




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 REPORT
2024/25

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Corporate Information

BOARD OF DIRECTORS

Non-executive Director

Mr. Keng Stephen Lee
(formerly known as Li Ching Chung) (*Chairman*)

Executive Directors

Mr. Sy Man Chiu (*Chief Executive Officer*)
Mr. Ng Sik Chiu

Independent Non-executive Directors

Dr. Yu Sun Say
Mr. Lai Man Sing
Ms. Tsang Ngo Yin

AUDIT COMMITTEE

Mr. Lai Man Sing (*Chairman*)
Dr. Yu Sun Say
Ms. Tsang Ngo Yin

REMUNERATION COMMITTEE

Dr. Yu Sun Say (*Chairman*)
Mr. Keng Stephen Lee
(formerly known as Li Ching Chung)
Mr. Lai Man Sing

NOMINATION COMMITTEE

Mr. Keng Stephen Lee
(formerly known as Li Ching Chung) (*Chairman*)
Dr. Yu Sun Say
Mr. Lai Man Sing

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F, Shun Feng International Centre
182 Queen's Road East
Wan Chai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

COMPANY SECRETARY

Mr. Wu Man Sun

LEGAL ADVISER

Michael Li & Co.
Rooms 1901A, 1902 & 1902A
19th Floor, New World Tower 1
16-18 Queen's Road Central
Central
Hong Kong

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANKERS

Chiyu Banking Corporation Limited
Chong Hing Bank Limited
Dah Sing Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITE

www.hkfsfinance.com

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 a 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 investor's plans 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.

Management Discussion and Analysis (Continued)

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 a 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.

Management Discussion and Analysis (Continued)

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 region 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.

Management Discussion and Analysis (Continued)

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 by 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.

Management Discussion and Analysis (Continued)

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 of the Company (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 Director and employees of the Group. Staff costs are at 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 report.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

INTERIM DIVIDENDS

The board of the Directors (the “Board”) 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 and up to the date of this report.

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 Part 2 of Appendix C1 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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.

Management Discussion and Analysis (Continued)

REVIEW OF UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

DEED OF NON-COMPETITION

The controlling shareholders as defined in the Listing Rules and, in the context of the Company, means Mr. Keng Stephen Lee, Ms. Yeung Lai Lai and Man Chase Holdings Limited (collectively the "Controlling Shareholders"), have entered into the deed of non-competition dated 22 January 2020 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the Controlling Shareholders have undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that with effect from the date of listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing Date"), they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the core business of the Group currently excluded or possibly in the future to be engaged by the Group in Hong Kong or any other countries or jurisdictions as the Group may conduct or carry on business from time to time (the "Undertakings").

The Controlling Shareholders have confirmed to the Company that during the Reporting Period and up to the date of this interim report, they and their respective close associates (as defined under the Listing Rules) have complied with the Undertakings contained in the Deed of Non-competition.

Management Discussion and Analysis (Continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2024, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Interest in shares of the Company

| Name of Director | Capacity/nature of interest | Number and class of securities <i>(Note 1)</i> | Approximate percentage of shareholding <i>(%)</i> |
|--------------------------------------|--|--|---|
| Mr. Keng Stephen Lee ("Mr. Keng") | Interest in controlled corporation <i>(Note 2)</i> | 750,000,000 shares (L) | 75% |

Notes:

- (1) The letter "L" denotes a person's long position in the shares.
- (2) Mr. Keng owns 60% of the issued share capital of Man Chase Holdings Limited ("Man Chase"). By virtue of the SFO, Mr. Keng is deemed to be interested in such Shares held by Man Chase.

Management Discussion and Analysis (Continued)

Interest in shares of associated corporation of the Company

| Name of Director | Name of associated corporation | Capacity/nature of interest | Number and class of securities (Note) | Approximate percentage of shareholding in associated Corporation (%) |
|------------------|--------------------------------|-----------------------------|--|---|
| Mr. Keng | Man Chase | Beneficial owner | 60 Shares (L) | 60% |

Note: The letter "L" denotes a person's long position in the shares.

Save as disclosed above, as at 30 September 2024, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2024, so far as is known to the Directors, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

| Name of Shareholder | Capacity/nature of interest | Number and class of securities (Note 1) | Approximate percentage of shareholding (%) |
|------------------------------------|---|--|---|
| Man Chase | Beneficial owner | 750,000,000 Shares (L) | 75% |
| Ms. Yeung Lai Lai ("Ms. Yeung") | Interest in controlled corporation (Note 2) | 750,000,000 Shares (L) | 75% |
| Ms. Mei Ngar Cindy Sze (Note 3) | Interest of spouse | 750,000,000 Shares (L) | 75% |
| Mr. Ng Hoi Shuen (Note 4) | Interest of spouse | 750,000,000 Shares (L) | 75% |

Management Discussion and Analysis (Continued)

Notes:

- (1) The letter “L” denotes a person’s long position in the Shares.
- (2) Man Chase is owned as to 60% by Mr. Keng and 40% by Ms. Yeung. Therefore, each of Mr. Keng and Ms. Yeung is deemed to be interested in the Shares held by Man Chase under the SFO.
- (3) Ms. Mei Ngar Cindy Sze is the spouse of Mr. Keng.
- (4) Mr. Ng Hoi Shuen is the spouse of Ms. Yeung.

Save as disclosed above, as at 30 September 2024, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures” above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER Facility Agreement I

Reference is made to the announcement of the Company dated 12 August 2021. On 12 August 2021, Sinomax Securities Limited (“Sinomax Securities”), an indirect wholly-owned subsidiary of the Company, as borrower, and the Hongkong and Shanghai Banking Corporation Limited (“HSBC”), as lender, entered into a facility agreement in relation to a revolving loan facility and an overdraft facility of up to a principal amount of HK\$15,000,000 and HK\$10,000,000 respectively (the “Facility Agreement I”), which are agreed to be made available by HSBC to Sinomax Securities on the terms and conditions contained therein.

Pursuant to Facility Agreement I, specific performance obligations are imposed as follows: (a) Mr. Keng Stephen Lee and Ms. Yeung Lai Lai (collectively, the “Controlling Shareholders”), undertake not to charge or otherwise encumber the shares of the Company without HSBC’s prior written consent; (b) the Controlling Shareholders undertake, upon request by HSBC, to provide a written confirmation to HSBC for the compliance with its negative pledge obligation; and (c) the Controlling Shareholders undertake, upon request by HSBC, to transfer their shares in the Company to HSBC’s account regularly to evidence free of encumbrance.

Management Discussion and Analysis (Continued)

The Controlling Shareholders will be required for so long as the facilities under the Facility Agreement I are available to Sinomax Securities to comply with the above undertakings. A breach of the above specific performance obligations by the Controlling Shareholders may result in HSBC to cancel all or any part of the commitments under the Facility Agreement I and all amounts outstanding under the Facility Agreement I may immediately become due and payable. Under the Facility Agreement I, HSBC has the right to suspend, withdraw or make demand for repayment in respect of the whole or any part of the facilities made available to Sinomax Securities at any time.

The facilities under Facility Agreement I have no fixed terms and are subject to periodic review of HSBC.

As at 30 September 2024, loan amount outstanding under Facility Agreement I was HK\$Nil.

Facility Agreement II

Reference is made to the announcement of the Company dated 29 August 2024. On 29 August 2024, Sinomax Securities Limited, as borrower, and a licensed bank in Hong Kong, as lender, entered into Facility Agreement II in relation to overdraft facilities of up to principal amount of HK\$60,000,000 in aggregate, which are agreed to be made available by the bank to Sinomax Securities Limited on the terms and conditions contained therein.

Pursuant to Facility Agreement II, specific performance obligations are imposed as the Controlling Shareholders shall jointly maintain not less than 51% shareholding of the Company in aggregate.

The Controlling Shareholders will be required for so long as the facilities under the Facility Agreement II are available to Sinomax Securities Limited to comply with the above undertaking. A breach of the above specific performance obligation by the Controlling Shareholders may result in the bank to cancel all or any part of the commitment under the Facility Agreement II and all amounts outstanding under the Facility Agreement may immediately become due and payable. Under the Facility Agreement II, the bank has the right to modify, cancel, suspend or make demand for repayment in respect of the whole or any part of the facilities made available to Sinomax Securities Limited at any time.

The facilities under Facility Agreement II have no fixed terms and are subject to periodic review of the bank.

As at 30 September 2024, loan amount outstanding under Facility Agreement II was HK\$Nil.

Management Discussion and Analysis (Continued)

SHARE OPTION SCHEME

The share option scheme (the “Share Option Scheme”) is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules. The Share Option Scheme was conditionally adopted and effective upon Listing by the written resolutions of its then sole Shareholder passed on 22 January 2020 (the “Adoption Date”). The Company is thus entitled to issue a maximum of 100,000,000 shares upon exercise of the share options to be granted under the Share Option Scheme limit, representing 10% of the shares in issue as at the Listing Date.

The purpose of the Share Option Scheme is to motivate any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries, any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries (collectively, the “Eligible Participants”) to optimize their performance efficiency for benefit of the Group and attract and retain or otherwise maintain on-going business relationship with the Eligible Participants.

During the Reporting Period, no options were granted by the Company under the Share Option Scheme.

The Company did not have any outstanding share options, warrants, derivatives or securities where are convertible or exchangeable into Shares as at 30 September 2024.

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 report, 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.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF FU SHEK FINANCIAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Fu Shek Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 40, which comprise the condensed consolidated statement of financial position as at 30 September 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements (Continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 28 November 2024

Chan Ka Kit

Practising certificate number P08291

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

| | Notes | Six months ended 30 September | |
|--|-------|---------------------------------|---------------------------------|
| | | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Revenue | | | |
| Fee and commission income | 4 | 2,588 | 4,691 |
| Interest income under effective interest method | | 8,476 | 10,602 |
| | | 11,064 | 15,293 |
| Other losses | | (194) | (86) |
| Other income | 6 | 5,119 | 4,091 |
| Staff costs | 7 | (5,510) | (4,738) |
| Finance costs | 8 | (43) | (24) |
| Impairment loss recognised | 9 | (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 | 10 | 1,464 | 1,747 |
| Taxation | 11 | – | – |
| Profit and total comprehensive income for the period | | 1,464 | 1,747 |
| Earnings per share | | | |
| Basic (HK cents per share) | 12 | 0.15 | 0.17 |

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

| | Notes | As at 30 September 2024 HK\$'000 (unaudited) | As at 31 March 2024 HK\$'000 (audited) |
|---|-------|--|--|
| Non-current assets | | | |
| Property and equipment | 14 | 1,000 | 1,414 |
| Intangible asset | | 2,735 | 2,735 |
| Other assets | 15 | 200 | 466 |
| Deposits | 17 | 225 | 679 |
| | | 4,160 | 5,294 |
| Current assets | | | |
| Accounts receivable | 16 | 142,712 | 124,078 |
| Deposits, other receivable and prepayments | 17 | 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 |
| | | 479,830 | 539,385 |
| Non-current liability | | | |
| Lease liabilities | 20 | 119 | 470 |
| Current liabilities | | | |
| Accounts payable | 18 | 124,894 | 186,529 |
| Other payables and accrued charges | 19 | 1,286 | 1,473 |
| Lease liabilities | 20 | 691 | 671 |
| | | 126,871 | 188,673 |
| Net current assets | | 352,959 | 350,712 |
| Net assets | | 357,000 | 355,536 |
| Capital and reserves | | | |
| Share capital | 21 | 10,000 | 10,000 |
| Reserves | | 347,000 | 345,536 |
| Total capital and reserves | | 357,000 | 355,536 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

| | Attributable to owners of the Group | | | | Total HK\$'000 |
|--|-------------------------------------|------------------------------|----------------------------------|------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Retained earnings HK\$'000 | Other reserve HK\$'000 | |
| At 1 April 2023 (audited) | 10,000 | 104,819 | 157,149 | 80,000 | 351,968 |
| Profit and total comprehensive income for the period | – | – | 1,747 | – | 1,747 |
| At 30 September 2023 (unaudited) | 10,000 | 104,819 | 158,896 | 80,000 | 353,715 |
| At 1 April 2024 (audited) | 10,000 | 104,819 | 160,717 | 80,000 | 355,536 |
| Profit and total comprehensive income for the period | – | – | 1,464 | – | 1,464 |
| At 30 September 2024 (unaudited) | 10,000 | 104,819 | 162,181 | 80,000 | 357,000 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

| | Six months ended 30 September | |
|---|--------------------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| OPERATING ACTIVITIES | | |
| Operating cash flows before movements in working capital | 1,359 | 6,648 |
| (Increase) decrease in accounts receivable | (23,179) | 71,605 |
| Decrease in other assets | 266 | – |
| Decrease (increase) in deposits, other receivable and prepayments | 446 | (85) |
| Decrease in bank balances – trust and segregated accounts | 69,944 | 10,937 |
| Decrease in accounts payable | (61,635) | (17,768) |
| Decrease in other payables and accrued charges | (187) | (937) |
| NET CASH (USED IN) GENERATED FROM OPERATIONS | (12,986) | 70,400 |
| Bank interest received | 5,107 | 4,074 |
| Income tax paid | (492) | (678) |
| NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES | (8,371) | 73,796 |
| INVESTING ACTIVITY | | |
| Purchase of property and equipment | – | (8) |
| CASH USED IN INVESTING ACTIVITY | – | (8) |
| FINANCING ACTIVITIES | | |
| Repayments of lease liabilities | (331) | (755) |
| Interest paid | (43) | (24) |
| CASH USED IN FINANCING ACTIVITIES | (374) | (779) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (8,745) | 73,009 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 230,650 | 132,068 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 221,905 | 205,077 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2024

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 19 February 2020. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is situated at 28/F, Shun Feng International Centre, 182 Queen’s Road East, Wan Chai, Hong Kong. The Company’s immediate and ultimate holding company is Man Chase Holdings Limited, a company incorporated in the British Virgin Islands, which is owned by Mr. Keng Stephen Lee as to 60% and Ms. Yeung Lai Lai as to 40%, who are independent from each other and who have always been the controlling shareholders of the Company and other entities comprising the Group.

The principal activities of the Group are the provision of securities dealing and brokerage services, placing and underwriting services, securities margin financing services and asset management services in Hong Kong.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “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 on The Stock Exchange of Hong Kong Limited.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

3. 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

Amendments to HKAS 1

Amendments to HKAS 1

Amendments to HKAS 7 and HKFRS 7

Lease Liability in a Sale and Leaseback

Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

Non-current Liabilities with Covenants

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

4. 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 |
| | 2,588 | 4,691 |

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 |
| | 2,588 | 4,691 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

5. 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

5. SEGMENT INFORMATION (Continued)

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 HK\$'000 | Margin financing services HK\$'000 | Placing and underwriting services HK\$'000 | Asset management services HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|---|---|---|-------------------|
| Segment revenue | 1,506 | 8,476 | 1,080 | 2 | 11,064 |
| Segment profit/(loss) | 740 | 3,917 | (666) | (88) | 3,903 |
| Other income and losses | | | | | 4,925 |
| Unallocated staff costs | | | | | (3,250) |
| Unallocated finance costs | | | | | (29) |
| Depreciation | | | | | (414) |
| Unallocated other operating expenses | | | | | (3,671) |
| Profit before taxation | | | | | 1,464 |
| Other segment information: | | | | | |
| Interest income from clients | - | 8,476 | - | - | 8,476 |
| Interest on bank borrowings | - | (14) | - | - | (14) |
| Commission expenses | (120) | - | (56) | - | (176) |
| Impairment loss recognised | - | (4,545) | - | - | (4,545) |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

5. SEGMENT INFORMATION (Continued)

Period ended 30 September 2023

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

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

6. OTHER INCOME

| | Six months ended 30 September | |
|----------------------|-------------------------------|--------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Bank interest income | 5,107 | 4,074 |
| Sundry income | 12 | 17 |
| | <u>5,119</u> | <u>4,091</u> |

7. 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> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

8. 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> |

9. 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

10. PROFIT BEFORE TAXATION

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit before taxation has been arrived at after charging: | | |
| Auditor's remuneration | | |
| – Annual audit | 400 | 475 |
| – Interim review | 200 | 200 |
| Legal and professional fees | 1,641 | 573 |
| Information services expenses | 896 | 775 |
| Settlement and brokerage trading expenses | 166 | 322 |

11. TAXATION

| | Six months ended 30 September | |
|-------------------------|-------------------------------|-------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| – Hong Kong Profits Tax | – | – |

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. No provision for Hong Kong Profits Tax has been made as there is no assessable profits for the current and prior periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

14. PROPERTY AND EQUIPMENT

| | Furniture and fixtures HK\$'000 | Office equipment HK\$'000 | Computer HK\$'000 | Leasehold improvements HK\$'000 | Sub- total HK\$'000 | Right- of-use assets HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|---------------------------------|-------------------------|---------------------------------------|---------------------------|--|--------------------------|
| COST | | | | | | | |
| At 1 April 2023 (audited) | 308 | 95 | 465 | 97 | 965 | 3,007 | 3,972 |
| Additions | 50 | - | 8 | 176 | 234 | 1,267 | 1,501 |
| Disposals | - | - | - | (97) | (97) | - | (97) |
| Eliminated upon end of lease | - | - | - | - | - | (3,007) | (3,007) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2024 (audited) and 30 September 2024 (unaudited) | <u>358</u> | <u>95</u> | <u>473</u> | <u>176</u> | <u>1,102</u> | <u>1,267</u> | <u>2,369</u> |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 April 2023 (audited) | 304 | 75 | 387 | 97 | 863 | 1,753 | 2,616 |
| Provided for the year | 2 | 6 | 37 | 29 | 74 | 1,369 | 1,443 |
| Disposals | - | - | - | (97) | (97) | - | (97) |
| Eliminated upon end of lease | - | - | - | - | - | (3,007) | (3,007) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2024 (audited) Provided for the period | <u>306</u> <u>5</u> | <u>81</u> <u>3</u> | <u>424</u> <u>16</u> | <u>29</u> <u>44</u> | <u>840</u> <u>68</u> | <u>115</u> <u>346</u> | <u>955</u> <u>414</u> |
| At 30 September 2024 (unaudited) | <u>311</u> | <u>84</u> | <u>440</u> | <u>73</u> | <u>908</u> | <u>461</u> | <u>1,369</u> |
| CARRYING VALUES | | | | | | | |
| At 30 September 2024 (unaudited) | <u>47</u> | <u>11</u> | <u>33</u> | <u>103</u> | <u>194</u> | <u>806</u> | <u>1,000</u> |
| At 31 March 2024 (audited) | <u>52</u> | <u>14</u> | <u>49</u> | <u>147</u> | <u>262</u> | <u>1,152</u> | <u>1,414</u> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

15. OTHER ASSETS

| | As at 30 September 2024 HK\$'000 (unaudited) | As at 31 March 2024 HK\$'000 (audited) |
|--|---|--|
| The SEHK | | |
| – Compensation Fund deposits | 50 | 50 |
| – Fidelity Fund deposits | 50 | 50 |
| Hong Kong Securities Clearing Company Limited ("HKSCC") | | |
| – Admission fees | 50 | 50 |
| – Guarantee Fund contribution | 50 | 316 |
| | <hr/> 200 <hr/> | <hr/> 466 <hr/> |

The balances represent statutory deposits with the SEHK and HKSCC which are non-interest bearing.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

16. 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>) | | |
| – 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>) | 1,180 | 1,180 |
| | 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 | (1,180) | (1,180) |
| | 142,712 | 124,078 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

16. ACCOUNTS RECEIVABLE (Continued)

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 | 1 | 50 |
| | 548 | 52 |

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 | 1,180 | 1,180 |

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

17. DEPOSITS, OTHER RECEIVABLE AND PREPAYMENTS

| | As at 30 September 2024 HK\$'000 (unaudited) | As at 31 March 2024 HK\$'000 (audited) |
|------------------|---|--|
| Deposits | 322 | 776 |
| Other receivable | 1 | 54 |
| Prepayments | 172 | 111 |
| | 495 | 941 |
| Analyses as: | | |
| Current | 270 | 262 |
| Non-current | 225 | 679 |
| | 495 | 941 |

18. 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 | 5,184 | 417 |
| | 124,894 | 186,529 |

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

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

18. ACCOUNTS PAYABLE (Continued)

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.

19. OTHER PAYABLES AND ACCRUED CHARGES

| | As at 30 September 2024 HK\$'000 (unaudited) | As at 31 March 2024 HK\$'000 (audited) |
|-----------------|---|---|
| Other payables | 506 | 314 |
| Accrued charges | 780 | 1,159 |
| | 1,286 | 1,473 |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

20. LEASE LIABILITIES

| | As at 30 September 2024 HK\$'000 (unaudited) | As at 31 March 2024 HK\$'000 (audited) |
|---|---|--|
| Minimum lease payment due: | | |
| Within one year | 720 | 720 |
| More than one year but not exceeding two years | 120 | 480 |
| | 840 | 1,200 |
| Less: Future finance charge | (30) | (59) |
| | 810 | 1,141 |
| Present value of lease liabilities: | | |
| Within one year | 691 | 671 |
| More than one year but not exceeding two years | 119 | 470 |
| | 810 | 1,141 |

The Group leases one property to operate its business and these liabilities were measured at the present value of the lease payments that are not yet paid.

21. SHARE CAPITAL

Details of the share capital of the Company are as follows:

| | Number of shares | Nominal amount HK\$'000 |
|--|-----------------------------|--|
| Authorised: | | |
| At 31 March 2023 and 2024 and 30 September 2024 | <u>5,000,000,000</u> | <u>50,000</u> |
| Issued and fully paid: | | |
| At 31 March 2023 and 2024 and 30 September 2024 | <u>1,000,000,000</u> | <u>10,000</u> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

22. RELATED PARTY TRANSACTIONS

During the period, the Group entered in the following transactions with related parties:

| | Six months ended 30 September | |
|--|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Commission income received from the following directors, controlling shareholders and related party of the Company | | |
| – Mr. Sy Man Chiu and his close members of the family | 2 | 1 |
| – Mr. Keng Stephen Lee and his close members of the family | 1 | 50 |
| – Ms. Yeung Lai Lai and her close members of the family | 17 | 29 |
| | <u>20</u> | <u>80</u> |
| Interest income received from the following directors, controlling shareholders and related party of the Company | | |
| – Mr. Keng Stephen Lee and his close members of the family | – | 16 |
| – Ms. Yeung Lai Lai and her close members of the family | 89 | 91 |
| | <u>89</u> | <u>107</u> |

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2024

22. RELATED PARTY TRANSACTIONS (Continued)

| | Six months ended 30 September | |
|---|---------------------------------|---------------------------------|
| | 2024 HK\$'000 (unaudited) | 2023 HK\$'000 (unaudited) |
| Handling fee income from the following directors, controlling shareholders and related party of the Company | | |
| – Mr. Sy Man Chiu and his close members of the family | 1 | 1 |
| – Mr. Keng Stephen Lee and his close members of the family | 2 | 2 |
| – Ms. Yeung Lai Lai and her close members of the family | 1 | 2 |
| | <u>4</u> | <u>5</u> |
| Lease payments to a company beneficially owned from the following controlling shareholder of the Company | | |
| – Close member of Ms. Yeung Lai Lai | 360 | – |
| Key management personnel remuneration | | |
| – Fees, salaries, commission expenses, discretionary bonus and other benefits | 3,539 | 3,024 |
| – Retirement benefit scheme contributions | 27 | 27 |
| | <u>3,566</u> | <u>3,051</u> |

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the unaudited condensed consolidated financial statements approximate their fair values. The fair value of financial assets and financial liabilities are determined in accordance with discounted cash flow analysis.