documents and information, as well as frequently asked questions to help listed issuers, market participants and investors better understand the USM regime and its impact on their respective rights and obligations.

We are also at an advanced stage of completing our review of six share registrars' applications under the new ASR regime, which will be launched alongside the USM regime.

Developing advanced trading and post-trade platforms

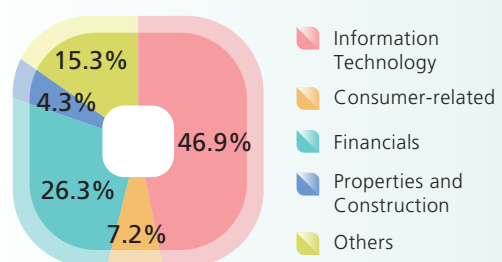
The SFC continued to oversee HKEX's enhancements of market infrastructure through the new Orion Derivatives Platform, which will provide better trading, clearing and risk management capabilities for the derivatives market, supporting extended trading hours as well as introduction of new products and features. We also monitored the Orion Cash Platform's phased rollout for the securities market, which will improve post trade services with real-time processing enhancements. We will discuss with HKEX the next phase of development.

Introducing Hang Seng Biotech Index Futures

We approved HKEX's proposal to launch Hang Seng Biotech Index Futures, which commenced trading in November 2025, complementing HKEX's existing suite of biotech-related offerings and flagship equity index derivatives.

Market capitalisation of Hang Seng Index constituents by sector

As of end-March 2026



9 Post-reporting period.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Strengthening Hong Kong's role as super-connector and offshore renminbi hub

Enhancing connectivity with Middle East and other markets

To bolster international market connectivity and expand our global outreach, the SFC has been actively building closer ties with overseas regulators. During the year, we met with our overseas counterparts, including the Capital Market Authority of Saudi Arabia (Saudi CMA), the Capital Market Authority¹⁰ of the United Arab Emirates (UAE CMA), the Financial Services Authority of Oman and the State Securities Commission of Vietnam, to advance regulatory collaboration, and exchange views on market developments and opportunities in asset management. See the sidebar on page 49 for our cooperation with regulators of various overseas markets.



Led by the SFC's CEO Ms Julia Leung (ninth from left) and the Saudi CMA Chairman His Excellency Mr Mohammed bin Abdullah Elkuwaiz (eighth from right), senior executives of the SFC and the Saudi CMA met in a bilateral meeting in Hong Kong

To extend Hong Kong asset managers' global footprints and foster cross-market industry collaborations, we hosted or organised industry roundtables and seminars for asset managers in partnership with overseas regulators. They included: the Saudi CMA, the UAE CMA, the Financial Services Regulatory Authority (FSRA) of ADGM¹¹, the Ontario Securities Commission (OSC) of Ontario and the Autorité des marchés

financiers (AMF) of Québec of Canada. These events enabled Hong Kong and overseas asset managers to not only explore overseas market opportunities and potential partnership, but also gain insights on different regulatory landscapes and cross-border fund distribution.



The SFC and the UAE CMA co-hosted high-level roundtable on asset management in Hong Kong in January 2026

On the product side, Hong Kong witnessed the landmark listing of Asia's first government sukuk (ie, Islamic bond) exchange-traded fund (ETF) in May 2025. The ETF further widens the choice of Middle East-themed products in our market, being the world's first ETF outside of Saudi Arabia primarily investing in Saudi Arabian Riyal-denominated sukuk. As at end-March 2026, the market capitalisation of this ETF had almost doubled since its listing.



HKSAR Financial Secretary Mr Paul Chan (right, seventh) and senior executives of the Saudi CMA and the SFC witnessed the listing of the first sukuk ETF in Hong Kong

¹⁰ Formerly known as the Securities and Commodities Authority.

¹¹ ADGM is the international financial centre of the capital city of the UAE.

Enhancing the global competitiveness and appeal of Hong Kong capital markets



Weaving a new cross-border network of fund market and supervisory cooperation

To strengthen Hong Kong's role as a global asset management hub, we signed six Memoranda of Understanding (MoUs) with financial regulators from various overseas markets during the past year: two on Mutual Recognition of Funds (MRF) and four on exchange of supervisory information.

The MRF MoU with the Central Bank of Ireland streamlines cross-border distribution of eligible Hong Kong and Irish public funds in each other's market. Another milestone was our first MRF arrangement with a Middle East market, ie, the UAE, which enables, for the first time, unlisted foreign funds to be offered directly to

UAE retail investors[^]. This was also the UAE's first MRF arrangement with a jurisdiction outside the Middle East.

Moreover, to further supervisory cooperation, we entered into four other MoUs respectively with Middle East and Canadian regulators: the FSRA of ADGM, the Dubai Financial Services Authority of the Dubai International Financial Centre, the OSC and the AMF of Canada. We agreed to enhance information exchange for the supervision of cross-border investment management activities. This will boost information transparency and facilitate cross-market industry collaborations.

[^] By virtue of new regulations issued by the UAE CMA in 2023, unlisted foreign funds are no longer permitted to be promoted to retail investors in the UAE.

Stock Connect a pillar of Hong Kong market trading

During the year up to March 2026, Stock Connect saw southbound net inflows surge to an annual record high of \$1.19 trillion. Since its launch, cumulative net inflows reached \$5.3 trillion and RMB1.47 trillion for southbound and northbound trading links, respectively. Average daily southbound trading increased 84% year-on-year to \$124.1 billion, accounting for 24% of Hong Kong's market turnover. This percentage was up from 20% in the previous year and marked an annual record high. During the same period, average northbound trading accounted for 6.3% of the Mainland market turnover.

the year following the enhancement¹². As of 31 March 2026, a total of 365 Mainland ETFs and 23 Hong Kong ETFs were eligible for trading under the scheme. The average daily turnovers of eligible Hong Kong and Mainland ETFs in March 2026 achieved year-on-year increases of 140% and 52%, respectively. During the year, southbound ETF trading contributed 6.8% of the eligible Hong Kong ETFs' total turnover.

ETF Connect driving turnover growth

ETF Connect between the Mainland and Hong Kong markets continued to show strong momentum during



ETF Connect — Southbound trading and fund flow of eligible Hong Kong ETFs [^]

12 months ended	Number of eligible Hong Kong ETFs as at period end	Market capitalisation as at period end (\$ million)	Southbound trading average daily turnover (\$ million)	As % of eligible Hong Kong ETFs' total turnover (%)	Fund inflow/ (outflow) of eligible Hong Kong ETFs (\$ million)
31.3.2026	23	334,809.7	4,524.7	6.8	18,236.8
31.3.2025	17	306,402.3	3,064.9	7.3	(16,402.0)
31.3.2024	8	196,196.9	2,685.6	12.2	22,773.4

[^] Based on data from HKEX.

¹² ETF Connect was enhanced in July 2024 with the minimum fund size requirement lowered and the weighting requirements relaxed for the underlying index tracked by an ETF.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Programme trading reporting guidelines for northbound Stock Connect

To further strengthen Stock Connect, the Mainland exchanges introduced northbound programme trading reporting guidelines in July 2025, which came into effect in January 2026. Recognising the unique features and operational requirements of northbound Stock Connect trading, the guidelines were formulated following a mutual agreement between the SFC and the CSRC to implement customised reporting standards for northbound programme trading activities. Additionally, HKEX and the Mainland exchanges collaborated closely to finalise these guidelines to address the needs of market participants and requirements of regulatory authorities.

Mainland-Hong Kong Mutual Recognition of Funds

As of 31 March 2026, a total of 46 Hong Kong funds were approved by the CSRC and 40 Mainland funds were authorised by the SFC under MRF. During the year, Hong Kong funds and Mainland funds recorded net redemptions of about RMB35.4 billion and RMB202.7 million, respectively. The aggregate cumulative net subscriptions for both Hong Kong and Mainland funds was about RMB116.5 billion as of 31 March 2026.

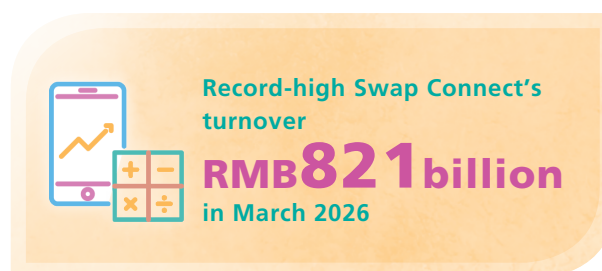
Enhancing Wealth Management Connect

The Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area continued to grow, with the number of Mainland investors engaging in the Scheme increasing by 28% from 97,800 as of 31 March 2025 to 124,800 as of 31 March 2026. The two-way remittance amount

also surged by 25% during the year. We issued a circular in November 2025 on enhancements to promotion and sales arrangements as well as issuance of research reports to improve client communication and information access.

Swap Connect enhanced; trading at new high

Offshore investors' participation in Swap Connect has grown steadily since its launch in mid-2023. The daily trading quota rose from RMB20 billion to RMB45 billion in October 2025. As of 31 March 2026, 95 offshore investors, mainly international banks and asset management firms, had executed over RMB11.6 trillion in renminbi (RMB) interest rate swap transactions, representing a daily average of about RMB16.7 billion. In March 2026, Swap Connect's monthly turnover reached a record high of RMB821 billion.



To provide additional tools for overseas investors to manage exposures to long-term RMB fixed income investments, Swap Connect was further enhanced in 2025. In June, we accepted the clearing of northbound swaps referencing SHIBOR 3-month and 7-day repo rates with tenors of up to 30 years. In September, northbound swaps referencing the Mainland one-year Loan Prime Rate were added, giving international investors even more options for managing RMB interest rate risk.

Mainland-Hong Kong MRF scheme — fund flows^a (RMB million)

	12 months to 31.3.2026			12 months to 31.3.2025		
	Subscription	Redemption	Net subscription/(redemption) ^b	Subscription	Redemption	Net subscription/(redemption) ^b
Hong Kong funds	78,751	114,138	(35,387)	151,606	26,026	125,580
Mainland funds	197	400	(203)	120	231	(111)

a Based on data from the State Administration of Foreign Exchange.

b Figures may not add up to total due to rounding.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Diversifying Hong Kong markets through FIC

The SFC and the Hong Kong Monetary Authority (HKMA) jointly launched the Roadmap for the Development of Fixed Income and Currency (FIC) Markets in September 2025. Developed in close consultation with industry stakeholders, the roadmap outlines Hong Kong's vision to become a leading global FIC hub and strengthen its role as the premier offshore RMB centre.

Key initiatives include broadening the usage of RMB financial instruments, enhancing Connect schemes, and introducing new risk and liquidity management tools to deepen RMB market participation — both offshore and onshore. These support RMB internationalisation and align with Hong Kong's ambitions to maintain its leadership as an offshore RMB and risk management hub.

To unveil the roadmap, the SFC and HKMA also co-organised the Hong Kong FIC Forum with over 500 participants. This forum further strengthened dialogue on Hong Kong's policies for the FIC sector and the latest developments in Asia-Pacific FIC markets.

FIC Roadmap



Expanding RMB counter trading

Following the SFC's approval, the HKEX implemented the Single Tranche Multiple Counter settlement model in June 2025 and the Hong Kong securities market has attained the technical capability to accommodate RMB counters under southbound Stock Connect. Under our supervision, HKEX and Mainland exchanges continue to undertake preparatory work to ensure all market participants and relevant systems are adequately equipped for the eventual inclusion of RMB counters.

Preparing for Treasury bond futures launch

To implement the initiatives in the Roadmap for the Development of Fixed Income and Currency Markets unveiled in September 2025, we have been working closely with HKEX and Mainland authorities to prepare for the launch of China Treasury bond futures in Hong Kong. These futures contracts will provide an effective tool for international investors to hedge their onshore Treasury bond exposure. The CSRC and the People's Bank of China (PBoC) have indicated their support for this initiative. HKEX will announce the details once ready.

Accepting China government bonds as collateral

The use of China government bonds (CGBs) as collateral for clearing transactions continued to expand since early 2025. As of 31 March 2026, onshore bonds with a total value of around RMB3.5 billion had been lodged as collateral with OTC Clear, representing about 14% of OTC Clear's total margin collateral. This resulted from: (i) our acceptance of onshore bonds issued by the Ministry of Finance and Mainland policy banks held under northbound Bond Connect as eligible margin collateral for clearing Swap Connect transactions; and (ii) our further approval for clearing members of OTC Clear to use these onshore bonds as collateral for clearing all transactions at OTC Clear.

Building risk management hub

Supporting growth of Hong Kong's OTC derivatives market

The continued development of Hong Kong's over-the-counter (OTC) equity derivatives market bolsters its role as an international hub for managing Asian investment risk exposures. International asset managers, securities firms and product issuers held US\$1 trillion in OTC positions¹³ for Asian securities as of end-March 2026, up about 70% from the previous year.

13 Hong Kong Trade Repository data.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

The SFC and HKMA jointly consulted from January to February 2026 on standardising calculation periods under Hong Kong's OTC mandatory clearing regime, effective 1 March 2027. The proposal provides greater regulatory certainty to derivative dealers in identifying future calculation periods to ensure compliance.

Prior to that, in September 2025, the two regulators also jointly implemented the proposals to mandate the use of Unique Transaction Identifier, Unique Product Identifier and the reporting of Critical Data Elements, and to adopt ISO 20022 message standard for the OTC derivatives reporting regime. The enhancements ensure Hong Kong's OTC derivatives reporting regime keeps up with international developments and facilitates the analysis of OTC derivatives transactions.

Enhancing financial resources rules for intermediaries

To implement a set of internationally comparable capital requirements for licensed corporations (LCs) engaging in OTC derivative activities, we consulted on draft amendments to the Securities and Futures (Financial Resources) Rules (FRR) and related guidelines in the second half of 2025. We also proposed other FRR changes to support the business development and diversification of LCs.

In addition, to advance Hong Kong's position as a FIC hub, we proposed exempting the capital requirements for repurchase transactions cleared through SFC-approved central counterparties. To facilitate participants' preparation for the launch of the OTC derivatives licensing regime, we will organise briefings on the transitional arrangements for the regime.

Exempting non-centrally cleared equity options from margin requirements

We issued a circular in December 2025 to exempt non-centrally cleared equity options from the SFC's margin requirements from early 2026 until further notice. This will align with the approaches in the European Union and the UK and prevent regulatory arbitrage. Among the exempted options were non-centrally cleared single-stock options, equity basket options and equity index options.

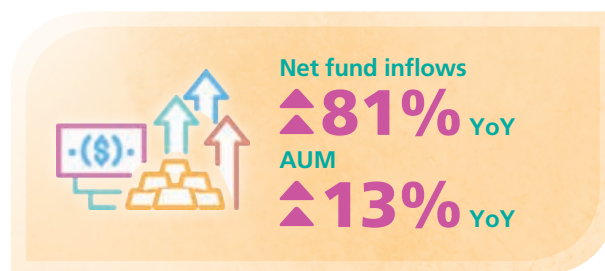
Increasing position limits for derivatives

To promote liquidity and efficiency of Hong Kong's derivatives and broader markets, we raised the position limits for the futures and options contracts of Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng TECH Index in July 2025. These limits were up by 50%, 108% and 43% to 15,000, 25,000 and 30,000 position delta, respectively, which enhances market participants' flexibility in meeting their trading needs.

Reinforcing Hong Kong's position as asset and wealth management hub

Survey reaffirming Hong Kong's asset management leadership

We published in July 2025 our annual *Asset and Wealth Management Activities Survey*, highlighting Hong Kong's strong growth as a pre-eminent international asset and wealth management hub. Assets under management (AUM) grew 13% year-on-year to \$35.1 trillion (US\$4.53 trillion) as of end-2024, supported by the 81% surge in net fund inflows to \$705 billion (US\$91 billion).



Leveraging their global investment management expertise, Hong Kong's asset managers allocated 59% of assets outside the Mainland and Hong Kong from 2020 to 2024. Their non-equity investment increased by 13 percentage points to 59%, reflecting more diversified strategies amidst rapidly changing global conditions.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Off-exchange product sales at new high: survey

The SFC and HKMA published in September 2025 a report on our annual joint survey on the sale of non-exchange-traded investment products, showing record sales and market participation in 2024. The total transaction amount of these products jumped 40% year-on-year to a record \$6.07 trillion. The number of firms engaged in product sales rose 9% to a new high of 414, while the number of participating clients also increased 28% to a record of over 1.2 million.

Consultation on UT Code amendments

We launched a public consultation from October 2025 to January 2026 on proposed amendments to the Code on Unit Trusts and Mutual Funds (UT Code)¹⁴. We strive to keep Hong Kong's regulatory regime for SFC-authorized funds aligned with international standards and evolving market developments. Key proposals included allowing an alternative approach for managing derivative investments in retail funds, updating the requirements for fund liquidity risk management and strengthening those for money market funds. We aim to publish the consultation conclusions together with the revised UT Code in 2026.

Fast-tracking authorisation of simple funds from other markets

We formally adopted the Fund Authorisation Simple Track (FASTrack) in May 2025 following a six-month pilot period. Under FASTrack, we pledge a 15-day timeframe for authorising simple funds from jurisdictions which have mutual recognition of funds arrangement with Hong Kong (ie, MRF Jurisdictions). During the year, we authorised 51 FASTrack-eligible funds within this timeframe, while reducing average processing time by more than 50% compared to 2024-25 before FASTrack was launched¹⁵.

Facilitating new real estate investment trust (REIT) offerings

To support REIT market growth, we launched a new REIT Channel and streamlined the authorisation process for REITs in October 2025. The dedicated channel enables REIT applicants to consult the SFC on a confidential basis to facilitate their listing preparation and enhance efficiency. Under the streamlined process, we anticipate that a new REIT authorisation application can be decided on within four weeks from take-up under normal circumstances. In addition, we also streamlined the documentary requirements for REIT secondary offerings to facilitate fundraising by existing REITs.

Enhancing regulatory regime for CIS and REITs

We have been working with the Government on legislative amendments to enhance the market conduct regime for listed collective investment schemes (CIS) under the Securities and Futures Ordinance and introduce a statutory scheme of arrangement and compulsory acquisition mechanism for REITs, with a bill targeted for introduction into the Legislative Council in 2026.

Grant scheme for open-ended funds (OFCs) and REITs

To enable more participants to benefit from the scheme, the funding terms of the Government's grant scheme for OFCs and REITs were updated with effect from April 2025. Interest in establishing OFCs in Hong Kong remained strong and the number of registered OFCs increased 38% year-on-year to 715 as of March 2026.



¹⁴ Consequential amendments were also proposed to the Code on Pooled Retirement Funds, the SFC Code on MPF Products, the Code on Investment-Linked Assurance Schemes and the Code on Real Estate Investment Trusts.

¹⁵ Compared to the average processing time for standard applications for simple funds from MRF Jurisdictions in 2024/25 prior to the introduction of FASTrack.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Continued growth in OFC registrations

During the year, we registered 203 OFCs, including one re-domiciled OFC, and approved 539 OFC sub-funds, comprising 30 SFC-authorized funds. Amongst these, there were 17 ETFs with a total market capitalisation of over \$4,213 million (US\$537 million). Of the 715 OFCs registered as of 31 March 2026, 13 were corporate funds redomiciled in Hong Kong as private OFCs.

Driving Integrated Fund Platform (IFP) development

The SFC has been working closely with HKEX and other parties to implement the new infrastructure of IFP to facilitate retail fund distribution in Hong Kong. As of 31 March 2026, a total of 53 firms including fund distributors, asset managers and transfer agents had joined the IFP.

The IFP's Order Routing Service¹⁶ — the second phase — was launched in July 2025 to increase fund distribution efficiency¹⁷. The next phase, which will introduce the provision of Platform and Nominee Services, is expected to be launched in 2026. Meanwhile, the SFC continued to support the HKEX's engagement efforts to raise the industry awareness of the IFP.

Further streamlined measures for EU-regulated retail funds

We introduced a series of streamlined measures for SFC-authorized UCITS funds¹⁸ to facilitate their implementation of post-authorization changes that comply with their home regulations. With these measures coming into effect by end-November 2025, scheme change applications by UCITS funds are estimated to drop by about 50%.

Expanding ETF and L&I product market

The Hong Kong ETF and leveraged and inverse (L&I) product market expanded significantly over the past year. A total of 213 SFC-authorized ETFs and 29 SFC-authorized L&I products were listed on SEHK, which was up 15.2% from a year ago in aggregate. Their total market capitalisation of \$651.2 billion (US\$83.5 billion) was up 25.2% from the previous year. In particular, single stock L&I products showed strong growth momentum, with a market capitalisation of \$21.7 billion (US\$2.8 billion), increasing more than 60-fold since launch in March 2025.

Unit trusts and mutual funds authorisation — processing time by fund application streams

12 months to 31.3.2026		
Fund Application Streams [^]	No. of funds authorised during the year	Processing time
FASTrack	51	12.6 business days (ie, 0.6 month)
Standard	62	1.5 months
Non-standard	89	2.4 months
Total	202	

[^] New fund applications are processed under three different application streams. The SFC aims to grant authorisation for application, if successful, within the following target timeframe for the respective application streams: (i) FASTrack: within 15 business days; (ii) Standard: within 1-2 months; and (iii) Non-standard: within 2-3 months.

¹⁶ This service enhances connectivity between fund distributors and transfer agents on the IFP, improving the process for order placements including fund subscriptions and redemptions.

¹⁷ The first phase launched in December 2024 was Fund Repository, an online database providing information on SFC-authorized funds, enabling distributors and investors to easily access and compare fund offerings.

¹⁸ UCITS funds mean (i) Undertakings for Collective Investment in Transferable Securities (UCITS) domiciled in France, Luxembourg, Ireland and the Netherlands, and (ii) collective investment schemes domiciled in the United Kingdom authorised as UK UCITS.

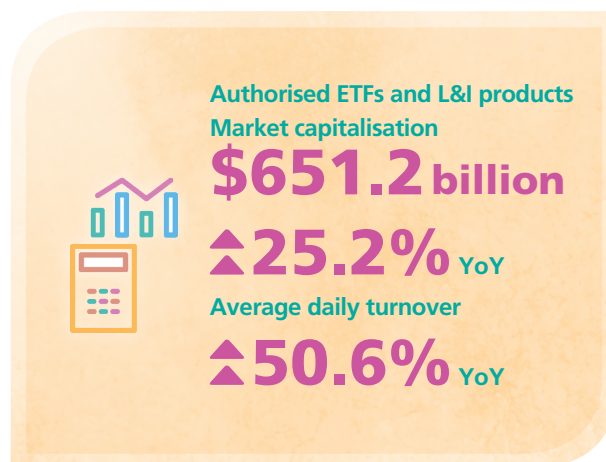
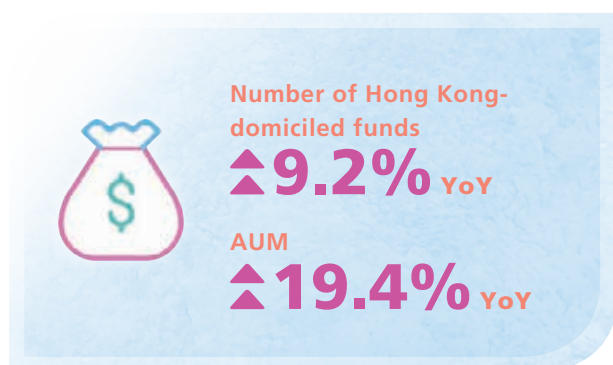
Enhancing the global competitiveness and appeal of Hong Kong capital markets

During the year, these ETFs and L&I products recorded net inflows of \$117.0 billion (US\$15.0 billion), with \$68.5 billion (US\$8.8 billion) in net inflows during January to March 2026. Their average daily turnover increased 35.6% from previous quarter to \$45.1 billion (US\$5.8 billion) and 50.6% year-on-year to \$38.1 billion (US\$4.9 billion), equivalent to 16.3% of the turnover of Hong Kong's stock market.

In particular, we facilitated the first cross-listing in Hong Kong of an active ETF in July 2025, leveraging a master-feeder structure under the SFC's streamlined requirements. The ETF has significantly grown in size and provides local investors with exposure to the world's leading active ETF strategy. The cross-listing highlights Hong Kong's strength in attracting overseas ETFs.

Authorising investment products

During the year, we authorised 211 CIS, comprising 202 unit trusts and mutual funds (including 132 Hong Kong-domiciled funds), one investment-linked assurance scheme (ILAS), one paper gold scheme and seven mandatory provident fund (MPF) pooled investment funds. Among these CIS, there were 213 ETFs and 29 L&I products listed on SEHK. A total of 3,119 SFC-authorised CIS were offered to the public. We also authorised 440 unlisted structured investment products for public offering during the year.



Rising net inflows driving growth of local domiciled funds

As of 31 March 2026, there were 1,066 Hong Kong-domiciled funds with AUM of US\$297,796 million, up 19.4% from a year ago. Overall net inflows of US\$30.7 billion were recorded during the year.

Growing issuance of unlisted structured investment products

As of 31 March 2026, there were 440 unlisted structured investment products. An issuance amount of \$201 billion was recorded during the year, up 103% from the previous year.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

SFC-authorised ETFs and L&I products^{a,b}

	As at 31.3.2026	As at 31.3.2025	Change (%)	As at 31.3.2024	Change (%)
Number of SFC-authorised ETFs and L&I products ^c	242	210	15.2	179	17.3
Market capitalisation ^d (\$ billion)	651.2	520.3	25.2	386.4	34.7
	12 months ended 31.3.2026	12 months ended 31.3.2025	Change (%)	12 months ended 31.3.2024	Change (%)
Average daily turnover (\$ billion)	38.1	25.3	50.6	13.7	84.7
Net fund flow ^d (\$ billion) — Net inflow (outflow)	117.0	12.3	N/A	73.4	N/A

a Based on data from HKEX.

b The statistics only cover authorised ETFs and L&I products listed and traded on HKEX's securities market.

c Multiple counters of an ETF and L&I product are counted as one product.

d Market capitalisation and fund flow statistics are calculated based on units/shares of all authorised ETFs and L&I products held in Hong Kong.

Authorised unlisted structured investment products[^]

	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
Unlisted structured investment products	440	391	311

[^] On a "one product per key facts statement" basis, including equity-linked investments and deposits.

Registered open-ended fund companies (OFCs)

	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
OFCs	715 [^]	520	302

[^] As of 31 March 2026, this figure included 670 private OFCs.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Authorised CIS

	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
Unit trusts and mutual funds — Hong Kong-domiciled	1,066	976	926
Unit trusts and mutual funds — non-Hong Kong-domiciled	1,458	1,445	1,425
ILAS	319	319	319
Pooled retirement funds	31	32	32
MPF schemes	23	25	26
MPF pooled investment funds	195	198	197
Paper gold schemes	16	15	15
REITs	11	11	11
Total	3,119	3,021	2,951

Authorised unit trusts and mutual funds domiciled in Hong Kong — fund flows by type^a (US\$ million)

Hong Kong-domiciled funds reported overall net inflows of \$240.6 billion (US\$30.7 billion), which was primarily attributed to money market funds and index funds.

	12 months to 31.3.2026			12 months to 31.3.2025		
	Subscription	Redemption	Net subscription/ (redemption) ^b	Subscription	Redemption	Net subscription/ (redemption) ^b
Bond	22,152	27,074	(4,922)	33,959	14,936	19,022
Equity	28,437	23,010	5,427	15,713	20,821	(5,108)
Mixed	13,694	10,400	3,293	5,866	7,245	(1,379)
Money market	319,279	303,738	15,541	161,397	130,917	30,479
Feeder funds ^c	67	34	33	75	15	60
Index ^d	154,621	143,984	10,637	114,491	113,626	865
Guaranteed	19	5	14	–	4	(4)
Commodity and virtual asset	1,188	502	686	915	774	141
Total^b	539,457	508,747	30,709^e	332,415	288,338	44,077

a Based on data reported by funds domiciled in Hong Kong.

b Figures may not add up to total due to rounding.

c The subscription and redemption amounts of feeder funds whose master funds are authorised by the SFC have been excluded to better reflect the total fund flows.

d Including equity and fixed income index tracking funds, ETFs and L&I products.

e This figure includes net fund outflows of \$24.1 billion (US\$3.1 billion) reported by retail approved pooled investment funds which MPFs may invest in and may also be offered to the public in Hong Kong.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

SFC-authorized RMB investment products

A total of 59 SFC-authorized unlisted funds¹⁹ and 45 ETFs²⁰ primarily invested in the onshore Mainland securities markets²¹ or offshore RMB bonds, fixed income instruments or other securities.

	As at 31.3.2026
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets or offshore RMB bonds, fixed-income instruments or other securities	59
Unlisted funds (non-RMB denominated) with RMB share classes	513
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	40
Unlisted structured investment products issued in RMB ^a	439
ILAS with policy currency in RMB	8
Listed products	
ETFs primarily investing in the onshore Mainland securities markets or offshore RMB bonds, fixed-income instruments or other securities	45
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	72
RMB L&I products	1
RMB gold ETFs ^b	1
RMB REITs	1

a The number is on a "one product per key facts statement" basis.

b Only includes gold ETFs denominated in RMB.

Facilitating intermediaries' business development

Increasing number of licensees under SFO

The number of SFC licensees and registrants totalled 51,033 as of 31 March 2026, amid the continuous expansion of the financial market. Among them, 280 licensed firms carried out regulated business in virtual banking, VA-related activities and multi-family offices.

The number of LCs in Hong Kong increased to around 3,500 as of 31 March 2026. Approximately 14% of the LCs were controlled by foreign financial groups, mainly from Japan, Singapore, the US, the UK and the European Union. In addition, a number of overseas-based managers of pension funds and private equity funds have established operations in Hong Kong over the past few years. The number of licensed individuals increased to around 47,500, and about 34% of them were employed by foreign-controlled LCs.

19 Excluding recognised Mainland funds under the Mainland-Hong Kong MRF arrangement.

20 Refers to unlisted funds or ETFs which are denominated in RMB.

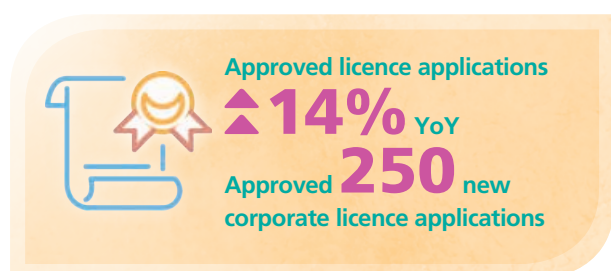
21 Refers to onshore Mainland investments through the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Licence applications under the SFO on the rise

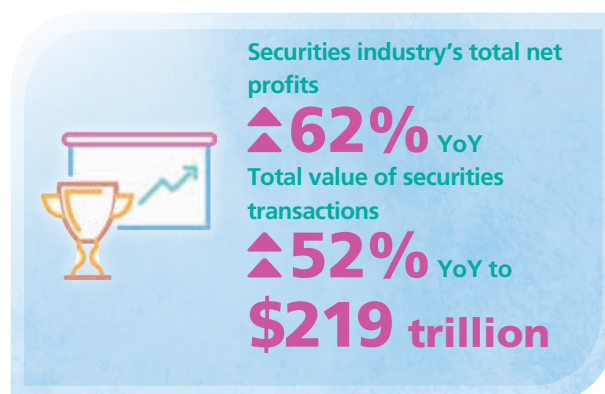
During the year, we received about 9,700 new licence applications, comprising around 9,400 individuals and 306 corporations. Compared to the previous year, the number of new corporate licence applications surged 18%.

We approved 250 new corporate licence applications and around 9,200 individual licence applications. The total number of approved applications rose 14% from the previous year. Amongst the newly approved corporate applications, 87% of them applied for Type 9 (asset management) regulated activity (RA) and 65% applied for Type 4 (advising on securities) RA. As of 31 March 2026, the number of firms licensed for Type 9 RA increased by 7% to 2,407.



Reviewing securities industry performance

In our Financial Review of the Securities Industry for 2025 (released in March 2026), we summarised financial performance data and statistics on securities dealers and securities margin financiers in Hong Kong. The securities industry recorded strong financial performance in 2025. Total net profits increased by 62% year-on-year to \$71.7 billion, alongside a 52% rise in total value of transactions to \$219.0 trillion. Revenue growth in double digits was noted across major business lines, including trading-related activities, asset management, as well as underwriting and placing services.



Licensees under the SFO

	Corporations [^]		Representatives		Responsible Officers		Total [^]		
	As at 31.3.2026	As at 31.3.2025	As at 31.3.2026	As at 31.3.2025	As at 31.3.2026	As at 31.3.2025	As at 31.3.2026	As at 31.3.2025	Change
Stock exchange participants	487	515	11,426	11,174	1,875	1,943	13,788	13,632	1.1%
Futures exchange participants	74	81	276	259	98	105	448	445	0.7%
Stock exchange and futures exchange participants	73	72	5,590	5,215	648	623	6,311	5,910	6.8%
Non-stock/non-futures exchange participants	2,836	2,660	20,099	18,961	7,442	7,109	30,377	28,730	5.7%
Total	3,470	3,328	37,391	35,609	10,063	9,780	50,924	48,717	4.5%

[^] These figures exclude 108 registered institutions as at 31 March 2025 and 109 as at 31 March 2026.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Extending work period for visiting professionals

We extended in July 2025 the period for itinerant professionals to conduct SFC-regulated activities in Hong Kong from 30 days to 45 days in each calendar year. The enhanced facilitative measure offers more flexibility to these professionals in serving the licensed corporations that they are accredited to.

Facilitating intermediaries' account opening for clients

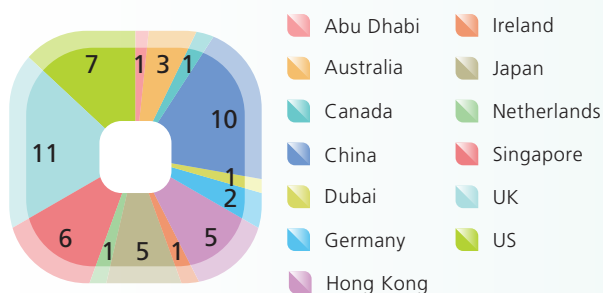
In order to facilitate intermediaries' non-face-to-face client onboarding, we updated acceptable account opening approaches in June 2025. These updates made it easier for intermediaries to use certification services

to verify the identities of overseas investors, as well as to adopt iAM Smart for client identity verification. 15 eligible jurisdictions were added for the remote onboarding of overseas individual clients.

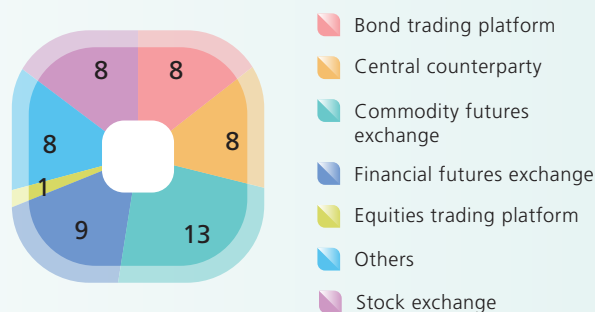
Regulating automated trading services (ATS)

During the year, products traded or cleared through ATS providers ranged from benchmark index futures and options, commodity futures, bonds and equities to ETFs and OTC derivatives. The average daily trading volume of futures contracts originating from Hong Kong was about 777,000 contracts for the 12 months ended 31 March 2026. We authorised one Part III application during the year.

ATS providers under Part III (By jurisdiction)



ATS providers under Part III (By type)



ATS providers

	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
Under Part III	54	53	54
Under Part V	38	36	29

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Driving regulatory collaboration globally, regionally and with Mainland

We foster close working relationships with our overseas regulatory counterparts to develop global regulatory initiatives, contribute to international standard-setting, and promote cross-border cooperation and capacity building. Our leadership roles in the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) enable us to shape international policies. During the year, we held a number of memoranda of understanding meetings with relevant authorities to explore opportunities to strengthen cooperation with the SFC.

IOSCO

CEO Ms Julia Leung chaired IOSCO's Asia-Pacific Regional Committee (APRC) Plenary meeting in Sydney, Australia, in March 2026. APRC members from 20 jurisdictions discussed topics of common interest including online harms and investor protection, technology and innovation (focusing on tokenisation, artificial intelligence and digital market infrastructure), supervisory and enforcement priorities, public and private markets, and capacity building.



Ms Leung (eleventh from right) as Chair of the IOSCO APRC with the Heads of Delegation at the APRC meeting in Sydney in March 2026

We participated in the APRC Supervisory Directors' Meeting and the APRC Enforcement Directors' Meeting in March 2026, to share experiences on supervisory challenges, evolving enforcement priorities, cyber resilience, regulatory simplification and cross-border enforcement and supervisory cooperation.

22 Ms Choi assumed the new role of Executive Director of Corporate Finance from 1 November 2025.

23 Post-reporting period.

24 Committee on Payments and Market Infrastructures.

Ms Leung also chaired the APRC Plenary meeting in May 2025 at the sidelines of the IOSCO Annual Meeting in Doha, Qatar.

Ms Christina Choi, in her former capacity of Executive Director of Investment Products²², chaired IOSCO's Committee on Investment Management. She led the Committee's work on publishing the revised recommendations for Liquidity Risk Management for Collective Investment Schemes, the complementary guidance and the consultation report on valuing CIS. From 2026 onwards, the SFC co-leads efforts on open-ended fund liquidity data and continues to shape international standards.



Ms Choi (third from right) at the IOSCO Annual Meeting in Doha in May 2025

We hosted the IOSCO Committee on Emerging Risks meeting in February 2026, where participants discussed the global risk outlook for the coming year and held a roundtable with industry stakeholders to identify and explore emerging risks in global capital markets.

We hosted the IOSCO Committee 2 Plenary meeting in Hong Kong in April 2026²³. We also participate in the CPMI²⁴-IOSCO Steering Group and Policy Standing Group for the oversight and supervision of financial market infrastructures, including central counterparties (CCPs).

Enhancing the global competitiveness and appeal of Hong Kong capital markets

FSB

Ms Leung participated in FSB Steering Committee meetings to provide market perspectives on non-bank financial intermediation and resilience of the financial markets. Mr Rico Leung, our Executive Director of Supervision of Markets, participated in meetings of the FSB Regional Consultative Group for Asia and the FSB Standing Committee on Standards Implementation, which supports the implementation of international financial standards, and carries out peer and thematic reviews.

As a member of the FSB Cross-Border Crisis Management Group for Financial Market Infrastructures, the SFC contributes to the policymaking process regarding CCP resolution and keeps abreast of global regulatory developments, thus enhancing our supervision of CCPs in Hong Kong.

Other international regulatory engagements

We met with European authorities²⁵ in June 2025 to discuss HKFE Clearing Corporation Limited's resolution plan. In September 2025, the Bank of England extended the Temporary Recognition Regime for non-UK central counterparties to 31 December 2027, enabling HKEX's clearing houses in Hong Kong to continue to provide services.

Participating in overseas supervisory colleges

During the year, we strengthened our global engagement by participating in more supervisory colleges across America, Asia, Oceania and Europe, which focused on recovery and resolution planning, supervisory risk assessments, and capital and liquidity strategies. We also continued to deepen collaboration with international and domestic regulators through supervisory colleges, joint reviews, and enhanced exchange of supervisory information to strengthen intermediaries' risk management.

Regulatory collaboration with Mainland

To consolidate Hong Kong's role as a leading international financial centre and a capital gateway between the Mainland and global markets, we work closely with our Mainland counterparts and relevant authorities to enhance mutual market access schemes as well as cross-boundary cooperation on supervision and enforcement.



The 17th Mainland and Hong Kong Regulatory High-level Meeting in Ningbo in February

At the 16th and the 17th Mainland and Hong Kong Regulatory High-level Meetings held in June 2025 and February 2026, the SFC and CSRC exchanged views on various cross-boundary market development initiatives and regulatory cooperation issues. Both sides agreed to further enhance and expand the Mainland-Hong Kong mutual market access schemes, and explore new cooperation opportunities under the current geopolitical landscape.

²⁵ French Autorité de Contrôle Prudentiel et de Résolution and the European Union Single Resolution Board.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

To ensure resilience against evolving challenges, we maintained frequent high-level communications with relevant Mainland authorities during the year, including top management of the CSRC, the PBoC, the National Financial Regulatory Administration (NFRA), Ministry of Finance and the State Administration of Foreign Exchange to exchange views on market and economic landscapes, review implementation progress of Mainland-Hong Kong market initiatives, and discuss ways to strengthen cross-boundary regulatory cooperation.



SFC Chairman Dr Kelvin Wong (second from right) and CEO Ms Leung (right) joined the Financial Secretary's visit to Beijing in March 2026 and met with CSRC Chairman Mr Wu Qing

During the year, we maintained close communications with relevant Mainland authorities to follow up on implementation details of cross-boundary cooperation

initiatives. We also engaged actively with Mainland ministries and institutions to deepen mutual understanding and strengthen ties. We organised training programmes for senior CSRC executives to meet with our operational divisions, local regulators, and industry associations in Hong Kong. We delivered a sharing session for the CSRC on technological advancements in the regulatory sector. We also received delegations from the PBoC, NFRA and other Mainland ministries.

Locally, we continued to support HKSAR Government-led initiatives on Mainland-Hong Kong financial cooperation: contributing to cooperation frameworks, joining the meeting of the Shenzhen-Hong Kong Financial Co-operation Committee and providing input on market developments and collaborative initiatives.

We participated in the 6th Mainland-Hong Kong-Macao AML/CFT²⁶ Tripartite Meeting in December 2025, discussing money laundering and terrorist financing trends, regulatory developments and preparations for the upcoming mutual evaluation. We also met the Financial Supervisory Commission of Taiwan, China, in November 2025 and held a regulatory meeting. During the meeting, we discussed recent developments in futures products and regulatory regimes in both markets.

Requests for regulatory assistance

	2025/26		2024/25		2023/24	
	Received	Made	Received	Made	Received	Made
Enforcement-related requests for assistance	83	91	69	84	73	79
Licensing-related requests for assistance	94	4	98	15	168	8
Information and meeting requests	209 [^]	1	223	0	143	0

[^] This total comprises in-person delegations, study visits, technical assistance enquiries, and bilateral meetings.

26 Anti-money laundering and counter-financing of terrorism.

Leading financial market transformation through technology and ESG

We embrace innovation and sustainability, which are essential to serving the needs of the rapidly-evolving real economy of Hong Kong and the Mainland. By advancing the Fintech ecosystem and aligning with global sustainability disclosure standards, we build robust and future-ready markets that reinforce Hong Kong's role as a global financial hub and a bridge between emerging and developed markets.

Driving digital asset ecosystem development under A-S-P-I-Re

During the year, we continued to advance the security, innovation and growth of Hong Kong's digital asset market by pursuing a range of initiatives under the five pillars of our **ASPIRe** roadmap¹. These pillars are: **A**ccess, **S**afeguards, **P**roducts, **I**nfrastructure and **R**elationships.



Access

Completing puzzle for VA regulatory frameworks

- Launched and concluded a joint consultation with the Financial Services and the Treasury Bureau (FSTB) in 2025 on proposed licensing regimes for virtual asset (VA) dealing and custodian service providers, which received broad market support. The regimes will set the standards for these providers and ensure robust investor protection based on the "same business, same risks, same rules" principle.
- Launched a further consultation with the FSTB in late 2025 to extend the proposed licensing framework towards VA advisory and management service providers, modelled on existing securities regulations. The SFC and the FSTB are finalising the legislative proposals for the new regimes and plan to introduce a bill into the Legislative Council in 2026.

Licensees under the AMLO

	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
Licensed providers	12	10	0
Licensed individuals	141	104	0
Total	153	114	0

Licensing applications under the AMLO

	2025/26	2024/25	2023/24
Applications for SFC licences	80	158	35

Increasing market accessibility and tapping global liquidity

- Issued guidance to SFC-licensed virtual asset trading platforms (VATPs) in November 2025, allowing them to combine orders with those of their overseas affiliates in a shared order book. With this key step to attract global platforms, order flows and liquidity providers, Hong Kong investors stand to benefit from enhanced liquidity and more competitive pricing under robust safeguards.
- Permitted affiliates of licensed VATPs to act as market makers on the platforms, giving VATPs an additional avenue for liquidity.
- Licensed a total of 12 VATPs as of March 2026; also reviewing licence applications of seven VATP applicants, including four deemed applicants under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

1 The SFC's **ASPIRe** roadmap was launched in February 2025.



Safeguards

Fostering security and resilience for long-term development

- Ensured adequate investor safeguards are built into all new digital asset-related initiatives within the year, including new VA regulatory frameworks, further integration with global liquidity, as well as new product and service offerings allowed (eg, staking,

margin financing, high-level leveraged product framework).

- Provided further clarification to VATPs on the minimum requirements for the safe custody of client VAs, which covers governance responsibilities, cold wallet infrastructure, use of third-party solutions and real-time threat monitoring.

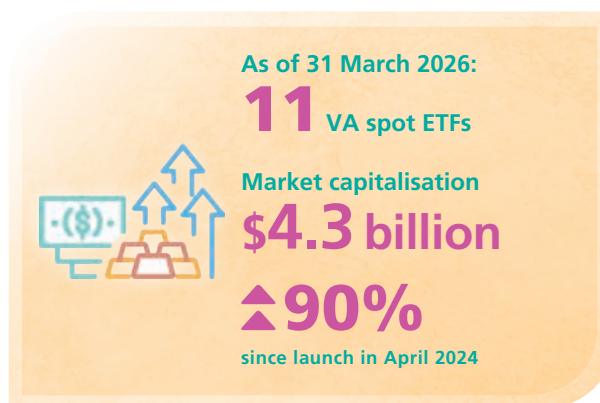


Products

Expanding VA product and service offerings

- Brought the total number of SFC-authorized VA spot exchange-traded funds (ETFs) to 11, after authorising five more in the year, including the Asia's first Solana spot ETF.
- Provided guidance to licensed VATPs on providing staking services and to SFC-authorized funds with VA exposure on engaging in staking.
- Became the first in the Asia-Pacific to allow staking for VA spot ETFs through licensed VATPs for yield enhancement; permitted three ETFs to engage in staking, and two licensed VATPs to provide staking services as of March 2026.
- Allowed VA brokers to offer VA financing to securities margin clients to enable margin clients with strong credit profiles and collateral to participate more actively in VA trading, subject to the sufficiency of collateral and robust investor safeguards.
- Issued additional guidance jointly with the Hong Kong Monetary Authority (HKMA) to further allow intermediaries to use off-platform VA trading services of VATPs and clarify requirements on clients' subscriptions and redemptions of investment products using VAs.
- Allowed VATPs to offer trading in VAs without a 12-month track record for professional investors and for HKMA-licensed stablecoins, as well as distribute tokenised securities and digital asset-related investment products; enabled associated entities of SFC-licensed VATPs to provide custody services for VAs or tokenised securities not traded on their platforms.

- Set out a high-level framework to guide VATPs in developing proposals for VA-related leveraged products to support professional investors' risk management and deepen spot market liquidity.



Driving tokenised products

- Worked with the Government to drive a breakthrough in stamp duty waiver for tokenised ETFs to support their secondary trading; the Government confirmed the waiver for the transfers of Hong Kong-listed ETFs also applies to tokenised ETFs.
- Authorised eight tokenised retail money market funds² and one gold ETF with a tokenised class during the year.

² These include the introduction of tokenised classes to existing SFC-authorized money market funds.

Leading financial market transformation through technology and ESG



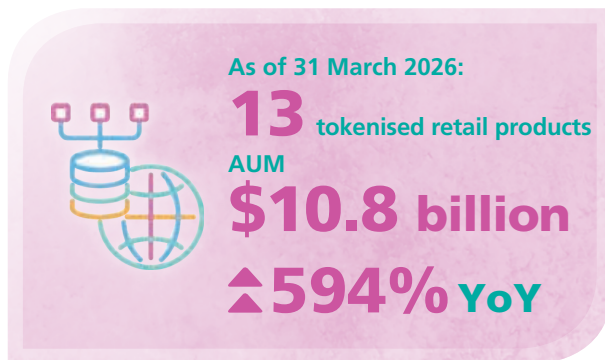
Infrastructure

Tokenisation to increase industry efficiency

- Co-led tokenisation initiatives for the asset management sector with the HKMA under Project Ensemble, providing regulatory guidance to Sandbox participants which completed their experiments in 2025 with diverse tokenisation use cases across various themes.
- Project Ensemble progressed in November 2025 to its pilot phase, Ensemble^{TX}, enabling real-value transactions involving tokenised deposits and digital assets in a controlled environment.
- Collaborated with the HKMA and the industry to bring tokenisation use cases to life on payment and asset management; several banks have launched live tokenised deposits.

Enhancing cross-border collaboration

- Signed a memorandum of understanding with the Capital Market Authority of the United Arab Emirates in January 2026 — the SFC's first agreement with an overseas regulator dedicated to supervisory collaboration on regulated digital asset entities.



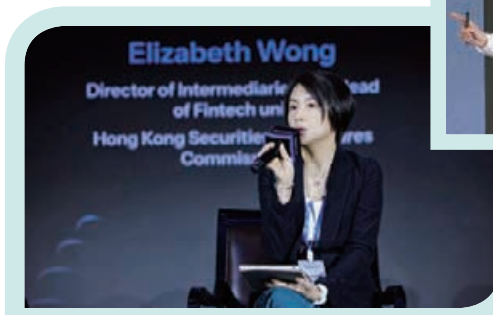
Relationships



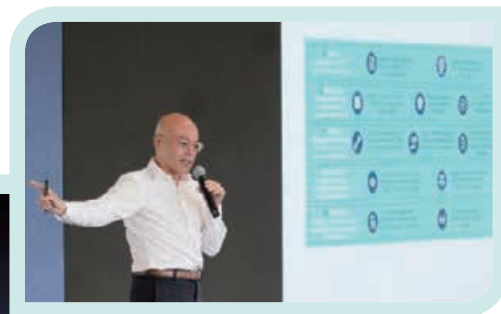
Empowering the industry through engagement

- Continued our active engagement with the industry and the wider public through co-organising or participating in various local and international conferences, seminars, interviews, webinars, training sessions and events.
- Engaged in ongoing dialogue with VATPs through meetings of the Digital Asset Consultative Panel to understand the latest market developments and assist us in formulating regulatory policies.

- Supported market initiatives to raise the digital asset sector's awareness towards regulatory compliance standards; for instance, we spoke at a seminar organised by the Association of Fund Administrators of Hong Kong and the Greater Bay Area (AFA seminar).



Director of Intermediaries and Head of Fintech unit Ms Elizabeth Wong at Finternet Conference 2025



Executive Director of Intermediaries Dr Eric Yip at AFA seminar

[ASPIRe roadmap](#)



Leading financial market transformation through technology and ESG

Fostering responsible AI innovation across financial sector

Taking a bold leap in advancing artificial intelligence (AI) innovation, the SFC, together with the HKMA, Insurance Authority and Mandatory Provident Fund Schemes Authority, launched the Generative Artificial Intelligence (GenAI) Sandbox++ initiative in March 2026 to accelerate responsible AI adoption across Hong Kong's financial ecosystem. It also fosters collaboration across regulators, financial institutions and technology firms to unlock AI's potential to boost efficiency, resilience and growth.

Debuting as the GenAI Sandbox in 2024, the GenAI Sandbox++ has expanded to cover banking, securities and capital markets, asset and wealth management, insurance, mandatory provident funds and stored

value facilities, while continuing to explore "AI vs. AI" strategies by leveraging AI to manage the risks associated with AI adoption.

Launched in collaboration with Hong Kong Cyberport Management Company Limited (Cyberport), the new initiative provides a risk-controlled environment for participants to develop their GenAI solutions across risk management, anti-fraud measures and customer experience. Participants will receive targeted supervisory guidance and technical support, as well as access to computing resources at Cyberport's AI Supercomputing Centre.



Promoting sustainable development for markets

Advancing Hong Kong's leading role in sustainable finance

Hong Kong remains at the forefront of sustainable finance as a premier international financial centre, underpinned by robust regulatory frameworks to help drive transition to the low-carbon economy. The SFC chairs the Sustainable Finance Working Group under the International Organization of Securities Commissions' (IOSCO) Asia-Pacific Regional Committee (APRC), exerting our influence in shaping regional sustainable finance policies. See "Sustainability" on pages 100-106 for details.

During the year, we contributed to two major IOSCO publications: first, the *IOSCO Sustainable Bonds Report* published in May 2025, which identifies the key characteristics and trends associated with the sustainable bond market; second, the *IOSCO Final Report on ESG Indices as Benchmarks* published in November 2025, which discusses the unique characteristics and market trends of ESG benchmarks.

Locally, we co-chair the Green and Sustainable Finance Cross-Agency Steering Group³ (Steering Group) with the HKMA and participate in all its working groups. Key initiatives in the past year included:

- Implementing the Roadmap on Sustainability Disclosure in Hong Kong
- Developing the regulatory framework for sustainability assurance in Hong Kong
- Publishing the Hong Kong Green Fintech Map
- Enhancing the free climate data tools, including the greenhouse gas emissions calculator and estimation tool, and the non-listed company sustainability reporting questionnaire
- Developing the Hong Kong Taxonomy for Sustainable Finance Phase 2A and the transition finance sectoral guidance

³ Established in May 2020, the Steering Group is co-chaired by the SFC and HKMA, and also includes the FSTB, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, Accounting and Financial Reporting Council and Hong Kong Exchanges and Clearing Limited.

Leading financial market transformation through technology and ESG



Steering Group 2026-28 Strategic Priorities

Pillar I

Strengthen Sustainable Finance and Disclosure Ecosystem

- Enhance sustainability disclosure
- Deepen sustainable finance markets
- Strengthen external engagement
- Support talent development

Develop Strengths in Transition and Adaptation Finance

Pillar II

- Scale transition finance
- Support adaptation finance

To enhance Hong Kong's position as a competitive and future-ready sustainable finance hub, the Steering Group published its 2026-2028 strategic priorities in January 2026. It aims to strengthen the sustainable finance and disclosure ecosystem and also further develop transition and adaptation finance. See "Sustainability" on pages 100-106 for details on the Steering Group's upcoming initiatives.

Adopting global sustainability disclosure standards

As an international sustainable finance centre, Hong Kong aligns with international standards and regulatory approaches to enable clear, consistent and comparable sustainability-related disclosures for investors' decision making.

Through collaboration among local authorities and regulators, Hong Kong became one of the first jurisdictions recognised by the IFRS⁴ Foundation with a commitment to "fully adopting" the IFRS Sustainability Disclosure Standards (ISSB Standards). The recognition was based on the Roadmap on Sustainability Disclosure in Hong Kong⁵. The city was among the first batch of jurisdictional profiles issued by the foundation in June 2025.

To share Hong Kong's experience in adopting the ISSB Standards, Chief Executive Officer (CEO) Ms Julia Leung spoke at the 2025 Beijing International Sustainability Conference last June. She highlighted the critical importance of adopting the ISSB Standards as a global baseline for Hong Kong's role as an international financial centre in facilitating cross-border capital flows. In addition, she emphasised Hong Kong's coordinated, cross-agency implementation approach to address shared challenges and to scale sustainable finance solutions.



CEO Ms Julia Leung (right) spoke at the 2025 Beijing International Sustainability Conference

⁴ International Financial Reporting Standards.

⁵ In December 2024, the HKSAR Government published the Roadmap on Sustainability Disclosure in Hong Kong, which sets out a clear pathway for large Publicly Accountable Entities to fully adopt the ISSB Standards no later than 2028.

Leading financial market transformation through technology and ESG

Stakeholder engagement and capacity building

We work with the Investor and Financial Education Council (IFEC), an SFC subsidiary dedicated to improving financial literacy in Hong Kong, to raise public awareness and understanding of sustainable finance through mass communication and public outreach initiatives.

During the year, the SFC's senior executives continued to take part in local, regional and international forums to share insights, facilitate knowledge exchange, and introduce our regulatory initiatives on sustainable finance.

We co-organised the inaugural International Carbon Markets Summit with Hong Kong Exchanges and Clearing Limited in April 2025, gathering over 200 participants representing local and overseas regulators, carbon trading venues, corporates and investors. Discussion topics included harmonising international standards and best practices in carbon credit issuance and secondary trading, expanding cross-border transactions, and deploying technology to facilitate linkages. On the sidelines of the event, CEO Ms Leung chaired a regulatory roundtable to discuss scaling of voluntary carbon markets with local and international stakeholders from both the public and private sectors.



Chairman Dr Kelvin Wong (third from right) and CEO Ms Leung (second from right) at the International Carbon Markets Summit

Our Director of Supervision of Markets Mr Ryan Ko spoke at the ASEAN Capital Markets Forum International Conference 2025 in Kuala Lumpur, Malaysia, in November 2025. He updated the development of Hong Kong's voluntary carbon market (VCM) and shared his views on the credibility and connectivity of VCMs.

In addition, we contributed to the creation of the Hong Kong Green Fintech Map 2025 officially launched in June 2025. Developed in partnership with Cyberport and InvestHK, the map serves as a comprehensive directory featuring more than 60 firms that provide green and sustainable financial technology solutions in Hong Kong.

[Hong Kong Green Fintech Map 2025](#)



Nurturing sustainable finance talent

We continue to support talent development in sustainable finance through our capacity building initiatives. We organised a student-focused seminar titled "Building the Future: How Green Fintech is Transforming Financial Services" in July 2025 for over 100 participants to explore the pivotal role of green Fintech applications in the financial services sector. In addition to examining these real-world applications, the event highlighted how technologies drive sustainable development and enhance market efficiency.

We administer the HKSAR Government's Pilot Green and Sustainable Finance Capacity Building Support Scheme with the HKMA and the Insurance Authority. The scheme provides subsidies to market practitioners who undertake green and sustainable finance-related training and professional qualifications. We also offer university students exposure to sustainable finance policy development through our Sustainable Finance Internship Programme, which has been running since 2022.

Gatekeeping ESG funds

Gatekeeping against greenwashing remains one of the SFC's priorities. As of 31 March 2026, there were 190 SFC-authorized ESG funds with total AUM of \$1,090.4 billion (US\$139.1 billion).

Leading financial market transformation through technology and ESG

Uniting stakeholders for sustainability in Hong Kong Green Week

During the Hong Kong Green Week held in September 2025, the SFC co-hosted three events and spearheaded discussions on climate and transition finance, reinforcing Hong Kong's leading role in these areas.

At the Forum on Sustainability Disclosures we jointly hosted with the FSTB, SFC Chairman Dr Kelvin Wong emphasised the critical importance of adopting global sustainability disclosure standards for both corporates and investors. Attended by over 200 policymakers and industry leaders, the forum examined the adoption of the ISSB Standards and how disclosures can drive sustainable development and climate financing. In a fireside chat alongside senior regulators from the United Arab Emirates, CEO Ms Leung highlighted regulators' role in facilitating access to climate and sustainability related information, and underscored the significance of connecting financial markets across the Asia-Pacific and the Middle East.

As part of our commitment to regional collaboration, we co-hosted a roundtable under the ADBI^a-ADB^b Asian Climate Finance Dialogue to exchange views on developing sustainability-themed financial instruments to advance sustainable finance across Asia-Pacific capital markets. Frameworks and mechanisms to facilitate the use of these instruments and mobilise transition finance were also discussed.

a Asian Development Bank Institute.

b Asian Development Bank.



Chairman Dr Wong spoke at the Forum on Sustainability Disclosures

In partnership with the International Transition Plan Network, we convened an industry roundtable for leaders from local, regional and international markets to engage in a strategic dialogue on transition finance. They discussed best practices for credible corporate transition plans and examined how enhanced disclosures can effectively mobilise transition finance in Hong Kong and across the region.

Enhancing institutional resilience and operational efficiency

To effectively gatekeep and develop Hong Kong's capital markets, we strive to build our own institutional resilience and improve operational efficiency. Alongside robust budgeting and internal controls, we are committed to enhancing processes and stepping up public communications.

Driving operational efficiency via technology and process streamlining

During the year, we accelerated our digital evolution to strengthen market oversight and operational resilience across the SFC.

Ramping up regulatory efficiency with AI

Several generative and traditional artificial intelligence (AI) solutions were launched during the year to strengthen our monitoring capabilities (eg, risk monitoring) and facilitate our investigations. To optimise operational efficiency in day-to-day work, we enhanced our generative AI (GenAI) solution with advanced reasoning capabilities for improved problem-solving.

To bolster listing market quality, we leveraged an analytics tool powered by GenAI to help us more effectively monitor listed companies and conduct risk assessment on them. The tool streamlines data extraction from corporate announcements. By integrating these extracted insights with existing databases, connections across multiple sources can be visualised and analysed efficiently.

In addition, to tackle the rise in financial scams, we launched SENSOR, a social media monitoring tool powered by GenAI, to scan targeted social media channels.¹

Another AI solution implemented in the year enhances our investigative processes by expediting the review and analysis of large volumes of photographic evidence. It enables faster identification of relevant images and enhances the accuracy of case reviews. We also introduced new system features that enable more efficient analysis of large volumes of communications and fund flow data, as well as uncovering hidden connections.

To enhance our oversight of licensed corporations (LCs), we are adopting an advanced risk-monitoring solution that helps identify business risks to LCs and evaluate the impact on their key functions and business areas. The solution also facilitates our work to identify LCs with higher risk profiles or potential money-laundering activities.

Increasing digital system capabilities and improving workflows

During the year, we drove further digital transformation across the SFC. We broadened the scope of digital submissions on our WINGS² system and enhanced it for greater efficiency. In January 2026, the e-IP³ system was upgraded with revised forms and optimised application workflows to support the streamlined authorisation process and simplified documentation requirements for real estate investment trusts.

Additionally, WINGS was enhanced to facilitate electronic submissions under the company re-domiciliation and itinerant professional regimes, as well as to meet record-keeping requirements for virtual asset trading platforms (VATPs). This upgrade not only improves operational efficiency by streamlining application processes but also strengthens regulatory oversight of VATP operators.

1 See "Maintaining market resilience and mitigating serious harm to our markets" on pages 30-43 for details.

2 Web-based INteGrated Service.

3 e-IP is a one-stop online portal that digitalises all processes related to investment products administered by the SFC's Investment Products Division.

Enhancing institutional resilience and operational efficiency

To collect hedge fund data biannually from licensed firms holding the SFC's Type 9 Regulated Activity (asset management) licence, the Financial Return Form was expanded in July 2025 to streamline data submission.

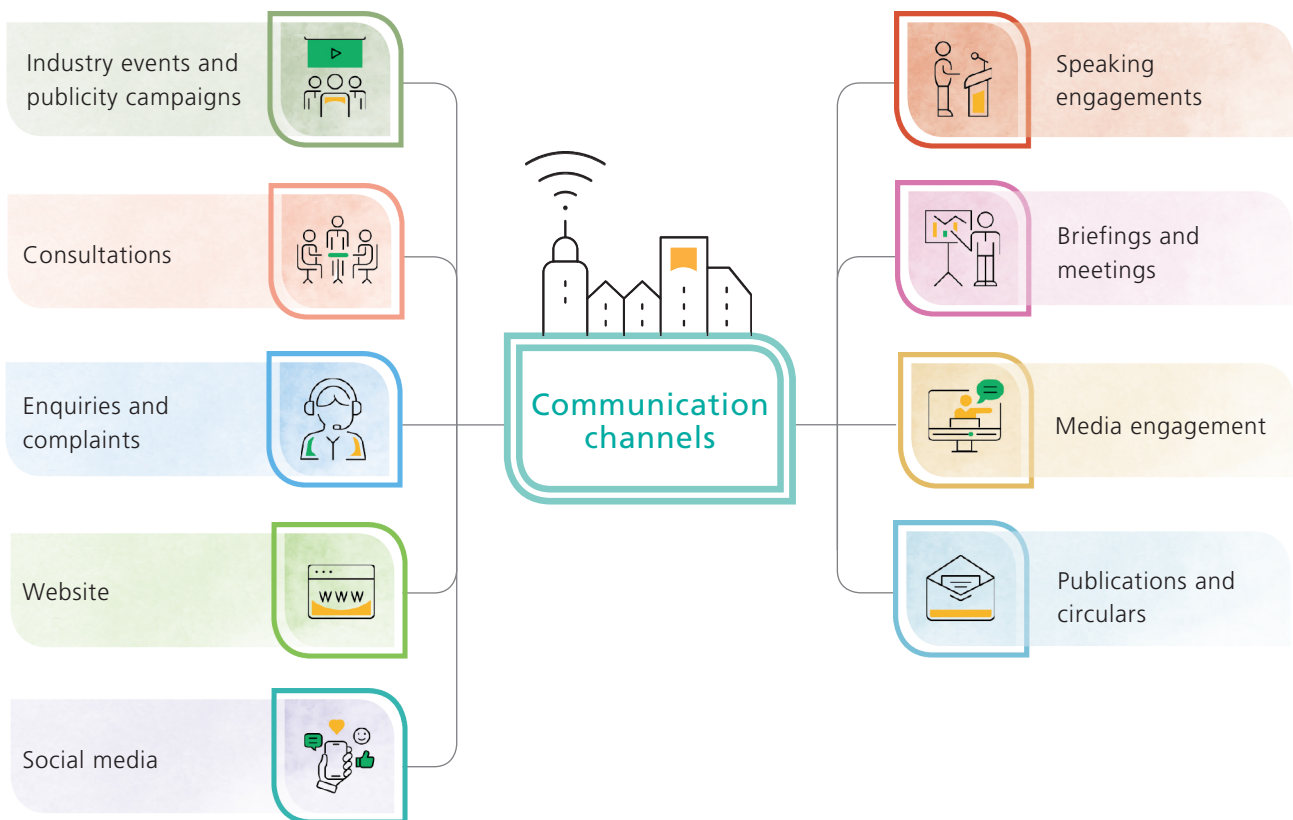
In addition, we rolled out more digital initiatives in the year to strengthen auditability, reduce manual errors, and improve information security. These initiatives further streamline approval processes, eliminate paper-based approvals, and enable automatic checks.

For example, the investigation platform was enhanced with the introduction of the E-Approval system and Bank Notice Generator. Electronic approvals and e-signatures are now adopted for issuance of regulatory notices and requests to external parties,

as well as for internal approval. Data and document requests to banks are now electronically generated through internal systems and sent to banks via WINGS, and banks would submit structured returns through dedicated accounts. This improves evidence-filing standard, consistency and information security.

Proactive communications to facilitate effective regulation

To promote a deeper understanding of our work and ensure timely and effective dissemination of regulatory updates, we proactively engage with the industry and the public through an array of communication channels and educational initiatives.



Enhancing institutional resilience and operational efficiency

Fostering open dialogue with industry

To keep the industry informed of regulatory developments, we organise regular meetings, briefing sessions and workshops. We supported 15 seminars and events organised by industry bodies in the year.

To foster direct communications with the sponsor community, we held the IPO⁴ Sponsor Forum in July 2025, which was attended by senior management from sponsor firms. We explained our proactive IPO vetting approach and process, and collected feedback from market participants on the enhanced timeframe for the new listing application process.

We also actively engaged with securities brokers by hosting two broker forums in June 2025 and February 2026, attended by over 1,000 participants in total. The forums facilitated the exchange of insights on the latest industry developments and opportunities, as well as sharing of supervisory updates.

In November 2025, we organised two anti-money laundering and counter-financing of terrorism (AML/CFT) webinars for over 1,650 senior management and compliance personnel from licensed firms. We shared our supervisory observations and regulatory responses concerning the securities and digital asset sectors in Hong Kong.

Effective communication as cornerstone of effective regulation

At over 150 local and international events during the year, our Chairman Dr Kelvin Wong, Chief Executive Officer (CEO) Ms Julia Leung and other senior executives explained our major policy initiatives and spoke on a wide range of topics, including effective regulation, corporate governance, global landscape and market trends, Fintech and sustainable finance.



Senior executives spoke at **150+** events

The SFC and the Hong Kong Monetary Authority (HKMA) jointly hosted the Hong Kong Fixed Income and Currency (FIC) Forum in September 2025, which was attended by over 500 participants. The event brought together senior Hong Kong and Mainland officials, regulators and senior business leaders to exchange insights on opportunities, challenges and emerging trends in the global FIC landscape. At the event, Dr Wong highlighted the vital role of FIC markets in strengthening risk management, building resilience, and creating growth opportunities for issuers, investors and intermediaries. Ms Leung shared

the SFC's vision to develop Hong Kong's RMB fixed income business by promoting more offerings and liquidity, upgrading infrastructure and enhancing market connectivity.

In November 2025, we co-hosted the Conversations with Global Investors forum — the concluding event of the three-day 2025 Global Financial Leaders' Investment Summit — with the HKMA and Hong Kong Academy of Finance. In his welcome remarks, Dr Wong highlighted the importance of diversification amid today's market shifts, and reaffirmed the regulator's dual commitments to robust regulation and sustainable development. He also invited global investors to capitalise on the city's role as a China gateway.



Chairman Dr Kelvin Wong spoke at the Conversations with Global Investors forum

4 Initial public offering.

Enhancing institutional resilience and operational efficiency

Also at the Global Financial Leaders' Investment Summit, Ms Leung moderated a panel where leaders from investment banking and asset management examined global financial market trends, risks and opportunities. She facilitated an insightful discussion on the sustainability of market trends among panellists, who exchanged valuable views on asset diversification and strategies to navigate headwinds.

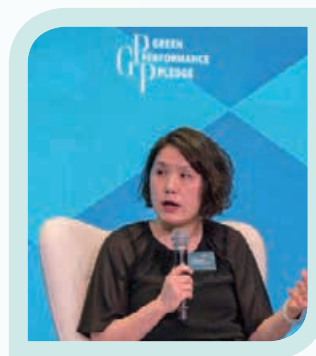


CEO Ms Julia Leung moderated a panel at the Global Financial Leaders' Investment Summit

At Hong Kong FinTech Week in November 2025, our Executive Director of Intermediaries Dr Eric Yip presented the SFC's vision for digital asset regulation and market development, encouraging the Fintech community to collaborate closer with the SFC by embracing innovation responsibly and efficiently in a dynamic market landscape.

During the year, Executive Director of Supervision of Markets Mr Rico Leung spoke at Futures & Options World (FOW) Trading Asia conference 2025 in September 2025, and International Swaps and Derivatives Association's Derivatives Trading Forum Hong Kong in November 2025. He highlighted the importance of regulatory development to ensure resilient growth for Hong Kong's over-the-counter and listed derivatives markets.

[^] Ms Choi assumed the new role of Executive Director of Corporate Finance from 1 November 2025.



Executive Director of Legal Services Ms Lisa Chen at the GPP Forum 2025 panel discussion



Executive Director of Supervision of Markets Mr Rico Leung at FOW Trading Asia conference 2025

At the Hong Kong Web3 Festival in April 2025, Ms Christina Choi, then Executive Director of Investment Products[^], spoke about the SFC's commitment to fostering a supportive ecosystem for digital asset by balancing innovation with investor protection and sustainable growth.

At the annual Green Performance Pledge (GPP) Forum organised by Swire Properties, Executive Director of Legal Services Ms Lisa Chen joined the event's panel discussion on how to navigate the shifting sentiment towards sustainability, and to embrace a collaborative mindset to drive transparency, efficiency and results despite the ongoing challenges and risks, such as climate change.

Enhancing institutional resilience and operational efficiency

Active media engagement

We maintain active and open communication with the media through a variety of channels, including press releases, media briefings, interviews and workshops. These efforts serve to facilitate accurate news reporting in today's round-the-clock news cycle, keeping the public well-informed and up-to-date on the SFC's regulatory initiatives, actions and the rationale behind them.

Diverse publicity channels and social media posts

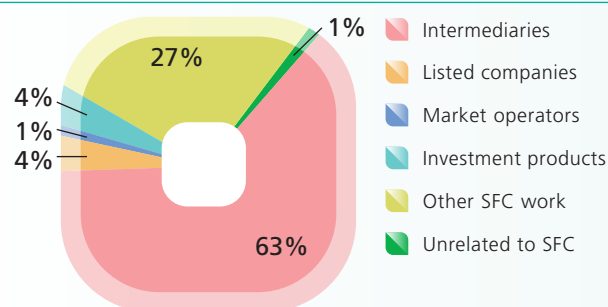
We actively carry out education and outreach initiatives in a variety of formats to increase public awareness of our policy work. Our targeted publicity campaigns help alert the investing public of investment risks including scams (see pages 34-35 on details of our anti-scam investor education). Joint activities with the Investor and Financial Education Council, the SFC's wholly-owned subsidiary, promote public understanding of the features and risks of different types of financial products.

During the year, about 880 posts were published on the SFC's social media platforms, including RedNote, to broaden the reach of our messages and promote public awareness of our policy updates, scam alerts and stakeholder engagement.

Publications and handling enquiries

Our publications keep the industry informed of our regulatory work and other noteworthy developments. During the year, we issued 10 thematic publications, including newsletters, market reviews and surveys.

General enquiries



Publications and other communications

	2025/26	2024/25	2023/24
Press releases	216	206	186
Policy statements and announcements	4	3	6
Consultation papers	10	5	6
Consultation conclusions	5	7	7
Industry-related publications	10	10	16
Codes and guidelines ^a	5	8	12
Circulars to industry	66	70	63
Social media posts ^b	880	404	347
Corporate website average daily page views ^c	88,446	68,082	64,941
General enquiries	5,368	4,175	3,637

a Includes updates to previous versions.

b Includes posts on the SFC's Facebook, LinkedIn and WeChat pages, and the dedicated anti-scam Instagram page launched in December 2024.

c The average number of webpages browsed per day during the reporting period.

Enhancing institutional resilience and operational efficiency



Our circulars and frequently asked questions help the industry better understand our regulatory requirements. The 66 circulars we issued during the year provided guidance on various matters, including sponsor work, IPO, virtual asset activities, cybersecurity and AML/CFT.

Additionally, we issued 216 press releases to inform the public of the latest regulatory actions and other SFC news. We also published four policy statements and announcements explaining our regulatory approach to specific issues.

Our annual reports and quarterly reports help our stakeholders and the public understand our key regulatory work and corporate developments. Our *Annual Report 2024-25* won the Silver Prize at the 2025 Hong Kong Management Association's Best Annual Reports Awards, as well as the CG⁵ Award at the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance and ESG⁶ Awards 2025. On our corporate website, the public can easily obtain up-to-date information about our work and regulations.

We respond verbally or in writing to enquiries from the industry about our rules and regulations, covering licensing, listings and takeovers, product authorisation and short position reporting. Designated email addresses are provided to handle enquiries on specific topics more efficiently. During the year, we received 5,368 general enquiries.

The SFC Fintech Contact Point promotes communication with businesses involved in the development and application of financial technology in conducting regulated activities and digital asset-related activities in Hong Kong. We dedicate a separate

mailbox to licensing-related matters regarding virtual asset trading platforms to improve communication. During the year, we received a total of 237 Fintech-related enquiries.

To facilitate public understanding of our enforcement work, we released the *Enforcement Reporter* newsletter in October 2025 and March 2026. The two issues respectively explored emerging trends in financial scams and strategies to tackle them including social media monitoring, and looked into the serious consequences of intermediary misconduct, for which we will pursue both corporate and individual accountability.

Upholding sound financial and resource management

Upholding financial discipline

As a publicly funded organisation, we prepare our annual budget under a disciplined, stringent and prudent framework. We engage an independent firm to conduct internal audits to assess the effectiveness of our operational controls, identify weaknesses and recommend opportunities to strengthen these controls. We also appoint external investment managers to manage our surplus reserves according to the investment guidelines approved by the Financial Secretary.

Funding

We are operationally independent of the HKSAR Government and are funded mainly by transaction levies and fees from market participants. The current levy rate is 0.0027% for securities transactions, which is substantially lower than the original rate of 0.0125% set in 1989. We have not revised our fees and charges since 1994, and have offered annual licensing fee waivers 11 times since 2009⁷. The annual licensing fee waiver for 2024-25 ended in March 2025, and the collection of annual licensing fees resumed the financial year beginning 1 April 2025.

⁵ Corporate governance.

⁶ Environmental, social, and governance.

⁷ Full waivers were given in 2009-10, 2012-19 and 2020-25, and a 50% discount was provided for 2019-20.

Enhancing institutional resilience and operational efficiency

Income

Total income for the year was \$4,052 million, up 57% from \$2,574 million in the previous year. Income growth is attributable to the significantly higher average daily turnover (ADT) in Hong Kong's securities market since late 2024. The ADT surged by 53.1% to \$239 billion in the year from \$156 billion in the previous year. Levy income increased 49% from the previous year to \$3,311 million. Our investments recorded a net gain of \$452 million for the year, compared to a net gain of \$180 million in the prior year, mainly contributed by the performance of our investments in pooled funds.

Expenditure

The costs of our operations totalled \$2,270 million. Over the past three years, the proportion of staff costs to total expenses has remained relatively unchanged, while our regulatory work has increased in volume and complexity. The ratio of average expenses to income stood at 80% for the past three years.

For the financial year 2025-26, we recorded a surplus of \$1,782 million.

Income breakdown

	2025/26	2024/25	2023/24
Levies	81.7%	86.2%	75.8%
Fees and charges	7.0%	6.4%	6.2%
Net investment income and others [^]	11.3%	7.4%	18.0%

[^] Net investment income and others included foreign exchange gain/(loss).

Expenditure breakdown

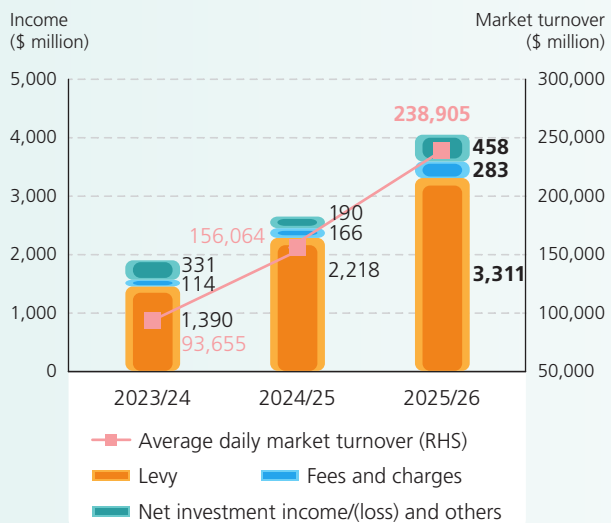
	2025/26	2024/25	2023/24
Staff costs	75.2%	74.9%	75.1%
Premises and related expenses	1.8%	1.6%	1.7%
Other expenses	15.0%	14.8%	12.0%
Depreciation	8.0%	8.7%	11.2%

Finance

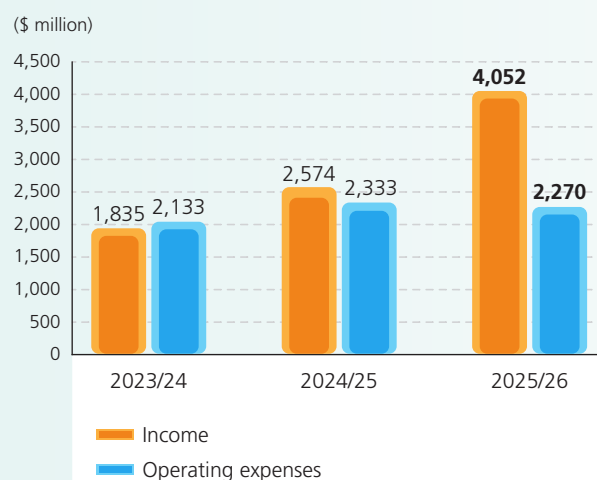
(\$ million)	2025/26	2024/25	2023/24
Income	4,052	2,574	1,835
Expenses including depreciation	2,270	2,333	2,133
Surplus/(Deficit)	1,782	241	(298)

Enhancing institutional resilience and operational efficiency

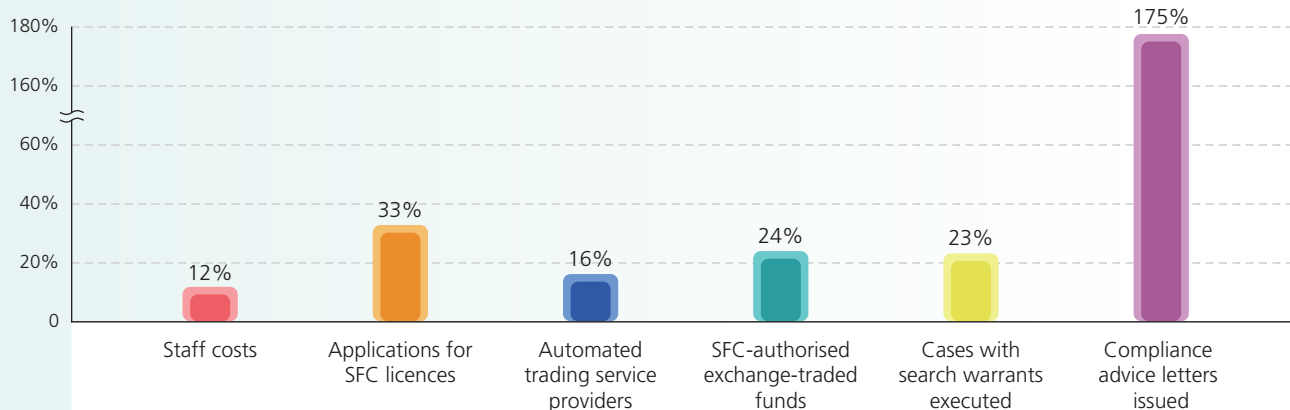
Income vs market turnover (2023/24-2025/26)



Income and operating expenses (2023/24-2025/26)



Three-year change in staff costs vs market statistics (2022/23-2025/26)



Enhancing institutional resilience and operational efficiency

Reserve

We took possession of an additional office floor during the year at an agreed consideration of \$0.45 billion pursuant to the Sales and Purchase agreement signed in 2023, and this was self-financed. Of the property acquisition reserve \$0.2 billion was utilised for the partial repayment of the bank loan principal in 2025-26. As of 31 March 2026, our total available for use and liquid reserves stood at \$4.9 billion, of which \$0.6 billion was allocated to the acquisition of two additional floors for the SFC and future principal bank loan repayments.

Effective workplace planning

During the year, we continued our commitment to fostering a more efficient, healthy, and sustainable workplace, with the goal of enhancing operational efficiency and productivity across the SFC. We have implemented a range of initiatives to optimise corporate resource planning and improve our office environment. Notably, our intelligent lighting system has contributed to significant savings in energy consumption, while our advanced air treatment system has helped maintain high air quality in our office. To further support staff wellbeing, each workstation is equipped with height-adjustable desks and monitor arms, encouraging better posture and lowering the risk of strain-related injuries.

Our wellness rooms and communal areas have been designed to address the diverse needs of our staff, providing areas for relaxation, rejuvenation and social interaction. In addition, our multi-function rooms offer a versatile setting for both large-scale staff training and leisure activities, supporting continuous learning and team-building across the SFC.

Prioritising human capital and fostering staff development

Focusing on people

We are committed to making the SFC an employer of choice. For 20 years in a row, the SFC has been named a “Caring Organisation” by the Hong Kong Council of Social Service. The Employees Retraining Board (ERB) has recognised our decade-long commitment to promote staff learning and development with the prestigious “ERB Super Manpower Developer” award for the first time.

Ensuring that all our employees uphold the highest standards of integrity and compliance, we continually refresh and update our staff’s knowledge of our code of conduct and conflict of interest management in both their current and post-employment statuses.

Driving professional development

Our CEO communicates important organisational matters and regulatory developments and addresses questions from staff at our CEO sharing session. We also arrange internal Commission Connection sessions to update our staff on new policy initiatives.

We strive to provide staff with meaningful and fulfilling career development opportunities, and continue to refine our merit-based human resources policies to better align our people and culture with the SFC’s regulatory objectives, with a view to cultivating a healthy, symbiotic relationship between the two.

Recognising the benefits of broader professional exposure, we offer short-term internal secondments for staff through inter- and intra-exchange programmes.



Study visits to the Mainland



Enhancing institutional resilience and operational efficiency

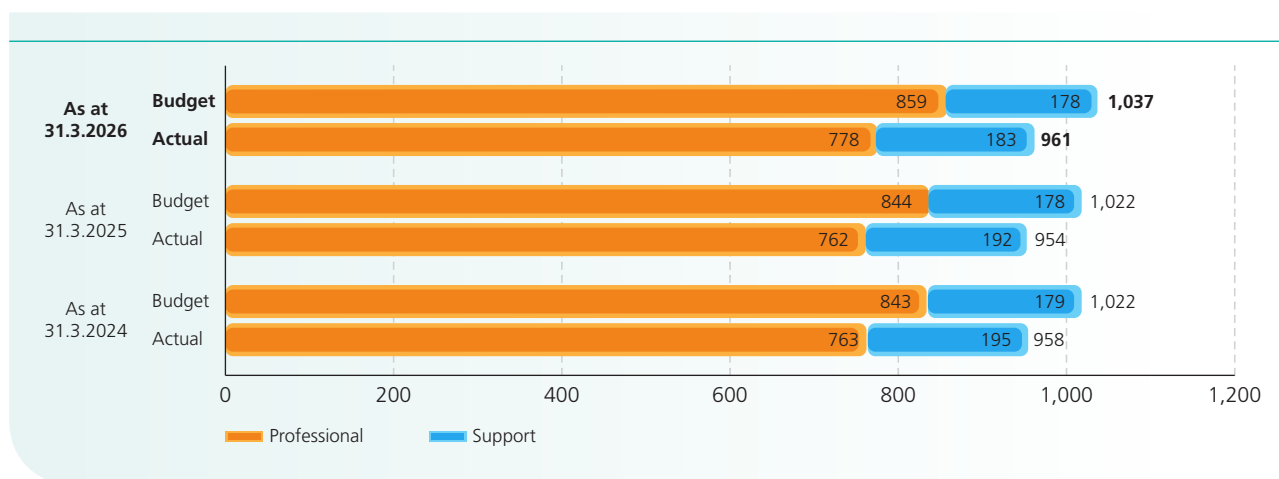
External secondment opportunities are also offered, including those this year with the Financial Services and the Treasury Bureau, the China Securities Regulatory Commission (CSRC) and the International Organization of Securities Commissions. During the year, one staff member from the State Administration of Foreign Exchange, 12 CSRC counterparts, and one staff member from the Capital Market Authority of Saudi Arabia were seconded to the SFC.

In addition, we invited local and overseas regulators and industry professionals to share their views with us on a wide range of topics including financial products, trading strategies and the latest developments in overseas jurisdictions.

To increase staff's work-related exposure and to foster a greater understanding of international developments, we also arranged study visits in Hong Kong as well as to Mainland and overseas counterparts, law enforcement agencies and stock exchanges. These included the HKMA, the Independent Commission Against Corruption, various exchanges in Shanghai and Shenzhen, and the Monetary Authority of Singapore.

During the year, our employees spent an average of 26.7 hours on structured learning courses, including workshops, seminars and training programmes. A total of 83 summer, winter and placement interns were placed across various divisions, including 21 Sustainable Finance Interns. In addition, 10 Executive Trainees were hired under the two-year Executive Trainee Programme.

Employee statistics



	As at 31.3.2026	As at 31.3.2025	As at 31.3.2024
Male	343	337	341
Female	618	617	617
Average years of service	10.6	10.4	9.8
Female staff at Senior Manager grade or above	56%	58%	58%

Training

	2025/26	2024/25	2023/24
Percentage of employees who participated in internal training [^]	100%	100%	99%

[^] Including lectures, workshops, seminars, webinars and e-learning.

Enhancing institutional resilience and operational efficiency

Maintaining an engaged workforce

We foster a supportive culture and a positive working environment as part of our core values. Our in-person divisional team building activities aim to promote team bonding and cohesion.

With female colleagues making up nearly two-thirds of our staff, the SFC Women's Network helps advance women's professional growth and foster an inclusive work culture. We were the first statutory body in Hong Kong to establish a women's group for staff. See sidebar on page 82 on the 10th anniversary of the Women's Network.

Meet our people

As part of the SFC's talent initiatives to nurture future leaders for Hong Kong's financial markets, the two-year Executive Trainee Programme offers cross-divisional rotations, structured training and mentorship to help young professionals build a career with a leading financial regulator.

Winnie Zhong, Assistant Manager of the Corporate Finance Division, deepened her understanding of Hong Kong's IPO market during her first rotation, and later contributed to a public consultation on licensing regimes for virtual asset dealers and custodians in the Intermediaries Division. "The cross-divisional rotation offers me exposure to both traditional and emerging financial sectors. The programme has broadened my view of the SFC's mission, clarified my career direction, and strengthened my appreciation of Hong Kong's dynamic financial markets," she said.

Audrey Li, Assistant Manager, CEO's Office, rotated to her current division in the first year of the programme, where she supported stakeholder engagements and learnt how collaboration with the industry and diverse stakeholders can enhance market resilience. In the following year, she took part in thematic inspections and compliance reviews in the Intermediaries Division. "These experiences taught me to view regulation through both operational and strategic lenses, broadening my

understanding of market dynamics and regulatory frameworks," she said.

Executive Trainee Russell Sng, currently in his second year of the programme, described it as an immersive introduction to financial regulation that integrates theory with application. In his first rotation with the Corporate Finance Division, he conducted policy research and post-listing monitoring, which proved valuable in his current work assessing fund applications and overseeing post-authorisation monitoring in the Investment Products Division. "The cross-divisional exposure deepened my appreciation of the SFC's interconnected regulatory functions, preparing me comprehensively for a career at this world-class financial regulator," he said.



Russell Sng (left), Winnie Zhong (middle) and Audrey Li

Enhancing institutional resilience and operational efficiency

Diversity powered: a decade strong

Celebrating its 10th anniversary, the SFC Women's Network marks a decade of transformative impact since its launch in 2015 as the first women's group of a financial regulator in Hong Kong. With female colleagues comprising nearly two-thirds of staff, it began as a platform to advance women's professional growth, evolving into a champion for diversity of thought, behaviour and experience across the organisation.

Ten years on, the initial objective of the Women's Network appears to have been met. The male-to-female ratio at the senior management level progressed to be more balanced in 2025. The Women's Network has extended its goals to creating a vibrant working environment that promotes diverse perspectives and decision-making. Furthermore, it is committed to the creation of development opportunities for staff at all levels, with a focus on self-empowerment and women leadership topics.

Key milestones reflect this broadening vision. The Women in Action series features female leaders inspiring colleagues to unlock leadership potential regardless of gender, age or seniority. The Executive Shadow Programme bridged junior and senior staff, fostering interaction and insight. The Mental Health Month promoted mental resilience for all generations, while dragon boat teams for both women and men underscored teamwork beyond gender lines.

Looking ahead, the Women's Network will continue to grow into an even broader platform that champions diversity, encourages open-mindedness and nurtures leadership built on empathy and strength. These differences weave a tapestry of thought and spirit — a core theme amplified over 10 years.

SFC public service recognised at Ombudsman's Awards

In 2025, two SFC staff members from the CEO's Office — Vincent Hui and Helen So — received the Ombudsman's Award for Officers of Public Organisations for their exceptional complaint handling. These awards highlight the SFC's unwavering commitment to professionalism and the pursuit of public service excellence.

Vincent Hui, Manager of the Complaints Team, Secretariat and External, managed over 400 complaints in a year, tackling complex issues such as cryptocurrency fraud, misconduct and unlicensed activities — all demanding careful assessment and timely action. One case involved a complaint about a securities firm's refusal to issue coupon rewards, which he resolved with fairness and patience. "I strive for professionalism in handling complaints, but always with a human touch and empathy," he said. Vincent added that the award is not only a personal honour but also a recognition of the One SFC spirit. "Given the rising volume and complexity of issues we handle, mutual support within the SFC has been crucial in achieving effective complaint resolution," he said.



Helen So (left) and Vincent Hui

Helen So, Manager, Secretariat and External, handled a challenging case where the complainant persistently resubmitted non-material information, alleged staff misconduct and threatened escalation for several years. She drew on cross-divisional collaboration to deliver a comprehensive and transparent response, exemplifying teamwork and fairness. "Taking a coordinated approach, our team quickly leveraged cross-team efforts to ensure an objective, balanced and fair response," she said. "This award is a tremendous boost to all of us as we continue to uphold the highest standards in serving the public."

Enhancing institutional resilience and operational efficiency

Meeting performance pledges

In fulfilling our regulatory roles, we pledge to be responsive to the public, market participants and the intermediaries under our supervision.

		Cases meeting the pledge		
		2025/26	2024/25	2023/24
Applications for subordinated loan or modification/waiver of requirements under the Securities and Futures Ordinance (SFO)				
– Commence review of application upon receipt	2 business days	100%	100%	100%
Authorisation/registration of investment products				
– Take-up of applications upon receipt	5 or 2 business days ^a	100%	100%	100%
– Preliminary response to applications after take-up for paper gold schemes, private open-ended fund companies, Thai-domiciled funds under the Thai-Hong Kong mutual recognition of funds scheme and Hong Kong-domiciled feeder funds each investing in a single Thai-domiciled master fund that meets the requirements under the scheme	7 business days	100%	100%	100%
– Response to applications after take-up for unit trusts and mutual funds processed under FASTrack ^b	10 business days	100%	100%	N/A
– Preliminary response to applications after take-up for other products	14 business days	100%	100%	100%
General enquiries				
– Preliminary replies	5 business days	100%	100%	100%
Processing of licensing applications under the SFO^c				
– Corporations	15 weeks	100%	100%	100%
– Representatives (provisional licences)	7 business days	100%	99%	100%
– Representatives (normal licences)	8 weeks	99% ^d	99%	99%
– Representatives (responsible officers)	10 weeks	99% ^d	99%	99%
– Transfer of accreditation	7 business days	100%	99%	99%
Complaints against intermediaries and market activities				
– Preliminary response	2 weeks	100%	100%	99.9%

Enhancing institutional resilience and operational efficiency

During the year, 100% of takeovers and mergers-related applications and transactions met the performance pledges. Details of the response time are listed in the following table.

Consultations and rulings under sections 6 and 8 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs (Codes)	
Applications for rulings and consultations with the Takeovers Executive	
– All ruling applications and consultations under the Codes (except for those set out below)	5 business days ^e
– Applications for rulings that are conditional on obtaining shareholders' approval in a general meeting	Normally within 5 business days before the relevant general meeting
– Fast track EFM/EPT applications and EFM/EPT annual confirmations ^f	10 business days
– All other EFM/EPT applications	21 business days
Comments and clearance of announcements and documents under Rule 12 of the Takeovers Code	
First draft of firm intention announcement under Rule 3.5 of the Takeovers Code	
– No complex Code issues involved	2 business days
– Complex Code issues involved	3 business days ^g
All other announcements (including revised drafts)	
– No complex Code issues involved	1 business day
– Complex Code issues involved	3 business days ^g
All drafts of shareholders' documents^h	5 business days

a The pledge of five business days is applicable to the authorisation of the following products:

- Unit trusts and mutual funds
- Mandatory provident fund products (including pooled investment funds)
- Pooled retirement funds
- Real estate investment trusts
- Investment-linked assurance schemes

The pledge of two business days is applicable to the authorisation of other products (which include paper gold schemes) and the registration of private open-ended fund companies.

b Unit trusts and mutual funds processed under FASTrack refer to funds that are domiciled and regulated in jurisdictions which have a mutual recognition of funds arrangement with Hong Kong and meet the criteria set out in the Circular to applicants seeking SFC authorisation of unit trusts and mutual funds – Launch of a new Fund Authorisation Simple Track (FASTrack) dated 21 October 2024, as amended from time to time.

c During the year, we processed 17,030 applications that were subject to performance pledges, 15,310 of which were processed within the applicable period. The completion of the vast majority of the remaining 1,720 applications was delayed for reasons beyond our control. For example:

- unresolved fitness and properness issues;
- outstanding vetting requests;
- outstanding material information from applicants; and
- requests by applicants that we delay finalising their applications.

To more accurately reflect our performance, these applications are not included in the percentages stated.

d The delays were usually short and resulted from unexpected complications, such as abnormal increases in our workflow and resulting resourcing difficulties.

e If the subject matter involves complex Code issues, the time limit will be extended to 21 business days and the applicants will be informed of this.

f EFMs and EPTs refer to exempt fund managers and exempt principal traders as defined under the Codes.

g The parties will be informed of the longer time needed.

h Including offer documents, offeree board circulars, whitewash circulars, scheme documents and share buy-back circulars.

Environmental, Social and Governance

As a statutory regulator, we are committed to upholding high standards in our operations and fulfilling our public mission. Our core values of integrity, transparency and public accountability guide all our actions. Maintaining sound corporate governance is crucial for the effective delivery of our regulatory measures. We are also dedicated to social responsibility and sustainability by leading both local and global initiatives.



Corporate Governance

Adopting effective governance framework

We are firmly committed to upholding a robust corporate governance framework comprising a well-defined governance structure, high standards of conduct, efficient operational and financial control procedures, and effective checks and balances. This ensures that we carry out our work as a statutory regulator efficiently and effectively, fairly and with integrity, in line with best governance practices for public bodies, including those set out in *Corporate Governance for Public Bodies — A Basic Framework*¹.

Our Board

The SFC Board plays a pivotal role in setting the overall strategies of the organisation and ensuring that management effectively carry out the SFC’s duties to the fullest extent.

Constitution

The Securities and Futures Ordinance (SFO) stipulates the constitution and proceedings of our Board. Board members are appointed for a fixed term by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) or the Financial Secretary under delegated authority. The HKSAR Government also determines their appointment terms and conditions. Supplementary information about Board members’ emoluments for the year is provided on page 133.

As of 31 March 2026, the Board comprised a majority of Non-Executive Directors (NEDs), accounting for 60% of the Board, ie, nine NEDs, including the Chairman; and six Executive Directors (EDs), including the Chief Executive Officer (CEO).

Coming from diverse backgrounds, our NEDs bring a wealth of experience, expertise and independent perspectives to the Board. Together, the Board contributes to the development of the SFC’s policies by providing strategic insights.

See pages 16-23 for the full list of Board members and their biographies.

Key components of our governance framework



¹ Published by the Hong Kong Institute of Certified Public Accountants.

Key responsibilities of the Board



Chairman and CEO

The non-executive Chairman and the CEO each has distinct roles and responsibilities. The clear division of duties entails a highly effective corporate governance structure.

Chairman

- Develops an effective Board in pursuit of the SFC's objectives and functions:
 - strengthening the integrity and resilience of the securities and futures markets
 - enhancing the global competitiveness of Hong Kong's capital markets through timely reform and visionary strategies
 - leading financial market transformation
 - enhancing the SFC's institutional resilience and operational efficiency
- Leads the Board as a team

- Leads the Board in setting the SFC's overall directions, policies, strategies, agendas and priorities
- Provides a source of counsel and challenge to the CEO on how the SFC is run, including giving feedback to the CEO on senior management performance, development and succession planning, and organisational structure
- Evaluates the effective functioning of the Board, SFC committees and individual directors

CEO

- Assumes executive responsibility for the SFC's day-to-day operations
- Develops strategic objectives, including setting the SFC's agendas and priorities, and implements them as agreed with the Board
- Assigns responsibilities to senior management and supervises their work
- Reports regularly to the Board

Corporate Governance

Executive Directors and Non-Executive Directors

Our EDs and NEDs play different but complementary roles. The EDs are entrusted with managing the SFC's daily operations and each has executive duties in key functions — listings, takeovers and corporate conduct, licensing and supervision of intermediaries, market infrastructure, investment products, enforcement and legal services. The NEDs monitor and provide guidance on the performance of the SFC's various functions.

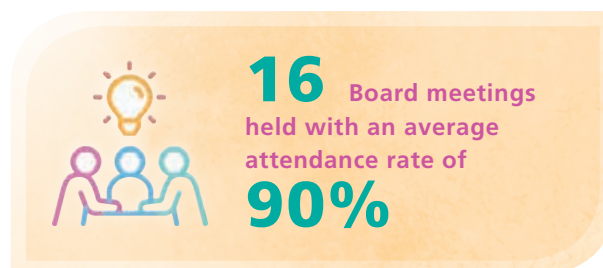
Governance practices

Upholding top-notch corporate governance standards is our priority. The Board establishes a governance culture, as well as clear and proper policies and processes, to work in an efficient and accountable manner. Regular and special meetings are held as needed for the Board, as well as an annual retreat. Furthermore, we hold induction briefings for new NEDs to better understand the organisation, its functions and powers, and their responsibilities.

The Board is tasked with ensuring effective corporate governance, while the Secretariat Office is charged to support the Board in upholding governance. The Secretariat Office is part of the Secretariat and External department within the CEO's Office. It manages Board affairs, assists the Board and the CEO in developing strategies, oversees organisational initiatives and directing work processes to enable good governance, and manages risks. It is responsible for the SFC's overall external development and stakeholder management, acting as the central relationship point with the HKSAR Government, the Legislative Council (LegCo) and its members, fellow regulators, other public bodies and industry associations.

The Secretariat and External department also oversees the SFC's external communications. It is responsible for the handling of public complaints and enquiries, and manages the SFC's website and social media.

The Commission Secretary and Chief Governance Officer is the head of the Secretariat and External department. He serves as the secretary to the Board, and is a member of the Executive Committee (ExCo). He is also the Data Privacy Officer of the SFC responsible for ensuring the SFC's compliance with data privacy rules and standards.



Board evaluation

The Board continues to improve its effectiveness in different ways. As part of its biennial self-assessment, each board member is invited to complete an anonymous questionnaire on how well the Board is performing its key responsibilities. An analysis of the findings is presented to the Board at its retreat meeting to consider areas for improvement.

Board appointments

Ms Julia Leung was re-appointed CEO for a further two-year term, effective 1 January 2026.

Ms Christina Choi, Mr Rico Leung and Mr Michael Duignan were re-appointed EDs for three years from 1 November, 28 August and 1 November 2025, respectively. Mr Christopher Wilson stepped down as ED in October 2025.

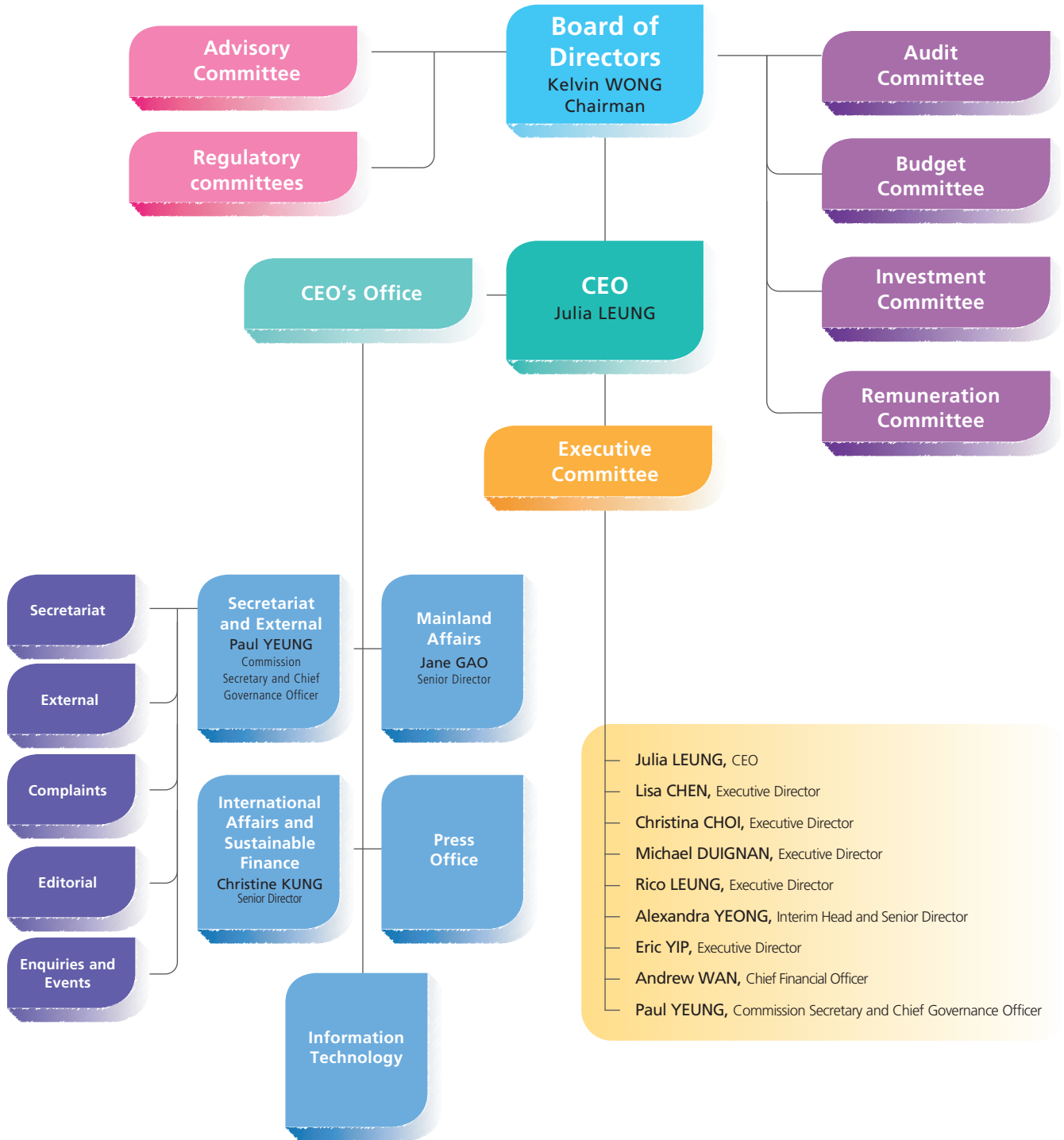
Mr Tony Tang Xiaodong was appointed NED for a term of two years from 24 April 2025. Mr Johnson Kong and Mr Dieter Yih were re-appointed NEDs for two years commencing on 15 November 2025. Mr Nicky Lo stepped down as NED in April 2025.

Board meetings

In addition to monthly meetings, the Board meets from time to time to discuss policy issues in depth and convenes special meetings as needed to address key matters. It also holds an annual retreat meeting to set out strategic objectives and management priorities to effectively steer the SFC towards the desired goals.

Last year, 16 Board meetings were held with an average attendance rate of 90%.

Organisational structure



- Julia LEUNG, CEO
- Lisa CHEN, Executive Director
- Christina CHOI, Executive Director
- Michael DUIGNAN, Executive Director
- Rico LEUNG, Executive Director
- Alexandra YEONG, Interim Head and Senior Director
- Eric YIP, Executive Director
- Andrew WAN, Chief Financial Officer
- Paul YEUNG, Commission Secretary and Chief Governance Officer

■ Board committees ■ External committees

Meeting attendance record

Meetings attended/held	Board	Audit Committee	Budget Committee	Investment Committee	Remuneration Committee	Executive Committee
Chairman						
Dr Kelvin Wong Tin-yau ^a	16/16	2/2	–	2/2	3/3	–
Executive Directors						
Julia Leung Fung-yee	15/16	–	1/1	2/2	–	21/23
Lisa Chen Ping	15/16	–	–	–	–	21/23
Christina Choi Fung-yee	16/16	–	–	–	–	17/23
Michael Duignan	15/16	–	–	–	–	19/23
Rico Leung Chung-yin	16/16	–	–	–	–	21/23
Christopher Wilson ^b	7/9	–	–	–	–	14/16
Eric Yip Chee-hang	11/16	–	–	–	–	16/23
Non-Executive Directors						
Vincent Chan Chun-hung ^c	15/15 ^h	–	–	2/2	3/3	–
Chew Fook-aun	14/16	–	1/1	1/2	2/3	–
Victor Dawes	13/15 ^h	2/2	–	–	2/3	–
Johnson Kong Chi-how	13/15 ^h	2/2	1/1	–	3/3	–
Nicky Lo Kar-chun ^d	–	–	–	–	–	–
Keith Pogson	15/15 ^h	2/2	–	–	3/3	–
Tony Tang Xiaodong ^e	14/16	–	0/1	–	3/3	–
Michael Wong Yick-kam	13/16	–	–	1/2	2/3	–
Dieter Yih Lai-tak	14/16	2/2	0/1	–	3/3	–
Commission Secretary and Chief Governance Officer						
Paul Yeung Kwok-leung	–	–	–	–	–	21/23
Chief Financial Officer						
Andrew Wan Chi-yiu ^f	–	–	–	2/2	–	22/23
Interim Head, Investment Products						
Alexandra Yeong Wei-ming ^g	6/7	–	–	–	–	5/7

a Appointed as Chairman of the Remuneration Committee effective on 24 April 2025.

b Appointment expired on 31 October 2025.

c Appointed as a member of the Investment Committee effective on 24 April 2025.

d Appointment expired on 23 April 2025.

e Appointed as a member of the Board, Budget Committee and Remuneration Committee effective on 24 April 2025.

f Retired on 16 May 2026.

g Appointed as Interim Head of Investment Products effective on 1 November 2025.

h The Board member recused himself from one of the Board meetings.

New Non-Executive Director on Board

We welcomed Mr Tony Tang as NED in April 2025. A fund industry veteran, he brings to the SFC Board the rich perspectives of a market practitioner that empower both our regulatory deliberations and risk management framework. Taking a balanced approach to policy matters, he combines market-oriented standpoints with risk-focused oversight.

Mr Tang previously held senior positions at the China Securities Regulatory Commission (CSRC) and was Vice-Chairman of the International Organization of Securities Commissions' (IOSCO) Investment Management Committee.

In particular, he gained valuable insights into the Mainland's market operations, regulatory philosophy and investor protection during his CSRC tenure. He took part in a number of policy initiatives that have made material contributions to the Nation's capital market development. Amongst the milestones, he witnessed first-hand the significance of Mainland-Hong Kong market connectivity. This was made possible through effective communication and collaboration, which have proven invaluable in his Board responsibilities. In addition, his role at IOSCO enabled him to advance international standards and best practices.

As a new member of the SFC Board, Mr Tang has observed a culture of professionalism, intellectual rigor and an unwavering commitment to investor protection amongst fellow members. These attributes have empowered the Board to find solutions to major challenges whilst maintaining high standards of governance, impartiality and transparency.



Mr Tony Tang

“With the SFC Board’s strong emphasis on regulatory independence, market integrity and financial stability, my new role demands prudent, balanced and forward-looking regulatory oversight.”

Mr Tang also finds the SFC Board distinct from others he has served, given its statutory mandate to regulate markets and its duty to address intricate cross-market and systemic risks. On matters of substantial impact, he noted that the Board's attention to detail — often highly technical yet essential — ensures our financial markets remain resilient and robust.

SFC committees

Board committees

Each of our four Board committees has a distinct focus on well-defined areas of the SFC's operations and is chaired by an NED. The NEDs' involvement and active

participation provide effective checks and balances on our management decisions to ensure their soundness and efficacy.

Audit Committee

Responsibilities

- Reviews annual financial statements
- Recommends the appointment of external auditors
- Coordinates the scope of the external audit and reviews audit findings
- Examines management procedures to ensure effective financial and internal controls

5
NEDs

2
Meetings

Budget Committee

Responsibilities

- Examines and approves the parameters and bases used in the annual budget
- Conducts the mid-year budget review
- Reviews the annual budget and makes recommendations to the Board

4
NEDs

1
ED[^]

1
Meeting

Investment Committee

Responsibilities

- Advises on the SFC's fund management policies, strategies and investment guidelines
- Recommends the appointment of investment managers and advisers and monitors their performance including compliance with the investment guidelines
- Advises on investment risk management and asset allocation and monitors the performance of investments

4
NEDs

1
ED

1
Senior
Director[^]

2
Meetings

Remuneration Committee

Responsibilities

- Reviews policy on the structure of staff remuneration and recommends amendments
- Reviews reports on trends in salary and benefits and recommends adjustments
- Considers any other matters referred to it, including recommendations to the Government on EDs' remuneration and re-appointment

9
NEDs

3
Meetings

[^] In a non-voting capacity.

Corporate Governance

Executive Committee

As the highest executive body, ExCo carries out a wide range of administrative, financial and management functions as delegated by the Board and ensures the SFC functions effectively. Chaired by the CEO, ExCo comprises all EDs, the Chief Financial Officer and Senior

Director of Corporate Affairs, and the Commission Secretary and Chief Governance Officer.

ExCo convenes regular meetings to deliberate on policy and operational proposals and expense requests from different divisions. Throughout the year, 16 ExCo meetings were held with an average attendance rate of 91%.

Andrew WAN
Chi-yiu

Chief Financial Officer

Lisa CHEN
Ping

Executive Director,
Legal Services

Rico LEUNG
Chung-yin

Executive Director,
Supervision of Markets

Michael
DUIGNAN

Executive Director,
Enforcement

Alexandra YEONG
Wei-ming

Interim Head,
Investment Products



Paul YEUNG
Kwok-leung

Commission Secretary and
Chief Governance Officer

Julia LEUNG
Fung-yee

Chief Executive
Officer

Christina CHOI
Fung-yee

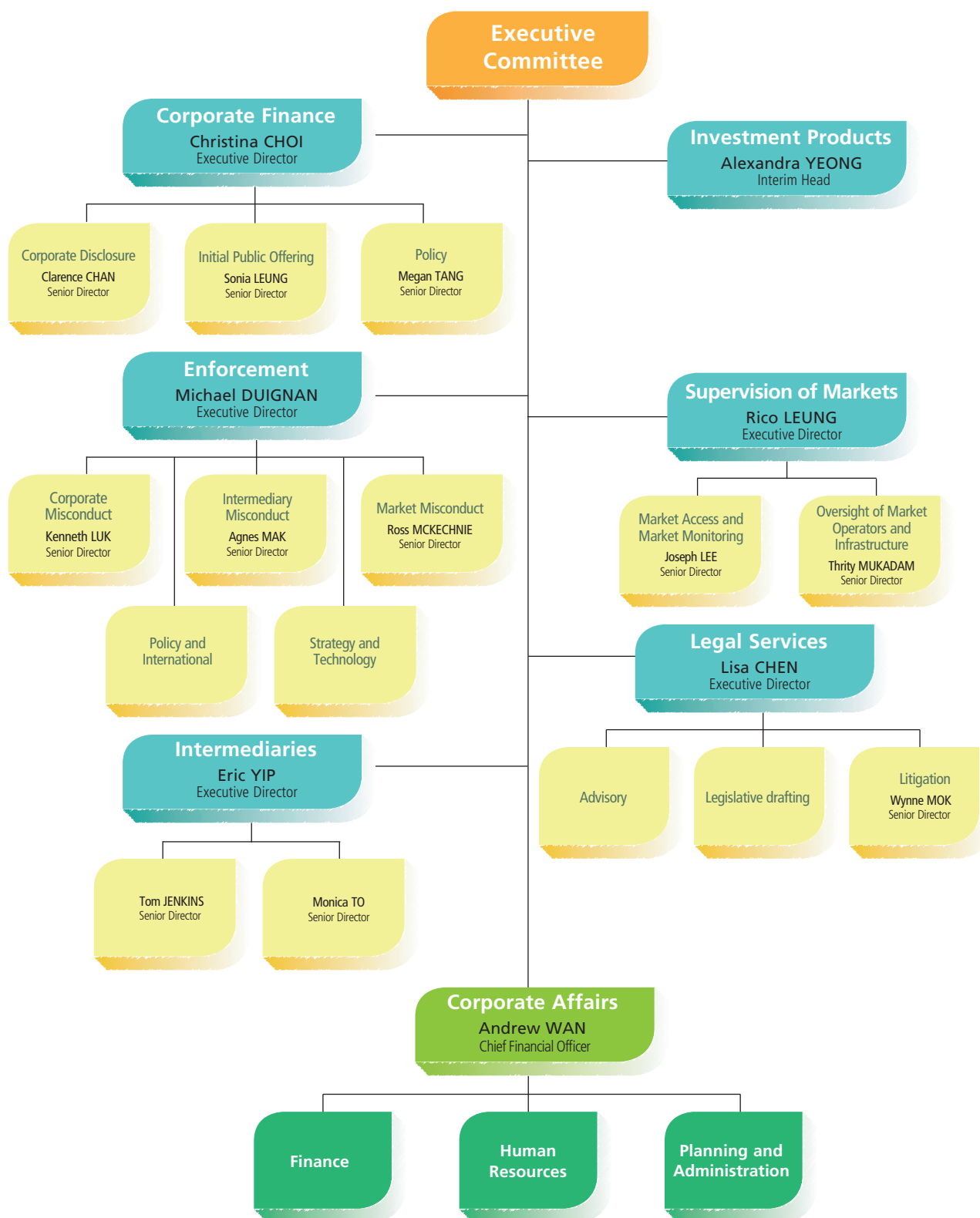
Executive Director,
Corporate Finance

Eric YIP
Chee-hang

Executive Director,
Intermediaries



Biographies of ExCo



External committees

Established under the SFO, external committees are made up of a large number of members outside the SFC. They represent diverse perspectives of market participants and play crucial roles in the SFC's governance.

The Advisory Committee provides insights and advice on policy matters concerning the SFC's functions. The majority of members are external representatives appointed by the Financial Secretary under authority delegated by the Chief Executive of the HKSAR. The Committee is headed by the Chairman, and its members include the CEO and not more than two other EDs.

In addition, each regulatory committee specialises in certain areas such as investment products, shareholders' rights and interests, takeovers and mergers, continuous professional training for licensees and investor compensation. Members are appointed by the Board and consist of NEDs, EDs, industry representatives and other stakeholders. There were 14 regulatory committees as at end-March 2026.

See pages 187–196 for the responsibilities and membership lists of the external committees.

Formulating strategic plans

As the financial regulator of a leading international financial centre (IFC), we formulate strategic priorities to guide our regulatory work through changing market developments and regulatory landscape. Details are set out in "Strategic Priorities" on pages 8-13.

Setting clear paths is particularly important to steer market developments and maintain Hong Kong's status as a leading IFC. At its annual retreat during the year, the Board discussed enhancements to board governance, including the effectiveness of its current structure in supporting decision-making, balancing oversight with active engagement, as well as ensuring the SFC has clear objectives for market development and investor protection. The Board also considered the importance of leadership continuity, development and succession planning.

Upholding standards of conduct

SFC staff must uphold high standards of integrity and conduct to garner public trust. Besides their legal obligations, staff members are obligated to adhere to the SFC's Code of Conduct which covers confidentiality, conflicts of interest, personal investments, and acceptance of gifts and hospitality. Failure to comply with the code may result in disciplinary action. During the year, we updated both the Code of Conduct for staff and our financial control policies and procedures to ensure they remain effective and robust. For instance, we further enhanced our policies on managing conflicts of interest and handling confidential information in December.

Maintaining accountability and transparency

We have established rigorous policies and procedures to ensure that we act with credibility, fairness and transparency.

Delegation of authority

A comprehensive system of delegation of authority is in place, under which the authority of the Board and different levels of the executive management are clearly delineated. As permitted under the SFO, the Board delegates regulatory powers and functions to the CEO and other EDs, who have the power to sub-delegate to staff in their respective divisions to facilitate the discharge of their duties.

Budgeting

Each year, our annual budget is prepared in accordance with a disciplined and prudent framework to maintain rigorous financial control and effective financial planning. This process involves detailed management of our expenditure by adhering to robust internal financial controls, adopting pragmatic assumptions, and allocating our resources carefully to achieve our strategic priorities and operational requirements.

We promote the efficient use of resources, requiring divisions to prioritise essential activities, implement cost-saving measures, optimise resources deployment, and reduce non-essential activities. Following the Budget Committee's consideration and the Board's approval, the SFC's annual budget is submitted to the Financial Secretary for approval and then tabled before LegCo. We also present our budget annually to LegCo's Panel on Financial Affairs.

Corporate Governance

Investment

The SFC's surplus reserves are invested conservatively to support long-term financial sustainability and meet ongoing operational requirements. In managing our surplus reserves, we comply with the investment guidelines approved by the Financial Secretary and apply robust risk management procedures to ensure the surplus reserves remain secure and adequate to meet future needs.

The Investment Committee, as one of our Board committees, advises the SFC on investment management policies and guidelines, as well as investment performance, risk management, strategies and asset allocation.

We have delegated the allocation and management of our investments to reputable external investment managers, which are mandated to comply with the approved investment guidelines and regularly review their compliance. The external investment managers have confirmed their adoption of the Principles of Responsible Ownership² in managing these investments.

Financial control and reporting

In order to ensure the appropriate management and use of public funds, we adhere to strict financial controls and reporting procedures that are firmly embedded in our processes. Each year, we engage an external, independent professional services firm to review our compliance with those controls and procedures, as well as reassess their continued appropriateness, effectiveness and robustness.

We voluntarily observe applicable requirements stipulated in the Hong Kong Companies Ordinance when preparing our financial reports, and we adopt the Hong Kong Financial Reporting Standards for preparing financial statements and disclosing financial information.

In addition, we keep in view the best market practices to ensure our financial reports are transparent and informative for our stakeholders. Our practices include:

- Selecting relevant accounting policies and applying them consistently
- Appointing an external firm to conduct an interim review and annual audit
- Presenting our interim and annual financial statements to the Audit Committee for consideration

- Seeking the Board's approval of quarterly and annual financial statements and publishing them in our quarterly and annual reports
- Reporting key financial data to the Board and ExCo every month
- Providing regular reports to the HKSAR Government

Handling complaints and grievances

We firmly believe in upholding our principles of accountability and transparency, which extend to every aspect of our operations, including our complaint handling procedures. Members of the public can file reports of improper practices of the SFC or our staff under our procedures for handling complaints against the SFC or its employees. These encompass dissatisfaction with the SFC or our staff in carrying out our duties. Detailed procedures to lodge a complaint with us are available on our website.

Efficient use of resources

Our regular reviews of corporate resources ensure that we operate efficiently by allocating resources according to our needs and strategic priorities.

We endeavour to identify opportunities to enhance efficiency and rationalise recurrent costs. Our largest cost-saving measure of late was the acquisition of office floors at One Island East, Quarry Bay, which has improved our cashflow by saving rental payments and avoiding potential rental increases. This arrangement also enhances operational efficiency by accommodating our staff at a single location, and provides flexibility for future expansion, thereby avoiding operational disruptions and the need for office relocation.

We optimise resource allocation to uphold our commitment to maintain an office environment of the highest standards. We have fostered stronger collaboration with the building management of Swire Properties, the co-owner and property manager of our One Island East office premises, by participating in regular owners' committee meetings to plan for future developments of the office area. We have enhanced our office maintenance with more frequent schedules and allocated resources to improve our facilities with more flexibility, creating a better workplace for our employees.

² Issued by the SFC in March 2016, these voluntary principles aim to provide guidance on how investors should fulfil their ownership responsibilities in relation to investments in Hong Kong listed companies.

Corporate Governance

We strategically configure resource allocation across the organisation to deliver robust supervision and enforcement action. In response to fast-evolving and increasingly complex markets, we have set up cross-divisional project teams to work on initiatives related to multiple functions in order to formulate timely and effective regulatory responses. We have also enhanced a number of operational processes with digitisation and automation. The use of traditional and generative artificial intelligence (AI) has further raised our operational efficiency. See “Enhancing institutional resilience and operational efficiency” on pages 71-84 for details.

Supporting sustainability

As a socially responsible organisation, we strive to address the full range of risks arising from climate change and sustainability issues. We implement a sound framework for corporate governance around sustainability-related risks and opportunities. We commit ourselves to becoming a carbon-neutral organisation before 2050, in line with the HKSAR Government’s climate action plan³. Additionally, we set an interim target to reduce 50% of our total carbon emissions by 2030. See “Sustainability” on pages 100-106 for more details.

Driving proactive stakeholder engagement

To advance the SFC’s strategic objectives, we have been stepping up our external engagement efforts. We take a proactive and holistic approach centred on key policy issues, enabling us to anticipate and address emerging challenges. We cultivate constructive, ongoing dialogues with stakeholders — including the HKSAR Government, LegCo members, the financial services industry, regulatory counterparts and the investing public — ensuring our communications are timely, targeted and aligned with evolving market developments and public expectations. A diverse range of engagements, publicity activities and educational campaigns across traditional and digital platforms around integrated themes are conducted to instil public trust and promote stakeholder understanding of our work. See “Maintaining market resilience and mitigating serious harm to our markets” on pages 30-43 for details.

We also reach out to the industry and the public to explain our policies and collect their views through workshops, seminars and other activities. We attend meetings at LegCo to present our budget, explain policy initiatives and address other issues of public interest. See “Enhancing institutional resilience and operational efficiency” for our outreach initiatives on pages 71-84 for details.

In addition to public enquiries, we handle complaints from the public with integrity. During the year, two staff members (both from the Secretariat and External department) received the Ombudsman’s Awards for Officers of Public Organisations 2025 in recognition of their exemplary performance in complaint handling. The awards help foster a positive culture of service in the public sector. See the sidebar on page 82 for details.

Managing risks proactively

To regulate markets effectively in a dynamic environment, it is important for us to identify, assess and manage both external and internal risks in a timely and systematic manner. We adopt a wide range of tools to monitor risks that may affect the market and our operations, and implement effective control measures or regulatory response to mitigate these risks.

Mitigating market risks amid uncertainty

We ensure our markets are resilient against external shocks. In 2025, Hong Kong outperformed most major overseas markets in both benchmark index performance and trading volume. Whilst markets experience volatilities at times following sharp rallies, we closely monitor them to ensure trading, clearing and settlement are orderly. Hong Kong’s markets have remained resilient, with no signs of irregularities which may pose systemic risk or seriously affect financial stability.

The SFC has established an effective and comprehensive framework for cross-market monitoring. We have developed proprietary indicators to monitor market trends, trading patterns and changes in positions across various market segments. We analyse changes in the securities market and different activities to ensure the markets’ normal and orderly functioning and safeguard Hong Kong’s financial safety. Our monitoring covers a broad array of asset classes to identify possible vulnerabilities and gauge investor sentiment.

³ See *Hong Kong’s Climate Action Plan 2050*, issued in 2021.

Corporate Governance

To detect possible irregularities, we conduct comprehensive assessments of potential systemic risks arising from positions across different markets. Data collected from various reporting regimes include the identity information of position holders, enabling the SFC to aggregate positions established by investors across the stock, exchange-traded derivatives and OTC markets to form a holistic assessment. Based on the sizes, directions and changes in positions held by market participants, the SFC is able to monitor risks arising from interconnectedness in a timely manner, particularly under extreme market situations. We identify risks arising from concentration and build-ups of positions, and analyse trends and sharp changes, which may have systemic implications for the stock and derivatives markets. We benchmark our market performance and indicators against major overseas markets, historical trends and previous crisis periods.

In addition, our cross-divisional Risk Review Group identifies and assesses potential and emerging risks facing the SFC and the Hong Kong market at large.

Furthermore, we coordinate with the Government and other financial regulators from time to time to exchange information about market situations and react promptly in a coordinated manner when market volatilities increase. Our market contingency plan sets out measures for different segments of Hong Kong's securities and futures markets to deal with emergency situations.

Safeguarding against risks internally

Our function and operation as a financial regulator are subject to risks in an ever-changing financial landscape, including financial risks and threats to our information and office security. Our financial control policies and procedures ensure that we uphold the highest standards of integrity, and exercise rigorous controls on the use of public funds.

To provide for safe and smooth operations, we regularly assess our business resumption priorities to address readily identifiable risks and emergencies covering office premises, communications and computer services. Apart from appointing an external auditor, we engage an independent firm to conduct internal audits to assess the effectiveness of our operational controls, identify weaknesses and recommend opportunities to strengthen these controls. The Audit Committee approves the scope of each annual internal audit review that may cover areas

including banking and investment, finance, procurement, human resources and information technology. The findings and recommendations are reported to the Audit Committee with enhancements made to related policies and procedures where necessary.

To facilitate compliance with the Personal Data (Privacy) Ordinance, we have designated the Commission Secretary and Chief Governance Officer as the Data Privacy Officer. We also have a data privacy manual in place and provide staff with a quick guide comprising frequently asked questions and illustrative examples.

We continue to enhance our operational processes through increased digitisation and automation, with greater adoption of AI to further improve operational efficiency and regulatory monitoring.

Our information security policy provides guidance on safeguarding the confidentiality and integrity of information, and is updated regularly to keep pace with technological and operational developments. We continue to refine our information security practices to summarise and communicate key cybersecurity risks the SFC faces, supporting more effective risk management and oversight. We implement timely updates on the access controls of our information and systems to protect them from unauthorised access, use or modification.

We have implemented a series of enhanced measures to strengthen integrity and manage both conflicts of interest and confidential information. When there are significant changes to SFC policies or procedures, we provide our staff with training sessions to keep them informed. In addition, all staff members are required to disclose post-employment activities upon their resignation.

In addition, we work closely with external experts, partners and law enforcement agencies to obtain the latest cyber threat intelligence and insights relevant to our operations. We also conduct regular cybersecurity assessments and drills to test our defences and strengthen our overall security posture against evolving threats.

During the year, we delivered targeted cybersecurity training on phishing, deepfakes, and other emerging threats to prepare our staff to guard against cyberattacks. The training emphasised prudent online behaviour to keep our staff informed of best practices in protecting SFC information and systems.

Ensuring independent checks and balances

Independent bodies play an important role in maintaining a fair and balanced approach to our operational work. They are responsible for conducting external checks and balances to ensure fairness in our decision making, observance of due process, and

proper use of our regulatory powers. The Process Review Panel and the Securities and Futures Appeals Tribunal scrutinise our actions and procedures. In addition, we are subject to judicial review by the courts and indirect oversight by the Ombudsman.

Independent body	Relevant functions	SFC-related tasks handled
Process Review Panel <ul style="list-style-type: none"> An independent panel established by the Chief Executive of the HKSAR in 2000 Comprises representatives from various sectors and two ex-officio members, namely the SFC Chairman and a representative from the Department of Justice 	<ul style="list-style-type: none"> Reviews and advises on the adequacy of our internal procedures and operational guidelines, including those for the handling of complaints and licensing applications, inspection of intermediaries, product authorisation, corporate finance transactions and the exercise of investigation and disciplinary powers 	<ul style="list-style-type: none"> Reviewed 60 cases and published its annual report in December 2025
Securities and Futures Appeals Tribunal <ul style="list-style-type: none"> Chaired by current or former judges appointed by the Chief Executive of the HKSAR and comprising two other members drawn from a panel appointed by the Financial Secretary under delegated authority 	<ul style="list-style-type: none"> Reviews specified decisions made by the SFC or the Investor Compensation Company Limited Has power to confirm, vary or set aside decisions made by the SFC (and where a decision is set aside, substitute any other decision it considers appropriate) or refer the matter back to the SFC with directions 	<ul style="list-style-type: none"> Received a request to review 5 new cases Decided on 1 case brought forward from 2023-24 Allowed 3 cases received in 2025-26 to be withdrawn and 1 case brought forward from 2023-24 to be withdrawn Held substantive hearing for 1 case received in 2025-26 Allowed 2 applications for extension of time to file an application for review[^]
The Ombudsman	<ul style="list-style-type: none"> Handles public complaints against the SFC and its staff for alleged mal-administration 	<ul style="list-style-type: none"> Conducted 1 preliminary inquiry
Courts	<ul style="list-style-type: none"> Handle judicial reviews of SFC decisions 	<ul style="list-style-type: none"> Handling 2 judicial review cases brought forward from 2024-25

[^] Of the two applications for extension of time, one application for review was made within the extended time limit, and no application for review was filed within the extended time limit for the other.

Sustainability

The SFC integrates sustainability considerations into the core of its corporate and regulatory strategy. By referencing the Task Force on Climate-Related Financial Disclosures (TCFD)¹ framework, we demonstrate

our commitment to transparency in reporting and sustainability disclosures. This reflects our ongoing efforts to foster resilient and transparent securities markets while advancing the decarbonisation of our own operations.



Governance Board and management oversight

The SFC has a robust corporate governance framework for considering climate and sustainability matters. Our cross-divisional Sustainable Finance Working Group, chaired by our Chief Executive Officer (CEO) Ms Julia Leung, provides the Board and senior management with regular updates on key initiatives, including regulatory developments, local and international stakeholder engagement, and our decarbonisation progress.



Strategy Strategic responses to climate-related risks and opportunities

Climate change poses significant physical and transition risks to the global economy and financial system. The SFC aims to mitigate these risks by combatting greenwashing and facilitating efficient capital allocation for low-carbon transition. Guided by our *Agenda for Green and Sustainable Finance*², we focus on initiatives to uphold market transparency and investor protection, and have conducted scenario analysis to evaluate the climate resilience of our operations.

Recognising the cross-border nature of climate issues, the SFC has been actively taking the lead in international regulatory standard-setting to drive global and regional best practices. Locally, we spearhead initiatives to bolster Hong Kong as a leading sustainable and transition finance hub by aligning with international standards and supporting the use of data and technological solutions, talent development and capacity building.



Risk management Identification, assessment and management of risks

Our cross-divisional Risk Review Group identifies and monitors emerging risks faced by the SFC, including climate and sustainability exposures, and it reports to the SFC Board and senior management regularly.

We have implemented measures to reduce our operational greenhouse gas (GHG) emissions to support the HKSAR Government's Climate Action Plan 2050 and meet our own targets. We have taken initiatives to mitigate greenwashing, enhance investor protection, and build capacity internally and across the industry. We also proactively engage with local and international stakeholders.



Metrics and targets Decarbonisation and performance measurement

In line with the HKSAR Government's climate goals, we are committed to achieving carbon neutrality across our operations by 2050. In 2025-26, we implemented a range of carbon reduction initiatives, resulting in a 72.9% reduction in our total carbon emissions against the baseline. Our Scopes 1, 2 and 3 emissions are disclosed on page 106 in this report.

¹ The TCFD was established in 2015 to help identify the information needed by investors, lenders and insurance underwriters to appropriately assess and price climate-related risks and opportunities.

² The agenda sets out further steps in support of Hong Kong's development as a regional green and sustainable centre.

The SFC embeds climate and sustainability considerations across its regulatory initiatives and internal operations under four key areas: governance, strategy, risk management, as well as metrics and targets, in alignment with the TCFD Recommendations.

Governance: Comprehensive sustainability oversight

The SFC focuses on robust corporate governance including in addressing climate and sustainability-related risks and opportunities³. Our cross-divisional Sustainable Finance Working Group, led by CEO Ms Leung, coordinates policy development and corporate activities in line with our sustainable finance strategy. The group reports to the SFC Board and Executive Committee (ExCo) periodically.

Our International Affairs and Sustainable Finance team⁴ supports the SFC's sustainable finance efforts through engagements at local, regional and global levels. The team advises the Board, ExCo and senior management on our sustainability strategy while engaging with the HKSAR Government, regulatory peers and international stakeholders to formulate and implement global best practices and initiatives.

A comprehensive strategy for sustainable finance

World-class regulations

Agenda for Green and Sustainable Finance guides our policy direction and initiatives

Prioritise regulatory initiatives on corporate sustainability disclosures, strengthen asset management capabilities, and mitigate greenwashing risks.

[^] International Organization of Securities Commissions.

Furthermore, the SFC's Investment Committee enquires into how and to what extent our external fund managers incorporate climate change into their investment and risk management processes. We also regularly engage independent consultants to assess their practices in responsible investment and risk management.

Strategy: Driving market transparency and investor protection

We strive to advance Hong Kong's position as a sustainable finance hub to drive transition and adaptation finance globally and across the Asia-Pacific (APAC) region, particularly in the Guangdong-Hong Kong-Macao Greater Bay Area. We take a balanced and pragmatic approach to maintain market transparency and strengthen investor protection, guided by the SFC strategic priorities and the broader priorities set out by the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group⁵.

Enabling ecosystem

Co-chair of Green and Sustainable Finance Cross-Agency Steering Group

Co-lead work on corporate sustainability disclosures, carbon markets, transition finance and green Fintech, while supporting capacity-building and talent development.

International leadership

Chair of IOSCO's[^] Asia-Pacific Regional Committee (APRC) and IOSCO APRC Sustainable Finance Working Group

Steer IOSCO's work in sustainable finance and actively participate in international initiatives.

³ The SFC Board is responsible for setting the overall direction and providing strategic guidance on policymaking, while ExCo is responsible for considering policy and operational proposals.

⁴ This team within the CEO's Office reports directly to our CEO.

⁵ Established in May 2020, the Steering Group is co-chaired by the SFC and the Hong Kong Monetary Authority. Members also include the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, the Insurance Authority, the Mandatory Provident Fund Schemes Authority, the Accounting and Financial Reporting Council, and Hong Kong Exchanges and Clearing Limited.

Sustainability

Implementing comprehensive strategies for sustainable finance

Climate change presents significant physical and transition risks to both the real economy and the global financial system. As an international financial centre, Hong Kong is well placed to facilitate cross-border capital allocation towards climate and sustainability-related solutions, especially in the APAC region, where significant investment is required to address climate risks.

Against this backdrop, the SFC's regulatory initiatives need to balance global and regional demand for capital with pragmatic implementation, taking account of the urgency of climate change and the socio-economic

challenges arising from transition. It is essential that the SFC continues to contribute to global regulatory developments while ensuring local implementation remains sound, efficient and impactful in order to lead by example in the region.

As jurisdictions across Asia and in emerging markets are in various stages of progressing with their sustainable finance strategies, there are significant opportunities for cooperation and convergence of regulatory approaches to minimise fragmentation.

To support this, we have implemented targeted initiatives⁶ to enhance disclosure quality, increase market transparency and strengthen trust among investors and capital market participants.

SFC's key ongoing regulatory initiatives on sustainable finance

Corporate sustainability disclosures

We work with the Stock Exchange of Hong Kong Limited to enhance and monitor the climate- and sustainability-related disclosures of listed companies.

We engage with the asset management industry to understand their current practice and readiness for sustainability reporting.



Fund managers

We closely monitor the implementation of our climate-related requirements in the Fund Manager Code of Conduct.



ESG funds

We closely monitor ESG funds' compliance with our enhanced requirements for disclosures and annual assessments to mitigate greenwashing risks.



ESG ratings and data products providers

We support adherence to Hong Kong's voluntary code of conduct for ESG ratings and data products providers.



Carbon markets

We actively participate in local and international discussions of regulatory and market developments of carbon markets.



Public outreach

We work with the Investor and Financial Education Council to enhance public awareness and understanding of sustainable finance and transition finance.



Talent development

We host talks for university students and have the Sustainable Finance Internship Programme with two intakes a year, which provides university students with hands-on experience in developing and implementing relevant policies.



Technology and innovation

We work with local stakeholders to enhance free-for-all public utility data tools for emission calculation and promote green Fintech development and uptake.



6 For our key initiatives during the year, see "Leading financial market transformation through technology and ESG" on pages 64-70.

Building an enabling local ecosystem

In Hong Kong, financial regulators including the SFC are working together to strengthen the city's sustainability disclosure ecosystem. As a super-connector, Hong Kong aims to facilitate capital allocation across regions, including the Chinese Mainland, ASEAN region, the Middle East and beyond.

To enhance local coordination, we initiated and co-lead the Steering Group to support the HKSAR Government's climate strategies to manage climate and environmental risks, and to accelerate the growth of sustainable finance.

SFC participation in major upcoming Steering Group initiatives



Support implementation of Hong Kong's Roadmap for the adoption of the IFRS[^] Sustainability Disclosure Standards.

Support the development of a regulatory regime for sustainability assurance in Hong Kong.

Work with industry participants to develop best practices for transition plan disclosure, through a transition plan disclosure pilot.

Work with the Hong Kong University of Science and Technology to enhance the GHG calculation and estimation tools.

Assess market readiness, and support product innovation and the use of technology-enabled tools to facilitate the development of Hong Kong as a regional pioneer in adaptation finance.

Strengthen cross-border collaboration with Chinese Mainland and international carbon markets.

Work with other Steering Group members to offer all-round capacity building programmes, including the administration of the HKSAR Government's Pilot Green and Sustainable Finance Capacity Building Support Scheme and promotion of the Sustainable Finance Internship Initiative.

[^] International Financial Reporting Standards.

Sustainability

During the year, the Steering Group executed its 2023-25 priorities across four key areas: world-class regulation, transition-focused data and technology, market opportunities with product innovation and cross-border collaboration, including capacity building and stakeholder engagement in the Mainland and across regional and global markets.

Building on its 2023-25 priorities, the Steering Group published its 2026-28 priorities to continue strengthening sustainability disclosures, sustainable finance markets, talent pool and external engagement. Hong Kong would be well-placed to capture emerging opportunities in the transition to a climate-resilient economy.

Leading discussions in international regulatory community

Considering the global nature of climate change and sustainability challenges, coordinated action is needed to manage related risks and opportunities, such as mitigating cross-border risks and regulatory fragmentation and arbitrage.

International standards and policy recommendations have significant implications for our domestic policy agenda. We actively align with global best practices and lead by example in developing sustainable finance regulations across the region.

We are a member of the Monitoring Forum at IOSCO, which facilitates coordination and communication among securities market regulators who are committed to sustainable finance. At the regional level, we chair the IOSCO APRC and its Sustainable Finance Working Group. This working group will continue to strengthen members' collaboration on capacity building and information exchange in corporate sustainability disclosures and carbon markets across the region.

Additionally, we are an official sector member of the International Transition Plan Network, a member of the International Platform on Sustainable Finance, as well as a member of the Consultative Group of the United Nations Sustainable Stock Exchanges Initiative and its Advisory Groups on Carbon Markets, Transition Plans, and Small and Medium Enterprises and Sustainability. These memberships enable us to contribute to the development of international standards, stay abreast of global best practices, and ensure that Hong Kong's regulatory framework remains aligned with evolving global trends in sustainable finance.

Risk management: Monitoring and addressing sustainability challenges

We systematically identify, assess and manage climate and sustainability-related risks affecting both the SFC and the firms we regulate. Our cross-divisional Risk Review Group proactively identifies and monitors potential and emerging risks to the SFC, including macro-financial and operational risks in relation to climate and sustainability. The group reports to both the SFC Board and ExCo regularly.

Emerging risk identification

Through local and international engagements, we identify and assess climate and sustainability-related risks. We are a member of the IOSCO Committee on Emerging Risks, which focuses on identifying and evaluating regulatory issues across securities markets, informing the IOSCO Board's priority-setting process. We actively engage with regulatory bodies and industry stakeholders to monitor emerging developments and risks in climate and sustainable finance.

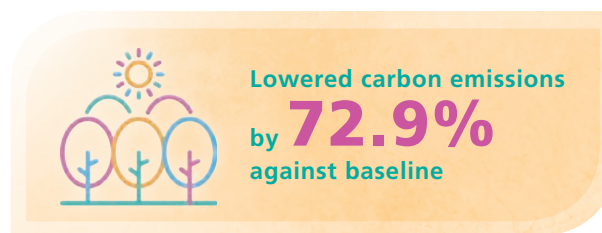
To strengthen the financial sector's resilience, we have issued requirements and guidance to set out our regulatory expectations for considering and managing climate and sustainability risks. Additionally, we partner with local and international regulators to promote alignment and support the adoption of global standards.

Sustainable operation

We are committed to addressing climate-related challenges while ensuring operational continuity. We have integrated comprehensive measures into our business resumption plan, which covers not only our office premises, but also our communications and computer services. Through regular simulation exercises and dedicated emergency response teams, we proactively mitigate risks from climate-related physical hazards, technical issues, fires and other emergencies to effectively manage critical crises and maintain operational resilience during major incidents.

Our offices are located at One Island East. We collaborate with Swire Properties⁸, which has established 1.5°C-aligned science-based targets for net-zero emissions by 2050, and have implemented resilience measures including enhanced flood protection and alert systems, chiller efficiency improvements, regular facade inspections, and smart monitoring systems.

We take active steps to save energy and reduce our carbon footprint. These include promoting energy efficiency and minimising our environmental impact by prioritising regular maintenance of electrical, audio-visual equipment and air conditioning systems. We also assess our climate-related risks and operational resilience through scenario analysis, referencing frameworks from the Intergovernmental Panel on Climate Change and the Network for Greening the Financial System.



Metrics and targets: Taking stock of our climate impact

As a responsible organisation, we are committed to addressing the full spectrum of climate change and sustainability-related risks.

We adopt measures to foster sustainable practices while enhancing industry-wide operational efficiency. Our initiatives not only conserve energy effectively, but also enhance the industry's overall sustainability.

Through our fully digitalised licensing platform WINGS⁹ 2.0 and its companion mobile application WINGS Mobile, industry participants can electronically sign and submit licensing applications and other documents, while communicating more efficiently with us. It is estimated that over 2,610,000 sheets of paper, equivalent to about 261 trees, have been saved since the launch of WINGS 2.0.

During the year, about 175,000 applications and regulatory filings were signed and submitted via WINGS. Approximately \$289 million was paid to the SFC electronically. More than 24,000 users have downloaded the WINGS Mobile application to read WINGS Mail, settle payments, e-sign applications, submit regulatory filings and use other digitised functions.

We have engaged an external consultant to assess our corporate emissions footprint and been regularly monitoring our emissions. The consultant assesses our emissions covering Scopes 1 (direct GHG emissions), 2 (indirect GHG emissions) and 3 (other indirect GHG emissions: value chain and investments) under the GHG Protocol. We reduced 72.9% of our total carbon emissions against our baseline¹⁰. For details, see the chart on page 106.

⁸ The co-owner and manager of the SFC's office premises at One Island East.

⁹ Web-based INTeGrated Service.

¹⁰ In line with the consultant's recommendations, the SFC adopts the financial year 2018-19 as the base year for its carbon neutrality commitment for all categories of emissions except investments, and 2021-22 for investments.

Sustainability



Our office building, One Island East, has received the highest rating of Platinum under the Building Environment Assessment Method. During the year, we achieved improvements in energy savings, water efficiency and waste diversion rates. Our corporate green initiatives focused on waste reduction and recycling.

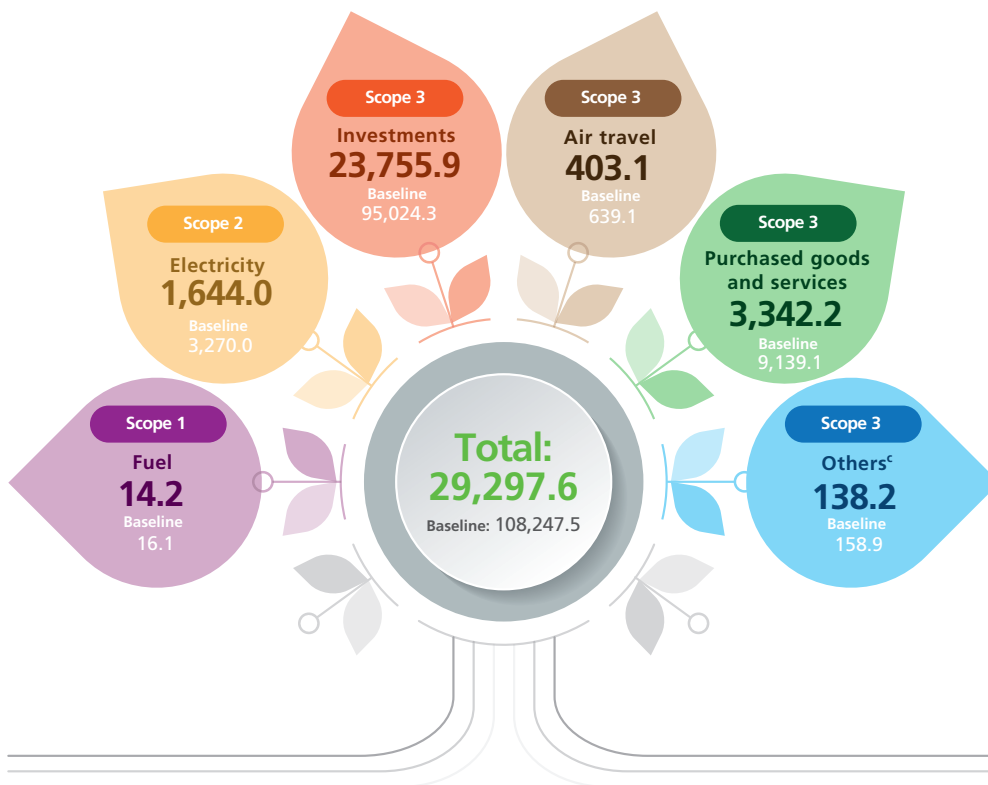
For the third consecutive year, we received the highest platinum rating of Swire Properties' Green Performance Pledge, an action-oriented programme supporting

tenants' energy, water and waste reduction. We are one of 14 tenants to achieve this rating out of more than 100 participants. We continue to collaborate with Swire Properties under the programme to drive further reduction in our resources consumption and environmental impact.

We have also implemented staff awareness initiatives to reduce our carbon footprint and enhanced training programmes on sustainable finance. For details, see "Corporate Social Responsibility" on pages 107-113.

To achieve our carbon neutrality objectives, we actively reduce financed emissions across our investment portfolio. We closely monitor and review the allocation of assets in our portfolio and engage with our fund managers to communicate our targets, understand our financed emissions, request disclosures of emissions metrics and consider green investment options.

The SFC's Scope 1, 2 and 3 emissions^a in 2025/26 (tCO₂e^b)



^a The emission figures were computed by the SFC's consultant based on available data, and in some cases are subject to estimation.

^b Tonnes of carbon dioxide equivalent.

^c Including electricity transmission and distribution, hotel accommodations, car rentals, wastewater and solid waste.

Corporate Social Responsibility

We aspire to positively influence society by actively contributing to the community and advocating sustainable practices. Our commitments to community care, sustainability support, environmental protection and employee wellness underpin our corporate social responsibility (CSR) initiatives.

Driving positive changes

As a socially-responsible organisation, we incorporate CSR principles into our operational decisions and practices.

The CSR Committee plans and coordinates our CSR efforts. Chaired by the Chief Financial Officer and Senior Director of Corporate Affairs, the committee consists of representatives from across the organisation. It reports directly to the SFC’s Executive Committee.

The CSR Committee is responsible for:

- formulating and developing our CSR vision, principles, framework and policies;

- organising and promoting CSR activities; and
- setting objectives, targets and key performance indicators to measure the effectiveness of our CSR efforts.

Three working groups are established under the committee. Each group is charged with planning and implementing initiatives under specific themes.

We set out our CSR principles and activities on our website and intranet. We also share CSR event previews and highlights, and publish quarterly e-newsletters. Our CSR intranet page serves as a one-stop platform allowing participants to share first-hand accounts of our activities and feedback. The Hong Kong Council of Social Service has named the SFC a “Caring Organisation” since 2006, in recognition of our CSR efforts.

Empowering community through donations and volunteering

As a public organisation, SFC staff are encouraged to drive positive change through volunteering and community engagement.

CSR working groups and themes

Commission Volunteers Group



Focus
Community

2025/26
Serving Together, Success Together

2026/27
Small Acts, Big Impact

Green Working Group



Focus
Environment

2025/26
Nurture Nature, Secure Future

2026/27
Empower Green, Inspire Change

Wellness Group



Focus
People

2025/26
Embrace Wellness, Unlock Happiness

2026/27
Wellness Glows, Energy Flows

Corporate Social Responsibility

Supporting those affected by Tai Po fire

To support the affected families of the fire at Wang Fuk Court, Tai Po, the SFC worked with major brokers in facilitating the family members of the deceased to make one-stop enquiries about the information of the brokerage accounts held by the deceased.

To offer essential aid to those affected, we initiated a staff donation drive and reallocated budgeted funds for our annual staff dinner to this donation. Our collective efforts contributed about \$2.1 million to the HKSAR Government's "Support Fund for Wang Fuk Court in Tai Po".

We also shared information about donation platforms and organised a donation of household items for distribution to affected families through Crossroads Foundation Hong Kong. SFC staff also volunteered to offer free legal advice to those affected.

Giving back to our community

We expanded our staff's annual purpose leave entitlement and eligibility to encourage their participation in community service. This year, 397 SFC staff, together with their friends and family members, spent a total of 1,294 hours volunteering.

Our staff actively contribute to community service through donations and fundraising activities. During the year, we raised a total of \$128,167 by taking part in major events and donations.

Donating used items to charitable organisations supports individuals in need and contributes to environmental sustainability by reducing landfill waste. This year, we donated 55 switches, 33 servers and 303 computers to the Caritas Computer Workshop. Furthermore, nine boxes of toys, clothing and books were collected to support the Salvation Army Recycling Programme.

To foster a culture of sharing and effective use of resources, we encouraged our staff to participate in wide-ranging sustainability initiatives, including external campaigns like Swire Properties' Get Redressed Month and Biz-Green Dress Day co-organised by the Construction Industry Council and the Hong Kong Green Building Council.

In November, we hosted a Winter Mini Market charity sale at our office premises with non-profit organisations¹. All proceeds from the sale were dedicated to supporting their operations. Our staff contributed to a meaningful cause while enjoying a

diverse selection of food and goods. We also organised a Winter Donation Drive managed by the Salvation Army, collecting nine boxes of useful items that were distributed to individuals in need.

Caring for people and animals

We contribute to enhanced support for and engagement with different groups within our community. We held a creative workshop with the Kwun Tong Happy Teens Club where SFC volunteers guided underprivileged students in arts-and-crafts activities to boost their creativity and self-confidence. We conducted a phone lanyard workshop with the Young Women's Christian Association (YWCA) for children with special educational needs to foster social interaction and creativity.

In partnership with Gingko House, we co-hosted two baking workshops where volunteers gained insights into supporting elderly employment and addressing poverty. Participants worked with senior citizens in baking, promoting intergenerational collaboration and community well-being.

To mark festive occasions and promote community care, we partnered with Food for Good to distribute goodie bags and meal boxes to elderly residents in Sham Shui Po prior to the Mid-Autumn Festival. We also organised meal box distribution with A Drop of Life, preparing lunchboxes for residents of the Tsuen Fook Kui transitional housing estate. Ahead of the Chinese New Year, we collaborated with Saint Barnabas' Society and Home (SBSH) in a meal and gift distribution activity.

We also collaborated with the House of Joy and Mercy and Hong Kong Bunny Rescue to organise animal care activities for cats, dogs and rabbits. Volunteers gained insights into pet abandonment issues in Hong Kong and fostered greater empathy.



Creative arts-and-crafts and phone lanyard workshops with children

¹ Including The Hong Kong Society of Rehabilitation, Fu Hong Society, New Life Psychiatric Rehabilitation Association, InspiringHK Sports Foundation and Gingko House.

Championing sports for good

We actively participated in four major charity sports events during the year, each blending athletic challenge with a shared sense of purpose. From cycling and basketball to marathon, these events brought SFC staff together to champion meaningful causes whilst showcasing teamwork, resilience and perseverance.

Pedal Power 2025 kicked off the year with remarkable spirit. This annual charity ride supports Hong Kong's less advantaged youth, schools and communities through Outward Bound training programmes. All 29 SFC participants braved the rain to cycle from Tai Po Waterfront Pier to GO PARK Sai Sha. Two of our staff members received awards in the elite category, with one winning the championship and the other achieving second runner-up.

The momentum carried into the basketball court at the InspiringHK — WELL DUNK! Corporate Charity 3x3 Basketball Mixed-gender Tournament 2025. The tournament raised awareness of and funds for the WELL DUNK! Programme, providing professional

basketball training and competition opportunities for youths aged 13-18 years old from public housing estates. The SFC Basketball Team won the champion title of the Gold Plate. The victory reflected not only our sporting excellence but also the dedication of all players, coaches and supporters in empowering under-resourced youths.

The SFC team further made its mark at the Corporate Challenge of the Standard Chartered Marathon 2026, with 18 SFC runners taking on the challenge with determination and team spirit. Leading by example, our Chairman Dr Kelvin Wong participated in the Leaders Cup with 50 other political and business leaders. Their participation underscored the SFC's ongoing efforts to harness the power of sports to make a positive and lasting impact on the community.

In addition, the SFC Dragon Boat Team pulled its weight in a small-boat charity race — for the first time — at the Kwun Tong Waterfront, raising funds for the Cancer Information Charity Foundation.



WELL DUNK! basketball tournament



Pedal Power



Dragon boat race



Standard Chartered Marathon

Corporate Social Responsibility

Contributions

	2025/26	2024/25	2023/24
Number of staff participating in volunteering activities	397	244	212
Total volunteering hours	1,294	923	863
Funds raised for community causes	\$128,167	\$110,117	\$90,209
Corporate sponsorships for community causes [^]	\$0	\$4,000	\$5,000

[^] Including donations in lieu of corporate gifts made in the names of guest speakers invited to our in-house training seminars.

Protecting our environment

Going green in the workplace

We are dedicated to minimising our environmental footprint and promoting sustainability. An internal protocol, *A Guide to Working "Green" at the SFC*, sets out guidance for staff to protect the environment at the workplace.

The SFC's office layout was designed to bring in more natural light. Energy-conserving features in our office include motion and daylight sensor lighting and LED light fittings. Recycling bins are conveniently located across the office. Reducing individual waste bins in our office also helps increase recycling rate and reduce waste.

To reduce paper consumption, our internal procedures are made electronically, and meeting materials are shared on tablets and paperless diaries. Printers are set to greyscale and doubled-sided printing by default to encourage eco-friendliness. Our annual reports are only published online as a digital version.

During the year, we launched a greenery giveaway quiz on sustainability practices for staff and received 517 responses.

Other green practices in our workplace include:

- collecting rechargeable battery for recycling;
- switching to LED light stripes;
- installing water flow restrictors;
- switching to bamboo paper towels;
- sharing sustainable habits;
- sharing conservation reminders;
- promoting reusable utensils and umbrella cover;
- promoting twin-compartment waste bins;
- recycling paper, toner, printer ink cartridges and coffee grounds;
- reusing stationery; and
- automatically turning off desktop computers every weekend.

Eco-friendly activities

We organised tours to raise eco-awareness of SFC staff. Our staff toured TWGHs E-Co Village and learned about an eco-architecture transformed from a landfill site, and they joined a hammered plant art and natural tie-dyeing workshop. To support marine conservation, we organised a boat trip for participants to watch and learn about Chinese White Dolphins' habitats and preservation. We also conducted a beach clean-up with Green Earth at Wu Shek Kok, where participants volunteered to conserve marine and beach ecosystems. In our Pak Nai restoration activity with The Nature Conservancy, 30 volunteers undertook habitat management tasks to improve the mudflats ecosystem and preserve biodiversity.

We hosted a variety of green workshops, such as the making of natural hand cream and office plant ornament, where SFC staff learned about natural resources and sustainable planting materials for cultivating greener living. Our denim upcycling workshop gave new life to pre-loved denim by creating personalised bags. We hosted "Lunch and Learn" sessions on local agriculture and Vegetarian Day, which emphasised the importance of locally grown produce and how plant-based diets support both personal health and environmental sustainability.



Pak Nai restoration activity and TWGHs E-Co Village tour

Corporate Social Responsibility

We continue to support the mitigation of global warming and environmental conservation causes of the World Wide Fund for Nature.

- Earth Hour 2026: We have taken part in this annual energy conservation event for over 20

years. Staff are encouraged to switch off lights for one hour.

- No Shark Fins Policy: Our organisation-wide policy pledges not to serve shark fins at any SFC event.

Consumption and recycling

	2025/26	2024/25	2023/24
Consumption			
Paper (pieces/head)	4,519	4,670	4,419
Electricity (kWh)	2,794,871	3,145,411	3,231,983
Recycling			
Paper (kg)	22,580	19,151	20,679
Toner and printer ink cartridges	644	587	563

Enhancing wellness

We strive to provide a healthy and safe working environment which emphasises employee wellbeing. Our holistic wellbeing framework covering physical, mental, social and family wellbeing laid the foundation for our staff activities throughout the year:

- Workshops on recognising and promoting mental well-being raised mental health awareness in the workplace.
- A "Growing Through Life: Mental Health at Every Stage" panel discussion focused on mental health issues, including managing stress and building emotional resilience in relationships.
- Articles on whole-person wellness explored strengthening mental health.

- Fitness classes enhanced staff strength, physical flexibility and coordination.
- A wide variety of workshops such as moxibustion and massage week enhanced staff well-being.

As a founding member of the City Mental Health Alliance Hong Kong (CMHA HK), we actively participate in its initiatives. In support of World Mental Health Month in October 2025, we promoted CMHA HK's Wellness Week, which featured free virtual wellbeing sessions designed to support the mental, emotional and physical wellbeing of our staff. In November, our colleagues won the championship titles in both the women's final and men's final at the Taikoo Place Padel Tournament.



SFC staff practicing Wing Chun and winning the Taikoo Place Padel Tournament

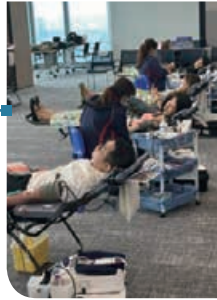
CSR Activity Calendar

April – June 2025

April 2025

Aim: To help Hong Kong Red Cross Blood Transfusion Service collect blood

Outcome: 45 SFC staff donated their blood, potentially saving up to 135 lives across Hong Kong



Blood Donation Day

- Soap recycling workshop
- Caring for rabbits
- Get Redressed Month 2025^a
- Stress Awareness Month
- Mind HK “Move it for Mental Health 2025”
- CMHA HK Men’s Mental Health Month

- Lunch & Learn on local agriculture
- Denim upcycling workshop
- TWGHs E-Co Village tour and workshop
- Pedal Power 2025
- Wing Chun taster
- Tai Chi taster

Meal box packing and distribution with Food for Good



April 2025

Aim: To support underprivileged households and reduce food waste

Outcome: 33 volunteers prepared meals, packed lunchboxes, and distributed them to residents of Tsuen Fook Kui transitional housing estate

July – September 2025

- Office plant ornament workshop
- Natural hand cream workshop
- Lunch & Learn on Vegetarian Day
- Colour analysis & fluid art music box workshop
- InspiringHK Well DUNK! Charity Basketball Tournament
- Mat Pilates for back care
- Moving sand art workshop

Pistachio cake workshop with the elderly with Gingko House

July 2025

Aim: To promote elderly employment and alleviate poverty among seniors



Outcome: 35 volunteers worked with senior citizens on baking and donating cake to the needy

September 2025

Aim: To share the joy of the Mid-Autumn Festival with senior citizens

Outcome: 32 volunteers prepared and distributed goodie bags to elderly households



Mid-Autumn Festival goodie bags distribution

- Mid-Autumn Festival Recycling Campaign 2025^a
- Creative arts-and-crafts workshop with children
- Biz-Green Dress Day 2025
- The Community Chest — Dress Casual Day 2025

^a Organised by Swire Properties.

October – December 2025

November 2025

Aim: To raise funds for non-profit organisations and bring Christmas joy to the underprivileged

Outcome: Partnered with 6 non-profit organisations to conduct a charity sale and donation drive



- Dolphin Watch Trip
- Mental Health Month^b
- Foam roller & resistance band stretching
- Phone lanyard workshop with SEN Children with YWCA

Winter Mini Market

- Caring for abandoned cats and dogs
- Pak Nai restoration volunteer activity with the Nature Conservancy
- CMHA HK Employee Mental Wellbeing Survey 2025
- The Community Chest — Green Low Carbon Day 2025

Donation drive for Tai Po fire victims

December 2025

Aim: To offer essential aid to affected families of the Tai Po fire and show support

Outcome: Donated \$2.1 million and essential household items; volunteered to provide free legal services to those affected by the fire



January – March 2026

- Eco-enzyme workshop
- Chocolate tasting workshop
- Full body strength foundation classes
- Moxibustion healing & DIY workshop
- Massage Week
- Stay Hydrated 2026 and Healthy Homemade Drinks Challenge

Meal and gift distribution with SBSH



January 2026

Aim: To prepare and distribute meals and gifts to homeless individuals

Outcome: 33 participants helped pack and deliver gifts and hot meals to homeless people and the elderly

February 2026

Aim: To remove marine litter and raise awareness of ecosystem conservation

Outcome: 28 volunteers collected 33kg of litter and learned about reducing waste at source and preventing marine pollution



Beach clean-up

- Therapy Dog Experiential Day
- Rotary Club Park Nature Trail restoration with AFCD
- The Community Chest — Skip Lunch Day 2026
- Pedal Power 2026
- "Books for Love @ \$10"^a
- Red Packet Recycling Programme^a
- Earth Hour 2026

^b Including the "Growing Through Life — Mental Health at Every Stage" panel, aromatherapy oil DIY and self-massage workshop, CMHA HK's Wellbeing Week and BelieVe Sports Challenge.

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 (HKSA) 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
<p>Valuation of financial assets at fair value through profit or loss ("FVTPL")</p> <p>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).</p> <p>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.</p> <p>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.</p>	<p>Our procedures in relation to address the key audit matter included:</p> <ul style="list-style-type: none">• 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 HKSA's 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 HKSA's, 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	2025
	\$'000	\$'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	2025
	\$'000	\$'000
Investigation costs awarded	216	3,239
Others	85	61
	301	3,300

7. Staff costs and directors' emoluments

	2026	2025
	\$'000	\$'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	2025
	\$'000	\$'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.

	Non-cash changes						31 March 2026 \$'000
	1 April 2025 \$'000	Cash flows \$'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

	Non-cash changes						31 March 2025 \$'000
	1 April 2024 \$'000	Cash flows \$'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:

	Carrying amount \$'000	Contractual undiscounted cash flows			
		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	2025
	\$'000	\$'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	2025
	\$'000	\$'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

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their report together with the audited financial statements for the year ended 31 March 2026.

Establishment of the Investor Compensation Fund

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

Financial statements

The financial performance of the Fund for the year ended 31 March 2026 and the financial position of the Fund as at that date are set out in the financial statements on pages 154 to 164.

Members of the Committee

The members of the Committee during the year and up to the date of this report were:

Leung Chung Yin, Rico (Chairman)	
Jenkins, Tom	(appointed on 1 April 2026)
Xu, Liang	(appointed on 1 April 2026)
Yih, Dieter Lai Tak, JP	
Kwok Hom Siu, Sally	(retired on 31 March 2026)
Wan Chi Yiu, Andrew	(retired on 31 March 2026)

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

By order of the Committee

Rico Leung
Chairman

1 June 2026

Independent auditor's report To the Securities and Futures Commission

Opinion

We have audited the financial statements of Investor Compensation Fund (the Fund) set out on pages 154 to 164, which comprise the statement of financial position as at 31 March 2026, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2026, and of its financial performance and its 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 (HSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund 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.

Other information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 of the SFC and those charged with governance for the financial statements

The directors of the SFC are responsible for the preparation of the 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 of the SFC determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the SFC are responsible for assessing the Fund'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 of the SFC either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 240(6) 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 HKSA's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the SFC.
- Conclude on the appropriateness of the directors of the SFC 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 Fund'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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the SFC and 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.

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

Investor Compensation Fund

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			
Interest income		103,873	127,123
Exchange gain/(loss)		12,226	(8,888)
Recoveries	4	1,170	33
		117,269	118,268
Expenses			
Investor Compensation Company Limited expenses	7	6,402	6,439
Compensation expenses	9	886	–
Auditor's remuneration		170	170
		7,458	6,609
Surplus and total comprehensive income for the year		109,811	111,659

The notes on pages 158 to 164 form part of these financial statements.

Investor Compensation Fund

Statement of financial position

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

	Note	2026 \$'000	2025 \$'000
Current assets			
Interest receivable		27,592	27,515
Fixed deposits with banks	8	2,835,124	2,724,489
Cash at bank	8	497	432
		2,863,213	2,752,436
Current liabilities			
Provision for compensation	9	4,280	3,394
Creditors and accrued charges		256	256
Amount due to the Investor Compensation Company Limited	11	375	295
		4,911	3,945
Net current assets		2,858,302	2,748,491
Net assets		2,858,302	2,748,491
Representing:			
Compensation fund		2,858,302	2,748,491

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 of the SFC

Julia Leung, SBS, JP

Chief Executive Officer of the SFC

The notes on pages 158 to 164 form part of these financial statements.

Investor Compensation Fund

Statement of changes in equity

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

	Contributions from the Unified Exchange Compensation Fund (note 10) \$'000	Contributions from the Commodity Exchange Compensation Fund (note 10) \$'000	Contributions from the Securities Dealers' Deposits Fund (note 10) \$'000	Contributions from the Commodities Dealers' Deposits Fund (note 10) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2024	994,718	108,923	5,470	617	1,527,104	2,636,832
Surplus and total comprehensive income for the year	–	–	–	–	111,659	111,659
Balance at 31 March 2025	994,718	108,923	5,470	617	1,638,763	2,748,491
Surplus and total comprehensive income for the year	–	–	–	–	109,811	109,811
Balance at 31 March 2026	994,718	108,923	5,470	617	1,748,574	2,858,302

The notes on pages 158 to 164 form part of these financial statements.

Investor Compensation Fund

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		109,811	111,659
Adjustments for:			
Interest income		(103,873)	(127,123)
Exchange (gain)/loss		(12,226)	8,888
		(6,288)	(6,576)
Increase in provision for compensation		886	–
Decrease in creditors and accrued charges		–	(22)
Change in amount due from/to the Investor Compensation Company Limited		80	443
Net cash used in operating activities		(5,322)	(6,155)
Cash flows from investing activities			
(Placement)/withdrawal of fixed deposits other than cash and cash equivalents		(641,698)	401,765
Interest received		103,856	154,822
Net cash (used in)/generated from investing activities		(537,842)	556,587
Net (decrease)/increase in cash and cash equivalents		(543,164)	550,432
Cash and cash equivalents at the beginning of the year		1,252,514	702,082
Cash and cash equivalents at the end of the year	8	709,350	1,252,514

Analysis of the balance of cash and cash equivalents

	2026 \$'000	2025 \$'000
Fixed deposits with banks	708,853	1,252,082
Cash at bank	497	432
	709,350	1,252,514

The notes on pages 158 to 164 form part of these financial statements.

Notes to the financial statements

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

1. Status and principal activities

The Securities and Futures Ordinance (SFO) provides for the establishment of the Investor Compensation Fund (the Fund) to compensate investors who suffer a loss due to the default of an intermediary in relation to trading of products on Hong Kong Exchanges and Clearing Limited. The defaulting intermediary must be licensed by or registered with the Securities and Futures Commission (SFC) for dealing in securities, futures contracts or securities margin financing. For defaults occurring on or after 1 January 2020, the Fund also covers investors' losses in relation to securities traded on a stock market operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement (Stock Connect Securities).

The SFC is primarily responsible for the administration and management of the Fund in accordance with Section 238 of the SFO, but has transferred some functions to the Investor Compensation Company Limited (ICC) under Section 80 of the SFO. The ICC is thus responsible for receipt, determination and payment of valid claims against the Fund in respect of defaults of intermediaries occurring on or after 1 April 2003. Upon making payment to a claimant, the SFC is subrogated to the claimant's right against the defaulter.

Pursuant to Section 244 of the SFO, the Chief Executive in Council may make rules for the maximum amount of compensation that may be paid to a person making a claim for compensation. For defaults occurring on or after 1 January 2020, the maximum compensation limit is raised from \$150,000 to \$500,000 per claimant for a single default.

If amounts owed to claimants against the Fund exceed the Fund's net assets, the SFC would apportion compensation payments to claimants as provided in the Securities and Futures (Investor Compensation — Claims) Rules. The SFC would pay unpaid claim amounts when funds become available in the Fund.

2. Money constituting the Fund

The Fund mainly consists of the amounts paid from the two compensation funds and the two dealers' deposit funds, namely the Unified Exchange Compensation Fund (UECF) and the Commodity Exchange Compensation Fund (CECF) (wound up on 26 May 2006), the Securities Dealers' Deposits Fund (SDD) (wound up on 27 June 2023) and the Commodities Dealers' Deposits Fund (CDD) (wound up on 27 June 2023). Further details are set out in note 10.

Other sources of money for the Fund include (i) the levies chargeable on securities traded on the Stock Exchange of Hong Kong Limited (SEHK) (excluding orders routed through the southbound link of the Stock Connect arrangement), futures contracts traded on Hong Kong Futures Exchange Limited (HKFE) and Stock Connect Securities (see note 6), and (ii) returns earned on any investment of the Fund.

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, Hong Kong Accounting Standards 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 Fund are set out below.

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

Notes to the financial statements

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

3. Material accounting policies (continued)

(a) Statement of compliance (continued)

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 financial statements but may affect certain presentation and disclosure of the financial statements upon HKFRS 18 *Presentation and Disclosure in Financial Statements* becoming mandatorily effective for annual periods beginning on or after 1 January 2027.

(b) Basis of preparation

We have prepared these financial statements using the historical cost as the measurement basis.

We prepare the 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.

(c) Recognition of income

(i) Interest income

We record interest income as it accrues using the effective interest method.

(ii) Recoveries

We recognise recoveries pursuant to Sections 87 and 243 of the SFO as income to the Fund. We record recoveries received when and only when we can be virtually certain that the recoveries will be received.

(d) 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 statement of profit or loss and other comprehensive income.

(e) Financial assets

Financial assets are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less impairment losses.

We assess on a forward-looking basis the expected credit losses (ECL) associated with the Fund's financial assets that are 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.

Notes to the financial statements

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

3. Material accounting policies (continued)

(e) Financial assets (continued)

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 Fund, 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 statement of profit or loss and other comprehensive income.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank 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.

(g) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses (see note 3(e)).

(h) Provisions for compensation

We make provision for liabilities arising from claims resulting from defaults for which it is probable that the Fund will require an outflow of economic benefits to settle the obligation and the amount can be estimated reliably, independent of whether a notice calling for claims pursuant to Section 3 of the Securities and Futures (Investor Compensation — Claims) Rules has been published. The provision covers all such claims received up to the date on which the financial statements are approved by the SFC. If the effect is material, we determine provisions by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The maximum liability of the Fund to claims is set at \$150,000 per claimant for each default case occurring on or before 31 December 2019 and \$500,000 per claimant for each default case occurring on or after 1 January 2020.

As the Fund is continually updating information in respect of the claims received, it is possible that the recent claim experience is not indicative of future payments that will be required for claims received as at the end of the reporting period. Any increase or decrease in the provision would affect the profit and loss in future years.

(i) Creditors and accrued charges

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

Notes to the financial statements

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

3. Material accounting policies (continued)

(j) Provisions and contingent liabilities

We recognise a provision in the statement of financial position when the Fund 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.

(k) Related parties

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

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
 - (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.

- (b) An entity is related to the Fund if any of the following conditions applies:
 - (i) The entity and the Fund 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 Fund or an entity related to the Fund.
 - (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 Fund.

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.

Notes to the financial statements

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

4. Recoveries

For the year ended 31 March 2026, the Fund received \$1,170,000 under subrogation, which was recognised as recoveries (2025: \$33,000).

5. Taxation

No provision for Hong Kong profits tax has been made as the Fund did not have any taxable profit.

6. Levy from SEHK and HKFE

From 1 April 2003, the Fund received a levy chargeable on securities traded on SEHK and futures contracts traded on HKFE pursuant to Part 2 and Part 3 of the Securities and Futures (Investor Compensation — Levy) Rules.

After the Securities and Futures (Investor Compensation — Levy) (Amendment) Rules 2005 came into effect on 28 October 2005, a levy suspension and reinstatement mechanism was established whereby the investor compensation levies can be suspended when the net asset value of the Fund exceeds \$1.4 billion, and subsequently reinstated when the net asset value of the Fund falls below \$1 billion.

Pursuant to the Securities and Futures (Investor Compensation — Levy) (Amendment) Rules 2019 which came into effect on 1 January 2020, the Fund is entitled to a levy chargeable on securities traded on SEHK (excluding orders routed through the southbound link of the Stock Connect arrangement), futures contracts traded on HKFE and Stock Connect Securities. In addition, the trigger levels for levy suspension and reinstatement were raised to \$3 billion and \$2 billion respectively.

Pursuant to the Gazette on 11 November 2005, no person is required to pay any levy to the Fund in respect of a sale and purchase transaction of securities and futures contract with effect from 19 December 2005. The changes in trigger levels do not affect the levy suspension in effect.

7. Investor Compensation Company Limited expenses

The SFC formed the 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 SFO. The Fund is responsible for funding the establishment and operation of the ICC. For the year ended 31 March 2026, the ICC incurred costs of \$6,402,000 for its operations (2025: \$6,439,000).

Notes to the financial statements

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

8. Fixed deposits with banks and cash at bank

The effective interest rates on bank deposits at 31 March 2026 ranged from 2.01% p.a. to 4.10% p.a. (2025: 3.45% p.a. to 5.15% p.a.). The deposit balances at both 31 March 2026 and 2025 mature within one year.

Reconciliation to cash and cash equivalents:

	2026 \$'000	2025 \$'000
Fixed deposits with banks	2,835,124	2,724,489
Cash at bank	497	432
Amounts shown in the statement of financial position	2,835,621	2,724,921
Less: amounts with an original maturity beyond three months	(2,126,271)	(1,472,407)
Cash and cash equivalents in the statement of cash flows	709,350	1,252,514

9. Provision for compensation

	2026 \$'000	2025 \$'000
Balance at the beginning of the year	3,394	3,394
Add: compensation expenses	886	–
Balance at the end of the year	4,280	3,394

The provision of compensation as at 31 March 2026 was \$4,280,000 (2025: \$3,394,000), which was related to a number of claims received in respect of two default cases (2025: one default case). The maximum liability of the Fund to these claims is the lower of the maximum compensation limit per claimant (as detailed in note 3(h)) or the amount claimed. As at 31 March 2026, the provision was expected to be paid within one year.

Notes to the financial statements

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

10. Contributions from compensation funds and dealers' deposits funds

Under Sections 74(2) and 75(2) of Schedule 10 of the SFO, the SFC may pay into the Fund such sum of money from the UECF and the CECF as it considers appropriate after 1 April 2003. Up to 31 March 2026, the SFC had paid \$994,718,000 (2025: \$994,718,000) from the UECF and \$108,923,000 (2025: \$108,923,000) from the CECF into the Fund.

Under Section 76 (11) of Schedule 10 of the SFO, the SFC shall pay into the Fund any remaining balance in the SDD and the CDD after repaying the dealers' deposits and any money due to the registered dealers. Upon the winding-up of the SDD and the CDD in June 2023, the SFC had paid the remaining balances of \$5,470,000 from the SDD and \$617,000 from the CDD into the Fund.

The Fund defines "capital" as including contributions from the UECF, the CECF, the SDD and the CDD and the accumulated surplus.

11. Related party transactions

The Fund has related party relationships with the SFC, the ICC and the UECF. There were no significant related party transactions other than those disclosed in the financial statements of the Fund for the years ended 31 March 2026 and 2025 (refer to notes 7 and 10).

As at 31 March 2026, the Fund had an amount due to the ICC of \$375,000 (2025: \$295,000).

12. Financial risk management

The Fund's interest-bearing assets mainly comprise fixed deposits at banks which mature or reprice in the short term, as a result of which the Fund is exposed to limited interest rate risk. As at 31 March 2026, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Fund's surplus and accumulated surplus by approximately \$28,351,000 (2025: \$27,245,000). The exposure to credit, liquidity and foreign exchange risks arises in the normal course of the Fund's operation.

The Fund's credit risk is primarily attributable to amounts at bank. As at 31 March 2026 and 2025, the bank balances were placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. There are no amounts past due or impaired.

The Fund'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. All financial liabilities are due within one year or payable on demand.

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). All 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 Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

As at 31 March 2026, the Fund had USD denominated financial assets of \$1,624,493,000 (2025: \$1,547,016,000) and the USD/HKD exchange rate was 7.84020 (2025: 7.78030). Holding all other variables constant, a movement in USD/HKD exchange rate to the upper bound of the Convertibility Zone would increase the Fund's surplus and accumulated surplus by approximately \$2,031,000 (2025: \$13,859,000); while a movement in USD/HKD exchange rate to the lower bound of the Convertibility Zone would decrease the Fund's surplus and accumulated surplus by approximately \$18,689,000 (2025: \$6,025,000).

13. Contingent liabilities

In addition to the provision for compensation made as described in note 9, there were 13 outstanding claims as at 31 March 2026 (2025: 12 outstanding claims). The maximum liability in respect of these claims in aggregate was \$2,464,000 (2025: \$2,199,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 3(h)) or the amount claimed.

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their report together with the audited financial statements for the year ended 31 March 2026.

Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 31 March 2026, the Fund transferred \$994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission 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 operations of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.

Financial statements

The financial performance of the Fund for the year ended 31 March 2026 and the financial position of the Fund as at that date are set out in the financial statements on pages 168 to 178.

Members of the Committee

The members of the Committee during the year and up to the date of this report were:

Leung Chung Yin, Rico (Chairman)	
Jenkins, Tom	(appointed on 1 April 2026)
Wu, Phillip Chi Hang	(appointed on 1 April 2026)
Xu, Liang	(appointed on 1 April 2026)
Yih, Dieter Lai Tak, JP	
Kwok Hom Siu, Sally	(retired on 31 March 2026)
Lai Chun Mei, Hilda	(retired on 31 March 2026)
Wan Chi Yiu, Andrew	(retired on 31 March 2026)

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the year or at any time during the year.

Auditors

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

By order of the Committee

Rico Leung

Chairman

15 May 2026

Independent auditor's report To the Securities and Futures Commission

Opinion

We have audited the financial statements of Unified Exchange Compensation Fund (the Fund) set out on pages 168 to 178, which comprise the statement of financial position as at 31 March 2026, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2026, and of its financial performance and its 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 financial statements section of our report. We are independent of the Fund 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.

Emphasis of matter

We draw attention to note 3(b) to the financial statements which indicates that the Fund is in the process of terminating its business and operations and is no longer considered to be a going concern. Details about the basis of preparation of the financial statements are set out in note 3(b) to the financial statements. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 of the SFC and those charged with governance for the financial statements

The directors of the SFC are responsible for the preparation of the 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 of the SFC determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the SFC are responsible for assessing the Fund'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 of the SFC either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 103(3) of the repealed Securities Ordinance (which remains effective by virtue of section 74 of Schedule 10 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 HKSA's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the SFC.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the SFC and 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.

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
15 May 2026

Unified Exchange Compensation Fund

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			
Interest income		2,697	4,140
Recoveries	4	2,961	–
		5,658	4,140
Expense			
Auditor's remuneration		75	78
Surplus and total comprehensive income for the year		5,583	4,062

The notes on pages 172 to 178 form part of these financial statements.

Unified Exchange Compensation Fund

Statement of financial position

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

	Note	2026 \$'000	2025 \$'000
Current assets			
Interest receivable		405	455
Fixed deposits with banks	6	103,905	100,107
Cash at bank	6	299	364
		104,609	100,926
Current liabilities			
Creditors and accrued charges	7	10,216	10,216
Relinquished trading rights payable to SEHK	8	600	1,200
		10,816	11,416
Net current assets		93,793	89,510
Net assets		93,793	89,510
Representing:			
Compensation fund		93,793	89,510

Approved and authorised for issue by the Securities Compensation Fund Committee on behalf of the Securities and Futures Commission on 15 May 2026 and signed on its behalf by

Rico Leung
Chairman

Xu Liang
Committee Member

The notes on pages 172 to 178 form part of these financial statements.

Unified Exchange Compensation Fund

Statement of changes in equity

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

	Trading rights deposits from SEHK (note 8) \$'000	Excess transaction levy from SEHK (note 9) \$'000	Additional contributions from SEHK and the SFC (note 10) \$'000	Other contributions (note 11) \$'000	Accumulated surplus \$'000	Contributions to the ICF (note 12) \$'000	Total \$'000
Balance at 1 April 2024	50,050	353,787	630,000	6,502	42,477	(994,718)	88,098
Net contributions to SEHK	(2,650)	-	-	-	-	-	(2,650)
Surplus and total comprehensive income for the year	-	-	-	-	4,062	-	4,062
Balance at 31 March 2025	47,400	353,787	630,000	6,502	46,539	(994,718)	89,510
Net contributions to SEHK	(1,300)	-	-	-	-	-	(1,300)
Surplus and total comprehensive income for the year	-	-	-	-	5,583	-	5,583
Balance at 31 March 2026	46,100	353,787	630,000	6,502	52,122	(994,718)	93,793

The notes on pages 172 to 178 form part of these financial statements.

Unified Exchange Compensation Fund

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		5,583	4,062
Adjustment for:			
Interest income		(2,697)	(4,140)
		2,886	(78)
Decrease in creditors and accrued charges		–	(10)
Decrease in relinquished trading rights payable to SEHK		(600)	(450)
Net cash generated from/(used in) operating activities		2,286	(538)
Cash flows from investing activities			
(Placement)/withdrawal of fixed deposits other than cash and cash equivalents		(29,071)	15,995
Interest received		2,747	4,297
Net cash (used in)/generated from investing activities		(26,324)	20,292
Cash flows from financing activity			
Net trading rights deposits refunded to SEHK		(1,300)	(2,650)
Net cash used in financing activity		(1,300)	(2,650)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		79,466	62,362
Cash and cash equivalents at the end of the year	6	54,128	79,466

Analysis of the balance of cash and cash equivalents

	2026 \$'000	2025 \$'000
Fixed deposits with banks	53,829	79,102
Cash at bank	299	364
	54,128	79,466

The notes on pages 172 to 178 form part of these financial statements.

Notes to the financial statements

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

1. Status and principal activities

The Unified Exchange Compensation Fund (the Fund) provides compensation to investors who suffer a loss due to the default of an exchange participant of the Stock Exchange of Hong Kong Limited (SEHK). Part X of the repealed Securities Ordinance governs its operation.

SEHK receives and determines claims against the Fund. The Securities and Futures Commission (SFC) maintains and invests the money of the Fund and makes payments to claimants. Upon making payment to a claimant, the SFC is subrogated to the claimant's rights against the defaulter.

The repealed Securities Ordinance limits the total compensation amount that may be paid per exchange participant default to \$8 million. If allowed claims exceed the limit, payments are made proportionally to claimants. SEHK, with the approval of the SFC, can decide to exceed the limit if it considers, among other things, that the assets of the Fund so permit. For eight defaults since 1998, SEHK proposed and the SFC approved exceeding the limit via payment of up to \$150,000 per claimant or, if higher, the claimant's proportional share of the \$8 million limit.

If amounts owed to claimants against the Fund exceed the Fund's net assets, the SFC would apportion compensation payments to claimants as provided in the repealed Securities Ordinance. Unpaid claim amounts would be charged against future receipts by the Fund and paid when funds are available.

After 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 the settlement of all claims against the Fund and its other liabilities, the SFC will eventually transfer the remaining balance of the Fund into the ICF.

Claims for any defaults occurring after 31 March 2003 should be made against the ICF. If the sum of money in the Fund is not sufficient to meet its liabilities, the SFC shall pay into the Fund from the ICF the appropriate sum of money according to Section 242 of the SFO.

Apart from the above change and Section 112 of the repealed Securities Ordinance, under Section 74 of Schedule 10 of the SFO, Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund.

2. Money constituting the Fund

SEHK is required to keep deposited with the SFC \$50,000 for each SEHK trading right under the repealed Securities Ordinance. When the SFC makes compensation payments out of the deposits, it may require SEHK to replenish the net amount paid after the SFC has exhausted its subrogated rights against the defaulter. The SFC pays SEHK the investment return earned on any remaining deposits net of the Fund expenses. During the year, the SFC did not make any such payment as the total of the compensation payments exceeded the deposits received from SEHK (2025: nil).

SEHK and the SFC have made contributions of their own money to the Fund. The SFC determined it would retain investment returns earned on these contributions in the Fund.

Other sources of money for the Fund include: recoveries; excess transaction levy received before the SFO became effective from 1 April 2003 detailed in note 9; other contributions detailed in note 11; and replenishments from SEHK detailed in note 15.

The Fund defines "capital" as including all elements of the Fund, as disclosed in the statement of changes in equity less contributions from SEHK (trading rights deposits from SEHK detailed in note 8) and contributions to the ICF (note 12).

Notes to the financial statements

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

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, Hong Kong Accounting Standards 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 Fund are set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are mandatorily effective for the current period of the Fund. None of these amendments have a material effect on how the Fund's results and financial position for the current or prior periods are prepared or 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 financial statements in the foreseeable future but may affect certain presentation and disclosure of the financial statements upon HKFRS 18 *Presentation and Disclosure in Financial Statements* becoming mandatorily effective for annual periods beginning on or after 1 January 2027.

(b) Basis of preparation

Under the SFO, the Fund will continue in operation until all claims against it and all its liabilities have been settled. As the Fund will eventually cease operation, we have prepared these financial statements on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31

March 2003 have been fully settled. We have not provided for potential future claims and recoveries as these cannot be reliably estimated. We have also not provided in the financial statements for all expenses expected to be incurred subsequent to the end of the reporting period and up to the date operations will cease and these are estimated to be immaterial.

We prepare the 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.

(c) Recognition of income

(i) Interest income

We record interest income as it accrues using the effective interest method.

(ii) Recoveries

We recognise recoveries pursuant to Section 118 of the repealed Securities Ordinance as income to the Fund and recoveries re-distributed to claimants as expenses. We record recoveries received and re-distributed when and only when we can be virtually certain that the recoveries will be received and paid.

Notes to the financial statements

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

3. Material accounting policies (continued)

(c) Recognition of income (continued)

(ii) Recoveries (continued)

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being included in "Recoveries" in statement of profit or loss and other comprehensive income. Dividend income, if any, is also included in "Recoveries".

(iii) Replenishments from SEHK

We record replenishments from SEHK pursuant to Section 107 of the repealed Securities Ordinance as income of the Fund on a receipt basis. For the purpose of calculating the amount to be replenished by SEHK, we deem compensation payments up to the amount of \$8 million for each default to be charged to the contribution from SEHK.

(d) Financial assets

Financial assets are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less impairment losses.

We assess on a forward-looking basis the expected credit losses (ECL) associated with the Fund's financial assets that are 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 Fund, 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 statement of profit or loss and other comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank 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.

(f) Creditors and accrued charges

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

Notes to the financial statements

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

3. Material accounting policies (continued)

(g) Provisions and contingent liabilities

We recognise a provision in the statement of financial position when the Fund 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.

(h) Related parties

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

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
 - (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.

- (b) An entity is related to the Fund if any of the following conditions applies:
 - (i) The entity and the Fund 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 Fund or an entity related to the Fund.
 - (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 Fund.

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.

Notes to the financial statements

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

4. Recoveries/Equity securities received under subrogation

For the year ended 31 March 2026, the Fund received HK\$2,961,000 under subrogation, which was recognised as recoveries (2025: nil).

As at 31 March 2026, the equity securities received under subrogation amounted to \$10 (2025: \$13). The balances as at 31 March 2026 and 2025 are too small to be presented on the statement of financial position which is expressed in thousands of dollars.

5. Taxation

No provision for Hong Kong profits tax has been made as the Fund did not have any taxable profit.

6. Fixed deposits with banks and cash at bank

The effective interest rates on bank deposits at 31 March 2026 ranged from 2.05% p.a. to 2.69% p.a. (2025: 3.40% p.a. to 4.10% p.a.). The deposit balances at both 31 March 2026 and 2025 mature within one year.

Reconciliation to cash and cash equivalents:

	2026	2025
	\$'000	\$'000
Fixed deposits with banks	103,905	100,107
Cash at bank	299	364
Amounts shown in the statement of financial position	104,204	100,471
Less: amounts with an original maturity beyond three months	(50,076)	(21,005)
Cash and cash equivalents in the statement of cash flows	54,128	79,466

7. Creditors and accrued charges

Creditors and accrued charges comprised mainly compensation payments re-established for those cheque payments that were not cleared for more than six months from the cheque issuing date and accrued auditor's remuneration. They are unsecured, non-interest bearing and due on demand or within one year.

8. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, SEHK contributes to the SFC in respect of each trading right at the rate of \$50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to SEHK the deposit within six months after the trading right was relinquished. During the year, deposits of \$300,000 in respect of 6 new trading rights were received from SEHK and deposits of \$2,200,000 in respect of 44 relinquished trading rights were refunded to SEHK. As at 31 March 2026, 12 trading rights totalling \$600,000 were relinquished but not yet refunded (2025: 24 trading rights totalling \$1,200,000 were relinquished but not yet refunded).

Notes to the financial statements

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

8. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK (continued)

The movement of trading rights deposits from SEHK during the year was as follows:

	2026 \$'000	2025 \$'000
Balance at the beginning of the year	47,400	50,050
Add: new trading rights issued	300	100
Less: relinquished trading rights refunded	(2,200)	(3,200)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	600	450
Balance at the end of the year	46,100	47,400

9. Excess transaction levy from SEHK

SEHK paid these amounts to the Fund from 1992 to 1994 under an agreement with the SFC and the Financial Secretary concerning SEHK's budget and its receipt of transaction levy. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

10. Additional contributions from SEHK and the SFC

Following the revisions of the compensation rules and compensation limit in 1998, the SFC and SEHK had injected \$330 million and \$300 million respectively to the Fund during the years from 1998 to 2001. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

11. Other contributions

In October 1993, a member of SEHK made a special contribution of \$3,500,000 to the Fund in recognition of the SFC's concerns about its misconduct in handling its client trading activities. In November 2000, the former Financial Services Bureau of the HKSAR Government transferred \$3,002,000 to the Fund under the provisions of the Exchanges (Special Levy) Ordinance. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

12. Contributions to the ICF

When the SFO and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Under Section 74(2) of Schedule 10 of the SFO, the SFC may after 1 April 2003 pay into the ICF, which came into operation after 1 April 2003, such sum of money from the Fund as it considers appropriate. Total contributions paid into the ICF from the Fund up to 31 March 2026 amounted to \$994,718,000 (2025: \$994,718,000), no further contributions have been made to the ICF since 1 April 2005.

Notes to the financial statements

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

13. Related party transactions

The Fund has related party relationships with the ICF and the SFC. There were no related party transactions during the years ended 31 March 2026 and 2025.

14. Financial risk management

The Fund's interest-bearing assets mainly comprise fixed deposits at banks which mature or reprice in the short term, as a result of which the Fund is exposed to limited interest rate risk. As at 31 March 2026, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Fund's surplus and accumulated surplus by approximately \$1,039,000 (2025: \$1,001,000). The exposure to credit and liquidity risks arises in the normal course of the Fund's operation. The Fund is not exposed to any foreign exchange risk as all transactions and balances are denominated in Hong Kong dollars.

The Fund's credit risk is primarily attributable to amounts at bank. As at 31 March 2026 and 2025, the bank balances were placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. There are no amounts past due or impaired.

The Fund'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.

15. Replenishments from SEHK

Under Section 107 of the repealed Securities Ordinance, the SFC may require SEHK to replenish the Fund with an amount that is equal to that paid in connection with the satisfaction of the claim (limited to \$8,000,000 per each defaulted case) after the SFC has exhausted all relevant rights of action and other legal remedies against the defaulter.

Up to 31 March 2026, SEHK has replenished \$16,361,000 to the Fund. In compliance with Section 107 of the repealed Securities Ordinance, if no further recoveries were to be collected, the SFC may require SEHK to further replenish \$70,798,000 to the Fund as follows:

	2026 \$'000	2025 \$'000
Compensation paid up to the \$8 million limit as set out in Section 109(3) of the repealed Securities Ordinance	100,738	100,738
Less: recoveries received for compensation paid up to \$8 million	(29,986)	(29,986)
Add: recoveries re-distributed to claimants	16,407	16,407
Less: replenishments from SEHK	(16,361)	(16,361)
Net amount the SFC may request SEHK for replenishment	70,798	70,798

Under Section 74(3) of Schedule 10 of the SFO, the SFC, having allowed sufficient funds to meet claims, may reimburse SEHK for the deposits paid by SEHK into the Fund for each trading right. The reimbursement of these SEHK deposits may be set off against further replenishments required from SEHK.

Replenishments from SEHK are not recognised in the statement of financial position given that the Fund is not aware of any need to request replenishment from SEHK in the near future.

Operational Data

Table 1 Breaches noted during on-site inspections

	2025/26	2024/25	2023/24
Failure to comply with Securities and Futures (Financial Resources) Rules	14	14	13
Failure to safekeep client securities	35	42	41
Failure to maintain proper books and records	41	29	16
Failure to safekeep client money	30	54	45
Unlicensed dealing and other registration issues	15	17	19
Breach of licensing conditions	1	1	1
Breach of requirements of contract notes/statements of account/receipts	36	62	43
Failure to make filing/notification	10	7	0
Breach of margin requirements	4	17	8
Marketing malpractices	1	1	0
Illegal short selling of securities	0	1	1
Dealing malpractices	6	2	0
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ¹	385	379	332
Breach of Corporate Finance Adviser Code of Conduct	3	11	9
Breach of Fund Manager Code of Conduct	239	122	122
Breach of regulation of online trading	14	9	17
Non-compliance with anti-money laundering guidelines	249	289	269
Breach of other rules and regulations of the Exchanges ²	4	10	7
Internal control weaknesses ³	677	856	465
Others	92	149	84
Total	1,856	2,072	1,492

1 Commonly related to risk management, client agreements, safeguarding of client assets and information for or about clients.

2 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

3 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

Table 2 Successful prosecutions**Insider dealing**

Defendants	Date of conviction	Fine/Penalty	Investigation costs awarded
CHOI Chun Wai	18.12.2025	\$289,500 and 2-month imprisonment	\$120,407

Market manipulation

Defendants	Date of conviction	Fine/Penalty	Investigation costs awarded
LIN Tai Fung OR Chun Nin	8.7.2025	240-hour community services 160-hour community services	\$125,000
WONG Yuk Lan	17.12.2025	8-month imprisonment	\$53,880
NG Ka Hei	12.2.2026	\$117,715	\$199,669

Other cases

Defendants	Date of conviction	Fine/Penalty	Investigation costs awarded
CHAU Pak Yin	7.11.2025	6-week imprisonment	\$51,755
CHAN Ngai See HUI Pui Yan Betty LAM Hin Fai LI King Hong	9.2.2026	180-hour community services 120-hour community services 22-month imprisonment 24-month imprisonment	–

Note: Cases with fines below \$10,000 are not shown in this table.

Table 3 Other public disciplinary actions

Company/Name	Date	Breaches	Action
KAO Cheng Yung	22.4.2025	Failure to discharge duties as a Responsible Officer and a member of CSC Futures (HK) Limited's senior management	Banned from re-entering the industry for 6 months
HO Hin Hang	21.5.2025	Failure to discharge duties as a Responsible Officer and a member of Lion Futures Limited's senior management	Banned from re-entering the industry for 5 months
WONG Lai Suen	4.6.2025	Failure to properly manage credit risks and to identify and report suspicious trading patterns of clients	Banned from re-entering the industry for 6 months
CHUI Lai Chun Hadiee	16.6.2025	Failed to disclose personal securities trading account maintained at a brokerage firm other than her employer	Suspended for 7 months
CHOW Tsz Lam	4.9.2025	Failed to discharge duties as a Responsible Officer and a member of Agg. Asset Management Limited's senior management to ensure that the firm acts in the best interests of the fund and its investors and complies with applicable regulatory requirements	Suspended for 12 months
LO Wai Hon, Joey	2.10.2025	Failed to properly manage credit risks and to identify and report suspicious trading patterns of clients	Suspended for 4 months
CHENG Lai Ho	27.10.2025	Failed to disclose to Bank of Communications (Hong Kong) Limited multiple personal securities trading accounts he held in his name in other financial institutions	Banned from re-entering the industry for 7 months
TANG Wai Choi	28.10.2025	Logged into a client's securities account and placed orders for the client via the internet without valid written authorisation; failed to maintain proper records of the client's order instructions	Suspended for 7 months
LEE Si Kar Loretta	1.12.2025	Unauthorised sales of client securities and transfers of client funds	Suspended for 3 months and 2 weeks
CHOI Sau Wai	26.1.2026	Facilitated another brokerage firm's account executive to conduct unauthorised personal trades in a client's securities account	Suspended for 7 months
WONG Chi Fai	26.1.2026	Failed to disclose to his employer beneficial interest and personal trading activities in an undisclosed securities account; made related false declarations to his employer	Suspended for 27 months

Table 4 Other enforcement activities

	2025/26	2024/25	2023/24
S179 ¹ inquiries commenced	62	41	34
S181 ² inquiries commenced (number of letters sent)	160 (4,727)	175 (5,428)	188 (4,627)
S182 ³ directions issued	223	222	182
Rule 8 directions ⁴ issued	1	1	2
Show cause letters ⁴ issued	1	1	2
Cases with search warrants executed	43	41	26
Compliance advice letters issued	311	177	144
Criminal, Civil and Market Misconduct Tribunal (MMT) proceedings			
(a) Insider dealing			
Individuals/corporations summonsed (summons laid)	1 (1)	1 (1)	1 (1)
Individuals/corporations involved in ongoing civil proceedings	5	10	10
Individuals/corporations involved in ongoing MMT proceedings	2	4	3
(b) Market manipulation			
Individuals/corporations summonsed (summons laid)	1 (9)	1 (4)	3 (5)
Individuals/corporations involved in ongoing civil proceedings	70	67	29
Individuals/corporations involved in ongoing MMT proceedings	36	36	22
(c) Others			
Individuals/corporations summonsed (summons laid)	3 (59)	1 (1)	3 (10)
Individuals/corporations involved in ongoing civil proceedings	137	196	166
Individuals/corporations involved in ongoing MMT proceedings	9	9	9
Individuals charged for suspected market misconduct and money laundering offences for indictment prosecution ⁵	2	4	17
Disciplinary enquiry			
Notices of Proposed Disciplinary Action ⁶ issued	31	28	26
Notices of Decision ⁷ issued (including S201 ⁸ agreement)	40	31	27
SFAT hearings			
Applications to SFAT	5	1	4
Applications/hearings completed/withdrawn/abandoned	7	3	2
Applications for extension of time to file an application for review (refused)	0	2	0
Applications for extension of time to file an application for review (granted)	2	0	0

1 Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

2 Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

3 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

4 A Rule 8 direction is issued by the SFC pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules, directing The Stock Exchange of Hong Kong Limited (SEHK) to suspend trading in the shares of a listed company on grounds that the market is misinformed, disorderly or unfair. A show cause letter is sent by the SFC to inform a listed company that it is minded to exercise its power under the aforesaid Rules to direct SEHK to suspend trading in the shares of the company, in the absence of a satisfactory explanation.

5 Two individuals were charged with the offence of conspiracy to employ a scheme with intent to defraud or deceive in transactions involving securities under section 300 of the SFO.

6 A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

7 A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

8 Section 201 of the SFO gives the SFC the power to resolve disciplinary proceedings by agreement when the SFC considers it appropriate to do so in the interest of the investing public or in the public interest.

Table 5 Takeovers activities

	2025/26	2024/25	2023/24
Codes on Takeovers and Mergers and Share Buy-backs			
General and partial offers under Code on Takeovers and Mergers	72	44	32
Privatisations	18	30	17
Whitewash waiver applications	18	18	21
Other applications under Code on Takeovers and Mergers ¹	313	296	240
Off-market and general offer share buy-backs	3	5	7
Other applications under Code on Share Buy-backs ¹	9	2	0
Total	433	395	317
Executive Statements			
Settlement agreements ²	1	1	0
Takeovers and Mergers Panel			
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	0	1	0
Hearings before the Panel (disciplinary and non-disciplinary)	0	0	0
Statements issued by the Panel ³	0	0	0

1 Including stand-alone applications and those made during the course of a code-related transaction.

2 Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

3 Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

Table 6 Hong Kong domiciled authorised funds

By type	As at 31.3.2026				As at 31.3.2025			
	Number		Total NAV (US\$ million)		Number		Total NAV (US\$ million)	
Bond	191	(21.7%)	42,647	(14.3%)	176	(21.8%)	45,802 ⁴	(18.4%)
Equity	208	(23.7%)	60,711	(20.4%)	198	(24.4%)	45,970	(18.4%)
Mixed	112	(12.7%)	30,835	(10.4%)	107	(13.2%)	25,022	(10.0%)
Money market	99	(11.3%)	78,074	(26.2%)	82	(10.1%)	60,294	(24.2%)
Feeder funds ¹	49	(5.6%)	119	(0.0%)	50	(6.2%)	73	(0.0%)
Index ²	196	(22.3%)	83,626	(28.1%)	179	(22.1%)	71,154	(28.5%)
Guaranteed	2	(0.2%)	44	(0.0%)	1	(0.1%)	28	(0.0%)
Commodity and virtual assets	22	(2.5%)	1,739	(0.6%)	16	(2.0%)	1,033	(0.4%)
Sub-total	879	(100.0%)	297,796 ³	(100.0%)	809	(100.0%) ³	249,376 ⁴	(100.0%) ³
Umbrella structures	187				167			
Total	1,066				976			

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

- 1 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.
- 2 Including equity and fixed income index tracking funds, exchange-traded funds and leveraged and inverse products.
- 3 Figures may not add up to total due to rounding.
- 4 These figures differ from those disclosed in the Annual Report 2024-25 due to a revised figure reported after the report's issuance.

Table 7 Non-Hong Kong domiciled authorised funds

a) By origin	As at 31.3.2026					As at 31.3.2025					
	Umbrella funds	Sub-funds	Single funds	Total	Total NAV (US\$ million)	Total	Total NAV (US\$ million)	Total	Total NAV (US\$ million)		
Luxembourg	62	1,041	0	1,103	(75.7%)	1,401,758	(58.4%)	1,093	(75.6%)	1,210,237	(62.1%)
Ireland	24	240	2	266	(18.2%)	404,461	(16.9%)	257	(17.8%)	288,746	(14.8%)
United Kingdom	2	6	11	19	(1.3%)	42,033	(1.8%)	20	(1.4%)	37,337	(1.9%)
Chinese Mainland	1	1	40	42	(2.9%)	18,256	(0.8%)	45	(3.1%)	16,438	(0.8%)
Bermuda	0	0	1	1	(0.1%)	90	(0.0%)	1	(0.1%)	83	(0.0%)
Cayman Islands	3	14	4	21	(1.4%)	1,038	(0.0%)	23	(1.6%)	1,121	(0.1%)
Others	0	0	6	6	(0.4%)	530,910	(22.1%)	6	(0.4%)	395,369	(20.3%)
Total	92	1,302	64	1,458	(100.0%)	2,398,547¹	(100.0%)	1,445	(100.0%)	1,949,330¹	(100.0%)

1 Figures may not add up to total due to rounding.

b) By type	As at 31.3.2026				As at 31.3.2025			
	Number		Total NAV (US\$ million)		Number		Total NAV (US\$ million)	
Bond	391	(28.6%)	621,405	(25.9%)	378	(27.8%)	519,226	(26.6%)
Equity	768	(56.2%)	896,636	(37.4%)	774	(57.0%)	771,439	(39.6%)
Mixed	163	(11.9%)	222,186	(9.3%)	165	(12.2%)	181,733	(9.3%)
Money market	13	(1.0%)	48,754	(2.0%)	11	(0.8%)	14,902	(0.8%)
Feeder funds ¹	3	(0.2%)	0	(0.0%)	3	(0.2%)	0	(0.0%)
Index ²	26	(1.9%)	454,364	(18.9%)	25	(1.8%)	368,496	(18.9%)
Hedge	1	(0.1%)	90	(0.0%)	1	(0.1%)	83	(0.0%)
Commodity	1	(0.1%)	155,111	(6.5%)	1	(0.1%)	93,451	(4.8%)
Sub-total	1,366	(100.0%)	2,398,547 ³	(100.0%)	1,358	(100.0%)	1,949,330	(100.0%)
Umbrella structures	92				87			
Total	1,458				1,445			

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

- 1 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.
- 2 Including equity and fixed income index tracking funds and exchange-traded funds.
- 3 Figures may not add up to total due to rounding.

Table 8 Statistical information and financial position of the Hong Kong securities industry¹

	As at 31.12.2025	As at 31.12.2024	As at 31.12.2023
Securities dealers and securities margin financiers	1,475	1,397	1,406
Active cash clients ²	1,872,141	1,857,740	2,193,229
Active margin clients ²	3,274,693	2,546,405	2,563,883
Active clients	5,146,834	4,404,145	4,757,112
Balance sheet	(\$ million)	(\$ million)	(\$ million)
Cash in hand and at bank ³	822,168	635,332	564,507
Amounts receivable from margin clients ⁴	216,353	177,193	148,038
Amounts receivable from clients and other dealers arising from dealing in securities	357,711	215,701	183,166
Proprietary positions	87,687	67,974	69,444
Other assets	501,776	417,802	366,674
Total assets	1,985,695	1,514,002	1,331,829
Amounts payable to clients and other dealers arising from dealing in securities	1,099,112	775,133	624,749
Total borrowings from financial institutions	38,792	30,812	28,753
Short positions held for own account	3,434	1,005	2,571
Other liabilities	284,082	205,613	194,380
Total shareholders' funds	560,275	501,439	481,376
Total liabilities and shareholders' funds	1,985,695	1,514,002	1,331,829
	12 months to 31.12.2025 (\$ million)	12 months to 31.12.2024 (\$ million)	12 months to 31.12.2023 (\$ million)
Profit and loss			
Total value of transactions ⁵	218,964,606	144,110,203	107,897,497
Net securities commission income	30,223	20,187	17,113
Gross interest income	40,514	41,392	39,987
Other income ⁶	190,035	156,960	140,139
Total operating income	260,772	218,539	197,239
Total overheads and interest expense	195,808	178,260	172,046
Total operating profit	64,964	40,279	25,193
Net profit on proprietary trading	6,754	4,090	3,307
Net profit for the period	71,718	44,369	28,500

1 Data were extracted from the monthly financial returns submitted under the Securities and Futures (Financial Resources) Rules by corporations licensed for dealing in securities or securities margin financing.

2 Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

3 Cash in hand and at bank include trust monies held on behalf of clients which totalled \$568,662 million (31.12.2024: \$405,156 million).

4 As at 31.12.2025, the average collateral coverage was 4.5 times (as at 31.12.2024: 3.9 times). It represents the number of times the aggregate market value of securities collateral deposited by margin clients over the total amount of margin loan due from these clients on a given date on an industry-wide basis.

5 The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

6 Comprises fund management fee income, corporate finance income, inter-company management fee income and others.

Committees, Panels and Tribunal

A number of committees and panels have been set up to advise the SFC on various matters and perform other functions as set out in their terms of reference. Their responsibilities and members are listed in this section. For information on the board committees and Executive Committee, see “Corporate Governance” on pages 86-99.

SFC Committees

Advisory Committee

Advises the SFC on any matter of policy regarding the performance of its functions.

Chairman

Dr WONG Tin Yau Kelvin, SBS, JP

Ex-officio member

LEUNG Fung Yee Julia, SBS, JP

Members

Prof CAI Hongbin	LEUNG Chung Yin Rico (to 31.5.2025)	TSE Yung Hoi, BBS
CHOI Fung Yee Christina (from 1.6.2025)	LI Tong	WONG Tsu Hing Harold, JP
CHUI Yik Chiu Vincent (from 1.6.2025)	MEYER Phillip	WONG Wai Man June (to 31.5.2025)
DUIGNAN Michael (to 31.5.2025)	NG Ka Li Elisa (from 1.6.2025)	XU Tao (from 1.6.2025)
Dr JIA Hongrui	NG Kit Shuen Katherine (from 1.6.2025)	Dr YIP Chee Hang Eric (from 1.6.2025)
LAM Chi Ki (from 1.6.2025)	NG Siu Mui Fion	YIU Ka Yan Wilfred (to 31.5.2025)

Number of meetings: 4

Average attendance rate: 98%

Academic and Accreditation Advisory Committee

Approves industry-based courses and examinations for the purpose of meeting the licensing competence requirements, endorses applications from professional bodies and tertiary institutions as recognised institutions for providing continuous professional training, advises the SFC on areas to study in the context of enhancing Hong Kong’s position as an international financial centre and provides input for the development of industry-related courses and training programmes.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman

Dr YIP Chee Hang Eric

Members

Prof CAO Jie Jay	LEE Wing Yu Peony
Prof CHAN Chun Kwong	LEUNG Mei Yee Michelle
Dr CHENG Wui Wing Andy	WANG Juliana
Prof CHOI Darwin	WONG Pui Ling Pauline
GELLNER Noah John	

Secretary

MAN Hoi Yee Holly

Number of meetings: 0

Average attendance rate: N/A

Committees, Panels and Tribunal

Committee on Real Estate Investment Trusts

Advises the SFC on general policy matters or regulatory issues that are related to the Code on Real Estate Investment Trusts (REITs), the overall market development of REITs, the property or securities market or investment management in Hong Kong or elsewhere, professional practices or guidelines that are involved in the operation of REITs, and fund investment or management in general.

During the year, the Committee met once to discuss policy matters on REITs.

Chairperson

CHOI Fung Yee Christina (to 31.10.2025)
YEONG Wei Ming Alexandra (from 1.11.2025)

Members

CHAN Duen Grace	CHOI Fung Yee Christina (from 1.11.2025)	WONG Pui Ling Pauline
Prof CHAU Kwong Wing	CHU Ho Kwan Raphael	YANG Yong Fang
CHEUNG Keith	DUIGNAN Michael (to 31.10.2025)	YUEN Ka Fai (Frank YUEN)
CHIU Kam Kuen (KK CHIU)	LAU Pak Wai	

Secretary

LAU Tin Mei

Number of meetings: 1

Average attendance rate: 100%

Disciplinary Chair Committee

Members are nominated by the Nominations Committee on the basis that they are duly experienced and legally qualified persons. Their role is to act as Chairman of the Takeovers and Mergers Panel in disciplinary proceedings under the Codes on Takeovers and Mergers and Share Buy-backs or of the Takeovers Appeal Committee on a case-by-case basis.

Members

JAT Sew Tong, SC, JP	MAURELLET José-Antonio, SC	WONG Man Kit Anson, SC, JP
MAN Bernard, SC	SHIEH Wing Tai Paul, SC	

Investor Compensation Fund Committee

Administers the Investor Compensation Fund and regulates its procedures in accordance with Part XII of the Securities and Futures Ordinance (SFO).

During the year, the Committee met once to consider the financial statements of the Fund and deal with other administrative matters.

Chairman

LEUNG Chung Yin Rico

Members

KWOK Hom Siu (Sally KWOK)	YIH Dieter Lai Tak, JP
WAN Chi Yiu Andrew	

Number of meetings: 1

Average attendance rate: 100%

Committees, Panels and Tribunal

Investor Compensation Company Limited Claims Committee

Reviews and determines investors' claims for compensation from the Investor Compensation Fund.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman

YIH Dieter Lai Tak, JP

Members

CHAN Lui (Clara CHAN)

CHUI Ming Wai (Vivian CHUI)

KONG Sheung Wing (John KONG) (from 8.8.2025)

KUNG Chun Hung (Ronnie KUNG)

KWOK Hom Siu (Sally KWOK)

LEE Jor Hung (Dannis LEE) (to 7.8.2025)

LEUNG Chung Yin Rico

MUKADAM Thrity Homi

TSUI Kam Yip (Alison TSUI)

WAN Chi Yiu Andrew

Number of meetings: 0

Average attendance rate: N/A

Nominations Committee

Nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee.

During the year, the Committee met once to consider the appointment and reappointment of members to the abovementioned panel and committees.

Chairman (ex-officio member)

DAWES Victor, SC, BBS

Members

Ex-officio members

CHAN Yuk Sing Freeman

CHOI Fung Yee Christina (from 1.11.2025)

DUIGNAN Michael (to 31.10.2025)

LEUNG Fung Yee Julia, SBS, JP

POGSON Keith

Alternate members to CHAN Yuk Sing Freeman

KO Teresa Yuk Yin, BBS, JP

LAM Chor Lai Celia

MAGUIRE John Martin

SCHWILLE Mark Andrew

YU Ka Po Benita

Number of meetings: 1

Average attendance rate: 100%

Committees, Panels and Tribunal

Products Advisory Committee

The SFC may consult the Committee on a wide range of matters relating to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, the SFC Code on MPF Products and the Code on Pooled Retirement Funds as well as the overall market environment, industry practices and novel product features.

During the year, the Committee held a meeting to discuss key proposed amendments to the Code on Unit Trusts and Mutual Funds.

Chairperson

CHOI Fung Yee Christina (to 31.10.2025)
YEONG Wei Ming Alexandra (from 1.11.2025)

Members

CHAN Duen Grace	LAW Lai Wah Andrew	SHEN Hua
CHEN Chih Yang (Kent CHEN)	LEE Chi Kee Trevor (to 31.10.2025)	SMITH Paul Henry
CHENG Siu Fun (Eric CHENG)	LEE Pui Shan (Rosita LEE)	Prof SO Wai Man Raymond, BBS, JP
CHOW Kin Hung (Nelson CHOW)	LIAN Shaodong, MH (Doris LIAN)	TAM Sau Ngor Vera (to 8.12.2025)
FUNG Ka Shing Bernard	LIN Christine	TSUI Wai Yu (Fion TSUI)
GRAHAM Patrick David (from 11.6.2025)	LUI Yu Kwok (Marty LUI)	YU Chun Sing Sam
HO Ying Foo (Francis HO) (from 9.12.2025)	NOYES Keith Samuel	
LAM Ka Yin (Clement LAM) (to 11.6.2025)	PANG Wai Sau Queenie	

Secretary

POON Wing Yee Loreen

Number of meetings: 1

Average attendance rate: 73%

Public Shareholders Group

Advises on issues relating to shareholders' rights and interests.

During the year, the Group met twice and discussed various policy subjects, such as listed issuers' capital management measures, ongoing public float requirements and potential reforms on listing framework.

Chairperson

DUIGNAN Michael (to 31.10.2025)
CHOI Fung Yee Christina (from 1.11.2025)

Members

CHAN Wai Yan Ronald	HO Clara	WANG Fang
FOONG Leonie	LI Lin Lincoln	WONG Chi Ming Sally (to 21.9.2025)
GAN Lu	MEYER Phillip	YUNG Chun Hing
GILL Amar Singh	ONG Payton Pei-De	

Number of meetings: 2

Average attendance rate: 85%

Committees, Panels and Tribunal

Securities Compensation Fund Committee

Administers the Unified Exchange Compensation Fund and regulates its procedures in accordance with Part X of the repealed Securities Ordinance which, under section 74 of Schedule 10 to the SFO, continues to apply to and in relation to any claim for compensation from the Fund made before 1 April 2003.

During the year, the Committee met once to consider the Fund's financial statements and deal with other administrative matters.

Chairman

LEUNG Chung Yin Rico

Members

KWOK Hom Siu (Sally KWOK)

LAI Chun Mei (Hilda LAI)

WAN Chi Yiu Andrew

YIH Dieter Lai Tak, JP

Number of meetings: 1

Average attendance rate: 100%

SFC (HKEC Listing) Committee

Exercises powers and functions equivalent to those of the Main Board and GEM Listing Committees of the Stock Exchange of Hong Kong Limited (SEHK) when actual or potential conflicts of interest arise between Hong Kong Exchanges and Clearing Limited (HKEX) and the proper performance of SEHK's listing functions. In such cases, the relevant SEHK functions may be undertaken by the SFC.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman

Members present in each Committee meeting will elect a Chairman among themselves at the beginning of that meeting.

Members

CHAN Wai Yan Ronald

CHEN Ping Lisa

CHOI Fung Yee Christina (to 31.10.2025)

DUIGNAN Michael (from 1.11.2025)

LEE Yuen Man Virginia

LEUNG Chung Yin Rico

LEUNG Fung Yee Julia, SBS, JP

LEUNG Po Wah Pauline

NIXON Charles George Rupert

WILSON Christopher (to 31.10.2025)

WONG Christopher Ka Shun

Dr YIP Chee Hang Eric

Number of meetings: 0

Average attendance rate: N/A

Committees, Panels and Tribunal

SFC (HKEC Listing) Appeals Committee

Exercises powers and functions equivalent to those of SEHK's Listing Review Committee when actual or potential conflicts of interest arise between HKEX and the proper performance of listing functions by SEHK. In such cases, the relevant powers and functions may be exercised by the SFC.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman

Members present in each Committee meeting will elect a Chairman among themselves at the beginning of that meeting.

Members

CHAN Chun Hung Vincent	POGSON Keith
CHEW Fook Aun	TANG Tony Xiaodong (from 24.4.2025)
DAWES Victor, SC, BBS	Dr WONG Tin Yau Kelvin, SBS, JP
KONG Johnson Chi How	WONG Yick Kam Michael, SBS, MH, JP
LO Kar Chun Nicky, SBS, JP (to 23.4.2025)	YIH Dieter Lai Tak, JP

Number of meetings: 0

Average attendance rate: N/A

Share Registrars' Disciplinary Committee

Hears and determines disciplinary matters relating to share registrars in the first instance.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman

CHIU Jeckle

Deputy Chairman

TSUI Kam Yip (Alison TSUI)

Members

CHAN Pak Lam Tom	LAM Hui Yip (Clement LAM)	LIN Christine
FOOTMAN Michael Henry Charles	LEE Yuen Man Virginia	WONG Man Yee (Fanny WONG)

Number of meetings: 0

Average attendance rate: N/A

Share Registrars' Disciplinary Appeals Committee

Hears and determines appeals from the Share Registrars' Disciplinary Committee. Members of the Share Registrars' Disciplinary Appeals Committee for the hearing of each appeal case brought before it consist of members of the Share Registrars' Disciplinary Committee who did not preside or participate in the disciplinary hearing of that case.

There were no circumstances which called for a meeting of the Committee during the year.

Committees, Panels and Tribunal

Takeovers and Mergers Panel

Hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive¹ at the request of any party dissatisfied with such a ruling. Considers novel, important or difficult cases referred to it by the Executive. Reviews, upon request by the SFC, the provisions of the Codes on Takeovers and Mergers and Share Buy-backs and the Rules of Procedure for hearings under the Codes and recommends appropriate amendments to the Codes and Rules of Procedure to the SFC.

There were no circumstances which called for a meeting of takeovers-related policy matters and non-disciplinary matters during the year.

Chairman

CHAN Yuk Sing Freeman

Deputy Chairpersons

KO Teresa Yuk Yin, BBS, JP

LAM Chor Lai Celia

MAGUIRE John Martin

SCHWILLE Mark Andrew

YU Ka Po Benita

Members

BIDLAKE Alexandra

CHAN Che Chung (Conrad CHAN)

CHARLTON Julia Frances

CHAU Lai Yi (Joey CHAU)

CLARK Stephen John

IP Koon Wing Ernest

LEE Sum Man Christina

LO Samson Lambert

NORMAN David Michael

NORRIS Nicholas Andrew

PARK Yoo Kyung

SABINE Martin Nevil

SHAH Asit Sudhir

TYE Philip Andrew

WINTER Richard David

WOLHARDT Julian Juul

Dr WONG Hung Nam (Jacky WONG)

WONG Richard

WONG Wai Ming

WONG Yu Tsang Alex

WOO Ka Biu Jackson

YIH Dieter Lai Tak, JP

YUEN Ka Fai (Frank YUEN)

Number of policy meeting: 0

Average attendance rate: N/A

Number of non-disciplinary hearings: 0

Average attendance rate: N/A

Number of disciplinary hearings: 0

Average attendance rate: N/A

¹ The Takeovers Executive refers to the Executive Director of the Corporate Finance Division of the SFC or her delegate.

Committees, Panels and Tribunal

Takeovers Appeal Committee

Reviews disciplinary rulings of the Takeovers and Mergers Panel at the request of an aggrieved party for the sole purpose of determining whether any sanction imposed by the Panel is unfair or excessive.

There were no circumstances which called for a meeting of the Committee during the year.

Members

BIDLAKE Alexandra	LO Samson Lambert	WOLHARDT Julian Juul
CHAN Che Chung (Conrad CHAN)	MAGUIRE John Martin	Dr WONG Hung Nam (Jacky WONG)
CHAN Yuk Sing Freeman	NORMAN David Michael	WONG Richard
CHARLTON Julia Frances	NORRIS Nicholas Andrew	WONG Wai Ming
CHAU Lai Yi (Joey CHAU)	PARK Yoo Kyung	WONG Yu Tsang Alex
CLARK Stephen John	SABINE Martin Nevil	Woo Ka Biu Jackson
IP Koon Wing Ernest	SCHWILLE Mark Andrew	YIH Dieter Lai Tak, JP
KO Teresa Yuk Yin, BBS, JP	SHAH Asit Sudhir	YU Ka Po Benita
LAM Chor Lai Celia	TYE Philip Andrew	YUEN Ka Fai (Frank YUEN)
LEE Sum Man Christina	WINTER Richard David	

Number of meetings: 0

Average attendance rate: N/A

Independent Panels and Tribunal

Leveraged Foreign Exchange Trading Arbitration Panel

Resolves disputes in accordance with the Securities and Futures (Leveraged Foreign Exchange Trading) (Arbitration) Rules.

The panel received no new cases during the year and none were carried over from the previous year.

Chairman

LEE Pui Shan Rosita

Deputy Chairman

CHAN Siu Ping Chordio

Members

FUNG Kit Ming Veronica	LEUNG Bon Yuen Eviana	Dr WANG Lei Levin, JP
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Committees, Panels and Tribunal

Process Review Panel for the Securities and Futures Commission

Reviews and advises the SFC upon the adequacy of the SFC's internal procedures and operational guidelines governing the action taken and decisions made by the SFC and its staff in the performance of its regulatory functions, including those related to the handling of complaints, licensing applications, inspection of intermediaries, investment products authorisation, exercise of investigation and disciplinary action, and corporate finance transactions (including the administration of listing rules).

Chairman

KWOK Pui Fong Miranda, JP

Ex-officio members

Dr WONG Tin Yau Kelvin, SBS, JP
Dr YUNG Kin Chung Boyce

Members

Prof CHAN Ka Lok, MH	LAU Pak Wai David
Dr CHAN Siu Ping Chordio	LEE Shun Yi Jasmine
CHEN Xin Lorna	LIAN Shaodong, MH
CHEN Yung Ngai Kenneth	LIN Xiaodong Charles
CHING Kim Wai Kerry	SO Kwok Yan Karen
Dr KWAN Pak Hoo Bankee, BBS, JP	Dr WANG Lei Levin, JP

Digital Asset Consultative Panel

The Digital Asset Consultative Panel was established as part of the SFC's proactive engagement with SFC-licensed virtual asset trading platforms (VATPs). It also assists the SFC's formulation of regulatory policy to further facilitate the development of a sustainable and resilient digital asset ecosystem.

Only formally licensed VATPs are eligible to be Panel members.

During the year, the Panel met twice to discuss a range of topics including providing regulatory clarity to the market and optimising the VATP regulatory framework.

Chairperson and ex-officio member

Dr YIP Chee Hang Eric

Ex-officio member

WONG Lok Yan Elizabeth

Members (represented by)

Accumulus GBA Technology (Hongkong) Co., Limited (GAN Liqing)	Hong Kong Digital Asset EX Limited (GAO Han)
Bullish HK Markets Limited (GAFFNEY George Nathanael)	Hong Kong Virtual Asset Exchange Limited (NG Wai Leung Anthony)
DFX Labs Company Limited (HUANG Haizhou)	OSL Digital Securities Limited (TIU Gary Ka Chun)
EXIO Limited (WU Chen)	Panthertrade (Hong Kong) Limited (CHEN Zhihu)
Hash Blockchain Limited (RU Haiyang)	YAX (Hong Kong) Limited (LIU Kai)
Hong Kong BGE Limited (KEI Tan Na)	

Number of meetings: 2

Average attendance rate: 100%

Committees, Panels and Tribunal

Securities and Futures Appeals Tribunal

Reviews a range of specified decisions made under the SFO by the SFC, the Hong Kong Monetary Authority or a recognised investor compensation company, and hears and determines any question or issue arising out of or in connection with any review.

Chairmen		
HARTMANN Michael John, GBS	LUNN Michael Victor, GBS	MCWALTERS Ian Charles, GBS
Members		
CHAN Kok Chung Johnny	Prof FONG Yuk Fai	LUI Kit Fong Carol
CHAN Siu Ping Chordio	HUNG Wan Shun Stephen, MH	Dr NG Kam Wah Webster, JP
CHAN Sung Lai Arthur	Dr JIA Hongrui	PUN Wang Fung Wiley
CHAN Yuen Shan Florence	KOO Chi Sum Sammy	TANG Hamilton Ty
CHEN Poonis Annie	Dr KWAN Pak Hoo Bankee, BBS, JP	Prof TANG Hei Wai
CHEN Xin Lorna	LAU Pak Wai	Dr TO Wing Christopher
CHEUNG Wai Kwok Gary	LEE Chun Ho Ernest	YIP Chai Tuck
Prof CHONG Tai Leung Terence, MH	Dr LEUNG Chuen Yan	YUEN Siu Bun Edward
CHUA Suk Lin Ivy		

Glossary and Abbreviations

Automated trading services (ATS)

Electronic facilities, outside of those provided by a recognised exchange company or clearing house, through which participants may trade, clear and settle securities, futures contracts and over-the-counter derivatives.

Digital assets

Include virtual assets and tokenised securities.

Exchange participant

A company with rights to trade on or through the Stock Exchange of Hong Kong Limited or Hong Kong Futures Exchange Limited.

Fund Authorisation Simple Track (FASTrack)

A streamlined new fund authorisation process adopted by the SFC to enable simple funds domiciled and regulated in regions which have mutual recognition of funds arrangements with Hong Kong to be publicly offered in Hong Kong.

Financial Stability Board (FSB)

An international body that promotes global financial stability through recommendations for, and the implementation and monitoring of, policy initiatives and international standards.

GEM

A stock market operated by Hong Kong Exchanges and Clearing Limited (HKEX) to provide fund-raising opportunities for small to mid-sized companies which may not meet the Main Board listing requirements. Formerly known as the Growth Enterprise Market.

Green and Sustainable Finance Cross-Agency Steering Group

A group co-chaired by the SFC and the Hong Kong Monetary Authority (HKMA) with participation from the Financial Services and the Treasury Bureau, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, Accounting and Financial Reporting Council, and HKEX to coordinate the management of climate and environmental risks in the financial sector, accelerate the growth of green and sustainable finance, and support Hong Kong's climate strategies.

Greenwashing

A false or unsubstantiated claim that certain activities or practices are sustainable or environmentally friendly, such as when asset managers market themselves as "green" or "sustainable" but do not fully integrate these factors into their investment processes.

Integrated fund platform (IFP)

A platform established by HKEX to provide a business-to-business service model and cover the front-to-back distribution life cycle and value chain for the distribution of SFC-authorized funds in Hong Kong.

International Organization of Securities Commissions (IOSCO)

A body of securities regulators worldwide that develops, implements and promotes adherence to internationally recognised standards for securities regulation. Its membership regulates more than 95% of the world's securities markets in more than 130 jurisdictions.

International Sustainability Standards Board (ISSB)

An independent standard-setting body set up by the IFRS¹ Foundation to develop a high-quality, comprehensive global baseline for corporate sustainability disclosures focused on the needs of investors and the financial markets.

Investment-linked assurance scheme (ILAS)

A life insurance policy with investment elements which provides both insurance protection and investment options, usually through funds.

IOSCO Asia-Pacific Regional Committee (APRC)

Chaired² by our Chief Executive Officer Ms Julia Leung, this group is one of four regional committees and comprises over 30 Asia-Pacific regulators. It focuses on addressing regulatory issues, enhancing supervisory collaboration and experience sharing, and supporting capacity building activities.

Investor and Financial Education Council (IFEC)

An SFC subsidiary dedicated to improving financial literacy in Hong Kong by providing consumer education through mass communication and stakeholder engagement initiatives.

¹ International Financial Reporting Standards.

² Ms Leung's second two-year term commenced in May 2026.

Glossary and Abbreviations

Leveraged and inverse products (L&I products)

Products structured as exchange-traded funds for public offering in Hong Kong. Leveraged products aim to deliver a daily return equivalent to a multiple of the underlying asset return while inverse products aim to deliver the opposite of the daily return of the underlying asset.

Market Misconduct Tribunal (MMT)

An independent full-time body established under the Securities and Futures Ordinance which imposes civil sanctions against those it determines to be guilty of market misconduct.

Open-ended fund companies (OFC)

Collective investment schemes structured in corporate form with limited liability and variable share capital.

Over-the-counter (OTC) derivatives

Financial instruments which are usually traded directly between dealers and principals rather than via an exchange and whose values are derived from those of underlying assets.

Pooled retirement fund

A collective investment scheme which enables multiple occupational retirement schemes to gain exposure to underlying investment portfolios.

Ramp and dump scheme

A form of stock market manipulation. Fraudsters “ramp” up the price of a stock and use social media to lure unwary investors to buy at an artificially high price. The fraudsters then sell or “dump” the stock to take profits causing the price to collapse.

Real estate investment trust (REIT)

A collective investment scheme constituted as a trust which invests primarily in real estate with the aim to provide returns derived from rental income.

Securities and Futures Appeals Tribunal (SFAT)

A body established under the Securities and Futures Ordinance to review specified decisions made by the SFC, the HKMA or a recognised investor compensation company.

Securities and Futures Ordinance (SFO)

Together with subsidiary legislation, the law in Hong Kong relating to financial products, the securities and futures market and industry, as well as to their regulation and other matters including investor protection.

Task Force on Climate-related Financial Disclosures (TCFD)

A task force set up by the Financial Stability Board to improve and increase reporting of climate-related financial information.

Technology Enterprises Channel (TECH)

A dedicated channel to facilitate new listing applications from prospective specialist technology companies and biotech companies.

Tokenisation

Tokenisation generally involves the process of recording claims on assets that exist on a traditional ledger onto a programmable platform, which includes the use of distributed ledger technology (DLT) in the security lifecycle.

Tokenised securities

Traditional financial instruments that are “securities” as defined in section 1 of Part 1 of Schedule 1 to the SFO which utilise DLT or similar technology in their security lifecycles.

Uncertificated securities market (USM)

An initiative to provide an efficient means for investors to hold and manage securities in their own names and electronically, using platforms that are operated by approved securities registrars and connected to systems of Hong Kong Securities Clearing Company Limited.

Unit trust


A collective investment scheme constituted in trust form.

Virtual assets

Any virtual asset as defined in section 53ZRA of the Anti-Money Laundering and Counter-Terrorist Financing Ordinance. It is a specific subset of digital assets.

Whitewash waiver

A waiver of a party’s obligation to make a mandatory offer to other shareholders under the Takeovers Code.



This Annual Report has a Chinese version.

Auditor

Deloitte Touche Tohmatsu

**Concept design
and production**

REF Financial Press Limited

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