

**IPO FACT SHEET**
**Fu Shek Financial Holdings Limited (2263)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$125m – HK\$150m
<b>Placement Tranche:</b>	250m
<b>Price:</b>	HK\$0.50 – HK\$0.60
<b>Board lot:</b>	10,000
<b>Entry fee:</b>	HK\$6,060.46
<b>Historical PE</b>	13.23x – 15.88x
<b>Net tangible asset per share:</b>	HK\$0.29 – HK\$0.32
<b>Market Cap (post-IPO):</b>	HK\$500m – HK\$600m
<b>Open:</b>	31 Jan 2020
<b>Close:</b>	12.00 noon on 7 Feb 2020
<b>Trading:</b>	19 Feb 2020
<b>Sponsor:</b>	Vinco Capital Limited

Year ended 31 Mar	(HK\$ mn)	yoy % chg
Revenue		
2018	56,722	59.1%
2019	65,275	15.1%
Profit and total comprehensive income for the year/period		
2018	33,029	142.3%
2019	37,781	14.4%

**BACKGROUND**

- They are a Hong Kong-based financial services provider founded in July 2001. They are principally engaged in the provision of securities trading services (including brokerage services and margin financing services) and placing and underwriting services.
- They provide services to their clients through their operating subsidiary, Sinomax Securities, which is licensed with the SFC to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities in Hong Kong. Sinomax Securities holds two Stock Exchange Trading Rights, is a participant of the HKSCC, and has been a Trade-through Exchange Participant since September 2018.
- In terms of their securities brokerage activities, they were ranked 151 among 625 HKEX Participants based on transaction value (with reference to trading fee and transaction levy charged) on trades executed through the Stock Exchange during the period from 1 January 2018 to 31 December 2018.
- They generate revenue principally from (i) the provision of brokerage service pursuant to which they charge their brokerage clients brokerage commission for execution and/or facilitating the trading of securities on the Stock Exchange and overseas markets; (ii) the provision of margin financing services pursuant to which they derive interest income from the provision of margin loans to their margin clients; and (iii) the provision of placing and underwriting services to their clients (comprising listed issuers, listing applicants, bookrunners, lead managers, underwriters and placing agents).
- They also derived an insignificant amount of revenue from the provision of monthly research reports and investment consultancy services to their clients (in return for prescribed monthly fees) as well as default interest which they charge their brokerage clients who fail to settle trades in a timely manner.

**BUSINESS STRATEGIES**

- Strengthen their placing and underwriting business to capitalise on opportunities arising from the perceived sustainable growth of the equity market in Hong Kong.
- Expand their securities margin financing by increasing their financial resources and liquidity position.
- Enhance their service offerings by commencing the provision of discretionary account management service to their clients and recruiting qualified research analysts to support their research capabilities.
- Develop their China Connect business by applying to the HKEX for registration as a China Connect Exchange Participant.
- Further enhance their IT capabilities, risk management and internal controls, including developing and enhancing their online trading

systems.

#### COMPETITIVE STRENGTHS

- Their reputation as a reliable and quality financial services provider in Hong Kong with over ten years of operating history.
- Established strong relationships with their clients and a stable client base which has enabled them to source new clients through client referrals.
- A management team with experience and networks in the financial industry as well as an experienced and competent team of licensed representatives.
- The complementary nature of their services which allows them to create synergies among their different lines of services and generate diversified and stable sources of revenue.
- Streamlined and efficient organisational structure which facilitates efficient execution and settlement of clients' trade orders and their ability to maintain a good working relationship with their AEs.

#### KEY RISKS

- Revenue from their placing and underwriting business is generated on a project-by-project basis and thus their profitability may be adversely affected if they are unable to secure engagements at levels or on comparable commission rates similar to those during the Track Record Period in the future.
- Their business may be affected if they are unable to retain their staff or AEs who have strong relationships with their clients.
- There is no assurance that the contractual arrangements they have entered with their employees and AEs are sufficient to protect the business interests of their Group.
- Any failure in protecting their trading system and/or computer system from external threats or maintaining relationship with their vendor may cause disruptions to their business operation and tarnish their reputation.
- Their operations depend on their key management and their business may suffer if they are unable to retain or replace them.
- They may be subject to substantial risks if their clients default on payments or if the value of securities collaterals pledged by them is insufficient to cover outstanding loans due to significant market volatility.
- They may have to bear losses resulting from trading errors.
- They are exposed to business risks arising from their placing and underwriting business in case the securities underwritten by them are undersubscribed or placing exercise fails to complete.
- Fluctuations in interest rates may have a significant impact on their interest income.
- They may be subject to intellectual property infringement claims in connection with the use of the "Sinomax" name or negative publicity arising from third parties' use of the name.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used for the expansion of their placing and underwriting business.	30.0	29.8%
Will be used for providing additional funding to expand their margin book in their margin financing business.	11.3	11.2%
Will be used for the establishment and renovation of a new office.	17.5	17.4%
Will be used for the expansion of their placing and underwriting team, establishment of a discretionary account management team, hiring of research analysts and other supporting staff.	14.3	14.2%
Will be used for the enhancement of IT systems.	10.0	9.9%
Will be used for promotion and marketing purposes.	8.0	8.0%
Will be used for general working capital and other general corporate purposes.	9.5	9.5%
<b>Total:</b>	<b>100.6</b>	<b>100.0%</b>

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