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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

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 2022 together with the comparative figures for the six months ended 30 September 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	<i>Notes</i>	Six months ended 30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue			
Fee and commission income	3	5,429	12,219
Interest income under effective interest method		14,433	9,402
		19,862	21,621
Other gains		100	18
Other income		718	583
Staff costs	5	(4,662)	(5,351)
Finance costs	6	(559)	(268)
Impairment loss (recognised) reversed, net	7	(800)	1,109
Commission expenses		(632)	(1,526)
Depreciation of property and equipment		(770)	(942)
Other operating expenses		(2,934)	(4,684)
Profit before taxation		10,323	10,560
Taxation	8	(1,644)	(1,897)
Profit and total comprehensive income for the period		8,679	8,663
Earnings per share			
Basic (<i>HK cents per share</i>)	9	0.87	0.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	<i>Notes</i>	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Non-current assets			
Property and equipment		2,056	2,799
Intangible asset		2,735	2,735
Other assets		754	415
Deposits		450	519
		5,995	6,468
Current assets			
Accounts receivable	11	286,106	287,461
Deposits, other receivable and prepayments		291	292
Bank balances – trust and segregated accounts		168,700	152,569
Bank balances – general accounts and cash		119,373	103,725
		574,470	544,047
Non-current liabilities			
Lease liabilities		515	1,270
Current liabilities			
Accounts payable	12	195,446	174,546
Other payables and accrued charges		2,334	2,888
Bank borrowings		30,000	30,000
Tax payable		2,036	392
Lease liabilities		1,493	1,457
		231,309	209,283
Net current assets		343,161	334,764
Net assets		348,641	339,962
Capital and reserves			
Share capital		10,000	10,000
Reserves		338,641	329,962
Total capital and reserves		348,641	339,962

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis 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**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 March 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2022 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

3. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Commission and brokerage income on securities dealing	3,899	7,803
Placing and underwriting services income	839	1,940
Handling and other fee income	689	2,472
Asset management fee	2	4
	<u>5,429</u>	<u>12,219</u>

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	5,308	12,097
Over time	121	122
	<u>5,429</u>	<u>12,219</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 comprising the provision of brokerage services in securities traded in Hong Kong and overseas markets;
- (b) the margin financing services segment comprising the provision of financing services to margin and cash clients;
- (c) the placing and underwriting services segment comprising the provision of underwriting, sub-underwriting and placing services; and
- (d) the asset management services segment comprising the provision of investment management services.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3 to the Group's annual financial statements for the year ended 31 March 2022. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other gains, unallocated staff costs, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2022

	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>4,588</u>	<u>14,433</u>	<u>839</u>	<u>2</u>	<u>19,862</u>
Segment profit/(loss)	<u>2,881</u>	<u>13,135</u>	<u>(14)</u>	<u>(88)</u>	<u>15,914</u>
Other income and gains					818
Unallocated staff costs					(3,040)
Unallocated finance costs					(61)
Depreciation					(770)
Unallocated other operating expenses					<u>(2,538)</u>
Profit before taxation					<u>10,323</u>
Other segment information:					
Interest income from clients	<u>-</u>	<u>14,433</u>	<u>-</u>	<u>-</u>	<u>14,433</u>
Interest on bank and other borrowings	<u>-</u>	<u>(498)</u>	<u>-</u>	<u>-</u>	<u>(498)</u>
Commission expenses	<u>(169)</u>	<u>-</u>	<u>(463)</u>	<u>-</u>	<u>(632)</u>
Impairment loss recognised	<u>-</u>	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>(800)</u>

Period ended 30 September 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>10,275</u>	<u>9,402</u>	<u>1,940</u>	<u>4</u>	<u>21,621</u>
Segment profit/(loss)	<u>7,161</u>	<u>10,271</u>	<u>524</u>	<u>(86)</u>	<u>17,870</u>
Other income and gains					601
Unallocated staff costs					(3,543)
Unallocated finance costs					(28)
Depreciation					(942)
Unallocated other operating expenses					<u>(3,398)</u>
Profit before taxation					<u>10,560</u>
Other segment information:					
Interest income from clients	<u>–</u>	<u>9,402</u>	<u>–</u>	<u>–</u>	<u>9,402</u>
Interest on bank and other borrowings	<u>–</u>	<u>(240)</u>	<u>–</u>	<u>–</u>	<u>(240)</u>
Commission expenses	<u>(500)</u>	<u>–</u>	<u>(1,026)</u>	<u>–</u>	<u>(1,526)</u>
Impairment loss reversed	<u>–</u>	<u>1,109</u>	<u>–</u>	<u>–</u>	<u>1,109</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 the Hong Kong and all of the Group's revenue and non-current assets are derived from and located in Hong Kong.

5. STAFF COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration		
– fees	360	360
– salaries, discretionary bonus and other benefits	1,640	1,775
– contributions to the retirement benefit scheme	9	9
Salaries, discretionary bonus and other benefits	2,876	3,106
Contributions to the retirement benefit scheme	90	101
	<u>4,975</u>	<u>5,351</u>
Less: Government grants	(313)	–
	<u>4,662</u>	<u>5,351</u>

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

6. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on short term advances from brokers	–	101
Interest on bank borrowings	498	139
Interest on lease liabilities	61	28
	<u>559</u>	<u>268</u>

7. IMPAIRMENT LOSS (RECOGNISED) REVERSED, NET

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss (recognised) reversed on:		
Accounts receivable arising from the business of dealing in securities	(800)	1,109
	<u>(800)</u>	<u>1,109</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 2022 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2022.

11. ACCOUNTS RECEIVABLE

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	4,813	727
– Cash clients	310	204
– Margin clients	282,863	287,432
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	<u>1,737</u>	<u>1,915</u>
	289,723	290,278
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(2,437)	(1,637)
– accounts receivable arising from placing and underwriting services	<u>(1,180)</u>	<u>(1,180)</u>
	<u><u>286,106</u></u>	<u><u>287,461</u></u>

Notes:

- (a) The normal settlement terms of accounts receivable from cash clients and HKSCC are two days after trade date. In respect of accounts receivable from cash clients which are past due at the end of the reporting period, the ageing analysis (from settlement date) is as follows:

	As at 30 September 2022 HK\$'000 (unaudited)	As at 31 March 2022 HK\$'000 (audited)
0–30 days	21	1
31–60 days	16	–
61–90 days	47	17
Over 90 days	<u>65</u>	<u>1</u>
	<u><u>149</u></u>	<u><u>19</u></u>

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

No ageing analysis is disclosed, in respect of accounts receivable from margin clients, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing.

Management assessed the fair value of the securities held by the Group of each individual client who had shortfall and provision for impairment loss of HK\$2,437,000 was made as at 30 September 2022 (31 March 2022: HK\$1,637,000).

- (b) No credit period is granted for accounts receivable arising from placing and underwriting services. The ageing analysis (based on the revenue recognition date) is as follows:

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
0–30 days	177	–
31–90 days	380	300
91–120 days	–	385
121–180 days	–	–
181–365 days	–	–
Over 365 days	<u>1,180</u>	<u>1,230</u>
	<u><u>1,737</u></u>	<u><u>1,915</u></u>

Impairment allowance of HK\$1,180,000 (31 March 2022: HK\$1,180,000) has been made for accounts receivable from placing and underwriting services.

12. ACCOUNTS PAYABLE

	As at 30 September 2022 <i>HK\$'000</i> (unaudited)	As at 31 March 2022 <i>HK\$'000</i> (audited)
Cash clients	118,774	107,910
Margin clients	58,301	56,711
HKSCC	<u>18,371</u>	<u>9,925</u>
	<u><u>195,446</u></u>	<u><u>174,546</u></u>

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

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

The accounts payable amounting to HK\$168,700,000 (31 March 2022: HK\$152,569,000) 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 contracts 3.3% year on year in the first three quarters of 2022, continuing the economic contraction to the third straight quarter. The Russo-Ukrainian conflict in the early 2022 was yet to be resolved and the surging energy and commodity prices that drastically changed the world's inflation expectations.

The continued outbreak of coronavirus and the rapid increase in interest rates induced by the US Fed have further dampened the confidence in the financial market, 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. According to the monthly market highlights provided by the Hong Kong Stock Exchange, contracted trading activities in the capital market are reflected in the decreasing average daily turnover for the securities market for the first three quarters of 2022, which reached HK\$124.1 billion representing a decrease of 31% as compared to corresponding period in a year earlier.

The total funds raised in the market for the first three quarters of 2022 was HK\$192.4 billion, which represented a decrease of 68% as compared to corresponding period in a year earlier.

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 2022 (the "**Reporting Period**"), the Group's revenue was approximately HK\$19.9 million, which recorded a 8.1% decrease of total revenue for the corresponding period in 2021.

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 55.3% to approximately HK\$4.6 million as compared with that of the six months ended 30 September 2021 (the six months ended 30 September 2021: approximately HK\$10.3 million) and accounted for 23.1% (the six months ended 30 September 2021: 47.5%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income received due to decreased trading turnover which is in line with the market during the Reporting Period. The segment profit from brokerage services decreased by 59.8% to approximately HK\$2.9 million as compared with the corresponding period of 2021 (the six months ended 30 September 2021: approximately HK\$7.2 million) which is in line with the decrease in trading turnover during the Reporting Period.

Margin Financing Services

The Group provides financing services to facilitate its clients' purchase of securities on a margin basis in the secondary market and subscription to IPOs. Interest income from margin financing provided by the Group for the Reporting Period increased by 53.5% to approximately HK\$14.4 million as compared with that of the six months ended 30 September 2021 (the six months ended 30 September 2021: approximately HK\$9.4 million) and accounted for 72.7% (the six months ended 30 September 2021: 43.5%) of the total revenue. The 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 generally during the Reporting Period. The segment profit from margin financing services increased by 27.9% to approximately HK\$13.1 million as compared with the corresponding period of 2021 (the six months ended 30 September 2021: approximately HK\$10.3 million) as an allowance for impairment loss of approximately HK\$0.8 million was recognised under the expected credit loss model for accounts receivable arising from the business of dealing in securities while an allowance for impairment loss of approximately HK\$1.1 million was reversed for the corresponding period in 2021 and more finance costs incurred during the Reporting Period.

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 56.8% to approximately HK\$0.8 million as compared with that of the six months ended 30 September 2021 (the six months ended 30 September 2021: approximately HK\$1.9 million) which is in line with the decrease in the total funds raised in the market and accounted for 4.2% (the six months ended 30 September 2021: 9.0%) of the total revenue. The segment result from placing and underwriting services recorded a loss of approximately HK\$14,000 (the six months ended 30 September 2021: profit of approximately HK\$0.5 million). The segment loss recorded was mainly due to more commission expenses incurred compared to the commission income recognised during the Reporting Period.

Asset Management Services

During the Reporting Period, the revenue of asset management services was approximately HK\$2,000 (the six months ended 30 September 2021: HK\$4,000) and the segment loss was HK\$88,000 (the six months ended 30 September 2021: HK\$86,000). The expansion of asset management services segment has met difficulties under the current generally unfavorable investment landscape.

OUTLOOK

With the implementation of 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, following its re-opening to the world, 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.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately HK\$19.9 million (the six months ended 30 September 2021: approximately HK\$21.6 million), representing a decrease of 8.1% compared with that of the six months ended 30 September 2021. The overall decrease was mainly due to decrease in brokerage services income while offsetting the increase in interest income from margin financing business during the Reporting Period.

Other Operating Expenses

For the Reporting Period, the other operating expenses decreased 37.4% to approximately HK\$2.9 million as compared with the six months ended 30 September 2021 (the six months ended 30 September 2021: approximately HK\$4.7 million). The decrease was mainly due to less compliance advisory fee and settlement and brokerage trading expenses, which was in line with the decrease in trading turnover during the Reporting Period.

Net Profit

For the Reporting Period, the Group's net profit was approximately HK\$8.7 million, which was an increase of 0.2% compared with approximately HK\$8.7 million from the six months ended 30 September 2021. Such change was mainly due to increase in interest income from margin financing services and decrease in other operating expenses while offsetting the decrease in brokerage services income and increase in impairment loss for accounts receivable arising from the business of dealing in securities under the expected credit loss model as compared with the six months ended 30 September 2021.

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 bank borrowings. As at 30 September 2022, the Group had total bank balances for general accounts and cash of approximately HK\$119.4 million (as at 31 March 2022: approximately HK\$103.7 million). As at 30 September 2022, the Group had net current assets of approximately HK\$343.2 million, representing an increase of approximately HK\$8.4 million as compared with that of approximately HK\$334.8 million as at 31 March 2022. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was approximately 0.09 as at 30 September 2022 (as at 31 March 2022: 0.09).

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 banks. As at 30 September 2022, the Group had bank borrowings of HK\$30.0 million (as at 31 March 2022: HK\$30.0 million). The bank borrowings were with a repayment on demand clause. Bank borrowings were at a floating rate of 1.7% p.a. over 1-week Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 30 September 2022, the Group did not have any pledged assets (as at 31 March 2022: Nil).

Foreign Currency Exposure

As the Group only operates in Hong Kong and the majority of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the directors of the Company 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 2022, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2022: Nil).

Employees and Remuneration Policies

As at 30 September 2022, the Group employed 16 staff (as at 31 March 2022: 15). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Staff costs primarily consist of fees, salaries, discretionary bonus and other benefits as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Staff costs was approximately HK\$4.7 million during the Reporting Period (the six months ended 30 September 2021: HK\$5.4 million), representing a decrease of approximately 12.9%.

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 2022, the Group did not make any significant investments (as at 31 March 2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 January 2020 (the "**Prospectus**"), the Group did not have other future plans for material investments or capital assets as at the date of this interim results announcement.

USE OF PROCEEDS

The net proceeds from the listing of the Company's shares on the main board of the Stock Exchange received by the Group, after deducting related expenses, were approximately HK\$90.6 million. These 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 2022 HK\$'000	Unutilised use of net proceeds up to 30 September 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	964	11,936	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	46,764	43,836	

As at 30 September 2022, 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.

INTERIM DIVIDENDS

The board of the Directors does not recommend the declaration of interim dividend for the Reporting Period (the six months ended 30 September 2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the Reporting Period.

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

Throughout the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company of all Directors that they have fully complied with the required standard as set out in the Model Code throughout the Reporting Period.

AUDIT COMMITTEE

The Company established its Audit Committee which consists of three members, namely Mr. Lai Man Sing (chairman), Dr. Yu Sun Say and Ms. Tsang Ngo Yin. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The Audit Committee has reviewed with management of the Company the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 including the accounting principles and practices adopted by the Group.

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group as set out in this interim results announcement had been reviewed by the Audit Committee and the Company's auditor, Baker Tilly Hong Kong Limited.

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

The interim results announcement of the Company is published on the website of the Stock Exchange (www.hkex.com.hk) and on the website of the Company (www.hkfsfinance.com). The interim report of the Company for the six months ended 30 September 2022 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 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.