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 2023

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 2023 together with the comparative figures for the six months ended 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Fee and commission income	3	**4,691**	5,429
Interest income under effective interest method		**10,602**	14,433
		15,293	19,862
Other gains and losses		**(86)**	100
Other income		**4,091**	718
Staff costs	5	**(4,738)**	(4,662)
Finance costs	6	**(24)**	(559)
Impairment loss recognised	7	**(8,175)**	(800)
Commission expenses		**(998)**	(632)
Depreciation of property and equipment		**(776)**	(770)
Other operating expenses		**(2,840)**	(2,934)
Profit before taxation		**1,747**	10,323
Taxation	8	**–**	(1,644)
Profit and total comprehensive income for the period		**1,747**	8,679
Earnings per share			
Basic *(HK cents per share)*	9	**0.17**	0.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	**As at 30 September 2023** **HK$'000** **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
Non-current assets			
Property and equipment		**588**	1,356
Intangible asset		**2,735**	2,735
Other assets		**200**	200
		3,523	4,291
Current assets			
Accounts receivable	11	**160,444**	240,224
Deposits, other receivable and prepayments		**748**	663
Tax recoverable		**679**	1
Bank balances – trust and segregated accounts		**131,670**	142,607
Bank balances – general accounts and cash		**205,077**	132,068
		498,618	515,563
Current liabilities			
Accounts payable	12	**146,510**	164,278
Other payables and accrued charges		**1,401**	2,338
Lease liabilities		**515**	1,270
		148,426	167,886
Net current assets		**350,192**	347,677
Net assets		**353,715**	351,968
Capital and reserves			
Share capital		**10,000**	10,000
Reserves		**343,715**	341,968
Total capital and reserves		**353,715**	351,968

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.

Other than change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which become relevant to the Group in the current interim period, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group's audited consolidated financial statements for the year ended 31 March 2023.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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 condensed consolidated financial statements.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("**LSP**") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("**MPF**") scheme (also known as the "**offsetting mechanism**"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "**Transition Date**"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 March 2023.

In this interim results announcement and in prior periods, consistent with the HKICPA guidance, the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the abovementioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim results announcement is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 March 2024.

3. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Commission and brokerage income on securities dealing	**2,635**	3,899
Placing and underwriting services income	**1,602**	839
Handling and other fee income	**452**	689
Asset management fee	**2**	2
	4,691	5,429

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	**4,668**	5,308
Over time	**23**	121
	4,691	5,429

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.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the Group's annual financial statements for the year ended 31 March 2023. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other gains and losses, unallocated staff costs, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2023

	Brokerage services *HK$'000*	Margin financing services *HK$'000*	Placing and underwriting services *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Segment revenue	**3,087**	**10,602**	**1,602**	**2**	**15,293**
Segment profit/(loss)	**1,275**	**2,427**	**872**	**(88)**	**4,486**
Other income and losses					**4,005**
Unallocated staff costs					**(3,426)**
Unallocated finance costs					**(24)**
Depreciation					**(776)**
Unallocated other operating expenses					**(2,518)**
Profit before taxation					**1,747**
Other segment information:					
Interest income from clients	**–**	**10,602**	**–**	**–**	**10,602**
Commission expenses	**(658)**	**–**	**(340)**	**–**	**(998)**
Impairment loss recognised	**–**	**(8,175)**	**–**	**–**	**(8,175)**

Period ended 30 September 2022

	Brokerage services *HK$'000*	Margin financing services *HK$'000*	Placing and underwriting services *HK$'000*	Asset management services *HK$'000*	Total *HK$'000*
Segment revenue	4,588	14,433	839	2	19,862
Segment profit/(loss)	2,881	13,135	(14)	(88)	15,914
Other income and gains					818
Unallocated staff costs					(3,040)
Unallocated finance costs					(61)
Depreciation					(770)
Unallocated other operating expenses					(2,538)
Profit before taxation					10,323
Other segment information:					
Interest income from clients	–	14,433	–	–	14,433
Interest on bank and other borrowings	–	(498)	–	–	(498)
Commission expenses	(169)	–	(463)	–	(632)
Impairment loss recognised	–	(800)	–	–	(800)

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 and located in Hong Kong.

5. STAFF COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' remuneration		
– fees	**360**	360
– salaries, discretionary bonus and other benefits	**1,480**	1,640
– contributions to the retirement benefit scheme	**9**	9
Salaries, discretionary bonus and other benefits	**2,795**	2,876
Contributions to the retirement benefit scheme	**94**	90
	4,738	4,975
Less: Government grants	**–**	(313)
	4,738	4,662

During the period ended 30 September 2022, the Group recognised government grants of HK$313,000 in respect of COVID-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong Government for compensating the Group's staff costs.

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**–**	498
Interest on lease liabilities	**24**	61
	24	559

7. IMPAIRMENT LOSS RECOGNISED

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Impairment loss recognised on:		
Accounts receivable arising from the business of dealing in securities	**8,175**	800

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 2023 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2023.

8. TAXATION

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	1,644

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 the prior period. No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the current period.

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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**1,747**	8,679

	Number of shares Six months ended 30 September	
	2023	2022
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation *('000)*	**1,000,000**	1,000,000

No diluted earnings per share is presented for the six-month periods ended 30 September 2023 and 2022 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 2023, nor has any dividend been proposed since the end of the reporting period (period ended 30 September 2022: Nil).

11. ACCOUNTS RECEIVABLE

	As at 30 September 2023 *HK$'000* **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
Accounts receivable arising from the business of dealing in securities *(note a)*		
– Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**14,818**	12,037
– Cash clients	**182**	7,334
– Margin clients	**160,856**	228,025
– Broker	**142**	157
Accounts receivable arising from placing and underwriting services *(note b)*	**1,180**	1,230
	177,178	248,783
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	**(15,554)**	(7,379)
– accounts receivable arising from placing and underwriting services	**(1,180)**	(1,180)
	160,444	240,224

Notes:

(a) The normal settlement terms of accounts receivable from cash clients, broker and HKSCC 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 2023 *HK$'000* **(unaudited)**	As at 31 March 2023 *HK$'000* (audited)
0–30 days	**–**	717
31–60 days	**–**	–
61–90 days	**–**	–
Over 90 days	**2**	3
	2	720

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$15,554,000 was made as at 30 September 2023 (31 March 2023: HK$7,379,000).

(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 2023 *HK$'000* (unaudited)	As at 31 March 2023 *HK$'000* (audited)
0–30 days	**–**	–
31–90 days	**–**	50
91–120 days	**–**	–
121–180 days	**–**	–
181–365 days	**–**	–
Over 365 days	**1,180**	1,180
	1,180	1,230

Impairment allowance of HK$1,180,000 (31 March 2023: HK$1,180,000) has been made for accounts receivable from placing and underwriting services.

12. ACCOUNTS PAYABLE

	As at 30 September 2023 *HK$'000* (unaudited)	As at 31 March 2023 *HK$'000* (audited)
Cash clients	**108,333**	114,335
Margin clients	**38,177**	48,634
HKSCC	**–**	1,309
	146,510	164,278

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

Accounts payable to cash clients, margin 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$131,670,000 (31 March 2023: HK$142,607,000) 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

During the first half of the financial year ending 31 March 2024, the re-opening of economies following the easing of COVID-19 pandemic has not brought an immediate rebound as expected. The Russo-Ukrainian conflict which intensified in early 2022 was yet to be resolved posing negative impact on the global supply chains and driving up energy price, resulting in a dramatic increase in inflation rate worldwide. Economic activities had remained stagnant which further dampened the confidence in the financial market. The rapid increase in interest rates induced by the Federal Reserve of the United States to combat with inflation has been continuing by raising interest rates by 25 basis points in May and July 2023 respectively. It has further dampened the confidence in the financial market, and investors' attitude towards the stock market has become more prudent and the investors have shifted a greater portion of their investment portfolios into cash deposits for their asset allocations under the current interest rate hike cycle. The unfavorable investment sentiment and the volatility in the financial markets have exerted pressure on the Group's operations and expansion of business in terms of turnover of the securities transactions and demand for our margin financing services. According to the monthly market highlights provided by the Hong Kong Stock Exchange, contracted trading activities in the capital market are reflected in the decreasing average daily turnover for the securities market for the first three quarters of 2023 at a level of HK$109.7 billion, representing a decrease of 12% as compared to corresponding period in 2022.

The total funds raised in the market for the first three quarters of 2023 was HK$99.2 billion, which represented a decrease of 49% as compared to corresponding period in 2022.

BUSINESS REVIEW

Since over a decade ago, the Group has been providing comprehensive financial services 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 2023 (the "**Reporting Period**"), the Group's revenue was approximately HK$15.3 million, which recorded a 23.0% decrease in total revenue for the corresponding period in 2022.

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 32.7% to approximately HK$3.1 million as compared with that of the six months ended 30 September 2022 (the six months ended 30 September 2022: approximately HK$4.6 million) and accounted for 20.2% (the six months ended 30 September 2022: 23.1%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income received due to decreased trading turnover which is in line with the market during the Reporting Period. The segment profit from brokerage services decreased by 55.7% to approximately HK$1.3 million as compared with the corresponding period of 2022 (the six months ended 30 September 2022: approximately HK$2.9 million) which is in line with the decrease in trading turnover 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 decreased by 26.5% to approximately HK$10.6 million as compared with that of the six months ended 30 September 2022 (the six months ended 30 September 2022: approximately HK$14.4 million) and accounted for 69.3% (the six months ended 30 September 2022: 72.7%) of the total revenue. The decline in interest income from margin financing was mainly due to a decrease in interest income derived from our margin clients as the demand for our margin financing services decreased generally during the Reporting Period. The segment profit from margin financing services decreased by 81.5% to approximately HK$2.4 million as compared with the corresponding period of 2022 (the six months ended 30 September 2022: approximately HK$13.1 million) as an allowance for impairment loss of approximately HK$8.2 million (the six months ended 30 September 2022: approximately HK$0.8 million) was recognised under the expected credit loss model for accounts receivable arising from the business of dealing in securities with the deteriorating market environment and expectation during the Reporting Period. To recover accounts receivable arising from the business of dealing in securities with impairment loss, the Group has taken various actions, including restructuring arrangements, issuing demand letters and commencing legal proceedings action against the borrowers.

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 90.9% to approximately HK$1.6 million as compared with that of the six months ended 30 September 2022 (the six months ended 30 September 2022: approximately HK$0.8 million) and accounted for 10.5% (the six months ended 30 September 2022: 4.2%) of the total revenue. The segment result from placing and underwriting services recorded a profit of approximately HK$0.9 million (the six months ended 30 September 2022: loss of approximately HK$14,000). The segment result recorded a profit was mainly due to the Group actively engaged in different placing exercises during the Reporting Period.

Asset Management Services

During the Reporting Period, the revenue of asset management services was approximately HK$2,000 (the six months ended 30 September 2022: HK$2,000) and the segment loss was HK$88,000 (the six months ended 30 September 2022: HK$88,000). The expansion of asset management services segment has met difficulties under the current generally unfavorable investment landscape under the current interest rate hike cycle.

OUTLOOK AND PROSPECTS

The Group believes that the Hong Kong financial services industry, following its re-opening to the world, coupled with its strong history and foundation, sound reputation, supportive policies and outstanding industry professionals, would remain in a top position worldwide. The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise, especially in the exploration new cooperation with other financial services providers in Hong Kong and expansion of our clients base. Meanwhile, the Group will explore the new stock markets including pan-Asia in order to provide more investment opportunities to our clients.

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. The Group will continue to control our operating costs over the unfavorable investment landscape to improve the cost effectiveness and profitability of the Group by utilising our financial resources effectively.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately HK$15.3 million (the six months ended 30 September 2022: approximately HK$19.9 million), representing a decrease of 23.0% compared with that of the six months ended 30 September 2022. The overall decrease was mainly due to decrease in interest income from margin financing business during the Reporting Period.

Other Operating Expenses

For the Reporting Period, the other operating expenses decreased 3.2% to approximately HK$2.8 million as compared with the six months ended 30 September 2022 (the six months ended 30 September 2022: approximately HK$2.9 million). The decrease was mainly due to less information services expenses and settlement and brokerage trading expenses, which was in line with the decrease in trading turnover during the Reporting Period.

Net Profit

For the Reporting Period, the Group's net profit was approximately HK$1.7 million, which was a decrease of 79.9% compared with approximately HK$8.7 million from the six months ended 30 September 2022. Such change was mainly due to decrease in interest income from margin financing services as the demand for our margin financing services decreased gradually and increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model with the deteriorating market environment and expectation as compared with the six months ended 30 September 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong liquidity position with bank deposits, and financed its operations by cash mainly generated from operations. As at 30 September 2023, the Group had total bank balances for general accounts and cash of approximately HK$205.1 million (as at 31 March 2023: approximately HK$132.1 million). As at 30 September 2023, the Group had net current assets of approximately HK$350.2 million, representing an increase of approximately HK$2.5 million as compared with that of approximately HK$347.7 million as at 31 March 2023. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was Nil as at 30 September 2023 (as at 31 March 2023: 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

As at 30 September 2023, the Group had nil bank borrowings (as at 31 March 2023: Nil).

Pledge of Assets

As at 30 September 2023, the Group did not have any pledged assets (as at 31 March 2023: 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 of the Company (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 2023, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2023: Nil).

Employees and Remuneration Policies

As at 30 September 2023, the Group employed 15 staff (as at 31 March 2023: 15). 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 remained stable at approximately HK$4.7 million during the Reporting Period (the six months ended 30 September 2022: HK$4.7 million).

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 2023, the Group did not make any significant investments (as at 31 March 2023: 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 net 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	Actual use of net proceeds up to 30 September 2023	Unutilised use of net proceeds up to 30 September 2023	Expected timeline of full utilisation of the balance
	HK$ Million	*HK$ Million*	*HK$ Million*	
Expansion of placing and underwriting business	27.0	27.0	–	–
Funding for margin financing business	10.2	10.2	–	–
Establishment and renovation of a new office	15.7	–	15.7	End of 2026
Expansion of workforce	12.9	1.1	11.8	End of 2026
Enhancement of IT systems	9.0	–	9.0	End of 2026
Promotion and marketing	7.2	–	7.2	End of 2026
Working capital	8.6	8.6	–	–
Total	90.6	46.9	43.7	

As at 30 September 2023, the unutilised net proceeds were placed with a licensed bank in Hong Kong.

In consideration of the prolonged unfavorable investment landscape and uncertain economic outlook since the outbreak of COVID-19, the Group has adopted a conservative but flexible approach for utilising the net 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 global economic environment is stabilised.

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 net proceeds described in the Prospectus was required.

INTERIM DIVIDENDS

The board of the Directors does not recommend the declaration of interim dividend for the Reporting Period (the six months ended 30 September 2022: 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 for Securities Transactions by Directors of Listed Issuers (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 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 2023 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 2023 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 2023

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.