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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 2024**

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 2024 together with the comparative figures for the six months ended 30 September 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	<i>Notes</i>	Six months ended 30 September	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue			
Fee and commission income	3	2,588	4,691
Interest income under effective interest method		8,476	10,602
		11,064	15,293
Other losses		(194)	(86)
Other income		5,119	4,091
Staff costs	5	(5,510)	(4,738)
Finance costs	6	(43)	(24)
Impairment loss recognised	7	(4,545)	(8,175)
Commission expenses		(176)	(998)
Depreciation of property and equipment		(414)	(776)
Other operating expenses		(3,837)	(2,840)
Profit before taxation		1,464	1,747
Taxation	8	–	–
Profit and total comprehensive income for the period		1,464	1,747
Earnings per share			
Basic (<i>HK cents per share</i>)	9	0.15	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024 <i>HK\$'000</i> (unaudited)	As at 31 March 2024 <i>HK\$'000</i> (audited)
Non-current assets			
Property and equipment		1,000	1,414
Intangible asset		2,735	2,735
Other assets		200	466
Deposits		225	679
		<u>4,160</u>	<u>5,294</u>
Current assets			
Accounts receivable	11	142,712	124,078
Deposits, other receivable and prepayments		270	262
Tax recoverable		1,903	1,411
Bank balances – trust and segregated accounts		113,040	182,984
Bank balances – general accounts and cash		221,905	230,650
		<u>479,830</u>	<u>539,385</u>
Non-current liability			
Lease liabilities		119	470
Current liabilities			
Accounts payable	12	124,894	186,529
Other payables and accrued charges		1,286	1,473
Lease liabilities		691	671
		<u>126,871</u>	<u>188,673</u>
Net current assets		<u>352,959</u>	<u>350,712</u>
Net assets		<u><u>357,000</u></u>	<u><u>355,536</u></u>
Capital and reserves			
Share capital		10,000	10,000
Reserves		347,000	345,536
Total capital and reserves		<u><u>357,000</u></u>	<u><u>355,536</u></u>

NOTES

1. BASIS OF PREPARATION

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

Other than change in 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 2024 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 March 2024.

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 Group’s annual period beginning on 1 April 2024 for the preparation of the Group’s unaudited condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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 condensed consolidated financial statements.

3. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2024	2023
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Commission and brokerage income on securities dealing	1,005	2,635
Placing and underwriting services income	1,080	1,602
Handling and other fee income	501	452
Asset management fee	2	2
	<u>2,588</u>	<u>4,691</u>

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	2,564	4,668
Over time	24	23
	<u>2,588</u>	<u>4,691</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 2024. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other losses, unallocated staff costs, unallocated finance costs, depreciation and unallocated other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2024

	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>1,506</u>	<u>8,476</u>	<u>1,080</u>	<u>2</u>	<u>11,064</u>
Segment profit/(loss)	<u>740</u>	<u>3,917</u>	<u>(666)</u>	<u>(88)</u>	3,903
Other income and losses					4,925
Unallocated staff costs					(3,250)
Unallocated finance costs					(29)
Depreciation					(414)
Unallocated other operating expenses					<u>(3,671)</u>
Profit before taxation					<u>1,464</u>
Other segment information:					
Interest income from clients	<u>-</u>	<u>8,476</u>	<u>-</u>	<u>-</u>	<u>8,476</u>
Interest on bank borrowings	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>(14)</u>
Commission expenses	<u>(120)</u>	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>(176)</u>
Impairment loss recognised	<u>-</u>	<u>(4,545)</u>	<u>-</u>	<u>-</u>	<u>(4,545)</u>

Period ended 30 September 2023

	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>3,087</u>	<u>10,602</u>	<u>1,602</u>	<u>2</u>	<u>15,293</u>
Segment profit/(loss)	<u>1,275</u>	<u>2,427</u>	<u>872</u>	<u>(88)</u>	4,486
Other income and losses					4,005
Unallocated staff costs					(3,426)
Unallocated finance costs					(24)
Depreciation					(776)
Unallocated other operating expenses					<u>(2,518)</u>
Profit before taxation					<u>1,747</u>
Other segment information:					
Interest income from clients	<u>–</u>	<u>10,602</u>	<u>–</u>	<u>–</u>	<u>10,602</u>
Commission expenses	<u>(658)</u>	<u>–</u>	<u>(340)</u>	<u>–</u>	<u>(998)</u>
Impairment loss recognised	<u>–</u>	<u>(8,175)</u>	<u>–</u>	<u>–</u>	<u>(8,175)</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.

5. STAFF COSTS

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Directors' remuneration		
– fees	360	360
– salaries, discretionary bonus and other benefits	1,978	1,480
– contributions to the retirement benefit scheme	9	9
Salaries and other benefits	3,069	2,795
Contributions to the retirement benefit scheme	94	94
	<u>5,510</u>	<u>4,738</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	14	–
Interest on lease liabilities	29	24
	<u>43</u>	<u>24</u>

7. IMPAIRMENT LOSS RECOGNISED

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised on:		
Accounts receivable arising from the business of dealing in securities	4,545	8,175

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 2024 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2024.

11. ACCOUNTS RECEIVABLE

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– Hong Kong Securities Clearing Company Limited (“HKSCC”)	3,889	1,641
– Cash clients	926	487
– Margin clients	158,068	141,998
– Broker	3,877	–
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	<u>1,180</u>	<u>1,180</u>
	167,940	145,306
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(24,048)	(20,048)
– accounts receivable arising from placing and underwriting services	<u>(1,180)</u>	<u>(1,180)</u>
	<u>142,712</u>	<u>124,078</u>

Notes:

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

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
0–30 days	178	1
31–60 days	369	–
61–90 days	–	1
Over 90 days	<u>1</u>	<u>50</u>
	<u>548</u>	<u>52</u>

Accounts receivable from HKSCC and broker are 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\$24,048,000 was made as at 30 September 2024 (31 March 2024: HK\$20,048,000). Allowance for impairment loss amounted to HK\$545,000 was written-off during the current period.

- (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 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Over 365 days	<u>1,180</u>	<u>1,180</u>

Impairment allowance of HK\$1,180,000 (31 March 2024: HK\$1,180,000) has been made for accounts receivable from placing and underwriting services.

12. ACCOUNTS PAYABLE

	As at 30 September 2024 HK\$'000 (unaudited)	As at 31 March 2024 HK\$'000 (audited)
Cash clients	72,751	150,497
Margin clients	46,959	35,615
HKSCC	<u>5,184</u>	<u>417</u>
	<u>124,894</u>	<u>186,529</u>

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

Accounts payable to cash clients, margin 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\$113,040,000 (31 March 2024: HK\$182,984,000) 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 financial year ending 31 March 2025, the re-opening of economies has not brought an immediate rebound as expected. The Russo-Ukrainian conflict which intensified in early 2022 was yet to be resolved and continued to pose negative impact on the global supply chains and drive up energy price, resulting in a dramatic increase in inflation rate worldwide.

The lowering of the interest rate by the US Federal Reserve in 2024 was not initiated as expected at the first quarter of 2024 and delayed to September 2024. The analysts have been adjusting downward the frequency and range of lowering the interest rate. It has further dampened the confidence in the financial market and delayed the investors plan to return to the capital market.

According to the monthly market highlights provided by the Hong Kong Stock Exchange, average daily turnover for the securities market for the first three quarters of 2024 was HK\$113.3 billion, representing an increase of 3% as compared to corresponding period in 2023.

The total funds raised in the securities market in Hong Kong for the first three quarters of 2024 was HK\$124.7 billion, which represented an increase of 25.0% as compared to corresponding period in 2023.

BUSINESS REVIEW

Since over two decades, the Group has been providing comprehensive financial services 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 2024 (the “**Reporting Period**”), the Group’s revenue was approximately HK\$11.1 million, which recorded a 27.7% decrease in total revenue for the corresponding period in 2023. The unfavorable investment sentiment and the volatility in the financial markets have exerted pressure on the Group’s operations and expansion of business in terms of turnover of the securities transactions and demand for our margin financing services.

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 51.2% to approximately HK\$1.5 million as compared with that of the six months ended 30 September 2023 (the six months ended 30 September 2023: approximately HK\$3.1 million)

and accounted for 13.6% (the six months ended 30 September 2023: 20.2%) of the total revenue. The decrease in revenue from brokerage services was attributable to the decreased commission income received due to intense competition in the market for commission rate charged to clients and the decrease in their trading turnover during the Reporting Period. The segment profit from brokerage services decreased by 42.0% to approximately HK\$0.7 million as compared with the corresponding period of 2023 (the six months ended 30 September 2023: approximately HK\$1.3 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 decreased by 20.1% to approximately HK\$8.5 million as compared with that of the six months ended 30 September 2023 (the six months ended 30 September 2023: approximately HK\$10.6 million) and accounted for 76.6% (the six months ended 30 September 2023: 69.3%) of the total revenue. The decline in interest income from margin financing was mainly due to the decrease in interest income derived from our margin clients as the demand for our margin financing services decreased in average during the Reporting Period. The segment profit from margin financing services increased by 61.4% to approximately HK\$3.9 million as compared with the corresponding period of 2023 (the six months ended 30 September 2023: approximately HK\$2.4 million) as the allowance for impairment loss recognised under the expected credit loss model for accounts receivable arising from the business of dealing in securities decreased by 44.4% to approximately HK\$4.5 million (the six months ended 30 September 2023: approximately HK\$8.2 million) during the Reporting Period. To recover accounts receivable arising from the business of dealing in securities with impairment loss, the Group has taken various actions, including restructuring arrangements, issuing demand letters and commencing legal proceedings action against the borrowers.

As at 30 September 2024, the Group had 607 (30 September 2023: 635) active securities accounts as reported pursuant to Securities and Futures Ordinance.

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 32.6% to approximately HK\$1.1 million as compared with that of the six months ended 30 September 2023 (the six months ended 30 September 2023: approximately HK\$1.6 million) and accounted for 9.8% (the six months ended 30 September 2023: 10.5%) of the total revenue.

The Group engaged in different placing and underwriting exercises and successfully completed 2 projects during the Reporting Period (the six months ended 30 September 2023: 3 projects), and the Company participated in June 2024 as one of the underwriters in the first successful listing on GEM of the Stock Exchange since January 2021. The segment result from placing and underwriting services recorded a loss of approximately HK\$0.7 million (the six months ended 30 September 2023: profit of approximately HK\$0.9 million), which was mainly due to increased staff costs 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 2023: HK\$2,000) and the segment loss was HK\$88,000 (the six months ended 30 September 2023: HK\$88,000). The expansion of asset management services segment has met difficulties under the current generally unfavorable investment landscape under the current high level of interest rate.

OUTLOOK AND PROSPECTS

The Group believes that the Hong Kong financial services industry with its strong history and foundation, sound reputation, supportive policies from the government and outstanding industry professionals, would remain in a top position worldwide. In view of the GEM listing regime reform, the Company participated in June 2024 as one of the underwriters in the first successful listing on GEM of the Stock Exchange since January 2021.

As such, the Group considers there will be more business opportunities in placing and underwriting services in the current financial year since the Group has a strong history to provide services to the clients in this market. Also, the Group will continue to explore new business for bonds placing business in Debt Capital Market in the current financial year which provides greater access to a wider range of financial products available to our customers.

Following the commencement of lowering of interest rate by the US Federal Reserve in the current financial year, the Group is expecting that the clients will shift more assets into the securities market. Indeed, the demand for our margin financing services reached its bottom and recorded a rebound especially near the end of the Reporting Period compared to that as at 31 March 2024. Meanwhile, the Group will explore the business opportunities in new markets, especially the Middle East region in the current financial year. The Group has been establishing a new subsidiary in the Middle East regions during the current financial year, in order to explore our customers base.

The Group will leverage the knowledge and experience of its management team to seize opportunities as they arise by widening its products scope, range of services and expanding its clients' base. In response to the opportunities in the market, the Group will remain prudent towards external factors arising from the global and local economic situation and enhance its strengths to consolidate the Group's position in the industry.

The Group will continue to control its operating costs over the unfavorable investment landscape to improve the cost effectiveness and profitability of the Group by utilising financial resources effectively.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately HK\$11.1 million (the six months ended 30 September 2023: approximately HK\$15.3 million), representing a decrease of 27.7% compared with that of the six months ended 30 September 2023. The overall decrease was mainly due to decrease in commission and brokerage income on securities dealing and decrease in interest income from margin financing business during the Reporting Period.

Other Operating Expenses

For the Reporting Period, the other operating expenses increased 35.1% to approximately HK\$3.8 million as compared with the six months ended 30 September 2023 (the six months ended 30 September 2023: approximately HK\$2.8 million). The increase was mainly due to more legal and professional fee incurred for pursuing legal actions for recovery of accounts receivable arising from the business of dealing in securities with impairment loss during the Reporting Period.

Net Profit

For the Reporting Period, the Group's net profit was approximately HK\$1.5 million, which represented a decrease of 16.2% compared with approximately HK\$1.7 million from the six months ended 30 September 2023. Such decrease was mainly due to decrease in commission and brokerage income on securities dealing and decrease in interest income from margin financing services as the demand for our margin financing services decreased in average, while offsetted by the decrease 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 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a strong liquidity position with bank deposits, and financed its operations by cash mainly generated from operations. As at 30 September 2024, the Group had total bank balances for general accounts and cash of approximately HK\$221.9 million (as at 31 March 2024: approximately HK\$230.7 million). The decrease in balances was mainly to support the rebound in demand for our margin financing services. As at 30 September 2024, the Group had net current assets of approximately HK\$353.0 million, representing an increase of approximately HK\$2.3 million as compared with that of approximately HK\$350.7 million as at 31 March 2024. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was nil as at 30 September 2024 (as at 31 March 2024: Nil).

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

As at 30 September 2024, the Group had nil bank borrowings (as at 31 March 2024: Nil).

Pledge of Assets

As at 30 September 2024, the Group did not have any pledged assets (as at 31 March 2024: Nil).

Foreign Currency Exposure

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

Capital Commitments and Contingent Liabilities

As at 30 September 2024, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2024: Nil).

Employees and Remuneration Policies

As at 30 September 2024, the Group employed 15 staff (as at 31 March 2024: 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 are approximately HK\$5.5 million during the Reporting Period (the six months ended 30 September 2023: HK\$4.7 million).

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 2024, the Group did not make any significant investments (as at 31 March 2024: 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 net 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 <i>HK\$ Million</i>	Actual use of net proceeds up to 30 September 2024 <i>HK\$ Million</i>	Unutilised use of net proceeds up to 30 September 2024 <i>HK\$ Million</i>	Expected timeline of full utilisation of the balance
Expansion of placing and underwriting business	27.0	27.0	–	–
Funding for margin financing business	10.2	10.2	–	–
Establishment and renovation of a new office	15.7	–	15.7	End of 2026
Expansion of workforce	12.9	1.1	11.8	End of 2026
Enhancement of IT systems	9.0	–	9.0	End of 2026
Promotion and marketing	7.2	–	7.2	End of 2026
Working capital	8.6	8.6	–	–
Total	90.6	46.9	43.7	

As at 30 September 2024, the unutilised net proceeds were placed with a licensed bank in Hong Kong.

In consideration of the prolonged unfavorable investment landscape and uncertain economic outlook, the Group has adopted a conservative but flexible approach for utilising the net 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 global economic environment is stabilised.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Reporting Period, the Directors considered that no modification of the use of net 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 2023: 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 C1 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 C3 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 2024 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 2024 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, 28 November 2024

As at the date of this announcement, the Board comprises Mr. Keng Stephen Lee as chairman and non-executive Director, Mr. Sy Man Chiu and Mr. Ng Sik Chiu as executive Directors, and Dr. Yu Sun Say, Mr. Lai Man Sing and Ms. Tsang Ngo Yin as independent non-executive Directors.