

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)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 MARCH 2021**

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 2021 (the “**Review Year**”) together with the comparative figures for the year ended 31 March 2020.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

For the year ended 31 March 2021

(Expressed in Hong Kong Dollars (HK\$))

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Revenue</b>			
Fee and commission income	3	19,481	44,289
Interest income under effective interest method		19,707	17,214
		<b>39,188</b>	61,503
Other gains and (losses)		125	(565)
Other income		659	1,082
Staff costs	5	(10,247)	(7,118)
Finance costs	6	(1,911)	(1,365)
Impairment loss, net of reversal		(1,516)	(821)
Commission expenses		(1,674)	(2,736)
Listing expenses		–	(20,367)
Depreciation of property and equipment		(1,886)	(1,785)
Other operating expenses		(9,714)	(7,413)
		<b>13,024</b>	20,415
<b>Profit before taxation</b>			
Taxation	7	(2,336)	(6,812)
		<b>10,688</b>	13,603
<b>Profit and total comprehensive income for the year</b>			
Earnings per share			
Basic (HK cents per share)	8	1.07	1.75
Diluted (HK cents per share)	8	N/A	1.75

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

(Expressed in Hong Kong Dollars (HK\$))

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property and equipment		1,616	3,439
Intangible asset		2,735	2,735
Other assets		697	789
Deposits		–	512
		<u>5,048</u>	<u>7,475</u>
<b>Current assets</b>			
Accounts receivable	10	295,770	219,290
Deposits, other receivables and prepayments		858	10,097
Tax recoverable		2,706	–
Bank balances – trust and segregated accounts		141,537	111,352
Bank balances – general accounts and cash		92,411	149,531
		<u>533,282</u>	<u>490,270</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	1,515
<b>Current liabilities</b>			
Accounts payable	11	206,198	156,420
Other payables and accrued charges		3,463	3,714
Bank borrowings		–	10,000
Tax payable		–	7,893
Lease liabilities		1,515	1,737
		<u>211,176</u>	<u>179,764</u>
<b>Net current assets</b>		<u>322,106</u>	<u>310,506</u>
<b>Net assets</b>		<u><u>327,154</u></u>	<u><u>316,466</u></u>
<b>Capital and reserves</b>			
Share capital		10,000	10,000
Reserves		317,154	306,466
<b>Total capital and reserves</b>		<u><u>327,154</u></u>	<u><u>316,466</u></u>

## 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 (“**INT**”) 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

#### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

### 3. FEE AND COMMISSION INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Commission and brokerage income on securities dealing	16,183	21,553
Placing and underwriting services income	2,103	21,736
Handling and other fee income	1,187	1,000
Asset management fee income	8	–
	<u>19,481</u>	<u>44,289</u>

#### Disaggregation of fee and commission income from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
A point in time	19,226	44,032
Over time	255	257
	<u>19,481</u>	<u>44,289</u>

### 4. SEGMENT INFORMATION

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

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

- (a) the brokerage services segment 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 new 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, certain staff costs, certain impairment loss, certain finance costs, depreciation, listing expenses and certain other operating expenses. No inter-segment revenues are charged among segments.

**Year ended 31 March 2021**

	<b>Brokerage services HK\$'000</b>	<b>Margin financing services HK\$'000</b>	<b>Placing and underwriting services HK\$'000</b>	<b>Asset management services HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	<u>17,370</u>	<u>19,707</u>	<u>2,103</u>	<u>8</u>	<u>39,188</u>
<b>Segment profit/(loss)</b>	<u>13,320</u>	<u>16,282</u>	<u>256</u>	<u>(142)</u>	<u>29,716</u>
Other gains					125
Other income					659
Certain staff costs					(7,045)
Certain impairment loss reversed					60
Certain finance costs					(123)
Depreciation					(1,886)
Certain other operating expenses					<u>(8,482)</u>
Profit before taxation					<u><u>13,024</u></u>
<b>Other segment information:</b>					
Interest income from clients	<u>–</u>	<u>19,707</u>	<u>–</u>	<u>–</u>	<u>19,707</u>
Interest on bank borrowings and short-term advances from brokers	<u>–</u>	<u>(1,788)</u>	<u>–</u>	<u>–</u>	<u>(1,788)</u>
Commission expenses	<u>(746)</u>	<u>–</u>	<u>(928)</u>	<u>–</u>	<u>(1,674)</u>
Impairment (loss) reversed except for certain unallocated impairment loss reversed	<u>–</u>	<u>(1,637)</u>	<u>61</u>	<u>–</u>	<u>(1,576)</u>

Year ended 31 March 2020

	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	22,553	17,214	21,736	61,503
<b>Segment profit</b>	<b>20,069</b>	<b>15,912</b>	<b>18,491</b>	<b>54,472</b>
Other losses				(565)
Other income				1,082
Certain staff costs				(5,896)
Certain impairment loss				(60)
Certain finance costs				(63)
Depreciation				(1,785)
Listing expenses				(20,367)
Certain other operating expenses				(6,403)
Profit before taxation				<u>20,415</u>
<b>Other segment information:</b>				
Interest income from clients	–	17,214	–	17,214
Interest on bank borrowings	–	(1,302)	–	(1,302)
Commission expenses	(632)	–	(2,104)	(2,736)
Impairment loss except for certain unallocated impairment loss	–	–	(761)	(761)

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 Hong Kong and all of the Group's revenue and non-current assets are derived from Hong Kong.

### Information about major customers

No single customer contributed 10% or more to the Group's revenue during the years ended 31 March 2021 and 2020 respectively.

## 5. STAFF COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' remuneration		
– fees	720	82
– salaries, discretionary bonus and other benefits	3,249	1,841
– contributions to the retirement benefit scheme	24	36
Salaries, discretionary bonus and other benefits	6,786	4,993
Contributions to the retirement benefit scheme	193	166
	<u>10,972</u>	<u>7,118</u>
Less: Government grants	(725)	–
	<u><u>10,247</u></u>	<u><u>7,118</u></u>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on short-term advances from brokers	1,541	–
Interest on bank borrowings	247	1,302
Interest on lease liabilities	123	63
	<u>1,911</u>	<u>1,365</u>

## 7. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	2,351	6,821
Overprovision in prior years	(15)	(9)
	<u>2,336</u>	<u>6,812</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.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation	<u>13,024</u>	<u>20,415</u>
Tax at income tax rate of 16.5%	2,149	3,368
Tax effect of expenses not deductible for tax purpose	598	3,730
Tax effect of income not taxable for tax purpose	(224)	(106)
Overprovision in prior years	(15)	(9)
Tax effect of profit under tax concessions	(175)	(185)
Others	<u>3</u>	<u>14</u>
Taxation for the year	<u>2,336</u>	<u>6,812</u>

As at 31 March 2021 and 2020, the Group has no unused tax losses available for offset against future profits.

## 8. EARNINGS PER SHARE

The calculation of the basic (2020: basic and diluted) earnings per share attributable to the owners of the Company is based on the following data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share (2020: basic and diluted earnings per share) calculation	<u>10,688</u>	<u>13,603</u>
	<b>Number of shares</b>	
	2021	2020
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share (2020: basic and diluted earnings per share) calculation ('000)	<u>1,000,000</u>	<u>778,689</u>

*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 year ended 31 March 2021 as there were no potential dilutive shares.

The computation of diluted earnings per share for the year ended 31 March 2020 does not assume the exercise of the Company's over-allotment options because the exercise price of those options was higher than the average market price for shares for the relevant period.



## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (2020: HK\$nil).

## 10. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable arising from the business of dealing in securities ( <i>note a</i> )		
– HKSCC	34,859	47,707
– Cash clients	301	1,613
– Margin clients	261,019	169,133
Accounts receivable arising from placing and underwriting services ( <i>note b</i> )	1,928	1,598
	<u>298,107</u>	<u>220,051</u>
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(1,637)	–
– accounts receivable arising from placing and underwriting services	(700)	(761)
	<u>295,770</u>	<u>219,290</u>

*Notes:*

- (a) The normal settlement terms of accounts receivable from cash clients and securities clearing house 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–30 days	20	–
31–60 days	–	9
61–90 days	–	93
Over 90 days	16	–
	<u>36</u>	<u>102</u>

Accounts receivable of securities margin clients are secured by clients' pledged securities with fair value of HK\$1,451,330,000 (2020: HK\$868,968,000). 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 2021 and 2020 (and in some cases the rate may go up to 14.4% (2020: 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 59% (2020: 57%) of the total accounts receivable from securities margin clients was due from the Group's ten largest securities margin clients. The balance includes an aggregate amount of HK\$152,147,000 (2020: HK\$96,366,000), which is not past due, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK\$907,995,000 (2020: HK\$458,360,000). The directors of the Company believe that the amount is considered recoverable given the collateral is 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:

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	<b>43</b>	245
31–90 days	<b>200</b>	228
91–120 days	<b>530</b>	700
121–180 days	–	425
181–365 days	<b>455</b>	–
Over 365 days	<b>700</b>	–
	<u><b>1,928</b></u>	<u>1,598</u>

Impairment allowance of HK\$700,000 (2020: HK\$761,000) have 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

	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash clients	<b>98,288</b>	75,971
Margin clients	<b>107,076</b>	80,449
Broker	<b>834</b>	–
	<u><b>206,198</b></u>	<u>156,420</u>

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

Accounts payable to clients and broker 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\$141,537,000 (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 by 6.1% on a year-on-year basis in 2020. Due to the outbreak of coronavirus (the “**Outbreak**”) and the change in the macroeconomic environment, investors' attitude towards the stock market has become more prudent. Nevertheless, regardless of the Outbreak and a weakened macroeconomic environment, Hong Kong's capital market demonstrated its resilience with reference to the IPO activities of sizeable listings. Following the success of Alibaba, many US-listed Chinese companies went for their early-planned secondary or dual listings in Hong Kong during 2020, despite the uncertainties brought by the Outbreak. 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 the market volatility which was also reflected in the fluctuated Hang Seng Index (HSI), investors did not lose hope on Hong Kong's capital investment opportunities and generally believe in a gradual recovery of the stock market. According to the monthly market highlights provided by the Stock Exchange, active trading activities in the capital market are reflected in the growing turnover for the securities market for the Review Year, with an increase of approximately 67% as compared to last year. 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 second half of 2020 amid the pandemic was relatively stable in Hong Kong.

### BUSINESS REVIEW

Since over a decade ago, the Group has been providing comprehensive financial services based 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 shares of the Company (the “**Shares**”) were listed (the “**Listing**”) on the Main Board of the Stock Exchange on 19 February 2020 (the “**Listing Date**”). The Listing involved the share offer (the “**Share Offer**”) of 250,000,000 offer shares of HK\$0.01 each at an offer price of HK\$0.50 per share to the public and successfully raised a total of net cash proceeds of approximately HK\$90.6 million (after deduction of related expenses). The capital raised through the Listing has fuelled the Group’s momentum in future business development and growth, in regards to resources allocation of the Group and its establishment of a reliable image and publicity in the market. The proceeds received from the Share Offer have strengthened the Group’s cash flow and the Group will implement its future plans as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 31 January 2020 (the “**Prospectus**”).

During the Review Year, the Group recorded 36.3% decrease of total revenue as compared to the year ended 31 March 2020 (“**Last Year**”), which was approximately HK\$39.2 million. The decrease was mainly attributable to (i) the decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and under writing projects in light of the uncertain economic outlook and volatility in the stock market; and (ii) the decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year. Meanwhile, the net profit attributable to owners of the Company decreased to approximately HK\$10.7 million during the Review Year, which was mainly due to (i) decrease in placing and underwriting services income; (ii) decrease in commission and brokerage income on securities dealing; (iii) increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model; and (iv) increase in operating expenses and staff costs as compared with Last Year.

## **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 23.0% to approximately HK\$17.4 million as compared with that of Last Year (2020: approximately HK\$22.6 million) and accounted for 44.3% (2020: 36.7%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover from them during the Review Year. The segment profit from brokerage services decreased by 33.6% to approximately HK\$13.3 million as compared with that of Last Year (2020: approximately HK\$20.1 million) as less commission income from brokerage services recognised 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 increased by 14.5% to approximately HK\$19.7 million as compared with that of Last Year (2020: approximately HK\$17.2 million) and accounted for 50.3% (2020: 28.0%) 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 Review Year. The proceeds received from the Share Offer and utilising the bank facilities during the Review Year further enhanced our capacity to extend the credit to our clients. The segment profit from margin financing services increased by 2.3% to approximately HK\$16.3 million as compared with that of Last Year (2020: approximately HK\$15.9 million). The segment profit increased at a lower rate than the segment revenue due to an allowance for impairment loss of 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 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 Review Year decreased by 90.3% to approximately HK\$2.1 million as compared with that of Last Year (2020: approximately HK\$21.7 million) and accounted for 5.4% (2020: 35.3%) of the total revenue. The Hong Kong's capital market has been volatile since the Outbreak 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 98.6% to approximately HK\$0.3 million as compared with that of Last Year (2020: approximately HK\$18.5 million). The segment profit decreased at a higher rate than the segment revenue as more staff costs incurred during the Review Year.

## **Asset management services**

During the Review Year, the Group launched the asset management services business to a client as a separate business segment. During the Review Year, the revenue of asset management services was approximately HK\$8,000 (2020: Nil) and the segment loss was approximately HK\$142,000 (2020: Nil).

## **FINANCIAL REVIEW**

### **Revenue**

During the Review Year, the Group recorded a revenue of approximately HK\$39.2 million (2020: approximately HK\$61.5 million), representing a decrease of 36.3% compared with that of Last Year. The overall decrease was due to (i) decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and underwriting projects in light of the uncertain economic outlook and volatility in the stock market and (ii) decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year.

### **Other operating expenses**

For the Review Year, the other operating expenses increased 31.0% to approximately HK\$9.7 million as compared with Last Year (2020: approximately HK\$7.4 million). The increase was primarily due to increase in professional fee, additional interim review fee to the auditor and compliance advisory fee upon the Listing.

### **Profit for the year**

For the Review Year, the Group's net profit was approximately HK\$10.7 million, which was a decrease of 21.4% compared with approximately HK\$13.6 million from Last Year. By excluding the non-recurring listing expenses incurred during the year ended 31 March 2020, the Group recorded a decrease in adjusted net profit during the Review Year of 68.5% compared to approximately HK\$34.0 million from Last Year. Such change was mainly due to (i) decrease in placing and underwriting services income, which in turn was due to the prudent approach adopted by the management of the Company in taking up new placing and underwriting projects in light of the uncertain economic outlook and volatility in the stock market; (ii) decrease in commission and brokerage income on securities dealing due to intense competition in the market for the commission rate charged to our clients despite the increased trading turnover during the Review Year; (iii) increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model; and (iv) increase in operating expenses and staff costs as compared with Last Year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group maintained a strong cash position with total bank deposits, and financed its operations by cash mainly generated from operations and borrowings. As at 31 March 2021, the Group had total bank balances for general accounts and cash of approximately HK\$92.4 million (2020: approximately HK\$149.5 million). As at 31 March 2021, the Group had net current assets of approximately HK\$322.1 million, representing an increase of approximately HK\$11.6 million as compared with that of approximately HK\$310.5 million as at 31 March 2020. The increase was mainly due to profits retained to support our expansion for margin financing services.

The Group's gearing ratio was nil as at 31 March 2021 (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 Review Year.

The Group utilised bank facilities of HK\$10 million to fulfil the demand in margin loans from our clients as at 31 March 2020. All bank borrowings were repaid in view of strong cash position of the Group as at 31 March 2021.

### **Borrowings**

As at 31 March 2021, the Group had nil bank borrowings (2020: HK\$10.0 million).

### **Pledge of assets**

As at 31 March 2021, the Group did not have any pledged assets (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 Review Year.

### **Capital commitments and contingent liabilities**

As at 31 March 2021, the Group did not have any significant capital commitment and contingent liabilities (2020: Nil).

### **Employees and remuneration policies**

As at 31 March 2021, the Group employed 17 staff (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\$10.2 million during the Review Year (2020: approximately HK\$7.1 million), representing an increase of approximately HK\$3.1 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 2021, the Group did not make any significant investments (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, the Group did not have other future plans for material investments or capital assets as at the date of this annual results 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.

<b>Business strategies</b>	<b>Net proceeds as allocated in accordance with the Prospectus HK\$'000</b>	<b>Actual use of net proceeds up to 31 March 2021 HK\$'000</b>	<b>Unutilised use of net proceeds up to 31 March 2021 HK\$'000</b>	<b>Expected timeline of full utilisation of the balance</b>
Expansion of placing and underwriting business	27,000	27,000	–	–
Funding for margin financing business	10,200	10,200	–	–
Establishment and renovation of a new office	15,700	–	15,700	End of 2022
Expansion of workforce	12,900	475	12,425	End of 2022
Enhancement of IT systems	9,000	–	9,000	End of 2022
Promotion and marketing	7,200	–	7,200	End of 2022
Working capital	8,600	6,369	2,231	September 2021
<b>Total</b>	<b>90,600</b>	<b>44,044</b>	<b>46,556</b>	

As at 31 March 2021, the unutilised 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 Review Year, 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 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 (2020: Nil).

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **OUTLOOK AND PROSPECTS**

Given the swift pace of controlling the 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.

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.

## **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.

## **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 Appendix 14 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 10 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 2021, 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 Dr. Ho Chung Tai Raymond, 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.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

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 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu (“**Deloitte**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Deloitte 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 Deloitte 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](http://www.hkex.com.hk)) and on the website of the Company ([www.hkfsfinance.com](http://www.hkfsfinance.com)). The annual report of the Company for the year ended 31 March 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company 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**  
**Sy Man Chiu**  
*Executive Director*

Hong Kong, 30 June 2021

*As at the date of this announcement, the Board comprises Mr. Keng Stephen Lee as chairman and non-executive Director, Mr. Sy Man Chiu and Mr. Ng Sik Chiu as executive Directors, and Dr. Yu Sun Say, Mr. Lai Man Sing and Dr. Ho Chung Tai Raymond as independent non-executive Directors.*