



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
2020/21

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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
Dr. Ho Chung Tai, Raymond

AUDIT COMMITTEE

Mr. Lai Man Sing (*Chairman*)
Dr. Yu Sun Say
Dr. Ho Chung Tai, Raymond

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

Room 2705–6, 27/F
Tower One, Lippo Centre
89 Queensway
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.
19th Floor, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Dah Sing Bank Limited

COMPLIANCE ADVISER

Vinco Capital Limited
Unit 2610, 26th Floor
The Center
99 Queen's Road Central
Hong Kong

WEBSITE

www.hkfsfinance.com

Management Discussion and Analysis

INDUSTRY REVIEW

Hong Kong's economy shrank 3.5% year on year in the third quarter of 2020, continuing the economic recession to the fifth straight quarter. As impacted by the macroeconomic environment, investors' attitude over the market shifted quite a lot after the pandemic outbreak, as they turn generally prudent. Yet, even under the coronavirus ("COVID-19") pandemic and a weakening macroeconomic environment, Hong Kong's capital market proves its resilience with IPO activities of sizeable listings. Following the successful sample of Alibaba, many US-listed Chinese companies went for their early-planned secondary or dual listings in Hong Kong during the first three quarters of 2020, despite the uncertainties aroused by the COVID-19 pandemic. Hong Kong's capital market has been diversified and maintained to be an ideal IPO destination owing to its sound reputation over the years and the recently introduced Stock Connect of Hong Kong with Shanghai and Shenzhen.

Despite market volatility reflected on the fluctuation of the Hang Seng Index (HSI), investors did not lose hope on Hong Kong's capital investment opportunities and generally believe in a gradual recovery soon. According to the monthly market highlights provided by Hong Kong Stock Exchange, active trading activities in the capital market are reflected in the growing average daily turnover for the securities market for the first 10 months of 2020, which reached HK\$125.0 billion by increasing 40% as compared to corresponding period in a year earlier. Although the business environment may still seem gloomy, investors have managed to navigate under extreme uncertainties, exhibiting relatively lower volatility than anticipated. The financial services industry's performance during the first half of 2020 amid the pandemic was indeed relatively stable in Hong Kong.

BUSINESS REVIEW

Since over a decade ago, the Group has been providing comprehensive financial services based in Hong Kong, including (i) securities trading services including brokerage services and margin financing services; (ii) placing and underwriting services; and (iii) asset management services. During the six months ended 30 September 2020 (the "Reporting Period"), the Group's revenue was approximately HK\$21.0 million, which recorded a 34.7% decrease of total revenue for the corresponding period in 2019.

Under the COVID-19 pandemic, the Group places health and safety as a high priority and is committed to providing employees with a safe and healthy workplace. During the Reporting Period, the Group has strengthened prevention measures at the workplace to protect its employees and clients. It also adopted a Work From Home (WFH) policy to minimise the chances of COVID-19 transmission for part of its operation. The new working arrangement might have caused some inconvenience in the earlier stage, but the Group has adapted to it throughout the process.

Management Discussion and Analysis (Continued)

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 4.7% to approximately HK\$10.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$10.8 million) and accounted for 49.3% (the six months ended 30 September 2019: 33.8%) of the total revenue. The slight decrease in revenue from brokerage services was attributable to the decreased commission income received due to intense competition in the market despite the increased trading turnover during the Reporting Period. The segment profit from brokerage services decreased by 12.4% to approximately HK\$8.5 million as compared with the corresponding period of 2019 (the six months ended 30 September 2019: approximately HK\$9.7 million) as less commission income received during the Reporting Period.

Margin Financing Services

The Group provides financing services to facilitate its clients' purchase of securities on a margin basis in the secondary market and subscription to IPOs. Interest income from margin financing provided by the Group for the Reporting Period increased by 13.3% to approximately HK\$9.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$8.2 million) and accounted for 44.5% (the six months ended 30 September 2019: 25.6%) of the total revenue. The encouraging growth in interest income from margin financing was mainly due to an increase in interest income derived from financing of IPO subscriptions during the Reporting Period. The segment profit from margin financing services decreased by 9.3% to approximately HK\$6.9 million as compared with the corresponding period of 2019 (the six months ended 30 September 2019: approximately HK\$7.6 million) as an allowance for impairment loss approximately HK\$1.6 million was provided for accounts receivable arising from the business of dealing in securities under the expected credit loss model in view of the unfavorable economic situation and volatile stock market.

Management Discussion and Analysis (Continued)

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 90.0% to approximately HK\$1.3 million as compared with that of the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$13.0 million) and accounted for 6.2% (the six months ended 30 September 2019: 40.6%) of the total revenue. The Hong Kong's capital market has been volatile since the outbreak of COVID-19 in the first quarter of 2020, which influenced the investors' motivation to subscribe for securities of new issuers. Hence, the Group adopted a more prudent business approach in clients' acceptance for placing and underwriting engagements. The segment profit from placing and underwriting services decreased by 96.6% to approximately HK\$0.4 million as compared with the corresponding period in 2019 (the six months ended 30 September 2019: approximately HK\$11.7 million). The segment profit decreased at a higher rate than the segment revenue as more staff costs was incurred during the Reporting Period.

Asset Management Services

During the Reporting Period, the Group launched the asset management services business to a client as a separate business segment. During the Reporting Period, the revenue of asset management services was HK\$3,000 (the six months ended 30 September 2019: Nil) and the segment loss was HK\$57,000 (the six months ended 30 September 2019: Nil).

OUTLOOK

Given the swift pace of controlling the local COVID-19 outbreak, Hong Kong remains as one of the world's strongest financial markets. The launch of the Hang Seng Tech Index in July 2020, a new technology stock benchmark which tracks some of the largest listed technology companies in Hong Kong, could bring new exposures to the market, providing a greater product coverage in the technology sector. This introduction is also likely to attract more technology firms to choose Hong Kong as their listing and fundraising venue in the future.

Fuelled by the recent promising results from Pfizer and BioNTech's COVID-19 vaccine trial, US stocks jumped to fresh records, while global investors' confidence starts to return.

Management Discussion and Analysis (Continued)

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.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded a revenue of approximately HK\$21.0 million (the six months ended 30 September 2019: approximately HK\$32.1 million), representing a decrease of 34.7% compared with that of the six months ended 30 September 2019. The overall decrease was mainly due to decrease in placing and underwriting services income during the Reporting Period.

Other Operating Expenses

For the Reporting Period, the other operating expenses increased 101.1% to approximately HK\$4.9 million as compared with the six months ended 30 September 2019 (the six months ended 30 September 2019: approximately HK\$2.5 million). The increase was mainly due to additional interim review fee to the auditor and compliance advisory fee upon the Listing (as defined below) during the Reporting Period.

Net Profit

For the Reporting Period, the Group's net profit was approximately HK\$6.7 million, which was a decrease of 19.9% compared with approximately HK\$8.4 million from the six months ended 30 September 2019. Such change was mainly due to (i) decrease in placing and underwriting services income; (ii) increase in impairment loss under expected credit loss model; and (iii) increase in operating expenses as compared with the six months ended 30 September 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The shares of the Company were successfully listed (the "Listing") on the Main Board of the Stock Exchange on 19 February 2020 and there has been no change in capital structure of the Group since then.

The Group maintained a strong cash position with bank deposits, and financed its operations by cash mainly generated from bank borrowings. As at 30 September 2020, the Group had total bank balances for general accounts and cash of approximately HK\$79.7 million (as at 31 March 2020: approximately HK\$149.5 million). As at 30 September 2020, the Group had net current assets of approximately HK\$317.5 million, representing an increase of approximately HK\$7.0 million as compared with that of approximately HK\$310.5 million as at 31 March 2020. The financial position of the Group remained stable during the Reporting Period.

The Group's gearing ratio was approximately 0.17 as at 30 September 2020 (as at 31 March 2020: 0.03).

Management Discussion and Analysis (Continued)

Gearing ratio is calculated based on total debts which represent bank borrowings only, divided by net assets as at the end of the Reporting Period.

Borrowings

The major source of debt financing of the Group was mainly from bank and short-term advances from brokers. As at 30 September 2020, the Group had bank borrowings of HK\$55.0 million (as at 31 March 2020: HK\$10.0 million). All of the bank borrowings were with a repayment on demand clause. Bank borrowings of HK\$30.0 million was at a floating rate of 2.5% p.a. over 1-month Hong Kong Inter-bank Offered Rate and bank borrowings of HK\$25.0 million was at a floating rate of 2.25% p.a. over 1-month Hong Kong Inter-bank Offered Rate.

Pledge of Assets

As at 30 September 2020, the Group did not have any pledged assets (as at 31 March 2020: Nil).

Foreign Currency Exposure

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

Capital Commitments and Contingent Liabilities

As at 30 September 2020, the Group did not have any significant capital commitment and contingent liabilities (as at 31 March 2020: Nil).

Employees and Remuneration Policies

As at 30 September 2020, the Group employed 18 staff (as at 31 March 2020: 16). The employees' remuneration was determined based on factors such as qualification, duty, contributions and years of experience. Staff costs primarily consist of salaries, bonus and allowance as well as contributions to the mandatory provident fund for the Directors and employees of the Group. Staff costs was approximately HK\$4.1 million during the Reporting Period (the six months ended 30 September 2019: HK\$3.2 million), representing an increase of approximately 27.7%.

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.

Management Discussion and Analysis (Continued)

Significant Investments Held by the Group

As at 30 September 2020, the Group did not make any significant investments (as at 31 March 2020: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the prospectus 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.

USE OF PROCEEDS

The net proceeds from the Listing received by the Group, after deducting related expenses, were approximately HK\$90.6 million. These proceeds are intended to be applied in accordance with the proposed application set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Such uses include: (i) expansion of placing and underwriting business; (ii) funding for margin financing business; (iii) establishment and renovation of a new office; (iv) expansion of workforce; (v) enhancement of IT systems; (vi) promotion and marketing; and (vii) working capital.

Business strategies	Net proceeds as allocated in accordance with the Prospectus <i>HK\$'000</i>	Actual use of net proceeds up to 30 September 2020 <i>HK\$'000</i>	Unutilised use of net proceeds up to 30 September 2020 <i>HK\$'000</i>
Expansion of placing and underwriting business	27,000	27,000	–
Funding for margin financing business	10,200	10,200	–
Establishment and renovation of a new office	15,700	–	15,700
Expansion of workforce	12,900	190	12,710
Enhancement of IT systems	9,000	–	9,000
Promotion and marketing	7,200	–	7,200
Working capital	8,600	4,169	4,431
Total	90,600	41,559	49,041

Management Discussion and Analysis (Continued)

As at 30 September 2020, the unutilised net proceeds were placed with a licensed bank in Hong Kong.

In consideration of the stock market volatility arising from the prolonged COVID-19 crisis and uncertain economic outlook, the Group has adopted a conservative but flexible approach for utilising the proceeds effectively and efficiently for the long-term development of the Group. The Group has kept the expansion and development plans on hold during the Reporting Period, and planned to resume when the COVID-19 pandemic is under control or until it subsides.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the Reporting Period, the Directors considered that no modification of the use of proceeds described in the Prospectus was required. Save as disclosed in the Prospectus, the Group targets to complete the use of proceeds on or before third quarter of 2021.

INTERIM DIVIDENDS

The Board does not recommend the declaration of interim dividend for the Reporting Period (the six months ended 30 September 2019: Nil).

EVENTS AFTER THE REPORTING PERIOD

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

Management Discussion and Analysis (Continued)

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company established its audit committee (the "Audit Committee") on 22 January 2020 which consists of three members, namely Mr. Lai Man Sing, Dr. Yu Sun Say and Dr. Ho Chung Tai, Raymond. 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 2020 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 report had been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu.

Management Discussion and Analysis (Continued)

OTHERS

Change of Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change and updated information regarding the Director since the date of approval of the Company's last annual report and up to the date of this interim report are set out below:

Name of Director	Details of Change
Mr. Keng Stephen Lee	Resigned as the Chairman of the board of Anchor Land Holdings, Inc., which is listed on the Philippine Stock Exchange, Inc. with the symbol "ALHI".

Management Discussion and Analysis (Continued)

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 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 such other countries 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 2020, 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 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 for Securities Transactions by Directors of Listed issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are as follows:

Interest in shares of the Company

Name of Director	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding (%)
Mr. Keng Stephen Lee ("Mr. Keng")	Interest in controlled corporation (Note 2)	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 <i>(Note)</i>	Approximate percentage of shareholding in associated Corporation <i>(%)</i>
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 2020, 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.

Management Discussion and Analysis (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(%)</i>
Man Chase	Beneficial owner	750,000,000 Shares (L)	75%
Ms. Yeung Lai Lai ("Ms. Yeung")	Interest in controlled corporation <i>(Note 2)</i>	750,000,000 Shares (L)	75%
Ms. Mei Ngar Cindy Sze <i>(Note 3)</i>	Interest of spouse	750,000,000 Shares (L)	75%
Mr. Ng Hoi Shuen <i>(Note 4)</i>	Interest of spouse	750,000,000 Shares (L)	75%

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 2020, 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.

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 2020.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this interim report.

Management Discussion and Analysis (Continued)

INTERESTS OF COMPLIANCE ADVISER

As at 30 September 2020, save and except for (i) the participation of Vinco Capital Limited (“Vinco”) as sole sponsor, joint bookrunner and joint lead manager in relation to the Listing; and (ii) the compliance adviser’s agreement entered into between the Company and Vinco dated 22 January 2020, neither Vinco nor any of its directors, employees or close associates had any interest in the securities of the Company.

By order of the Board
Fu Shek Financial Holdings Limited
Keng Stephen Lee
Chairman

Hong Kong, 30 November 2020

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 Dr. Ho Chung Tai Raymond as independent non-executive Directors.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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 set out on pages 20 to 46, which comprise the condensed consolidated statement of financial position as of 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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.

Report on Review of Condensed Consolidated Financial Statements (Continued)

OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 November 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue			
		11,651	23,886
	4	9,332	8,234
		20,983	32,120
		(13)	(101)
	6	436	372
	7	(4,071)	(3,189)
	8	(956)	(677)
	9	(1,525)	–
		(809)	(1,424)
		–	(11,615)
		(942)	(884)
		(4,942)	(2,458)
		8,161	12,144
	10	(1,448)	(3,762)
		6,713	8,382
		0.67	1.12
	12	0.67	1.12

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current assets			
Property and equipment	14	2,550	3,439
Intangible asset		2,735	2,735
Other assets	15	452	789
Deposits	17	524	512
		6,261	7,475
Current assets			
Accounts receivable	16	349,291	219,290
Deposits, other receivable and prepayments	17	259	10,097
Bank balances – trust and segregated accounts		172,849	111,352
Bank balances – general accounts and cash		79,693	149,531
		602,092	490,270
Non-current liabilities			
Lease liabilities	21	613	1,515
Current liabilities			
Accounts payable	18	223,664	156,420
Other payables and accrued charges	19	3,651	3,714
Bank borrowings	20	55,000	10,000
Tax payable		465	7,893
Lease liabilities	21	1,781	1,737
		284,561	179,764
Net current assets		317,531	310,506
Net assets		323,179	316,466
Capital and reserves			
Share capital	22	10,000	10,000
Reserves		313,179	306,466
Total capital and reserves		323,179	316,466

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	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 (Note)	
At 1 April 2019 (audited)	80,000	–	108,044	–	188,044
Profit and total comprehensive income for the period	–	–	8,382	–	8,382
At 30 September 2019 (unaudited)	80,000	–	116,426	–	196,426
At 1 April 2020 (audited)	10,000	104,819	121,647	80,000	316,466
Profit and total comprehensive income for the period	–	–	6,713	–	6,713
At 30 September 2020 (unaudited)	10,000	104,819	128,360	80,000	323,179

Note: Other reserve represents the difference between the nominal amount of the share capital of Sinomax Securities Limited and the nominal amount of the share capital issued by the Company pursuant to the Reorganisation as disclosed in note 2.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Operating cash flows before movements in working capital	11,225	13,347
Increase in accounts receivable	(131,586)	(37,769)
Decrease (increase) in other assets	337	(248)
Decrease (increase) in deposits, other receivable and prepayments	9,886	(2,927)
(Increase) decrease in bank balances – trust and segregated accounts	(61,497)	38,671
Increase (decrease) in accounts payable	67,244	(26,123)
(Decrease) increase in other payables and accrued charges	(63)	3,199
CASH USED IN OPERATIONS	(104,454)	(11,850)
Bank interest received	359	358
Income tax paid	(8,876)	–
NET CASH USED IN OPERATING ACTIVITIES	(112,971)	(11,492)
INVESTING ACTIVITY		
Purchase of property and equipment	(53)	(50)
NET CASH USED IN INVESTING ACTIVITY	(53)	(50)
FINANCING ACTIVITIES		
Repayments of lease liabilities	(858)	(859)
New bank borrowings raised	45,000	–
Interest paid	(956)	(677)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	43,186	(1,536)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(69,838)	(13,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	149,531	30,227
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	79,693	17,149

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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 P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, Cayman Islands. The principal place of business of the Company is situated at Flat 2705–6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company’s immediate and ultimate holding company is Man Chase Holdings Limited (“Man Chase”), a company incorporated in the British Virgin Islands (“BVI”), which is owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai, 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. GROUP RESTRUCTURING AND BASIS OF PREPARATION

Prior to the group reorganisation (the “Reorganisation”), the Group’s major operating subsidiary, Sinomax Securities Limited was directly owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai. In preparation for the listing of the Company’s shares on the SEHK, the Group underwent the following reorganisation steps which mainly involves interspersing investing holding companies between Sinomax Securities Limited and its shareholders:

- (1) On 15 December 2015, Man Chase was incorporated in the BVI with limited liability. At the time of its incorporation, Man Chase was authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1.00 each, of which 60 fully paid shares had been allotted and issued to Mr. Keng Stephen Lee and 40 fully paid shares had been allotted and issued to Ms. Yeung Lai Lai.
- (2) On 1 February 2016, Smart Domain Group Limited was incorporated in the BVI with limited liability. At the time of its incorporation, Smart Domain Group Limited was authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1.00 each, of which 1 fully paid share had been allotted and issued to an initial subscriber. On 10 June 2016, such ordinary share was transferred to the Company and a further 99 fully paid shares had been allotted and issued to the Company.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

2. GROUP RESTRUCTURING AND BASIS OF PREPARATION *(Continued)*

- (3) On 7 June 2016, the Company was incorporated in the Cayman Islands with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one HK\$nil paid share was allotted and issued to the initial subscriber, which was transferred to Man Chase on the same date at HK\$nil paid. On 7 June 2016, 99 HK\$nil paid shares were further allotted and issued by the Company to Man Chase.
- (4) On 22 January 2020, Mr. Keng Stephen Lee and Ms. Yeung Lai Lai transferred the entire issued share capital of Sinomax Securities Limited to Smart Domain Group Limited for the consideration of HK\$228,797,000, which was satisfied by (i) the Company allotting and issuing 9,900 new shares, all credited as fully paid, to Man Chase at the directions of Mr. Keng Stephen Lee and Ms. Yeung Lai Lai; and (ii) the crediting of 100 nil-paid shares, which were registered in the name of Man Chase, as fully paid. The above transaction was completed on 22 January 2020.

Upon completion of the above steps, the Company was owned by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai through Man Chase and the Company became the holding company of the companies now comprising the Group on 22 January 2020. The Group comprising the Company and its subsidiaries resulting from the group reorganisation have always been and continued to be controlled by Mr. Keng Stephen Lee and Ms. Yeung Lai Lai before and after the Reorganisation, and is therefore regarded as a continuing entity.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the period ended 30 September 2019 include the companies comprising the Group as if the group structure upon completion of the Reorganisation had been in existence throughout the period ended 30 September 2019.

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 Appendix 16 to 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 2020

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of certain accounting policy which became relevant to the Group, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning or after 1 April 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current 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 the unaudited condensed consolidated financial statements.

Accounting policy newly applied by the Group

In addition, the Group has applied the following accounting policy which became relevant to the Group in the current interim period.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Accounting policy newly applied by the Group (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

4. FEE AND COMMISSION INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Commission and brokerage income on securities dealing in:		
– Market in Hong Kong	9,713	10,206
– Market outside Hong Kong	–	108
Placing and underwriting services income	1,310	13,041
Handling and other fee income	625	531
Asset management fee	3	–
	11,651	23,886

Disaggregation of fee and commission income from contracts with customers

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
A point in time	11,519	23,763
Over time	132	123
	11,651	23,886

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

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.

During the period ended 30 September 2020, the Group commenced the business of engaging in asset management services, and it is considered as a new operating and reportable segment by the CODM.

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

- (a) the brokerage services segment comprises the provision of brokerage services in securities traded in Hong Kong and overseas markets;
- (b) the margin financing services segment comprises the provision of financing services to margin and cash clients;
- (c) the placing and underwriting services segment comprises the provision of underwriting, sub-underwriting and placing services; and
- (d) the asset management services segment comprises the provision of investment management services.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

5. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit or loss earned by each segment without allocation of other income, other losses, certain staff costs, certain impairment loss reversed, certain finance costs, depreciation, listing expenses and certain other operating expenses. No inter-segment revenues are charged among segments.

Period ended 30 September 2020

	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	10,338	9,332	1,310	3	20,983
Segment profit/(loss)	8,479	6,876	395	(57)	15,693
Other income and (losses), net					423
Certain staff costs					(2,732)
Certain impairment loss reversed					60
Certain finance costs					(72)
Depreciation					(942)
Certain other operating expenses					(4,269)
Profit before taxation					8,161
Other segment information:					
Interest income from clients	-	9,332	-	-	9,332
Interest on bank and other borrowings	-	(884)	-	-	(884)
Commission expenses	(246)	-	(563)	-	(809)
Impairment loss except for certain unallocated impairment loss	-	(1,572)	(13)	-	(1,585)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

5. SEGMENT INFORMATION (Continued)

Period ended 30 September 2019

	Brokerage services HK\$'000	Margin financing services HK\$'000	Placing and underwriting services HK\$'000	Total HK\$'000
Segment revenue	<u>10,845</u>	<u>8,234</u>	<u>13,041</u>	<u>32,120</u>
Segment profit	<u>9,684</u>	<u>7,585</u>	<u>11,655</u>	<u>28,924</u>
Other income and (losses), net				271
Certain staff costs				(2,571)
Certain finance costs				(28)
Depreciation				(884)
Listing expenses				(11,615)
Certain other operating expenses				<u>(1,953)</u>
Profit before taxation				<u><u>12,144</u></u>
Other segment information:				
Interest income from clients	<u>–</u>	<u>8,234</u>	<u>–</u>	<u>8,234</u>
Interest on bank borrowings	<u>–</u>	<u>(649)</u>	<u>–</u>	<u>(649)</u>
Commission expenses	<u>(218)</u>	<u>–</u>	<u>(1,206)</u>	<u>(1,424)</u>

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment.

Geographical information

The Group's operations are principally located in the Hong Kong and all of the Group's revenue and non-current assets are derived from Hong Kong.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

6. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	359	358
Government grants	50	–
Sundry income	27	14
	<hr/>	<hr/>
	436	372

During the current interim period, the Group recognised government grants of HK\$533,000 in respect of COVID-19-related subsidies, of which HK\$483,000 relates to Employment Support Scheme provided by the Hong Kong government for compensating the Group's staff costs and HK\$50,000 related to an unconditional subsidy under Subsidy Scheme for the Securities Industry specified in the Hong Kong government's "Anti-epidemic Fund".

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

7. STAFF COSTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Directors' remuneration		
– fees	360	–
– salaries, discretionary bonus and other benefits	1,369	789
– contributions to the retirement benefit scheme	18	18
Salaries and other benefits	2,715	2,298
Contributions to the retirement benefit scheme	92	84
	<hr/>	<hr/>
	4,554	3,189
Less: Government grants	(483)	–
	<hr/>	<hr/>
	4,071	3,189
	<hr/> <hr/>	<hr/> <hr/>

8. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on short term advances from brokers	782	–
Interest on bank borrowings	102	649
Interest on lease liabilities	72	28
	<hr/>	<hr/>
	956	677
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

9. IMPAIRMENT LOSS, NET OF REVERSAL

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Impairment loss recognised (reversed) on:		
– Accounts receivable arising from the business of dealing in securities	1,572	–
– Accounts receivable arising from placing and underwriting services	13	–
– Other receivable	(60)	–
	1,525	–

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 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

10. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property and equipment (<i>note 14</i>)	942	884
Auditor's remuneration		
– Annual audit	750	700
– Interim review	500	–
Information services expenses	732	742
Settlement and brokerage trading expenses	673	504
Compliance advisory fee	480	–

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

11. TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong Profits Tax:		
Current tax	1,448	3,771
Overprovision in prior year	—	(9)
	<u>1,448</u>	<u>3,762</u>

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both reporting periods.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>6,713</u>	<u>8,382</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

12. EARNINGS PER SHARE (Continued)

	Number of shares	
	Six months ended 30 September	
	2020	2019
Number of shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation ('000)	1,000,000	750,000

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the Reorganisation and capitalisation issue pursuant to the Reorganisation as stated in note 2.

No diluted earnings per share is presented for the periods ended 30 September 2020 and 30 September 2019 as there were no potential dilutive shares.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the period ended 30 September 2020, nor has any dividend been proposed since the end of the reporting period (period ended 30 September 2019: HK\$nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

14. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Office equipment	Computer	Leasehold improvements	Sub- total	Right- of-use assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
At 1 April 2019	303	69	264	97	733	4,853	5,586
Additions	–	–	57	–	57	3,584	3,641
Written off	–	–	–	–	–	(4,853)	(4,853)
At 31 March 2020	303	69	321	97	790	3,584	4,374
Additions	–	7	46	–	53	–	53
At 30 September 2020 (unaudited)	<u>303</u>	<u>76</u>	<u>367</u>	<u>97</u>	<u>843</u>	<u>3,584</u>	<u>4,427</u>
ACCUMULATED DEPRECIATION							
At 1 April 2019	156	61	215	67	499	3,504	4,003
Provided for the year	50	4	54	30	138	1,647	1,785
Eliminated on written off	–	–	–	–	–	(4,853)	(4,853)
At 31 March 2020 (audited)	<u>206</u>	<u>65</u>	<u>269</u>	<u>97</u>	<u>637</u>	<u>298</u>	<u>935</u>
Provided for the period	<u>25</u>	<u>2</u>	<u>19</u>	<u>–</u>	<u>46</u>	<u>896</u>	<u>942</u>
At 30 September 2020 (unaudited)	<u>231</u>	<u>67</u>	<u>288</u>	<u>97</u>	<u>683</u>	<u>1,194</u>	<u>1,877</u>
CARRYING VALUES							
At 30 September 2020 (unaudited)	<u>72</u>	<u>9</u>	<u>79</u>	<u>–</u>	<u>160</u>	<u>2,390</u>	<u>2,550</u>
At 31 March 2020 (audited)	<u>97</u>	<u>4</u>	<u>52</u>	<u>–</u>	<u>153</u>	<u>3,286</u>	<u>3,439</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

15. OTHER ASSETS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 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	302	639
	452	789

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

16. ACCOUNTS RECEIVABLE

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Accounts receivable arising from the business of dealing in securities (<i>note a</i>)		
– HKSCC	47,078	47,707
– Cash clients	1,925	1,613
– Margin clients	203,293	169,133
– Clients for subscription of new shares in IPO	96,611	–
– Broker	1,170	–
Accounts receivable arising from placing and underwriting services (<i>note b</i>)	1,560	1,598
	351,637	220,051
Less: allowance for impairment loss		
– accounts receivable arising from the business of dealing in securities	(1,572)	–
– accounts receivable arising from placing and underwriting services	(774)	(761)
	349,291	219,290

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

16. ACCOUNTS RECEIVABLE (Continued)

Notes:

- (a) The normal settlement terms of accounts receivable from cash clients, HKSCC and broker 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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 – 30 days	24	–
31 – 60 days	–	9
61 – 90 days	93	93
Over 90 days	93	–
	210	102

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

No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities margin financing and financing of IPO subscriptions.

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\$1,572,000 was made as at 30 September 2020 (31 March 2020: HK\$nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

16. ACCOUNTS RECEIVABLE (Continued)

Notes: (Continued)

- (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 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
0 – 30 days	–	245
31 – 90 days	330	228
91 – 120 days	–	700
121 – 180 days	530	425
181 – 365 days	700	–
	1,560	1,598

Impairment allowance of HK\$774,000 (31 March 2020: HK\$761,000) has been made for accounts receivable from placing and underwriting services.

17. DEPOSITS, OTHER RECEIVABLE AND PREPAYMENTS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Deposits	732	646
Other receivable from a broker	–	9,990
Prepayments	51	33
Less: allowance for impairment loss on other receivable	–	(60)
	783	10,609
Analyses as:		
Current	259	10,097
Non-current	524	512
	783	10,609

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

18. ACCOUNTS PAYABLE

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Cash clients	83,947	75,971
Margin clients	139,717	80,449
	223,664	156,420

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

Accounts payable to margin clients and cash clients 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\$172,849,000 (31 March 2020: HK\$111,352,000) were payable to clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

19. OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Other payables	1,855	628
Accrued charges	1,796	3,086
	3,651	3,714

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

20. BANK BORROWINGS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Bank overdrafts, unsecured (<i>note i</i>)	30,000	–
Bank overdrafts, secured (<i>note ii</i>)	25,000	10,000
	55,000	10,000

Notes:

- (i) Bank overdrafts carry interest at 2.5% p.a. over 1-month Hong Kong Inter-bank Offered Rate for the period ended 30 September 2020 and repayable on demand.
- (ii) The bank overdrafts are collateralised by the Group's margin clients' marketable securities with fair value of HK\$58,021,000 at 30 September 2020 (31 March 2020: HK\$58,655,000) pledged to the Group (with clients' consent) and repayable on demand.

Bank overdrafts carry interest at 2.25% p.a. over 1-month Hong Kong Inter-bank Offered Rate for the period ended 30 September 2020 and year ended 31 March 2020.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

21. LEASE LIABILITIES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Minimum lease payment due:		
Within one year	1,860	1,860
More than one year but not exceeding two years	620	1,550
	2,480	3,410
Less: Future finance charge	(86)	(158)
Present value of lease liabilities	2,394	3,252
Present value of lease liabilities:		
Within one year	1,781	1,737
More than one year but not exceeding two years	613	1,515
	2,394	3,252

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

22. SHARE CAPITAL

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

	Number of shares	Nominal amount HK\$'000
Authorised:		
At 31 March 2019	38,000,000	380
Increase on 22 January 2020 (note i)	<u>4,962,000,000</u>	<u>49,620</u>
At 31 March and 30 September 2020	<u><u>5,000,000,000</u></u>	<u><u>50,000</u></u>
Issued and fully paid:		
At 31 March 2019	100	—*
Share issued upon Reorganisation (note ii)	9,900	—*
Share issued pursuant to public offering (note iii)	250,000,000	2,500
Share issued by capitalisation of the share premium account (note iv)	<u>749,990,000</u>	<u>7,500</u>
At 31 March and 30 September 2020	<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>

Notes:

- (i) On 22 January 2020, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of 4,962,000,000 new shares of the Company.
- (ii) On 22 January 2020, the Company allotted and issued 9,900 shares of HK\$0.01 each upon Reorganisation.
- (iii) On 19 February 2020, 250,000,000 shares of HK\$0.01 each were issued at a price of HK\$0.5 per share in connection with the Company's initial public offering. The proceeds of HK\$2,500,000 representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$122,500,000 (before share issue expenses) were credited to the share premium account. Dealings in the shares on the Stock Exchange commenced on 19 February 2020. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.
- (iv) A total of 749,990,000 shares of HK\$0.01 each were allotted and issued at par value to Man Chase Holdings Limited by way of capitalisation of HK\$7,499,900 from the Company's share premium account on 19 February 2020. The respective shares allotted and issued shall rank pari passu in all respects with the existing issued shares.

* Less than HK\$1,000

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

23. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (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	7	4
– Mr. Keng Stephen Lee and his close members of the family	88	–
– Ms. Yeung Lai Lai and her close members of the family	370	139
	465	143
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	6	–
– Ms. Yeung Lai Lai and her close members of the family	13	39
	19	39
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	1	2
– Ms. Yeung Lai Lai and her close members of the family	25	22
	27	25

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2020

24. 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.