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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

The board (the "**Board**") of directors (the "**Director(s)**") of Fu Shek Financial Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2024 (the "**Review Year**") together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024
(Expressed in Hong Kong Dollars (HK$))

	NOTES	**2024** **HK$'000**	2023 HK$'000
Revenue			
Fee and commission income	3	**25,401**	9,120
Interest income under effective interest method		**19,747**	27,817
		45,148	36,937
Other gains and losses		**(161)**	52
Other income		**9,060**	2,902
Staff costs	5	**(11,000)**	(10,396)
Finance costs	6	**(41)**	(975)
Impairment loss		**(12,669)**	(5,742)
Commission expenses	4	**(18,395)**	(1,375)
Depreciation of property and equipment		**(1,443)**	(1,548)
Other operating expenses		**(6,931)**	(5,843)
Profit before taxation		**3,568**	14,012
Taxation	7	**–**	(2,006)
Profit and total comprehensive income for the year		**3,568**	12,006
Earnings per share			
Basic *(HK cents per share)*	8	**0.36**	1.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

(Expressed in Hong Kong Dollars (HK$))

	NOTES	2024 HK$'000	2023 HK$'000
Non-current assets			
Property and equipment		**1,414**	1,356
Intangible asset		**2,735**	2,735
Other assets		**466**	200
Deposits		**679**	–
		5,294	4,291
Current assets			
Accounts receivable	10	**124,078**	240,224
Deposits, other receivables and prepayments		**262**	663
Tax recoverable		**1,411**	1
Bank balances – trust and segregated accounts		**182,984**	142,607
Bank balances – general accounts and cash		**230,650**	132,068
		539,385	515,563
Non-current liabilities			
Lease liabilities		**470**	–
Current liabilities			
Accounts payable	11	**186,529**	164,278
Other payables and accrued charges		**1,473**	2,338
Lease liabilities		**671**	1,270
		188,673	167,886
Net current assets		**350,712**	347,677
Net assets		**355,536**	351,968
Capital and reserves			
Share capital		**10,000**	10,000
Reserves		**345,536**	341,968
Total capital and reserves		**355,536**	351,968

NOTES

1. GENERAL

The financial results have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the Hong Kong Companies Ordinance. The financial results also comply with the applicable disclosure provisions of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND CHANGE IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, 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 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*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The application of the amendments has had no material impact on the Group's financial position and performance.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has a subsidiary operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[2]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[2]
Amendments to HKAS 21	*Lack of Exchangeability*[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or noncurrent, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2024, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. FEE AND COMMISSION INCOME

	2024	2023
	HK$'000	*HK$'000*
Commission and brokerage income on securities dealing	**4,637**	6,389
Placing and underwriting services income	**19,690**	1,557
Handling and other fee income	**1,070**	1,170
Asset management fee income	**4**	4
	25,401	9,120

Disaggregation of fee and commission income from contracts with customers

	2024	2023
	HK$'000	*HK$'000*
Timing of revenue recognition		
A point in time	**25,356**	8,980
Over time	**45**	140
	25,401	9,120

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 comprises the provision of brokerage services in securities traded in Hong Kong and overseas markets;

(b) the margin financing services segment comprises the provision of financing services to margin and cash clients;

(c) the placing and underwriting services segment comprises the provision of underwriting, sub-underwriting and placing services; and

(d) the asset management services segment comprises 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, unallocated staff costs, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

Year ended 31 March 2024

	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	**5,707**	**19,747**	**19,690**	**4**	**45,148**
Segment profit/(loss)	**2,304**	**7,078**	**203**	**(191)**	**9,394**
Other losses					**(161)**
Other income					**9,060**
Unallocated staff costs					**(6,990)**
Unallocated finance costs					**(41)**
Depreciation					**(1,443)**
Unallocated other operating expenses					**(6,251)**
Profit before taxation					**3,568**
Other segment information:					
Interest income from clients	**–**	**19,747**	**–**	**–**	**19,747**
Commission expenses	**(881)**	**–**	**(17,514)**	**–**	**(18,395)**
Impairment loss	**–**	**(12,669)**	**–**	**–**	**(12,669)**

Year ended 31 March 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	7,559	27,817	1,557	4	36,937
Segment profit/(loss)	4,146	21,203	13	(206)	25,156
Other gains					52
Other income					2,902
Unallocated staff costs					(7,390)
Unallocated finance costs					(103)
Depreciation					(1,548)
Unallocated other operating expenses					(5,057)
Profit before taxation					14,012
Other segment information:					
Interest income from clients	–	27,817	–	–	27,817
Interest on bank borrowings	–	(872)	–	–	(872)
Commission expenses	(641)	–	(734)	–	(1,375)
Impairment loss	–	(5,742)	–	–	(5,742)

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.

Therefore, only segment revenue and segment results are presented.

Geographical information

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

Information about major customers

Revenue from a customer contributing over 10% of the total revenue of the Group are as follows:

	2024	2023
	HK$'000	*HK$'000*
Customer A	**17,247**	N/A *(note)*

Note: The corresponding customer did not contribute over 10% of total revenue of the Group during the year ended 31 March 2023.

No single customer contributed 10% or more total revenue of the Group during the year ended 31 March 2023.

5. STAFF COSTS

	2024	2023
	HK$'000	*HK$'000*
Directors' remuneration		
– fees	**720**	720
– salaries, discretionary bonus and other benefits	**4,049**	3,146
– contributions to the retirement benefit scheme	**18**	18
Salaries, discretionary bonus and other benefits	**6,023**	6,672
Contributions to the retirement benefit scheme	**190**	188
	11,000	10,744
Less: Government grants	**–**	(348)
	11,000	10,396

During the year ended 31 March 2023, the Group recognised government grants in respect of COVID-19-related subsidies of which HK$348,000 relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs.

6. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**–**	872
Interest on lease liabilities	**41**	103
	41	975

7. TAXATION

	2024	2023
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Current tax	**–**	1,960
Underprovision in prior year	**–**	46
	–	2,006

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.

The taxation for the year is reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024	2023
	HK$'000	*HK$'000*
Profit before taxation	**3,568**	14,012
Tax at income tax rate of 16.5%	**589**	2,312
Tax effect of expenses not deductible for tax purpose	**365**	364
Tax effect of income not taxable for tax purpose	**(1,490)**	(531)
Underprovision in prior year	**–**	46
Tax effect of profit under tax concessions	**–**	(175)
Tax effect of tax losses not recognised	**538**	–
Others	**(2)**	(10)
Taxation for the year	**–**	2,006

As at 31 March 2024, no deferred tax asset was recognised in the Group's consolidated statement of the financial position in relation to the estimated unused tax losses of approximately HK$3,263,000 (2023: nil) due to unpredictable future profit streams of relevant entity. The unrecognised tax losses may be carried forward indefinitely.

8. EARNINGS PER SHARE

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

	2024	2023
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**3,568**	12,006

	Number of shares	
	2024	2023
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation *('000)*	**1,000,000**	1,000,000

No diluted earnings per share is presented for the years ended 31 March 2024 and 2023 as there were no potential dilutive shares.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

10. ACCOUNTS RECEIVABLE

	2024	2023
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities *(note a)*		
– Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**1,641**	12,037
– Cash clients	**487**	7,334
– Margin clients	**141,998**	228,025
– Broker	**–**	157
Accounts receivable arising from placing and underwriting services *(note b)*	**1,180**	1,230
	145,306	248,783
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	**(20,048)**	(7,379)
– accounts receivable arising from placing and underwriting services	**(1,180)**	(1,180)
	124,078	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:

	2024	2023
	HK$'000	*HK$'000*
0–30 days	**1**	717
61–90 days	**1**	–
Over 90 days	**50**	3
	52	720

Accounts receivable of securities margin clients are secured by clients' pledged securities with fair value of HK$389,683,000 (2023: HK$602,093,000). All of the pledged securities are equity and debt securities listed in Hong Kong and overseas. The accounts receivable of securities margin clients are repayable on demand subsequent to settlement date and carrying interest typically at Hong Kong Prime rate + 2% per annum as at 31 March 2024 and 2023 (and in some cases the rate may go up to Hong Kong Prime rate +10% per annum (2023: 14.4%) per annum). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collaterals held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

The Group has concentration of credit risk as 40% (2023: 40%) of the total accounts receivable from securities margin clients was due from the Group's five largest securities margin clients. The balance of HK$57,069,000 (2023: HK$92,198,000) is secured by clients' pledged securities with an aggregate fair value of HK$101,812,000 (2023: HK$134,409,000) and guarantee. The directors of the Company believe that the amount is considered recoverable given the collateral and guarantee are sufficient to cover the entire balance on individual basis. No ageing analysis is disclosed, 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.

(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:

	2024	2023
	HK$'000	*HK$'000*
31–90 days	**–**	50
Over 365 days	**1,180**	1,180
	1,180	1,230

Impairment allowance of HK$1,180,000 (2023: HK$1,180,000) has been made for accounts receivable from placing and underwriting services. The directors of the Company have individually evaluated the accounts receivable for impairment after taking into account the credit of the individual customers.

11. ACCOUNTS PAYABLE

	2024	2023
	HK$'000	*HK$'000*
Cash clients	**150,497**	114,335
Margin clients	**35,615**	48,634
HKSCC	**417**	1,309
	186,529	164,278

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

Accounts payable to clients and HKSCC are repayable on demand after settlement date. No ageing analysis is disclosed, as in the opinion of the 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$182,984,000 (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 Review Year, 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 and continued to pose a negative impact on the global supply chains and drive 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 continues with the raising interest rates by 25 basis points in May and July 2023 respectively. The lowering of the interest rate by the US Federal Reserve in 2024 was not initiated as expected after the first quarter of 2024 and the analysts has been adjusting downward the frequency and range of lowering the interest rate.

The above has further dampened the confidence in the financial market and investors' attitude towards the stock market has become more prudent as they have shifted a greater portion of their investment portfolios into cash deposits for their asset allocations under the current interest rate hike cycle.

During the Review Year, the Hang Seng Index dropped 18.9% from 20,400 as at 31 March 2023 to 16,541 as at 28 March 2024. 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 the Group's margin financing services. Contracted trading activities in the capital market are reflected in the decreasing average daily turnover for the securities market in Hong Kong in 2023 at a level of HK$105.0 billion, representing a decrease of 15.9% as compared to year 2022.

The total funds raised in the market in Hong Kong in 2023 was HK$150.7 billion, which represented a decrease of 40.7% as compared to 2022.

BUSINESS REVIEW

Since over two decades, the Group has been providing comprehensive financial services in Hong Kong. The Group has developed experience and capability to provide comprehensive financial and securities services, which incorporates (i) securities trading services including brokerage services and margin financing services; (ii) placing and underwriting services; and (iii) asset management services. Sinomax Securities Limited ("**Sinomax Securities**"), being the principal operating subsidiary of the Company, is licensed with the Securities and Futures Commission to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since February 2020.

During the Review Year, the Group recorded a 22.2% increase of total revenue as compared to the year ended 31 March 2023 (the "**Last Year**"), which was approximately HK$45.1 million. The increase was mainly attributable to the increase in commission income from placing and underwriting services while offsetted by the decrease in interest income from margin financing services. Meanwhile, the net profit attributable to owners of the Company decreased by 70.3% to approximately HK$3.6 million during the Review Year, which was mainly due to the decrease in interest income from margin financing services and the increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model, while offsetting the increase in bank interest income received compared with the Last Year. Excluding the impairment loss, the Group's adjusted net profit decreased by 8.5% to HK$16.2 million (2023: HK$17.7 million).

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 Review Year decreased by approximately 24.5% to approximately HK$5.7 million as compared with that of the Last Year (2023: approximately HK$7.6 million) and accounted for approximately 12.6% (2023: 20.5%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income received due to intense competition in the market for the commission rate charged to clients and decreased trading turnover which is in line with the market trend during the Review Year. The segment profit from brokerage services decreased by approximately 44.4% to approximately HK$2.3 million as compared with that of the Last Year (2023: approximately HK$4.1 million) which is in line with the decrease in trading turnover during the Review Year.

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 Review Year decreased by approximately 29.0% to approximately HK$19.7 million as compared with that of Last Year (2023: approximately HK$27.8 million) and accounted for approximately 43.8% (2023: 75.3%) of the total revenue. The decline in interest income from margin financing was mainly due to a decrease in the demand for the Group's margin financing services during the Review Year. The segment profit from margin financing services decreased by approximately 66.6% to approximately HK$7.1 million as compared with that of the Last Year (2023: approximately HK$21.2 million). The segment profit decreased at a much higher rate than the segment revenue due to an allowance for impairment loss of approximately HK$12.7 million (2023: approximately HK$5.7 million) was provided for accounts receivable arising from the business of dealing in securities under the expected credit loss model with the deteriorating market environment and expectation in the Review Year. 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.

As at 31 March 2024, the Group had 611 active securities accounts as reported pursuant to Securities and Futures Ordinance (31 March 2023: 635 active securities accounts).

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 Review Year increased by approximately 1,165% to approximately HK$19.7 million as compared with that of the Last Year (2023: approximately HK$1.6 million), which accounted for approximately 43.6% (2023: 4.2%) of the total revenue.

The Group actively engaged in different placing and underwriting exercises and successfully completed 7 projects (2023: 8 projects) including mainly from two bonds placing exercises for an issuer during the Review Year. It was the Group's first placing exercise for Debt Capital Market since its listing and it expanded the Group's revenue stream and provided greater access to a wider range of financial products available to customers. The segment profit from placing and underwriting services increased by approximately 1,462% to approximately HK$203,000 as compared with that of the Last Year (2023: approximately HK$13,000). The segment profit increased as more commission income from placing and underwriting services was recognised compared to the commission expenses incurred during the Review Year.

Asset Management Services

During the Review Year, the revenue of asset management services was approximately HK$4,000 (2023: HK$4,000) and the segment loss was approximately HK$191,000 (2023: HK$206,000). The expansion of asset management services segment has met with difficulties under the current generally unfavorable investment landscape and the current interest rate hike cycle.

FINANCIAL REVIEW

Revenue

During the Review Year, the Group recorded a revenue of approximately HK$45.1 million (2023: approximately HK$36.9 million), representing an increase of approximately 22.2% compared with that of the Last Year. The overall increase was mainly due to increase in commission income from placing and underwriting services while offsetted by the decrease in interest income from margin financing services during the Review Year.

Other Operating Expenses

For the Review Year, the other operating expenses increased by approximately 18.6% to approximately HK$6.9 million as compared with the Last Year (2023: approximately HK$5.8 million). The increase was mainly due to more legal and professional fee incurred for pursuing legal actions for recovery of accounts receivable arising from the business of dealing in securities with impairment loss.

Profit for the Year

For the Review Year, the Group's net profit was approximately HK$3.6 million, representing a decrease of approximately 70.3% compared with approximately HK$12.0 million from the Last Year. Such change was mainly due to the decrease in interest income from margin financing services as the demand for the Group's margin financing services decreased, coupled with an 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, while offsetted by the increase in bank interest income received as other income as compared with the Last Year.

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 31 March 2024, the Group had total bank balances for general accounts and cash of approximately HK$230.7 million (2023: approximately HK$132.1 million). As at 31 March 2024, the Group had net current assets of approximately HK$350.7 million, representing an increase of approximately HK$3.0 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 Review Year.

The Group's gearing ratio was nil as at 31 March 2024 (2023: Nil).

Gearing ratio is calculated based on total debts which is represented by bank borrowings only, divided by net assets as at the end of the Review Year.

Bank Borrowings

As at 31 March 2024, the Group had nil bank borrowings (2023: Nil).

Pledge of Assets

As at 31 March 2024, the Group did not have any pledged assets (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 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 Review Year.

Capital Commitments and Contingent Liabilities

As at 31 March 2024, the Group did not have any significant capital commitment and contingent liabilities (2023: Nil).

Employees and Remuneration Policies

As at 31 March 2024, the Group employed 15 staff (2023: 15). The employees' remuneration was determined based on factors such as qualification, scope of duty, contributions and years of experience. Staff costs primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the Director and employees of the Group. Staff costs was approximately HK$11.0 million during the Review Year (2023: HK$10.4 million), representing an increase of approximately HK$0.6 million.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Significant Investments Held by the Group

As at 31 March 2024, the Group did not make any significant investments (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 announcement.

USE OF PROCEEDS

The net proceeds 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**	**Actual use of net proceeds up to 31 March 2024**	**Unutilised use of net proceeds up to 31 March 2024**	**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 31 March 2024, the unutilised 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 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 Review Year, 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 Review Year, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

DIVIDENDS

The Board does not recommend the declaration of final dividend for the Review Year (2023: Nil).

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 from the government and outstanding industry professionals, would remain in a top position worldwide. In view of the GEM listing regime reform, the Company participated in June 2024 as one of the underwriters in the first successful listing on GEM of the Stock Exchange since January 2021. As such, the Group considers there will be more business opportunities in placing and underwriting services in the coming financial year since the Group has a strong history to provide services to the clients in this segment. Following the likely lowering of interest rate by the US Federal Reserve in the coming financial year, the Group is expecting that the clients will shift more assets into the securities market. Meanwhile, the Group will explore the business opportunities in new markets, especially the Middle East region in the coming financial year. The Group will leverage the knowledge and experience of its management team to seize opportunities as they arise by widening its products scope, range of services and expanding its clients' base. 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 its operating costs over the unfavorable investment landscape to improve the cost effectiveness and profitability of the Group by utilising financial resources effectively.

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

During the Review Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Part 2 of Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices during the Review Year.

The Board is of the view that the Company has complied with the CG Code during the Review Year.

DIRECTORS' 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 C3 to the Listing Rules as the required standard for securities transactions by Directors.

The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Review Year.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's consolidated financial statements for the year ended 31 March 2024, including the accounting principles adopted by the Group, with the Company's management.

The Audit Committee comprises three Directors, namely, Mr. Lai Man Sing, Dr. Yu Sun Say and Ms. Tsang Ngo Yin, all being independent non-executive Directors. Mr. Lai Man Sing, a Director with the appropriate professional qualifications, serves as the chairman of the Audit Committee.

EVENT AFTER THE REVIEW YEAR

The Group has no material subsequent events after the Review Year and up to the date of this announcement.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

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

The annual 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 annual report of the Company for the year ended 31 March 2024 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Fu Shek Financial Holdings Limited
Sy Man Chiu
Executive Director

Hong Kong, 28 June 2024

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.