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Fu Shek Financial Holdings Limited

富石金融控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2263)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

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 2022 (the “**Review Year**”) together with the comparative figures for the year ended 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

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

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue			
Fee and commission income	3	15,999	19,481
Interest income under effective interest method		22,032	19,707
		38,031	39,188
Other gains		226	125
Other income		887	659
Staff costs	5	(10,702)	(10,247)
Finance costs	6	(906)	(1,911)
Impairment loss, net of reversal		(480)	(1,516)
Commission expenses		(1,925)	(1,674)
Depreciation of property and equipment		(1,831)	(1,886)
Other operating expenses		(7,839)	(9,714)
		15,461	13,024
Profit before taxation			
Taxation	7	(2,653)	(2,336)
		12,808	10,688
Profit and total comprehensive income for the year			
Earnings per share			
Basic (HK cents per share)	8	1.28	1.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

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

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property and equipment		2,799	1,616
Intangible asset		2,735	2,735
Other assets		415	697
Deposits		519	–
		<u>6,468</u>	<u>5,048</u>
Current assets			
Accounts receivable	10	287,461	295,770
Deposits, other receivables and prepayments		292	858
Tax recoverable		–	2,706
Bank balances – trust and segregated accounts		152,569	141,537
Bank balances – general accounts and cash		103,725	92,411
		<u>544,047</u>	<u>533,282</u>
Non-current liabilities			
Lease liabilities		1,270	–
Current liabilities			
Accounts payable	11	174,546	206,198
Other payables and accrued charges		2,888	3,463
Bank borrowings		30,000	–
Tax payable		392	–
Lease liabilities		1,457	1,515
		<u>209,283</u>	<u>211,176</u>
Net current assets		<u>334,764</u>	<u>322,106</u>
Net assets		<u><u>339,962</u></u>	<u><u>327,154</u></u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		329,962	317,154
Total capital and reserves		<u><u>339,962</u></u>	<u><u>327,154</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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concession beyond 30 June 2021
Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current 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.

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 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax relating to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intend Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Commission and brokerage income on securities dealing	10,448	16,183
Placing and underwriting services income	2,625	2,103
Handling and other fee income	2,919	1,187
Asset management fee income	7	8
	<u>15,999</u>	<u>19,481</u>

Disaggregation of fee and commission income from contracts with customers

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Timing of revenue recognition		
A point in time	15,758	19,226
Over time	241	255
	<u>15,999</u>	<u>19,481</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, unallocated staff costs, unallocated reversal of impairment loss, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

Year ended 31 March 2022

	Brokerage services HK\$'000	Margin financing services HK\$'000	Placing and underwriting services HK\$'000	Asset management services HK\$'000	Total HK\$'000
Segment revenue	<u>13,367</u>	<u>22,032</u>	<u>2,625</u>	<u>7</u>	<u>38,031</u>
Segment profit/(loss)	<u>9,452</u>	<u>21,186</u>	<u>70</u>	<u>(173)</u>	<u>30,535</u>
Other gains					226
Other income					887
Unallocated staff costs					(8,119)
Unallocated finance costs					(60)
Depreciation					(1,831)
Unallocated other operating expenses					<u>(6,177)</u>
Profit before taxation					<u><u>15,461</u></u>
Other segment information:					
Interest income from clients	<u>–</u>	<u>22,032</u>	<u>–</u>	<u>–</u>	<u>22,032</u>
Interest on bank borrowings and short-term advances from brokers	<u>–</u>	<u>(846)</u>	<u>–</u>	<u>–</u>	<u>(846)</u>
Commission expenses	<u>(630)</u>	<u>–</u>	<u>(1,295)</u>	<u>–</u>	<u>(1,925)</u>
Impairment loss	<u>–</u>	<u>–</u>	<u>(480)</u>	<u>–</u>	<u>(480)</u>

Year ended 31 March 2021

	Brokerage services <i>HK\$'000</i>	Margin financing services <i>HK\$'000</i>	Placing and underwriting services <i>HK\$'000</i>	Asset management services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>17,370</u>	<u>19,707</u>	<u>2,103</u>	<u>8</u>	<u>39,188</u>
Segment profit/(loss)	<u>13,320</u>	<u>16,282</u>	<u>256</u>	<u>(142)</u>	<u>29,716</u>
Other gains					125
Other income					659
Unallocated staff costs					(7,045)
Unallocated impairment loss reversed					60
Unallocated finance costs					(123)
Depreciation					(1,886)
Unallocated other operating expenses					<u>(8,482)</u>
Profit before taxation					<u><u>13,024</u></u>
Other segment information:					
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>

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 and located in Hong Kong.

Information about major customers

No single customer contributed 10% or more to the Group's revenue during the years ended 31 March 2022 and 2021 respectively.

5. STAFF COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' remuneration		
– fees	720	720
– salaries, discretionary bonus and other benefits	3,177	3,249
– contributions to the retirement benefit scheme	18	24
Salaries, discretionary bonus and other benefits	6,591	6,786
Contributions to the retirement benefit scheme	196	193
	<u>10,702</u>	<u>10,972</u>
Less: Government grants	–	(725)
	<u>10,702</u>	<u>10,247</u>

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on short-term advances from brokers	101	1,541
Interest on bank borrowings	745	247
Interest on lease liabilities	60	123
	<u>906</u>	<u>1,911</u>

7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	2,739	2,351
Overprovision in prior years	(86)	(15)
	<u>2,653</u>	<u>2,336</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation	<u>15,461</u>	<u>13,024</u>
Tax at income tax rate of 16.5%	2,551	2,149
Tax effect of expenses not deductible for tax purpose	429	598
Tax effect of income not taxable for tax purpose	(80)	(224)
Overprovision in prior years	(86)	(15)
Tax effect of profit under tax concessions	(175)	(175)
Others	<u>14</u>	<u>3</u>
Taxation for the year	<u>2,653</u>	<u>2,336</u>

As at 31 March 2022 and 2021, the Group has no unused tax losses available for offset against future profits.

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>12,808</u>	<u>10,688</u>
	Number of shares	
	2022	2021
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation (<i>'000</i>)	<u>1,000,000</u>	<u>1,000,000</u>

No diluted earnings per share is presented for the years ended 31 March 2022 and 2021 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 2022, nor has any dividend been proposed since the end of the reporting period (2021: HK\$nil).

10. ACCOUNTS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	727	34,859
– Cash clients	204	301
– Margin clients	287,432	261,019
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	<u>1,915</u>	<u>1,928</u>
	290,278	298,107
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(1,637)	(1,637)
– accounts receivable arising from placing and underwriting services	<u>(1,180)</u>	<u>(700)</u>
	<u>287,461</u>	<u>295,770</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	1	20
31–60 days	–	–
61–90 days	17	–
Over 90 days	<u>1</u>	<u>16</u>
	<u>19</u>	<u>36</u>

Accounts receivable of securities margin clients are secured by clients’ pledged securities with fair value of HK\$1,761,620,000 (2021: HK\$1,451,330,000). 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 2022 and 2021 (and in some cases the rate may go up to 14.4% (2021: 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 63% (2021: 59%) 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\$181,500,000 (2021: HK\$152,147,000) which is not past due, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK\$996,012,000 (2021: HK\$907,995,000). 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–30 days	–	43
31–90 days	300	200
91–120 days	385	530
121–180 days	–	–
181–365 days	–	455
Over 365 days	1,230	700
	<u>1,915</u>	<u>1,928</u>

Impairment allowance of HK\$1,180,000 (2021: HK\$700,000) 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash clients	107,910	98,288
Margin clients	56,711	107,076
Broker	–	834
HKSCC	9,925	–
	<u>174,546</u>	<u>206,198</u>

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

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

The accounts payable amounting to HK\$152,569,000 (2021: HK\$141,537,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the first half of the Review Year, with the gradual resumption of economic activities due to relaxation of cross-border restrictions and increasing vaccination rate, the global economies were in the momentum of recovery. In Hong Kong, the stabilized COVID-19 condition and the Consumption Voucher Scheme in the third quarter of 2021 had helped to stimulate the customer sentiments and the local economy in general. As a result, the real GDP grew by 6.3% over a year earlier.

However, the positive atmosphere had ceased during the early 2022. The Russo-Ukrainian conflict which intensified in the early 2022 was yet to be resolved and the fifth wave of COVID-19 swept in Hong Kong in the early 2022. Economic activities had remained stagnant which further dampened the confidence in the financial market. Hong Kong's economy shrank by 4.0% on a year-on-year basis in the first quarter of 2022, ended the four consecutive quarters' increase. Due to the continued outbreak of coronavirus (the “**Outbreak**”) and the change in the macroeconomic environment, investors' attitude towards the stock market has become more prudent. The unfavourable investment sentiment and the volatility in the financial markets have exerted pressure on the Group's operations.

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.

During the Review Year, the Group recorded a 3.0% decrease of total revenue as compared to the year ended 31 March 2021 (the “**Last Year**”), which was approximately HK\$38.0 million. The decrease was mainly attributable to the decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year. Meanwhile, the net profit attributable to owners of the Company increased to approximately HK\$12.8 million during the Review Year, which was mainly due to (i) increase in interest income from margin financing services; (ii) decrease in impairment loss for accounts receivable under the expected credit loss model; and (iii) decrease in other operating expenses and finance costs while offsetting the decrease in commission and brokerage income from securities dealing 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 approximately 23.0% to approximately HK\$13.4 million as compared with that of Last Year (2021: approximately HK\$17.4 million) and accounted for approximately 35.1% (2021: 44.3%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decrease in commission income received due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year. The segment profit from brokerage services decreased by approximately 29.0% to approximately HK\$9.5 million as compared with that of Last Year (2021: approximately HK\$13.3 million) as less commission income from brokerage services was 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 approximately 11.8% to approximately HK\$22.0 million as compared with that of Last Year (2021: approximately HK\$19.7 million) and accounted for approximately 57.9% (2021: 50.3%) of the total revenue. The encouraging growth in interest income from margin financing was mainly due to an increase in interest income derived from our margin clients as the demand for our margin financing services increased gradually during the Review Year. The segment profit from margin financing services increased by approximately 30.1% to approximately HK\$21.2 million as compared with that of Last Year (2021: approximately HK\$16.3 million). The segment profit increased at a higher rate than the segment revenue due to less finance costs incurred during the Review Year and 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 Last Year.

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 24.8% to approximately HK\$2.6 million as compared with that of Last Year (2021: approximately HK\$2.1 million) and accounted for approximately 6.9% (2021: 5.4%) 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 IPOs engagements. On the other hand, the Group adjusted its business strategies to be more active in participating in placing agent and underwriter engagement of listed companies in connection with their issuance of securities and resulted in an increase in revenue from placing and underwriting services. The segment profit from placing and underwriting services decreased by approximately 72.7% to approximately HK\$0.1 million as compared with that of Last Year (2021: approximately HK\$0.3 million). The segment profit decreased as an allowance of impairment loss of HK\$480,000 was provided for accounts receivable arising from placing and underwriting services under the expected credit loss model during the Review Year.

Asset Management Services

The Group launched the asset management services business to a client as a separate business segment since Last Year. During the Review Year, the revenue of asset management services was approximately HK\$7,000 (2021: HK\$8,000) and the segment loss was approximately HK\$173,000 (2021: HK\$142,000).

FINANCIAL REVIEW

Revenue

During the Review Year, the Group recorded a revenue of approximately HK\$38.0 million (2021: approximately HK\$39.2 million), representing a decrease of approximately 3.0% compared with that of Last Year. The overall decrease was due to decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients and was in line with the general market during the Review Year.

Other Operating Expenses

For the Review Year, the other operating expenses decreased approximately 19.3% to approximately HK\$7.8 million as compared with Last Year (2021: approximately HK\$9.7 million). The decrease was primarily due to decrease in audit and interim review fee to the auditor and compliance advisory fee to compliance adviser.

Profit for the Year

For the Review Year, the Group's net profit was approximately HK\$12.8 million, which was an increase of approximately 19.8% compared with approximately HK\$10.7 million from Last Year. Such change was mainly due to (i) increase in interest income from margin financing services; (ii) decrease in impairment loss for accounts receivable under the expected credit loss model; and (iii) decrease in other operating expenses and finance costs while offsetting the decrease in commission and brokerage income from securities dealing due to intense competition in the market for the commission rate charged to our clients as compared with Last Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong cash position with bank deposits, and financed its operations by cash mainly generated from operations and bank borrowings. As at 31 March 2022, the Group had total bank balances for general accounts and cash of approximately HK\$103.7 million (2021: approximately HK\$92.4 million). As at 31 March 2022, the Group had net current assets of approximately HK\$334.8 million, representing an increase of approximately HK\$12.7 million as compared with that of approximately HK\$322.1 million as at 31 March 2021. The increase was mainly due to profits retained to support our expansion for margin financing services.

The Group's gearing ratio was 0.09 as at 31 March 2022 (2021: 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.

The Group utilised bank facilities of HK\$30.0 million (2021: Nil) to fulfil the demand in margin loans to our clients as at 31 March 2022.

Borrowings

The major source of debt financing of the Group was mainly from banks. As at 31 March 2022, the Group had bank borrowings of HK\$30.0 million (2021: Nil). All of the bank borrowings had a repayment on demand clause. All of the bank borrowings were at floating rate of 1.7% p.a. over 1-week Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 31 March 2022, the Group did not have any pledged assets (2021: Nil).

Foreign Currency Exposure

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

Capital Commitments and Contingent Liabilities

As at 31 March 2022, the Group did not have any significant capital commitment and contingent liabilities (2021: Nil).

Employees and Remuneration Policies

As at 31 March 2022, the Group employed 15 staff (2021: 17). 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\$10.7 million during the Review Year (2021: HK\$10.2 million), representing an increase of approximately HK\$0.5 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 2022, the Group did not make any significant investments (2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 January 2020 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets as at the date of this 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 HK\$'000	Actual use of net proceeds up to 31 March 2022 HK\$'000	Unutilised use of net proceeds up to 31 March 2022 HK\$'000	Expected timeline of full utilisation of the balance
Expansion of placing and underwriting business	27,000	27,000	–	–
Funding for margin financing business	10,200	10,200	–	–
Establishment and renovation of a new office	15,700	–	15,700	End of 2024
Expansion of workforce	12,900	869	12,031	End of 2024
Enhancement of IT systems	9,000	–	9,000	End of 2024
Promotion and marketing	7,200	–	7,200	End of 2024
Working capital	8,600	8,600	–	–
Total	90,600	46,669	43,931	

As at 31 March 2022, 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 (2021: Nil).

OUTLOOK AND PROSPECTS

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

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

The Group will leverage the knowledge and experience of our management team to seize opportunities as they arise, especially in the expansion of our margin financing services through obtaining and utilising our banking facilities. 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 closely monitor the COVID-19 and proactively respond to its impact on the Group's financial position and operating results.

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 2022, 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 2022 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 2022 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 2022

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.