

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Income			
Levies		534,124	414,111
Fees and charges		49,757	53,023
Net investment income			
Investment income		32,702	159,703
Less: custody and advisory expenses		(2,984)	(2,020)
Recoveries from the Investor Compensation Fund	6(a)	1,424	1,559
Exchange loss		(5,467)	(243)
Other income		145	143
		609,701	626,276
Expenses			
Staff costs and directors' emoluments	6(b)	359,232	360,440
Depreciation			
Fixed assets		22,739	16,728
Right-of-use assets		35,636	87,805
Other premises expenses		8,195	19,474
Finance costs		2,074	2,482
Other expenses		38,759	34,339
		466,635	521,268
Surplus and total comprehensive income for the quarter		143,066	105,008

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

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Condensed consolidated statement of financial position

As at 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Non-current assets			
Fixed assets		277,094	291,496
Right-of-use assets		942,625	978,261
Deposits for leases		37,729	37,656
Financial assets at amortised costs – debt securities		3,036,653	3,023,857
		4,294,101	4,331,270
Current assets			
Financial assets at amortised costs – debt securities		111,728	107,673
Financial assets at fair value through profit or loss			
Debt securities		433,337	425,610
Pooled funds		1,027,716	1,018,610
Debtors, deposits and prepayments		253,628	336,704
Fixed deposits with banks		2,929,919	2,641,008
Cash at bank and in hand		117,694	65,287
		4,874,022	4,594,892
Current liabilities			
Fees received in advance		7,746	8,198
Creditors and accrued charges		320,058	186,408
Lease liabilities		137,594	137,461
Provisions	3	574	574
		465,972	332,641
Net current assets		4,408,050	4,262,251
Total assets less current liabilities		8,702,151	8,593,521
Non-current liabilities			
Lease liabilities		796,451	830,887
Provisions	3	88,346	88,346
		884,797	919,233
Net assets		7,817,354	7,674,288
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,125,000	3,125,000
Accumulated surplus		4,649,514	4,506,448
		7,817,354	7,674,288

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

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Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2020	42,840	3,000,000	3,652,080	6,694,920
Surplus and total comprehensive income for the quarter	–	–	105,008	105,008
Balance at 30 June 2020	42,840	3,000,000	3,757,088	6,799,928
Balance at 1 April 2021	42,840	3,125,000	4,506,448	7,674,288
Surplus and total comprehensive income for the quarter	–	–	143,066	143,066
Balance at 30 June 2021	42,840	3,125,000	4,649,514	7,817,354

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

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Condensed consolidated statement of cash flows

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2021 \$'000	30 Jun 2020 \$'000
Cash flows from operating activities			
Surplus for the quarter		143,066	105,008
Adjustments for:			
Depreciation – Fixed assets		22,739	16,728
Depreciation – Right-of-use assets		35,636	87,805
Finance costs		2,074	2,482
Interest income on deposits for leases		(71)	(71)
Investment income		(32,702)	(159,703)
Exchange loss		5,453	230
Gain on disposal of fixed assets		(8)	–
		176,187	52,479
Decrease in debtors, deposits and prepayments		82,858	189
Decrease in fees received in advance		(452)	(15,847)
Increase in creditors and accrued charges		138,802	154,213
Decrease in provisions for reinstatement		–	(7,237)
Net cash generated from operating activities		397,395	183,797
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		528,863	539,735
Interest received		25,916	37,004
Debt securities at fair value through profit or loss purchased		(135,301)	(72,848)
Debt securities at fair value through profit or loss sold or redeemed		129,423	76,006
Pooled funds sold		1,600	1,094
Debt securities at amortised cost purchased		(50,048)	(8,525)
Debt securities at amortised cost redeemed at maturity		22,530	449,608
Fixed assets purchased		(13,489)	(182,535)
Proceeds from fixed assets disposal		8	–
Net cash generated from investing activities		509,502	839,539
Cash flows from financing activities			
Principal element of lease payments		(34,303)	(48,470)
Interest element of lease payments		(2,074)	(2,482)
Net cash used in financing activities		(36,377)	(50,952)
Net increase in cash and cash equivalents		870,520	972,384
Cash and cash equivalents at the beginning of the quarter		855,099	753,406
Cash and cash equivalents at the end of the quarter	2	1,725,619	1,725,790

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2021 \$'000	At 30 Jun 2020 \$'000
Fixed deposits with banks	1,607,925	1,669,732
Cash at bank and in hand	117,694	56,058
	1,725,619	1,725,790

The notes on pages 31 to 32 form part of these condensed consolidated financial statements.

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Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

1. Basis of preparation

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2021. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2021 included in this report does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, Investor Compensation Company Limited (ICC) and Investor and Financial Education Council (IFEC), are made up to 30 June 2021. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2021 to the interim financial information.

There were no significant changes in the operations of the Group for the quarter ended 30 June 2021.

2. Cash and cash equivalents

	Unaudited At 30 Jun 2021 \$'000	Audited At 31 Mar 2021 \$'000
Cash at bank and in hand	117,694	65,287
Fixed deposits with banks	2,929,919	2,641,008
Amounts shown in the condensed consolidated statement of financial position	3,047,613	2,706,295
Less: Amounts with an original maturity beyond three months	(1,321,994)	(1,851,196)
Cash and cash equivalents in the condensed consolidated statement of cash flows	1,725,619	855,099

3. Provisions

Provisions represent premises reinstatement cost to restore the premises to a condition as stipulated in the relevant lease agreements when the lease expires.

4. Exchange risk

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

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Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2021 (Expressed in Hong Kong dollars)

5. Investments in subsidiaries

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

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

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

As at 30 June 2021, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2021: \$0.2). The balance is too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

6. Related party transactions

The Group has related party relationships with the ICF, Unified Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers' Deposits Fund and Commodities Trading Ordinance (Chapter 250) – Dealers' Deposits Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions.

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

During the period, \$1,424,000 was recovered from the ICF for the ICC's expenses (2020: \$1,559,000). As at 30 June 2021, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$709,000 (as at 31 March 2021: \$242,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2021 \$'000	30 Jun 2020 \$'000
Directors' fees and salaries, allowances and benefits in kind	8,633	8,554
Retirement scheme contributions	769	769
	9,402	9,323

The total remuneration is included in "staff costs and directors' emoluments" on page 27. Discretionary pay is not included above as the decision to pay is subject to the approval process towards the end of the financial year and therefore is not determined until then.

(c) Legal services provided by a Non-executive Director

Prior to the appointment of a Non-executive Director (NED), the Group engaged him to provide legal services in respect of a number of matters. The NED continued to provide services in respect of matters commenced prior to his appointment. Fees paid or payable to him for such services amounted to \$80,000 during the period and under normal commercial terms and conditions.