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Fu Shek Financial Holdings Limited

富石金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2263)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “**Board**”) of directors (the “**Director(s)**”) of Fu Shek Financial Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 together with the comparative figures for the six months ended 30 September 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	<i>Notes</i>	Six months ended 30 September	
		2021	2020
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue			
Fee and commission income	3	12,219	11,651
Interest income		9,402	9,332
		21,621	20,983
Other gains and (losses)		18	(13)
Other income		583	436
Staff costs	5	(5,351)	(4,071)
Finance costs	6	(268)	(956)
Impairment loss reversed (recognised), net	7	1,109	(1,525)
Commission expenses		(1,526)	(809)
Depreciation of property and equipment		(942)	(942)
Other operating expenses		(4,684)	(4,942)

		Six months ended 30 September	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit before taxation		10,560	8,161
Taxation	8	(1,897)	(1,448)
Profit and total comprehensive income for the period		<u>8,663</u>	<u>6,713</u>
Earnings per share			
Basic (<i>HK cents per share</i>)	9	<u>0.87</u>	<u>0.67</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Non-current assets			
Property and equipment		674	1,616
Intangible asset		2,735	2,735
Other assets		2,262	697
		5,671	5,048
Current assets			
Accounts receivable	11	270,002	295,770
Deposits, other receivable and prepayments		1,191	858
Tax recoverable		2,508	2,706
Bank balances – trust and segregated accounts		201,631	141,537
Bank balances – general accounts and cash		97,871	92,411
		573,203	533,282
Current liabilities			
Accounts payable	12	229,443	206,198
Other payables and accrued charges		3,000	3,463
Bank borrowings		10,000	–
Lease liabilities		614	1,515
		243,057	211,176
Net current assets		330,146	322,106
Net assets		335,817	327,154
Capital and reserves			
Share capital		10,000	10,000
Reserves		325,817	317,154
Total capital and reserves		335,817	327,154

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

3. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Commission and brokerage income on securities dealing	7,803	9,713
Placing and underwriting services income	1,940	1,310
Handling and other fee income	2,472	625
Asset management fee	4	3
	<u>12,219</u>	<u>11,651</u>

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Timing of revenue recognition		
A point in time	12,097	11,519
Over time	122	132
	<u>12,219</u>	<u>11,651</u>

4. SEGMENT INFORMATION

The Group's operating segment is determined based on information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- (a) the brokerage services segment comprising the provision of brokerage services in securities traded in Hong Kong and overseas markets;
- (b) the margin financing services segment comprising the provision of financing services to margin and cash clients;
- (c) the placing and underwriting services segment comprising the provision of underwriting, sub-underwriting and placing services; and
- (d) the asset management services segment comprising the provision of investment management services.

Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other gains and (losses), certain staff costs, certain impairment loss reversed, certain finance costs, depreciation and certain other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2021

	Brokerage services <i>HK\$'000</i>	Margin financing services <i>HK\$'000</i>	Placing and underwriting services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>10,275</u>	<u>9,402</u>	<u>1,940</u>	<u>4</u>	<u>21,621</u>
Segment profit/(loss)	<u>7,161</u>	<u>10,271</u>	<u>524</u>	<u>(86)</u>	<u>17,870</u>
Other income and gains, net					601
Certain staff costs					(3,543)
Certain finance costs					(28)
Depreciation					(942)
Certain other operating expenses					<u>(3,398)</u>
Profit before taxation					<u>10,560</u>
Other segment information:					
Interest income from clients	<u>-</u>	<u>9,402</u>	<u>-</u>	<u>-</u>	<u>9,402</u>
Interest on bank and other borrowings	<u>-</u>	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>(240)</u>
Commission expenses	<u>(500)</u>	<u>-</u>	<u>(1,026)</u>	<u>-</u>	<u>(1,526)</u>
Impairment loss reversed	<u>-</u>	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>1,109</u>

Period ended 30 September 2020

	Brokerage services <i>HK\$'000</i>	Margin financing services <i>HK\$'000</i>	Placing and underwriting services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>10,338</u>	<u>9,332</u>	<u>1,310</u>	<u>3</u>	<u>20,983</u>
Segment profit/(loss)	<u>8,479</u>	<u>6,876</u>	<u>395</u>	<u>(57)</u>	15,693
Other income and (losses), net					423
Certain staff costs					(2,732)
Certain impairment loss reversed					60
Certain finance costs					(72)
Depreciation					(942)
Certain other operating expenses					<u>(4,269)</u>
Profit before taxation					<u>8,161</u>
Other segment information:					
Interest income from clients	<u>–</u>	<u>9,332</u>	<u>–</u>	<u>–</u>	<u>9,332</u>
Interest on bank and other borrowings	<u>–</u>	<u>(884)</u>	<u>–</u>	<u>–</u>	<u>(884)</u>
Commission expenses	<u>(246)</u>	<u>–</u>	<u>(563)</u>	<u>–</u>	<u>(809)</u>
Impairment loss except for certain unallocated impairment loss recognised	<u>–</u>	<u>(1,572)</u>	<u>(13)</u>	<u>–</u>	<u>(1,585)</u>

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

Geographical information

The Group's operations are principally located in the Hong Kong and all of the Group's revenue and non-current assets are derived from Hong Kong.

5. STAFF COSTS

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Directors' remuneration		
– fees	360	360
– salaries, discretionary bonus and other benefits	1,775	1,369
– contributions to the retirement benefit scheme	9	18
Salaries, discretionary bonus and other benefits	3,106	2,715
Contributions to the retirement benefit scheme	101	92
	<u>5,351</u>	<u>4,554</u>
Less: Government grants	–	(483)
	<u>5,351</u>	<u>4,071</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Interest on short term advances from brokers	101	782
Interest on bank borrowings	139	102
Interest on lease liabilities	28	72
	<u>268</u>	<u>956</u>

7. IMPAIRMENT LOSS REVERSED (RECOGNISED), NET

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
Impairment loss reversed (recognised) on:		
– Accounts receivable arising from the business of dealing in securities	1,109	(1,572)
– Accounts receivable arising from placing and underwriting services	–	(13)
– Other receivables	–	60
	<u>1,109</u>	<u>(1,525)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2021.

8. TAXATION

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	<u>1,897</u>	<u>1,448</u>

Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both reporting periods.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>8,663</u>	<u>6,713</u>
	Number of shares	
	Six months ended 30 September	
	2021	2020
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	<u>1,000,000</u>	<u>1,000,000</u>

No diluted earnings per share is presented for the six-month periods ended 30 September 2021 and 2020 as there were no potential dilutive shares.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the period ended 30 September 2021, nor has any dividend been proposed since the end of the reporting period (period ended 30 September 2020: HK\$nil).

11. ACCOUNTS RECEIVABLE

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	1,855	34,859
– Cash clients	546	301
– Margin clients	259,681	261,019
– Broker	7,756	–
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	1,392	1,928
	271,230	298,107
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(528)	(1,637)
– accounts receivable arising from placing and underwriting services	(700)	(700)
	270,002	295,770

Notes:

- (a) The normal settlement terms of accounts receivable from cash clients, HKSCC and broker are two days after trade date. In respect of accounts receivable from cash clients which are past due at the end of the reporting period, the ageing analysis (from settlement date) is as follows:

	As at 30 September 2021 <i>HK\$'000</i> (unaudited)	As at 31 March 2021 <i>HK\$'000</i> (audited)
0–30 days	57	20
31–60 days	16	–
61–90 days	19	–
Over 90 days	109	16
	201	36

Accounts receivable from HKSCC and broker are related to unsettled trades and not yet past due.

No ageing analysis is disclosed, in respect of accounts receivable from margin clients, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

Management assessed the fair value of the securities held by the Group of each individual client who had shortfall and provision for impairment loss of HK\$528,000 was made as at 30 September 2021 (31 March 2021: HK\$1,637,000).

- (b) No credit period is granted for accounts receivable arising from placing and underwriting services. The ageing analysis (based on the revenue recognition date) is as follows:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0–30 days	–	43
31–90 days	162	200
91–120 days	–	530
121–180 days	–	–
181–365 days	530	455
Over 365 days	700	700
	<u>1,392</u>	<u>1,928</u>

Impairment allowance of HK\$700,000 (31 March 2021: HK\$700,000) has been made for accounts receivable from placing and underwriting services.

12. ACCOUNTS PAYABLE

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Cash clients	123,712	98,288
Margin clients	87,270	107,076
HKSCC	18,461	–
Broker	–	834
	<u>229,443</u>	<u>206,198</u>

The normal settlement terms of accounts payable to clients and broker are two days after trade date.

Accounts payable to margin clients, cash clients and HKSCC are repayable on demand after settlement date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

The accounts payable amounting to HK\$201,631,000 (31 March 2021: HK\$141,537,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Hong Kong's economy rose 5.4% year on year in the third quarter of 2021, continuing the economic recovery to the third straight quarter. As impacted by the macroeconomic environment, investors' attitude over the market shifted quite a lot after the pandemic outbreak, as they turn generally prudent. Yet, even under the coronavirus ("COVID-19") pandemic and a weakening macroeconomic environment, Hong Kong's capital market proves its resilience with IPO activities of sizeable listings. The total funds raised for the first ten months of 2021 was HK\$638.1 billion, which recorded an increase of 19% as compared to corresponding period in a year earlier.

Despite market volatility reflected on the fluctuation of the Hang Seng Index, investors did not lose hope on Hong Kong's capital investment opportunities and generally believe in a gradual recovery soon. According to the monthly market highlights provided by Hong Kong Stock Exchange, active trading activities in the capital market are reflected in the growing average daily turnover for the securities market for the first 10 months of 2021, which reached HK\$175.8 billion by increasing 41% as compared to corresponding period in a year earlier. Although the business environment may still seem gloomy, investors have managed to navigate under extreme uncertainties, exhibiting relatively lower volatility than anticipated.

BUSINESS REVIEW

Since over a decade ago, the Group has been providing comprehensive financial services based in Hong Kong, including (i) securities trading services including brokerage services and margin financing services; (ii) placing and underwriting services; and (iii) asset management services. During the six months ended 30 September 2021 (the "**Reporting Period**"), the Group's revenue was approximately HK\$21.6 million, which recorded a 3.0% increase of total revenue for the corresponding period in 2020.

Securities Trading Services

Brokerage services

The Group provides securities dealing and brokerage services and ancillary service to clients who maintain a trading account. Commission income from the Group's securities brokerage business and handling and other fee income for the Reporting Period decreased by 0.6% to approximately HK\$10.3 million as compared with that of the six months ended 30 September 2020 (the six months ended 30 September 2020: approximately HK\$10.3 million) and accounted for 47.5% (the six months ended 30 September 2020: 49.3%) of the total revenue. The slight decrease in revenue from brokerage services was attributable to the decreased commission income received due to decreased trading turnover during the Reporting Period. The segment profit from brokerage services decreased by 15.5% to approximately HK\$7.2

million as compared with the corresponding period of 2020 (the six months ended 30 September 2020: approximately HK\$8.5 million) as more commission expenses incurred during the Reporting Period.

Margin Financing Services

The Group provides financing services to facilitate its clients' purchase of securities on a margin basis in the secondary market and subscription to IPOs. Interest income from margin financing provided by the Group for the Reporting Period increased by 0.8% to approximately HK\$9.4 million as compared with that of the six months ended 30 September 2020 (the six months ended 30 September 2020: approximately HK\$9.3 million) and accounted for 43.5% (the six months ended 30 September 2020: 44.5%) of the total revenue. The growth in interest income from margin financing was mainly due to an increase in interest income derived from our margin clients as the demand for our margin financing services increased generally during the Reporting Period. The segment profit from margin financing services increased by 49.4% to approximately HK\$10.3 million as compared with the corresponding period of 2020 (the six months ended 30 September 2020: approximately HK\$6.9 million) as an allowance for impairment loss of approximately HK\$1.1 million was reversed for accounts receivable arising from the business of dealing in securities reversed and less finance costs incurred during the Reporting Period.

Placing and Underwriting Services

The Group provides placing and underwriting services by acting as (i) bookrunner, lead manager or underwriter of listing applicants in IPOs; and (ii) placing agent of listed companies in connection with their issuance or sale of securities, in return for placing and/or underwriting commission income. The commissions from placing and underwriting engagements vary on a case-by-case basis, as they are charged either based on pre-determined fixed fee or a fee calculated as a percentage of the total price of shares underwritten. Commission income from the Group's placing and underwriting services for the Reporting Period increased by 48.1% to approximately HK\$1.9 million as compared with that of the six months ended 30 September 2020 (the six months ended 30 September 2020: approximately HK\$1.3 million) and accounted for 9.0% (the six months ended 30 September 2020: 6.2%) of the total revenue. The Hong Kong's capital market has been volatile since the outbreak of COVID-19 in the first quarter of 2020, which influenced the investors' motivation to subscribe for securities of new issuers. Hence, the Group adopted a more prudent business approach in clients' acceptance for IPOs engagements. On the other hand, the Group adjusted its business strategies to be more active in participating in placing agent and underwriter engagement of listed companies in connection with their issuance of securities. The segment profit from placing and underwriting services increased by 32.7% to approximately HK\$0.5 million as compared with the corresponding period in 2020 (the six months ended 30 September 2020: approximately HK\$0.4 million). The segment profit increased at a lower rate than the segment revenue as more commission expenses was incurred during the Reporting Period.

Asset Management Services

During the period ended 30 September 2020, the Group launched the asset management services business to a client as a separate business segment. During the Reporting Period, the revenue of asset management services was HK\$4,000 (the six months ended 30 September 2020: HK\$3,000) and the segment loss was HK\$86,000 (the six months ended 30 September 2020: HK\$57,000).

OUTLOOK

Given the swift pace of controlling the local COVID-19 outbreak, Hong Kong remains as one of the world's strongest financial markets. With the massive vaccination programme in various places around the world, it is anticipated that the impact of COVID-19 pandemic will be moderated gradually and the global economies will rebound.

The Group believes that the Hong Kong financial services industry, with its strengths of long development history, sound reputation, supportive policies and outstanding industry professionals, would remain in a top position worldwide. Many companies, who have listed in the US, are still looking for a secondary listing in Hong Kong to expand their market to Asia.

The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise, especially in the expansion of our margin financing services.

In response to the opportunities in the market, the Group will remain prudent towards external factors arising from the global and local economic situation and enhance its strengths to consolidate the Group's position in the industry.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately HK\$21.6 million (the six months ended 30 September 2020: approximately HK\$21.0 million), representing an increase of 3.0% compared with that of the six months ended 30 September 2020. The overall increase was mainly due to increase in placing and underwriting services income during the Reporting Period.

Other Operating Expenses

For the Reporting Period, the other operating expenses decreased 5.2% to approximately HK\$4.7 million as compared with the six months ended 30 September 2020 (the six months ended 30 September 2020: approximately HK\$4.9 million). The decrease was mainly due to less audit and interim review fee to the auditor during the Reporting Period.

Net Profit

For the Reporting Period, the Group's net profit was approximately HK\$8.7 million, which was an increase of 29.0% compared with approximately HK\$6.7 million from the six months ended 30 September 2020. Such change was mainly due to (i) reversal of impairment loss for accounts receivable arising from the business of dealing in securities; (ii) increase in revenue and (iii) decrease in finance costs while offsetting the increase in staff costs as compared with the six months ended 30 September 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong cash position with bank deposits, and financed its operations by cash mainly generated from bank borrowings. As at 30 September 2021, the Group had total bank balances for general accounts and cash of approximately HK\$97.9 million (as at 31 March 2021: approximately HK\$92.4 million). As at 30 September 2021, the Group had net current assets of approximately HK\$330.1 million, representing an increase of approximately HK\$8.0 million as compared with that of approximately HK\$322.1 million as at 31 March 2021. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was approximately 0.03 as at 30 September 2021 (as at 31 March 2021: Nil).

Gearing ratio is calculated based on total debts which represent bank borrowings only, divided by net assets as at the end of the Reporting Period.

Borrowings

The major source of debt financing of the Group was mainly from bank and short-term advances from brokers. As at 30 September 2021, the Group had bank borrowings of HK\$10.0 million (as at 31 March 2021: Nil). The bank borrowings were with a repayment on demand clause. Bank borrowings of HK\$10.0 million was at a floating rate of 2.5% p.a. over 1-month Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 30 September 2021, the Group did not have any pledged assets (as at 31 March 2021: Nil).

Foreign Currency Exposure

As the Group only operates in Hong Kong and the majority of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Directors are of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk for the Reporting Period.

Capital Commitments and Contingent Liabilities

As at 30 September 2021, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2021: Nil).

Employees and Remuneration Policies

As at 30 September 2021, the Group employed 16 staff (as at 31 March 2021: 17). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Staff costs primarily consist of fees, salaries, discretionary bonus and other benefits as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Staff costs was approximately HK\$5.4 million during the Reporting Period (the six months ended 30 September 2020: HK\$4.1 million), representing an increase of approximately 31.4%.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Significant Investments Held by the Group

As at 30 September 2021, the Group did not make any significant investments (as at 31 March 2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 January 2020 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets as at the date of this interim results announcement.

USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on the main board of the Stock Exchange received by the Group, after deducting related expenses, were approximately HK\$90.6 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Such uses include: (i) expansion of placing and underwriting business; (ii) funding for margin financing business; (iii) establishment and renovation of a new office; (iv) expansion of workforce; (v) enhancement of IT systems; (vi) promotion and marketing and (vii) working capital.

Business strategies	Net proceeds as allocated in accordance with the Prospectus HK\$'000	Actual use of net proceeds up to 30 September 2021 HK\$'000	Unutilised use of net proceeds up to 30 September 2021 HK\$'000	Expected timeline of full utilisation of the balance
Expansion of placing and underwriting business	27,000	27,000	–	–
Funding for margin financing business	10,200	10,200	–	–
Establishment and renovation of a new office	15,700	–	15,700	End of 2022
Expansion of workforce	12,900	709	12,191	End of 2022
Enhancement of IT systems	9,000	–	9,000	End of 2022
Promotion and marketing	7,200	–	7,200	End of 2022
Working capital	8,600	8,600	–	–
Total	90,600	46,509	44,091	

As at 30 September 2021, the unutilised net proceeds were placed with a licensed bank in Hong Kong.

In consideration of the stock market volatility arising from the prolonged COVID-19 crisis and uncertain economic outlook, the Group has adopted a conservative but flexible approach for utilising the proceeds effectively and efficiently for the long-term development of the Group. The Group has kept the expansion and development plans on hold during the Reporting Period, and planned to resume when the COVID-19 pandemic is under control or until it subsides.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Reporting Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

INTERIM DIVIDENDS

The Board does not recommend the declaration of interim dividend for the Reporting Period (the six months ended 30 September 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group had no material subsequent events after the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company of all Directors that they have fully complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Company established its audit committee (the “**Audit Committee**”) which consists of three members, namely Mr. Lai Man Sing (chairman), Dr. Yu Sun Say and Ms. Tsang Ngo Yin. The audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The Audit Committee has reviewed with management of the Company the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2021 including the accounting principles and practices adopted by the Group.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group as set out in this interim results announcement had been reviewed by the Audit Committee and the Company's auditor, Baker Tilly Hong Kong Limited.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and on the website of the Company (www.hkfsfinance.com). The interim report of the Company for the six months ended 30 September 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Fu Shek Financial Holdings Limited
Keng Stephen Lee
Chairman

Hong Kong, 30 November 2021

As at the date of this announcement, the Board comprises Mr. Keng Stephen Lee as chairman and non-executive Director, Mr. Sy Man Chiu and Mr. Ng Sik Chiu as executive Directors, and Dr. Yu Sun Say, Mr. Lai Man Sing and Ms. Tsang Ngo Yin as independent non-executive Directors.