

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020

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 2020 together with the comparative figures for the six months ended 30 September 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	<i>Notes</i>	Six months ended 30 September	
		2020	2019
		HK\$’000	HK\$’000
		(unaudited)	(unaudited)
Revenue			
Fee and commission income	3	11,651	23,886
Interest income		9,332	8,234
		20,983	32,120
Other losses		(13)	(101)
Other income		436	372
Staff costs	5	(4,071)	(3,189)
Finance costs	6	(956)	(677)
Impairment loss, net of reversal	7	(1,525)	–
Commission expenses		(809)	(1,424)
Listing expenses		–	(11,615)
Depreciation of property and equipment		(942)	(884)
Other operating expenses		(4,942)	(2,458)

		Six months ended 30 September	
		2020	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit before taxation		8,161	12,144
Taxation	8	(1,448)	(3,762)
Profit and total comprehensive income for the period		<u>6,713</u>	<u>8,382</u>
Earnings per share			
Basic (<i>HK cents per share</i>)	9	<u>0.67</u>	<u>1.12</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property and equipment		2,550	3,439
Intangible asset		2,735	2,735
Other assets		452	789
Deposits		524	512
		<u>6,261</u>	<u>7,475</u>
Current assets			
Accounts receivable	11	349,291	219,290
Deposits, other receivable and prepayments		259	10,097
Bank balances – trust and segregated accounts		172,849	111,352
Bank balances – general accounts and cash		79,693	149,531
		<u>602,092</u>	<u>490,270</u>
Non-current liabilities			
Lease liabilities		613	1,515
Current liabilities			
Accounts payable	12	223,664	156,420
Other payables and accrued charges		3,651	3,714
Bank borrowings		55,000	10,000
Tax payable		465	7,893
Lease liabilities		1,781	1,737
		<u>284,561</u>	<u>179,764</u>
Net current assets		<u>317,531</u>	<u>310,506</u>
Net assets		<u><u>323,179</u></u>	<u><u>316,466</u></u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		313,179	306,466
Total capital and reserves		<u><u>323,179</u></u>	<u><u>316,466</u></u>

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 (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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**”) and application of certain accounting policy which became relevant to the Group, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 March 2020.

Application of new and amendments to **HKFRSs**

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in **HKFRS** Standards and the following amendments to **HKFRSs** issued by the **HKICPA**, for the first time, which are mandatorily effective for the annual period beginning or after 1 April 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to Reference to the Conceptual Framework in **HKFRS** Standards and the amendments to **HKFRSs** in the current 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 the unaudited condensed consolidated financial statements.

3. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Commission and brokerage income on securities dealing in:		
– Market in Hong Kong	9,713	10,206
– Market outside Hong Kong	–	108
Placing and underwriting services income	1,310	13,041
Handling and other fee income	625	531
Asset management fee	3	–
	<u>11,651</u>	<u>23,886</u>

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	11,519	23,763
Over time	132	123
	<u>11,651</u>	<u>23,886</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.

During the period ended 30 September 2020, the Group commenced the business of engaging in asset management services, and it is considered as a new operating and reportable segment by the CODM.

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 losses, certain staff costs, certain impairment loss reversed, certain finance costs, depreciation, listing expenses and certain other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2020

	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	<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>	<u>15,693</u>
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><u>8,161</u></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	<u>–</u>	<u>(1,572)</u>	<u>(13)</u>	<u>–</u>	<u>(1,585)</u>

Period ended 30 September 2019

	Brokerage services <i>HK\$'000</i>	Margin financing services <i>HK\$'000</i>	Placing and underwriting services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	10,845	8,234	13,041	32,120
Segment profit	9,684	7,585	11,655	28,924
Other income and (losses), net				271
Certain staff costs				(2,571)
Certain finance costs				(28)
Depreciation				(884)
Listing expenses				(11,615)
Certain other operating expenses				(1,953)
Profit before taxation				12,144

Other segment information:

Interest income from clients	–	8,234	–	8,234
Interest on bank borrowings	–	(649)	–	(649)
Commission expenses	(218)	–	(1,206)	(1,424)

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	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Directors' remuneration		
– fees	360	–
– salaries, discretionary bonus and other benefits	1,369	789
– contributions to the retirement benefit scheme	18	18
Salaries and other benefits	2,715	2,298
Contributions to the retirement benefit scheme	92	84
	4,554	3,189
Less: Government grants	(483)	–
	4,071	3,189

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on short term advances from brokers	782	–
Interest on bank borrowings	102	649
Interest on lease liabilities	72	28
	<u>956</u>	<u>677</u>

7. IMPAIRMENT LOSS, NET OF REVERSAL

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) on:		
– Accounts receivable arising from the business of dealing in securities	1,572	–
– Accounts receivable arising from placing and underwriting services	13	–
– Other receivable	(60)	–
	<u>1,525</u>	<u>–</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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

8. TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax	1,448	3,771
Overprovision in prior year	–	(9)
	<u>1,448</u>	<u>3,762</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	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	6,713	8,382
	Number of shares	
	Six months ended 30 September	
	2020	2019
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	750,000

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the reorganisation and capitalisation issue on 22 January and 19 February 2020 respectively.

No diluted earnings per share is presented for the periods ended 30 September 2020 and 30 September 2019 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 2020, nor has any dividend been proposed since the end of the reporting period (period ended 30 September 2019: HK\$nil).

11. ACCOUNTS RECEIVABLE

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	47,078	47,707
– Cash clients	1,925	1,613
– Margin clients	203,293	169,133
– Clients for subscription of new shares in IPO	96,611	–
– Broker	1,170	–
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	<u>1,560</u>	<u>1,598</u>
	351,637	220,051
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(1,572)	–
– accounts receivable arising from placing and underwriting services	<u>(774)</u>	<u>(761)</u>
	<u>349,291</u>	<u>219,290</u>

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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 – 30 days	24	–
31 – 60 days	–	9
61 – 90 days	93	93
Over 90 days	<u>93</u>	<u>–</u>
	<u>210</u>	<u>102</u>

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

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 and financing of IPO subscriptions.

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\$1,572,000 was made as at 30 September 2020 (31 March 2020: HK\$nil).

- (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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 – 30 days	–	245
31 – 90 days	330	228
91 – 120 days	–	700
121 – 180 days	530	425
181 – 365 days	700	–
	<u>1,560</u>	<u>1,598</u>

Impairment allowance of HK\$774,000 (31 March 2020: HK\$761,000) has been made for accounts receivable from placing and underwriting services.

12. ACCOUNTS PAYABLE

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Cash clients	83,947	75,971
Margin clients	139,717	80,449
	<u>223,664</u>	<u>156,420</u>

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

Accounts payable to margin clients and cash clients 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\$172,849,000 (31 March 2020: HK\$111,352,000) 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 shrank 3.5% year on year in the third quarter of 2020, continuing the economic recession to the fifth 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. Following the successful sample of Alibaba, many US-listed Chinese companies went for their early-planned secondary or dual listings in Hong Kong during the first three quarters of 2020, despite the uncertainties aroused by the COVID-19 pandemic. Hong Kong's capital market has been diversified and maintained to be an ideal IPO destination owing to its sound reputation over the years and the recently introduced Stock Connect of Hong Kong with Shanghai and Shenzhen.

Despite market volatility reflected on the fluctuation of the Hang Seng Index (HSI), 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 2020, which reached HK\$125.0 billion by increasing 40% 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. The financial services industry's performance during the first half of 2020 amid the pandemic was indeed relatively stable in Hong Kong.

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 2020 (the "**Reporting Period**"), the Group's revenue was approximately HK\$21.0 million, which recorded a 34.7% decrease of total revenue for the corresponding period in 2019.

Under the COVID-19 pandemic, the Group places health and safety as a high priority and is committed to providing employees with a safe and healthy workplace. During the Reporting Period, the Group has strengthened prevention measures at the workplace to protect its employees and clients. It also adopted a Work From Home (WFH) policy to minimise the chances of COVID-19 transmission for part of its operation. The new working arrangement might have caused some inconvenience in the earlier stage, but the Group has adapted to it throughout the process.

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 4.7% to approximately HK\$10.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$10.8 million) and accounted for 49.3% (the six months ended 30 September 2019: 33.8%) of the total revenue. The slight decrease in revenue from brokerage services was attributable to the decreased commission income received due to intense competition in the market despite the increased trading turnover during the Reporting Period. The segment profit from brokerage services decreased by 12.4% to approximately HK\$8.5 million as compared with the corresponding period of 2019 (the six months ended 30 September 2019: approximately HK\$9.7 million) as less commission income received 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 13.3% to approximately HK\$9.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$8.2 million) and accounted for 44.5% (the six months ended 30 September 2019: 25.6%) of the total revenue. The encouraging growth in interest income from margin financing was mainly due to an increase in interest income derived from financing of IPO subscriptions during the Reporting Period. The segment profit from margin financing services decreased by 9.3% to approximately HK\$6.9 million as compared with the corresponding period of 2019 (the six months ended 30 September 2019: approximately HK\$7.6 million) as an allowance for impairment loss approximately HK\$1.6 million was provided for accounts receivable arising from the business of dealing in securities under the expected credit loss model in view of the unfavorable economic situation and volatile stock market.

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 decreased by 90.0% to approximately HK\$1.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$13.0 million) and

accounted for 6.2% (the six months ended 30 September 2019: 40.6%) 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 placing and underwriting engagements. The segment profit from placing and underwriting services decreased by 96.6% to approximately HK\$0.4 million as compared with the corresponding period in 2019 (the six months ended 30 September 2019: approximately HK\$11.7 million). The segment profit decreased at a higher rate than the segment revenue as more staff costs was incurred during the Reporting Period.

Asset Management Services

During the Reporting Period, 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\$3,000 (the six months ended 30 September 2019: Nil) and the segment loss was HK\$57,000 (the six months ended 30 September 2019: Nil).

OUTLOOK

Given the swift pace of controlling the local COVID-19 outbreak, Hong Kong remains as one of the world's strongest financial markets. The launch of the Hang Seng Tech Index in July 2020, a new technology stock benchmark which tracks some of the largest listed technology companies in Hong Kong, could bring new exposures to the market, providing a greater product coverage in the technology sector. This introduction is also likely to attract more technology firms to choose Hong Kong as their listing and fundraising venue in the future.

Fuelled by the recent promising results from Pfizer and BioNTech's COVID-19 vaccine trial, US stocks jumped to fresh records, while global investors' confidence starts to return.

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\$21.0 million (the six months ended 30 September 2019: approximately HK\$32.1 million), representing a decrease of 34.7% compared with that of the six months ended 30 September 2019. The overall decrease was mainly due to decrease in placing and underwriting services income during the Reporting Period.

Other operating expenses

For the Reporting Period, the other operating expenses increased 101.1% to approximately HK\$4.9 million as compared with the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$2.5 million). The increase was mainly due to additional interim review fee to the auditor and compliance advisory fee upon the Listing (as defined below) during the Reporting Period.

Net profit

For the Reporting Period, the Group's net profit was approximately HK\$6.7 million, which was a decrease of 19.9% compared with approximately HK\$8.4 million from the six months ended 30 September 2019. Such change was mainly due to (i) decrease in placing and underwriting services income; (ii) increase in impairment loss under expected credit loss model and (iii) increase in operating expenses as compared with the six months ended 30 September 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were successfully listed (the “**Listing**”) on the Main Board of the Stock Exchange on 19 February 2020 and there has been no change in capital structure of the Group since then.

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 2020, the Group had total bank balances for general accounts and cash of approximately HK\$79.7 million (as at 31 March 2020: approximately HK\$149.5 million). As at 30 September 2020, the Group had net current assets of approximately HK\$317.5 million, representing an increase of approximately HK\$7.0 million as compared with that of approximately HK\$310.5 million as at 31 March 2020. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was approximately 0.17 as at 30 September 2020 (as at 31 March 2020: 0.03).

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 2020, the Group had bank borrowings of HK\$55.0 million (as at 31 March 2020: HK\$10.0 million). All of the bank borrowings were with a repayment on demand clause. Bank borrowings of HK\$30.0 million was at a floating rate of 2.5% p.a. over 1-month Hong Kong Inter-bank Offered Rate and bank borrowings of HK\$25.0 million was at a floating rate of 2.25% p.a. over 1-month Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 30 September 2020, the Group did not have any pledged assets (as at 31 March 2020: 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 2020, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2020: Nil).

Employees and Remuneration Policies

As at 30 September 2020, the Group employed 18 staff (as at 31 March 2020: 16). The employees' remuneration was determined based on factors such as qualification, 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 Directors and employees of the Group. Staff costs was approximately HK\$4.1 million during the Reporting Period (the six months ended 30 September 2019: HK\$3.2 million), representing an increase of approximately 27.7%.

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 2020, the Group did not make any significant investments (as at 31 March 2020: 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 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 2020 HK\$'000	Unutilised use of net proceeds up to 30 September 2020 HK\$'000
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
Expansion of workforce	12,900	190	12,710
Enhancement of IT systems	9,000	–	9,000
Promotion and marketing	7,200	–	7,200
Working capital	8,600	4,169	4,431
Total	90,600	41,559	49,041

As at 30 September 2020, 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. Save as disclosed in the Prospectus, the Group targets to complete the use of proceeds on or before third quarter of 2021.

INTERIM DIVIDENDS

The Board does not recommend the declaration of interim dividend for the Reporting Period (the six months ended 30 September 2019: 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 six months ended 30 September 2020.

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

Throughout the six months ended 30 September 2020, 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**”) on 22 January 2020 which consists of three members, namely Mr. Lai Man Sing, Dr. Yu Sun Say and Dr. Ho Chung Tai, Raymond. 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 2020 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, Deloitte Touche Tohmatsu.

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 2020 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 2020

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 Dr. Ho Chung Tai Raymond as independent non-executive Directors.