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30 September 2016

The Directors
China Industrial Securities International Financial Group Limited

China Industrial Securities International Capital Limited
Haitong International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to China Industrial Securities International Financial Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31 December 2015 and the three months ended 31 March 2016 (the "Relevant Periods") for inclusion in the document of the Company dated 30 September 2016 (the "Document") in connection with the proposed [**REDACTED**] of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 21 July 2015. Pursuant to a group reorganisation, as more fully explained in the section headed "History, Reorganisation and Group structure – Reorganisation" in the Document (the "Group Reorganisation"), the Company has become the holding company of the subsidiaries now comprising the Group since 18 December 2015.

The Company and its subsidiaries have adopted 31 December as their financial year end date.

The particulars of the Company's subsidiaries and consolidated investment funds as at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group At 31 December 2014	2015	At 31 March 2016	At the date of the report	Principal activities
				%	%	%	%	
Directly owned								
China Industrial Securities International Brokerage Limited (Formerly known as Industrial Securities (Hong Kong) Brokerage Limited) ("CISI Brokerage")	Hong Kong 20 July 2011	Hong Kong	HK$1,800,000,000	100	100	100	100	Securities dealing and broking and securities margin financing

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group At 31 December 2014 %	2015 %	At 31 March 2016 %	At the date of the report %	Principal activities
China Industrial Securities International Futures Limited (Formerly known as Industrial Securities (Hong Kong) Futures Limited) ("CISI Futures")	Hong Kong 18 January 2012	Hong Kong	HK$50,000,000	100	100	100	100	Futures and options contracts broking
China Industrial Securities International Capital Limited (Formerly known as Industrial Securities (Hong Kong) Capital Limited) ("CISI Capital")	Hong Kong 16 August 2012	Hong Kong	HK$20,000,000	100	100	100	100	Advising on corporate finance services
China Industrial Securities International Asset Management Limited (Formerly known as Industrial Securities (Hong Kong) Asset Management Limited) ("CISI Asset Management")	Hong Kong 31 October 2011	Hong Kong	HK$20,000,000	100	100	100	100	Advising on securities and asset management services
China Industrial Securities International Finance Limited (Formerly known as Industrial Securities (Hong Kong) Finance Limited) ("CISI Finance")	Hong Kong 28 October 2013	Hong Kong	HK$210,000	100	100	100	100	Money lending
China Industrial Securities International Investment Limited (Formerly known as Industrial Securities (Hong Kong) Investment Limited) ("CISI Investment")	Hong Kong 29 May 2014	Hong Kong	HK$20,000,000	100	100	100	100	Inactive
China Industrial Securities International Wealth Management Limited (Formerly known as Industrial Securities (Hong Kong) Wealth Management Limited) ("CISI Wealth Management")	Hong Kong 21 April 2015	Hong Kong	HK$1,000,000	N/A	100	100	100	Wealth management services
Indirectly owned								
CISI Investment Limited	British Virgin Islands 11 May 2016	Hong Kong	US$2,500,000	N/A	N/A	N/A	100	Investment trading

Name of investment fund	Place and date of incorporation	Place of operation	Class of share	Registered and paid up capital At 31 December 2014	2015	At 31 March 2016	Effective interest holding At 31 December 2014	2015	At 31 March 2016	At the date of the report	Principal activities
							%	%	%	%	
Directly owned											
IS China Strategy Balanced Fund ("ISSBF") *(Note a)*	Cayman Islands 7 August 2012	Hong Kong	Participating Management	HK$5,000,000 HK$100	N/A HK$100	N/A HK$100	100 100	N/A 100	N/A 100	N/A 100	Investment trading
Indirectly owned											
CIS Investment Fund Segregated Portfolio Company – IS RMB Fixed Income Fund Segregated Portfolio ("ISRFIF") *(Note b)*	Cayman Islands 14 November 2013	Hong Kong	Participating Management	RMB466,926,070 US$100	N/A N/A	N/A N/A	100 100	N/A N/A	N/A N/A	N/A N/A	Investment trading
CIS Investment Fund Segregated Portfolio Company – CIS Dynamic Growth Fund Segregated Portfolio ("CISDF") *(Note c)*	Cayman Islands 17 June 2015	Hong Kong	Participating Management	–	HK$1,000,000 US$100	N/A US$100	N/A N/A	100 100	N/A 100	N/A 100	Investment trading

Notes:

(a) CISI Asset Management, a wholly owned subsidiary of the Group, has been appointed as an investment manager and holds all management shares of ISSBF. The Group held all issued participating shares of ISSBF since its incorporation up to 30 April 2015. The directors of the Company are of the opinion that ISSBF was regarded as a consolidated structured entity of the Company as CISI Asset Management was able to exercise control over its operations and has significant variable financial interest since its incorporation up to 30 April 2015. On 30 April 2015, a company owned by third-party investors subscribed new participating shares issued by ISSBF which constituted 98% of the total participating shares of ISSBF at the net asset value per each share, as a result, the Group's equity interest in ISSBF was reduced from 100% to 2% and lost control of ISSBF. On 20 May 2015, the Group redeemed all its participating shares of ISSBF which represented 2% of the total participating shares of ISSBF. CISI Asset Management still retains all management shares of ISSBF after the redemption of all participating shares. Since 20 May 2015, the Group determines that ISSBF is an unconsolidated structured entity as the Group no longer has significant variable financial interest after the redemption of all participating shares.

(b) CISI Asset Management, a wholly owned subsidiary of the Group, was appointed as an investment manager and held all management shares of ISRFIF. The Group held all issued participating shares of ISRFIF since its incorporation up to 2 November 2015. The directors of the Company are of the opinion that ISRFIF was regarded as a consolidated structured entity of the Company as CISI Asset Management was able to exercise control over its operations and has significant variable financial interest since its incorporation up to 2 November 2015. On 2 November 2015, the Group redeemed all participating shares of ISRFIF, and ISRFIF was then terminated on 12 November 2015.

(c) CISI Asset Management, a wholly owned subsidiary of the Group, has been appointed as an investment manager and holds all management shares of CISDF. The Group holds all issued participating shares of CISDF since its incorporation up to 26 February 2016. The directors of the Company are of the opinion that the fund is regarded as a consolidated structured entity of the Company as CISI Asset Management is able to exercise control over its operation and has significant variable financial interest since its incorporation up to 26 February 2016. Since 26 February 2016, the Group determines that CISDF is an unconsolidated structured entity as the Group no longer has significant variable financial interest after redemption of all participating shares.

The statutory financial statements of each of the subsidiaries incorporated in Hong Kong for the years ended 31 December 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by us.

The financial statements of ISSBF and ISRFIF for the year ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards (the "IFRSs") and were audited by Deloitte & Touche, a firm of certified public accountants registered in the Cayman Islands. CISDF has just been established in 2015, no statutory financial statements have been issued as at the date of this report.

No audited financial statements have been prepared for the Company as there are no statutory audit requirements in the Cayman Islands.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods in accordance with accounting policies set out in note 4 of Section A below which conform with HKFRSs (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards of Auditing issued by the HKICPA and carried out procedures which we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of Section A below. No adjustments were considered necessary by the directors of the Company in preparation of this report for inclusion in the Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section A below, the Financial Information, for the purpose of this report, gives a true and fair view of the financial position of the Group as at 31 December 2014, 31 December 2015 and 31 March 2016 and of the Company as at 31 December 2015 and 31 March 2016 and of the financial performance and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the three months ended 31 March 2015 together with notes thereon have been extracted from the Group's unaudited financial information for the same period (the "March 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the March 2015 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the March 2015 Financial Information consists of making enquiries, 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 could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the March 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		Three months ended 31 March	
	NOTES	**2014**	**2015**	**2015**	**2016**
		HK$	*HK$*	*HK$*	*HK$*
				(unaudited)	
Revenue	*8*	120,001,758	364,324,168	53,815,010	79,766,999
Other income	*8*	4,365,712	3,865,371	644,239	957,221
Finance costs	*9*	(16,682,557)	(45,843,172)	(7,211,573)	(12,965,744)
Commission and fee expenses	*10*	(12,976,346)	(79,996,504)	(6,900,500)	(12,586,570)
Staff costs	*11*	(36,377,417)	(100,009,268)	(19,866,317)	(25,322,229)
Other operating expenses		(37,460,628)	(85,253,840)	(18,607,532)	(21,658,267)
[**REDACTED**] expenses		–	(1,598,329)	–	(2,871,675)
Other gains or losses	*12*	2,248,537	(7,419,313)	3,025,178	2,258,976
Profit before taxation	*12*	23,119,059	48,069,113	4,898,505	7,578,711
Taxation	*13*	(4,347,723)	2,434,920	34,973	(1,782,237)
Profit for the year/period		18,771,336	50,504,033	4,933,478	5,796,474
Other comprehensive (expense) income					
Item reclassified subsequently to profit or loss:					
Exchange differences on translating financial statements of foreign operation		(18,443,580)	(58,172)	1,872,990	–
Item reclassified to profit or loss:					
Reclassification of exchange differences on translating financial statements of foreign operation upon 100% redemption of a wholly owned investment fund		–	18,501,752	–	–
Total comprehensive income for the year/period attributable to owner of the Company		327,756	68,947,613	6,806,468	5,796,474
Earnings per share					
Basic (expressed in HKD)	*14*	0.0399	0.0991	0.0097	0.0114

Consolidated Statements of Financial Position

	NOTES	THE GROUP At 31 December 2014 HK$	THE GROUP At 31 December 2015 HK$	THE GROUP At 31 March 2016 HK$	THE COMPANY At 31 December 2015 HK$	THE COMPANY At 31 March 2016 HK$
Non-current assets						
Property and equipment	15	12,754,057	10,170,765	8,370,491	5,688,507	4,816,343
Intangible assets	16	2,821,380	3,019,998	2,780,336	1,392,415	1,242,961
Investment in subsidiaries	17	–	–	–	1,408,150,163	1,408,150,163
Loans receivable	18	7,000,000	–	2,000,000	–	–
Statutory deposits	19	4,527,796	9,717,842	6,503,361	–	–
Deposits, other receivables and prepayments	20	7,251,542	6,585,008	6,923,236	6,259,322	6,599,763
		34,354,775	29,493,613	26,577,424	1,421,490,407	1,420,809,230
Current assets						
Accounts receivable	21	652,010,795	2,683,432,603	2,870,780,337	1,100,000	1,100,000
Loans receivable	18	150,500,000	282,300,000	262,600,000	–	–
Financial assets at fair value through profit or loss	22	579,594,969	–	–	–	–
Statutory deposits	19	48,378,266	12,385,409	14,332,209	–	–
Deposits, other receivables and prepayments	20	29,032,757	11,384,185	11,630,289	4,332,645	5,216,638
Amounts due from related parties	23	–	3,804,021	2,373,400	831,104,021	891,397,675
Bank balances – trust accounts	24	440,374,374	1,655,617,525	1,970,678,195	–	–
Bank balances – general accounts and cash	24	203,186,709	238,022,069	235,447,271	74,343,613	23,074,411
		2,103,077,870	4,886,945,812	5,367,841,701	910,880,279	920,788,724
Current liabilities						
Accounts payable	25	713,120,824	1,943,190,294	2,436,750,492	–	–
Accruals and other payables	26	12,532,875	57,285,281	60,132,943	44,012,866	48,516,704
Amounts due to related parties	23	–	–	–	988,650	1,896,167
Tax payable		3,570,568	149,650	2,233,159	–	1,841,782
Bank borrowings	28	986,500,000	2,416,068,466	2,389,454,855	1,792,000,000	1,792,000,000
		1,715,724,267	4,416,693,691	4,888,571,449	1,837,001,516	1,844,254,653
Net current assets (liabilities)		387,353,603	470,252,121	479,270,252	(926,121,237)	(923,465,929)
Non-current liabilities						
Other liability		–	873,961	480,361	873,961	480,361
Deferred tax liabilities	27	1,030,468	1,615,788	1,314,516	779,771	645,249
Net assets		420,677,910	497,255,985	504,052,799	493,715,438	496,217,691
Capital and reserves						
Share capital	29	–	1,000	49,000,000	1,000	49,000,000
Exchange reserve		(18,443,580)	–	–	–	–
(Accumulated losses) retained earnings	30	(53,109,270)	(2,605,237)	3,191,237	2,273,617	4,775,870
Other reserves		492,230,760	8,419,401	9,419,741	–	–
Capital reserve	31	–	491,440,821	442,441,821	491,440,821	442,441,821
Equity attributable to the owner of the Company		420,677,910	497,255,985	504,052,799	493,715,438	496,217,691

Consolidated Statements of Changes in Equity

	Equity attributable to owner of the Company					
	Share capital *HK$*	Capital reserve *HK$* *(Note a)*	Other reserves *HK$* *(Note b)*	Exchange reserve *HK$* *(Note c)*	(Accumulated losses) Retained earnings *HK$*	Total equity *HK$*
At 1 January 2014 *(Note b(i))*	–	–	300,000,000	–	(71,880,606)	228,119,394
Capital contribution from Industrial Securities *(Note b(ii))*	–	–	190,000,000	–	–	190,000,000
Deemed capital contribution from Industrial Securities (Hong Kong) *(Note b(iii))*	–	–	2,230,760	–	–	2,230,760
Profit for the year	–	–	–	–	18,771,336	18,771,336
Other comprehensive expense for the year	–	–	–	(18,443,580)	–	(18,443,580)
Total comprehensive (expense) income for the year	–	–	–	(18,443,580)	18,771,336	327,756
At 31 December 2014	–	–	492,230,760	(18,443,580)	(53,109,270)	420,677,910
Deemed capital contribution from Industrial Securities (Hong Kong) *(Note b(iii))*	–	–	7,630,462	–	–	7,630,462
Issue of shares upon incorporation of the Company	1,000	–	(1,000)	–	–	–
Effect of group reorganisation	–	491,440,821	(491,440,821)	–	–	–
Profit for the year	–	–	–	–	50,504,033	50,504,033
Other comprehensive income for the year	–	–	–	18,443,580	–	18,443,580
Total comprehensive income for the year	–	–	–	18,443,580	50,504,033	68,947,613
At 31 December 2015	1,000	491,440,821	8,419,401	–	(2,605,237)	497,255,985
Deemed capital contribution from Industrial Securities (Hong Kong) *(Note b(iii))*	–	–	1,000,340	–	–	1,000,340
Issue of shares for acquisition of the Combined Business pursuant to the Group Reorganisation *(Note a(i)(ii))*	48,999,000	(48,999,000)	–	–	–	–
Profit for the period	–	–	–	–	5,796,474	5,796,474
Total comprehensive income for the period	–	–	–	–	5,796,474	5,796,474
At 31 March 2016	49,000,000	442,441,821	9,419,741	–	3,191,237	504,052,799
At 31 December 2014	–	–	492,230,760	(18,443,580)	(53,109,270)	420,677,910
Deemed capital contribution from Industrial Securities (Hong Kong) *(Note b(iii))*	–	–	1,796,100	–	–	1,796,100
Profit for the period	–	–	–	–	4,933,478	4,933,478
Other comprehensive income for the period	–	–	–	1,872,990	–	1,872,990
Total comprehensive income for the period	–	–	–	1,872,990	4,933,478	6,806,468
At 31 March 2015 (unaudited)	–	–	494,026,860	(16,570,590)	(48,175,792)	429,280,478

Notes:

(a) (i) As at 31 December 2015, capital reserve represents 489,990,000 consideration shares of HK$0.1 each to be issued by the Company to China Industrial Securities International Holdings Limited ("CISI Holdings"), a wholly owned subsidiary of Industrial Securities (Hong Kong) Financial Holdings Limited ("Industrial Securities (Hong Kong)") for the acquisition of the Combined Businesses (as defined in note 2(d) to the Financial Information) pursuant to the Group Reorganisation as more fully explained in note 2(d).

(ii) On 22 January 2016, 489,990,000 consideration shares of HK$0.1 each were issued by the Company to CISI Holdings.

(iii) As at 31 March 2016, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK$0.1 each issued by the Company and the consideration for the acquisition of the Combined Businesses pursuant to the Group Reorganisation as more fully explained in note 2(d) to the Financial Information.

(b) Other reserves represent:

(i) the share capital of Industrial Securities (Hong Kong);

(ii) amount of capital injection from Industrial Securities Company Limited ("Industrial Securities"), the ultimate holding company of the Company, to Industrial Securities (Hong Kong) in year 2014, excluding the investment in subsidiary in 興證諮詢服務(深圳)有限公司, a wholly owned subsidiary of Industrial Securities (Hong Kong), established under the laws of the People's Republic of China ("PRC") on 25 November 2013 ("Industrial Securities (Shenzhen)"), which is not included in the Combined Businesses, before the Group Reorganisation; and

(iii) the deemed capital contribution from Industrial Securities (Hong Kong) with regard to consultancy services provided by Industrial Securities (Shenzhen) to the Group during the years ended 31 December 2014 and 31 December 2015 and three months ended 31 March 2015 and 31 March 2016. As described in note 2, Industrial Securities (Shenzhen) is not included in the Combined Business. The directors of the Company considers that the consultancy services provided by Industrial Securities (Shenzhen) should be accounted for as operating expenses of the Combined Business for the years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2015 and 31 March 2016. No remuneration is required to be paid by the Group to Industrial Securities (Shenzhen). As a result, deemed capital contribution from Industrial Securities (Hong Kong) amounting to HK$2,230,760, HK$7,630,462, HK$1,796,100 (unaudited) and HK$1,000,340 is recognised in other reserves for the years ended 31 December 2014 and 31 December 2015, and the three months ended 31 March 2015 (unaudited) and 31 March 2016 respectively.

(c) Exchange reserve represents the exchange difference arising from translating the financial statements of ISRFIF, in which its functional currency was Renminbi ("RMB").

(d) No dividend was paid or proposed by the Company since the date of incorporation to 31 March 2016.

Consolidated Statements of Cash Flows

	NOTE	Year ended 31 December 2014 HK$	2015 HK$	Three months ended 31 March 2015 HK$ (unaudited)	2016 HK$
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		23,119,059	48,069,113	4,898,505	7,578,711
Adjustments for:					
Finance costs		16,682,557	45,843,172	7,211,573	12,965,744
Depreciation of property and equipment		2,975,275	6,681,403	1,509,380	1,876,654
Loss (gain) on disposal of property and equipment		–	422	–	(9,450)
Amortisation of intangible assets		370,972	652,344	160,447	249,702
Release of exchange differences on redemption of capital from foreign operation		–	18,501,752	–	–
Consultancy services provided by Industrial Securities (Shenzhen)	2	2,230,760	7,630,462	1,796,100	1,000,340
Operating cash flows before movements in working capital		45,378,623	127,378,668	15,576,005	23,661,701
(Increase) decrease in statutory deposits		(50,673,029)	30,802,811	43,725,148	1,267,681
(Increase) decrease in deposits, other receivables and prepayments		(34,407,407)	18,315,106	12,139,988	(584,332)
(Increase) decrease in financial assets at fair value through profit or loss		(597,006,577)	579,536,797	(18,169,178)	–
Increase in accounts receivable		(460,407,741)	(2,031,421,808)	(2,111,567,073)	(187,347,734)
(Increase) decrease in loans receivable		(157,500,000)	(124,800,000)	(18,500,000)	17,700,000
Increase in bank balances – trust accounts		(103,556,229)	(1,215,243,151)	(138,520,473)	(315,060,670)
Increase in accounts payable		287,420,583	1,230,069,470	424,363,628	493,560,198
Increase in accruals and other payables		7,715,171	45,469,772	1,977,715	3,034,128
Increase (decrease) in other liability		–	873,961	2,054,761	(393,600)
Cash (used in) generated from operations		(1,063,036,606)	(1,339,018,374)	(1,786,919,479)	35,837,372
Tax paid		–	(400,678)	–	–
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		(1,063,036,606)	(1,339,419,052)	(1,786,919,479)	35,837,372
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment		(12,192,503)	(4,098,533)	(1,653,742)	(79,530)
Proceeds on disposal of property and equipment		–	–	–	12,600
Purchase of intangible assets		(1,779,485)	(850,962)	(74,520)	(10,040)
Repayment from Industrial Securities (Hong Kong)		–	–	–	1,430,621
Advances to Industrial Securities (Hong Kong)		–	(3,804,021)	–	–
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		(13,971,988)	(8,753,516)	(1,728,262)	1,353,651

	NOTE	Year ended 31 December 2014 HK$	2015 HK$	Three months ended 31 March 2015 HK$ (unaudited)	2016 HK$
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from Industrial Securities		190,000,000	–	–	–
Interest paid		(14,361,710)	(46,560,538)	(7,366,119)	(13,152,210)
Bank borrowings raised		1,116,495,000	4,625,000,000	2,335,237,206	1,463,586,389
Repayments of bank borrowings		(129,995,000)	(3,195,431,534)	(510,191,632)	(1,490,200,000)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		1,162,138,290	1,383,007,928	1,817,679,455	(39,765,821)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		85,129,696	34,835,360	29,031,714	(2,574,798)
EFFECT OF EXCHANGE DIFFERENCES ON TRANSLATION TO PRESENTATION CURRENCY		(291,551)	–	(286,728)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		118,348,564	203,186,709	203,186,709	238,022,069
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		203,186,709	238,022,069	231,931,695	235,447,271
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY					
Bank balances – general accounts and cash *(note 24)*		203,186,709	238,022,069	231,931,695	235,447,271
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:					
Interest received		18,838,803	161,206,200	33,015,398	54,226,874
Dividend received		–	2,063,592	–	–

NOTES TO FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. Its immediate holding company is CISI Holdings and CISI Holdings is 100% owned by Industrial Securities (Hong Kong), the intermediate holding company of the Company. Industrial Securities, a company incorporated in the PRC is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC. The address of the registered office and principal place of business of the Company is 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Under the group reorganisation, as more fully explained in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the Document, to rationalise the group structure in preparation for the [**REDACTED**] of Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the following steps were taken place:

(a) Prior to 18 December 2015, the business of the Group was conducted by Industrial Securities (Hong Kong) and its subsidiaries, which are wholly owned by Industrial Securities.

(b) On 20 July 2015, CISI Holdings was incorporated and registered as an exempted company with limited liabilities in the Cayman Islands under the Cayman Companies Law, with an initial share capital of HK$1,000, which was 100% held by Industrial Securities (Hong Kong). CISI Holdings was established for the purpose of holding the Company.

(c) On 21 July 2015, the Company was incorporated with an initial share capital of HK$1,000 which was 100% held by CISI Holdings. The Company was established for the purpose of being the [**REDACTED**] entity on the Stock Exchange.

(d) On 18 December 2015, Industrial Securities (Hong Kong), CISI Holdings and the Company entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company will issue 489,990,000 ordinary shares to CISI Holdings in consideration of receiving the entire business of Industrial Securities (Hong Kong) which includes, among other things, the entire shareholding interest in CISI Brokerage, CISI Asset Management, CISI Futures, CISI Capital, CISI Finance, CISI Investment and CISI Wealth Management, which constitute all wholly owned subsidiaries of Industrial Securities (Hong Kong) except Industrial Securities (Shenzhen) and CISI Holdings, and all other assets, liabilities and contracts of Industrial Securities (Hong Kong) (the "Combined Businesses") and in consideration of receiving the 489,990,000 ordinary shares of the Company, CISI Holdings issued 489,990,000 ordinary shares to Industrial Securities (Hong Kong). Industrial Securities (Shenzhen) has not been included in the Combined Businesses and remains as a subsidiary of Industrial Securities (Hong Kong) after the Group Reorganisation.

Upon completion of the Group Reorganisation on 18 December 2015, CISI Brokerage, CISI Asset Management, CISI Futures, CISI Capital, CISI Finance, CISI Investment and CISI Wealth Management, are beneficially owned as to 100% by the Company. Subsequent to 31 December 2015, the Company issued 489,990,000 ordinary shares of HK$0.10 each on 22 January 2016 to CISI Holdings. The new shares rank pari passu with the existing shares in all respects.

The Combined Businesses and the Company are under common control of Industrial Securities (Hong Kong) before and after the Group Reorganisation.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods include the results, changes in equity and cash flows of the Combined Businesses as if the current group structure had been in existence throughout the Relevant Periods.

The consolidated statements of financial position of the Group as at 31 December 2014, 31 December 2015 and 31 March 2016 have been prepared to present the assets and liabilities of the Combined Businesses as if the current group structure had been in existence as at those dates.

The consolidated financial statements of the Group are presented using the carrying values of the assets, liabilities and operating results of the Combined Businesses for the Relevant Periods.

The directors of the Company considers that the consultancy services provided by Industrial Securities (Shenzhen) was directly attributable to the Combined Businesses and should be accounted for as operating expenses of the Combined Business for the years ended 31 December 2014, 31 December 2015 and three months ended 31 March 2015 and 31 March 2016. No remuneration is required to be paid by the Group to Industrial Securities (Shenzhen). As a result, deemed capital contribution from Industrial Securities (Hong Kong) amounting to HK$2,230,760, HK$7,630,462, HK$1,796,100 (unaudited) and HK$1,000,340 is recognised in other reserves for the years ended 31 December 2014, 31 December 2015, and three months ended 31 March 2015 and 31 March 2016 respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently applied the Hong Kong Accounting Standards ("HKAS"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as the "HKFRSs") which are effective for the accounting period beginning on 1 January 2016 throughout the Relevant Periods.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective, which may be relevant to the Group:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers[2]

[1] Effective for annual periods beginning on or after 1 January 2017.

[2] Effective for annual periods beginning on or after 1 January 2018.

[3] Effective for annual periods beginning on or after 1 January 2019.

[4] Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs will have material impact on the Financial Information.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis and 12-month expected credit losses represent the losses expected to arise from default events within the next 12 months after the reporting date. In principle, the adoption of expected credit loss model will accelerate the recognition of the loss allowance as it requires a loss allowance equals to 12-month expected credit losses at initial recognition of financial assets as compared with loss allowance recognised only when there exists observable evidence of impairment under the current standard.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respect of the Group's financial performance and financial assets, (e.g. impairment on accounts receivable and loans receivable) resulting from early provision of credit losses using the expected credit loss model under HKFRS 9 instead of incurred credit loss model under HKAS 39. However, it is not practicable to provide a reasonable estimate of that effect until the Group performs a detailed review.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. revenue generated from investment banking and asset management business) as the timing of revenue recognition may be affected by the new standard, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 "Leases"

HKFRS 16 was issued which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited expectations for short-term leases and leases of low value assets). In contrast, HKFRS does not include significant changes to the requirements for accounting by lessors.

Total operating lease commitment of the Group in respect of office premises with terms more than 12 months as at 31 March 2016 amounted to approximately HK$30,345,000. The management of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for measurements that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group serves as the investment manager of investment funds. These investment funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such investment funds, with control determined based on an analysis of the guidance in HKFRS 10 "Consolidated financial statements", they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units/shares in such investment funds for cash. These are presented as "Third-party interests in consolidated investment funds" within other liabilities in the consolidated statements of financial position, if any.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary or an entity (including structured entity) controlled by the Company, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill, if any), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, investment funds managed by the Group are considered as "structured entities".

Investments in subsidiaries

Investments in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment losses, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the course of the ordinary activities. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis.

(i) Commission income arising from broking business of securities, and futures and option contracts dealings is recorded as income on a trade-date basis;

(ii) Insurance brokerage commission is recognised as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed, generally at the effective date of the applicable insurance policies;

(iii) Financial advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income are recognised when services are rendered;

(iv) Commission income arising from placing, underwriting and sub-underwriting is recognised as income in accordance with the terms of the agreements when the relevant significant acts have been completed;

(v) Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably from a financial asset. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition; and

(vi) Dividend income from investments are recognised when the Group's right to receive payment has been established.

Property and equipment

Property and equipment are stated in the Group and the Company's statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the profit or loss in the year in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that including a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the net gains on financial assets at fair value through profit or loss line item. Fair value is determined in the manner described in note 7.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, other receivables, amounts due from related parties and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest could be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all loans and receivables with the exception of accounts receivable and loans receivable, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amounts of the allowance accounts are recognised in profit or loss. When an account receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance accounts.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including amounts due to related parties, accounts payable, bank borrowings and other payables) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability is offset and the net amount presented in the consolidated statements of financial position when, and only when the Group currently has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient tangible profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Impairment on accounts receivable and loans receivable

The Group reviews its accounts receivable and loans receivable to assess impairment on a regular basis. In determining whether an impairment loss should be recognised in profit or loss, on an individual basis, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the accounts receivable. A considerable amount of judgement is required in assessing the ultimate recovery of these receivables, including the current creditworthiness, the past collection history of each client or borrower and the realisable value of securities or collaterals held, if any. If the financial conditions of clients or borrowers of the Group and their ability to make payments improved, reversal of impairment may be required. Details of the balances are set out in notes 18 and 21.

Management uses estimates based on realisable value of securities or collaterals held, reliability of source of repayment, historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to the receivables for determining their future cash flows and recoverable amounts. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Income taxes

Due to the unpredictability of future profit streams, no deferred tax asset has been recognised in the consolidated statements of financial position in relation to the estimated tax losses of approximately HK$69,079,000, HK$39,245,000 and HK$42,148,000 as at 31 December 2014, 2015 and 31 March 2016 respectively. In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. Details of the tax losses are disclosed in note 27.

6. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings as disclosed in note 28, and equity attributable to owners of the Company (comprising issued share capital and reserves less accumulated losses).

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new share issues or bank borrowings. The Group's overall strategy remains unchanged throughout the Relevant Periods.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Regulated Subsidiaries has no non-compliance of capital requirements imposed by the SF(FR)R during the Relevant Periods.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP			THE COMPANY	
	At 31 December		At 31 March	At 31 December	At 31 March
	2014	2015	2016	2015	2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets					
Financial assets through profit or loss	579,594,969	–	–	–	–
Loans and receivables (including cash and cash equivalents)	1,476,899,212	4,867,609,648	5,347,528,728	906,547,634	915,572,086
Financial liabilities					
Amortised cost	1,702,919,373	4,361,480,528	4,828,712,305	1,794,290,425	1,795,109,397

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, accounts receivable, loans receivable, other receivables, amounts due from related parties, bank balances and cash, accounts payable, bank borrowings, other payables and amount due to a related party. Details of these financial instruments are disclosed in respective notes. The risks associated with those financial instruments and the policies on how to mitigate these risks are set out below.

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks that the Group is exposed to in its daily operating activities mainly include market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Group's activities expose it primarily to the market risk of changes in interest rates and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate loans receivable and fixed-rate debt securities. The price of investments in debt securities which are classified as financial assets at fair value through profit or loss is affected by the change in market interest rate. The Group currently does not have fair value hedging policy. No debt securities were held as at 31 December 2015 and 31 March 2016. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, secured margin loans and bank borrowings carrying interest at prevailing market rates. The Company is also exposed to cash flow interest rate risk mainly from balances with banks, intercompany loans provided to subsidiaries at floating rate and bank borrowings carrying interest at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate arising from the Group's and the Company's HKD denominated financial instruments.

At 31 December 2014, other than fixed-rate loans receivable amounting to HK$7 million with remaining maturity over 1 year but less than 2 years, and fixed-rate debt securities classified as financial assets at fair value through profit or loss, the contractual maturities and re-pricing of interest bearing assets and liabilities are within one year.

At 31 December 2015, the contractual maturities and re-pricing of interest bearing assets and liabilities are within one year.

At 31 March 2016, other than fixed-rate loans receivable amounting to HK$2 million with remaining maturity over 1 year but less than 2 years, the contractual maturities and re-pricing of the interest bearing assets and liabilities are within one year.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year/period. When reporting to management of the Group on the interest rate risk, a 100 basis points ("bps") increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Interest bearing bank deposit is not included in the sensitivity analysis for the decrease of interest rate as the bank deposit rate is at a low level and management of the Group considers such downward adjustment is unlikely. A positive number below indicates an increase in profit after taxation of the Group or vice versa.

	THE GROUP		
	Year ended 31 December		**Three months ended 31 March**
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Profit after taxation for the year/period			
Increase by 100bps	(18,834)	11,120	3,530
Decrease by 100bps	21,230	686	(757)

A positive number below indicates an increase in profit after taxation of the Company or vice versa.

	THE COMPANY Period ended	
	31 December 2015	31 March 2016
	HK$'000	HK$'000
Profit after taxation for the period		
Increase by 100bps	(7,452)	(1,862)
Decrease by 100bps	8,055	1,905

Foreign currency risk

The Group undertake certain transactions denominated in currencies other than its functional currencies, hence they are exposed to exchange rate fluctuation.

The major foreign currency exposure of the Group in HKD equivalent is presented below:

	THE GROUP					
	At 31 December				At 31 March	
	Liabilities		Assets		Liabilities	Assets
	2014	2015	2014	2015	2016	2016
	HK$	HK$	HK$	HK$	HK$	HK$
United States Dollars ("USD")	229,044,250	558,491,255	259,029,081	563,529,859	830,964,193	837,349,227
Renminbi ("RMB")	33,805,190	110,755,350	706,602,088	125,218,827	159,483,299	172,611,081

	THE COMPANY			
	At 31 December		At 31 March	
	Liabilities	Assets	Liabilities	Assets
	2015	2015	2016	2016
	HK$	HK$	HK$	HK$
RMB	–	2,363,200	–	2,373,400

Foreign currency sensitivity

The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD. The following table details the Group's sensitivity to a 5% strengthening in RMB against HKD, translated at year-end date. 5% sensitivity rate represents management's assessment of a reasonably possible change in foreign exchange rates. For a 5% weakening in RMB against HKD, there would be on equal and opposite impact on the profit after taxation for the year/period and exchange reserve.

	RMB impact				
	THE GROUP			THE COMPANY	
	At 31 December		At 31 March	At 31 December	At 31 March
	2014	2015	2016	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Increase in profit after taxation for the year/period	2,416	604	548	99	99
Increase in exchange reserve	30,746	–	–	–	–

Other price risk

The Group was exposed to debt and equity securities price risk through its investments in listed debt and equity securities respectively. The directors of the Company consider that the equity portfolio was insignificant to the investment portfolio of the Group as at 31 December 2014. At 31 December 2015 and 31 March 2016, the Group did not hold any equity securities. If the prices of debt securities had been 2% higher/lower, the post-tax profit for the year ended 31 December 2014 would decrease/increase by approximately HK$11,544,000. At 31 December 2015 and 31 March 2016, the Group did not hold any debt securities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The credit risk exposure consists of the financial assets at FVTPL, accounts receivable, loans receivable, amounts due from related parties and bank balances.

Other than the debt securities listed on stock exchanges in the PRC, the Group's concentration of credit risk by geographical location is mainly in Hong Kong.

As at 31 December 2014 and 2015 and 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective recognised financial assets as stated in the Group and the Company's statements of financial position. In order to minimise the credit risk, the Group has monitoring procedures for ensuring that follow-up actions are taken to recover overdue debts. The Group reviews the recoverable amount of each individual client and borrower at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are with high credit-ratings assigned by international credit-rating agencies.

The directors of the Company consider that the Company's credit risk on amounts due from an intermediate holding company and the Company's subsidiaries is minimal after taking into account the strong financial position of these companies.

As described in more detail in note 21, the credit risk on accounts receivable is managed through daily monitoring of the outstanding exposures from individual clients, margin values and realisable values of individual client's securities. Apart from the exposures to ten largest margin clients' exposure represented an aggregate of 72%, 33% and 40% of the total accounts receivable from margin clients at 31 December 2014, 31 December 2015 and 31 March 2016, respectively, the directors of the Company considers that the concentration of credit risk is limited due to the customer base being large and unrelated.

The credit risk for account receivables from clearing houses and brokers is considered as not material taking into account of good market reputations and high credit ratings of the counterparties.

The credit risk on loans receivable is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral. Apart from the exposures to the concentration of credit risk from three independent counterparties amounting to HK$125,000,000, HK$210,000,000 and HK$210,000,000 in aggregate as at 31 December 2014, 31 December 2015 and 31 March 2016 respectively, the Group does not have any other significant concentration of credit risk on loans receivable.

The Group also invested in debt securities which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities to ensure there is no significant concentration risk. In this regard, the directors of the Company consider that the credit risk relating to the debt securities is closely monitored.

The following table details the aggregate investment grade of debt securities investment portfolio held by the Group, as rated by well-known rating agencies.

	THE GROUP As at 31 December 2014
Portfolio by rating category	
Rating	
AA+	7.37%
AA	92.63%
	100.00%

As at 31 December 2014, the Group had significant concentration of credit risk on debt securities investment. As at 31 December 2015 and 31 March 2016, the Group did not hold any debt securities.

Other than concentration of credit risk on bank balances, amounts due from clearing houses and brokers, top ten margin clients' exposure described above, loans receivable from three independent counterparties and debt securities investment, the Group had no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties. The Company has concentration of credit risk on accounts receivable from a subsidiary, amounts due from an intermediate holding company and the Company's subsidiaries, and bank balances.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The directors of Company consider that the liquidity risk of the Group is remote because the Group has sufficient assets to repay the liabilities when demanded. The directors of the Company also consider that the liquidity risk of the Company is remote as it could raise fund from banks or its subsidiaries to repay the liabilities when demanded.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the earliest date on which the Group and the Company can be required to pay. Bank borrowings with a repayment on demand clause are included in the "on demand and less than one month" time band. As at 31 December 2014, 31 December 2015 and 31 March 2016, the aggregate undiscounted principal amounts of these bank borrowings of the Group amounted to HK$986,500,000, HK$1,624,068,466 and HK$1,597,454,855 respectively. As at 31 December 2015 and 31 March 2016, the aggregate undiscounted principal amounts of these borrowing of the Company amounted to HK$1,000,000,000. The maturity dates for other financial liabilities are based on the agreed repayment dates.

THE GROUP

	Weighted average effective interest rate	Repayable on demand and less than one month *HK$*	More than 1 month to 1 year *HK$*	Total contractual undiscounted cash flows *HK$*	Carrying amount *HK$*
At 31 December 2014					
Accounts payable	0.01%	713,126,767	–	713,126,767	713,120,824
Bank borrowings (including interest payable)	2.84%	988,820,847	–	988,820,847	988,820,847
Other payable	N/A	977,702	–	997,702	997,702
At 31 December 2015					
Accounts payable	0.01%	1,943,206,487	–	1,943,206,487	1,943,190,294
Bank borrowings (including interest payable)	1.97%	1,625,671,947	798,388,800	2,424,060,747	2,417,671,947
Other payable	N/A	618,287	–	618,287	618,287
At 31 March 2016					
Accounts payable	0.01%	2,436,770,798	–	2,436,770,798	2,436,750,492
Bank borrowings (including interest payable)	1.94%	1,598,871,870	796,646,400	2,395,518,270	2,390,871,870
Other payable	N/A	1,089,943	–	1,089,943	1,089,943

THE COMPANY

	Weighted average effective interest rate	Repayable on demand and less than one month *HK$*	More than 1 month to 1 year *HK$*	Total contractual undiscounted cash flow *HK$*	Carrying amount *HK$*
At 31 December 2015					
Amount due to a related party	N/A	988,650	–	988,650	988,650
Bank borrowings (including interest payable)	1.9%	1,001,301,775	798,388,800	1,799,690,575	1,793,301,775
At 31 March 2016					
Amounts due to related parties	N/A	1,896,167	–	1,896,167	1,896,167
Bank borrowings (including interest payable)	1.9%	1,001,213,230	796,646,400	1,797,859,630	1,793,213,230

Taking into account the Group's financial position, for those borrowings with repayment on demand clauses, the directors of the Company do not believe that it is probable the banks will exercise their discretionary rights to demand immediate repayment. As the scheduled repayment dates of these borrowings are all less than one month from the end of each reporting period, the maturity analysis without taking into account the repayment on demand clause would be similar to the above table and no further analysis is presented.

Fair value measurement of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2014, 2015 and 31 March 2016.

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy and valuation technique.

THE GROUP

	Fair value as at 31 December 2014 *HK$*	**Fair value hierarchy**	**Valuation technique**
Financial assets FVTPL			
Equity securities – listed in Hong Kong	2,368,400	Level 1	Quoted prices in an active market
Debt securities – listed outside Hong Kong	577,226,569	Level 2	Quoted prices other than in an active market

As at 31 December 2015 and 31 March 2016, the Group did not hold equity securities and debt securities. There were no transfers between Level 1, 2 and 3 during the Relevant Periods.

8. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
(a) Brokerage:				
Commission and fee income from securities brokerage	23,957,212	115,595,417	10,588,110	17,519,367
Commission and fee income from futures and options brokerage	21,334,827	59,568,979	9,949,524	5,784,648
	45,292,039	175,164,396	20,537,634	23,304,015
(b) Loans and financing:				
Interest income from margin financing	8,060,224	107,108,132	7,104,258	47,800,427
Interest income from money lending activities	1,924,836	19,922,056	2,621,270	5,132,116
	9,985,060	127,030,188	9,725,528	52,932,543
(c) Investment banking:				
Commission on placing, underwriting and sub-underwriting	18,098,206	20,997,217	266,037	420,000
Financial advisory fee income	2,021,940	2,218,575	1,306,640	–
Sponsor fee income	–	2,400,000	–	1,000,000
	20,120,146	25,615,792	1,572,677	1,420,000
(d) Asset management:				
Asset management fee income	808,536	5,534,168	758,673	1,036,499
Investment advisory fee income	369,000	1,534,151	181,000	462,342
	1,177,536	7,068,319	939,673	1,498,841
(e) Wealth management:				
Insurance brokerage commission income	–	–	–	611,600
(f) Proprietary trading:				
Interest income from financial assets at fair value through profit or loss	29,682,335	12,902,976	8,817,354	–
Dividend income from financial assets at fair value through profit or loss	–	2,063,592	–	–
Net realised gain on financial assets at fair value through profit or loss	6,358,528	21,865,019	19,267,081	–
Less: unrealised gain recognised in prior year	–	(7,386,114)	(7,386,114)	–
Net unrealised gain on financial assets at fair value through profit or loss	7,386,114	–	341,177	–
	43,426,977	29,445,473	21,039,498	–
	120,001,758	364,324,168	53,815,010	79,766,999

Other income

	THE GROUP			
	Year ended 31 December		**Three months ended 31 March**	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Interest income from financial institutions	2,415,552	3,277,888	603,027	886,738
Sundry income	1,950,160	587,483	41,212	70,483
	4,365,712	3,865,371	644,239	957,221

9. FINANCE COSTS

	THE GROUP			
	Year ended 31 December		**Three months ended 31 March**	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Interest on bank borrowings and overdrafts	16,550,815	45,720,474	7,185,255	12,929,044
Interest on clients' account	129,331	122,172	26,318	36,700
Others	2,411	526	–	–
	16,682,557	45,843,172	7,211,573	12,965,744

10. COMMISSION AND FEE EXPENSES

	THE GROUP			
	Year ended 31 December		**Three months ended 31 March**	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Sales commission paid to account executives	133,392	37,937,918	1,613,026	7,071,169
Commission and fee paid to brokers	10,997,746	25,050,666	4,610,384	3,286,938
Others *(note)*	1,845,208	17,007,920	677,090	2,228,463
	12,976,346	79,996,504	6,900,500	12,586,570

Note: Amount includes the custodian fees, scrip fee, clearing fee and other handling fee.

11. STAFF COSTS

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
			(unaudited)	
Amount paid and payable to directors and employees comprise:				
Salaries, commission and bonuses	35,305,570	97,968,697	19,201,667	24,537,550
Contribution to the MPF Scheme	615,895	1,324,552	282,657	401,559
Other staff costs	455,952	716,019	381,993	383,120
	36,377,417	100,009,268	19,866,317	25,322,229

Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance. Details of the MPF Scheme is disclosed in note 35.

12. PROFIT BEFORE TAXATION

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*
			(unaudited)	
Profit before taxation has been arrived at after charging (crediting):				
Auditor's remuneration	834,477	734,711	115,938	149,438
Legal and professional fee	467,594	1,086,110	–	415,582
Operating lease payments	7,464,424	19,293,397	4,593,682	4,916,972
Amortisation of intangible assets	370,972	652,344	160,447	249,702
Depreciation of property and equipment	2,975,275	6,681,403	1,509,380	1,876,654
Telephone and postage	1,474,051	3,734,758	1,017,482	676,276
Maintenance fee	3,462,040	13,307,105	3,029,605	2,609,486
Transportation expenses	2,658,242	2,965,789	350,061	181,764
Other gains or losses:	(2,248,537)	7,419,313	(3,025,178)	(2,258,976)
• Exchange gain	(2,248,537)	(11,082,861)	(3,025,178)	(2,249,526)
• Other loss *(note)*	–	18,501,752	–	–
• Loss (gain) on disposal of property and equipment	–	422	–	(9,450)
Entertainment expenses	3,005,646	4,852,121	515,236	725,221

Note: Amount arising from reclassification of exchange difference on translation of financial statements of foreign operation upon 100% redemption of ISRFIF, a wholly owned investment fund, during the year ended 31 December 2015. The amount was recognised in exchange reserve as at 31 December 2014.

13. TAXATION

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
			(unaudited)	
Current tax:				
PRC Corporate Income Tax	3,570,568	252,012	–	–
Hong Kong Profits Tax	–	124,958	–	2,208,467
	3,570,568	376,970	–	2,208,467
(Over) underprovision in prior year/period:				
PRC Corporate Income Tax	–	(3,421,902)	(119,520)	–
Hong Kong Profits Tax	–	24,692	–	(124,958)
	–	(3,397,210)	(119,520)	(124,958)
	3,570,568	(3,020,240)	(119,520)	2,083,509
Deferred tax *(note 27)*:				
Current year/period	777,155	585,320	84,547	(301,272)
	4,347,723	(2,434,920)	(34,973)	1,782,237

According to Guoshuihan [2009] No. 47 issued by the State Administration of Taxation in the PRC on 23 January 2009 ("Circular 47"), Qualified Foreign Institutional Investors ("QFIIs") would be subject to a corporate income tax rate of 10% on their PRC-sourced dividends, bonus profits and interest. On 17 November 2014, the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission in the PRC, have jointly issued Caishui [2014] No. 79 ("Circular 79"), which temporarily exempts QFIIs and RMB Qualified Foreign Institutional Investors ("RQFIIs") from capital gains derived from the trading of shares and other equity interest investments on or after 17 November 2014, and those capital gains derived prior to 17 November 2014 would be subject to Corporate Income Tax in accordance with the relevant laws in the PRC.

In respect of the uncertainty of the definition of equity investments in the PRC tax law, the management of the Group provided the Corporate Income Tax at a rate of 10% on the net realised and unrealised gain, and accrued interest on the PRC debt securities held by ISRFIF, a wholly owned investment fund of the Group, through the RQFII program, for the year ended 31 December 2014. Upon disposal of all debt securities held by ISRFIF and the completion of outbound repatriation of the monies held by ISRFIF after approval from relevant authorities in the PRC in 2015, the management of the Group considers that the uncertainty for the Corporate Income Tax on certain income derived by ISRFIF is significantly reduced, and the overprovision for PRC Corporate Income Tax is reversed in the year ended 31 December 2015.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits throughout the Relevant Periods.

The tax charge (credit) for the Relevant Periods can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Profit before taxation	23,119,059	48,069,113	4,898,505	7,578,711
Tax at domestic income tax rate (16.5%)	3,814,645	7,931,403	808,253	1,250,488
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,092,886)	(1,442,204)	(1,146,949)	–
Tax effect of expenses not deductible for tax purpose	2,594,138	9,089,538	2,636,574	1,991,139
Tax effect of income not taxable for tax purpose	(2,030,167)	(10,046,504)	(4,052,037)	(1,113,996)
Tax effect of tax losses not recognised	3,989,992	2,668,888	2,061,592	963,333
Utilisation of tax losses previously not recognised	(1,878,395)	(7,591,488)	(222,886)	(484,301)
Overprovision in prior year/period	–	(3,397,210)	(119,520)	–
Others	(49,604)	352,657	–	(824,426)
Tax charge (credit) for the year/period	4,347,723	(2,434,920)	(34,973)	1,782,237

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owner of the Company is based on the following data on the assumption that the Group had been in existence throughout the Relevant Periods:

	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Earnings (HK$)				
Earnings for the purpose of basic earnings per share: Profit for the year/period attributable to owner of the Company	18,771,336	50,504,033	4,933,478	5,796,474
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share assuming that the [**REDACTED**] as detailed in Appendix IV of the Document had been effective on 1 January 2014	470,022,668	509,383,471	509,383,471	509,383,471

For each of the years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 2016, there were no potential ordinary shares in issue, thus no diluted earnings per share is presented.

15. PROPERTY AND EQUIPMENT

THE GROUP

	Leasehold improvement *HK$*	Motor vehicles *HK$*	Furniture and fixtures *HK$*	Computer equipment *HK$*	Total *HK$*
COST					
At 1 January 2014	3,656,730	769,307	13,544	5,665,259	10,104,840
Additions	5,478,928	–	14,746	6,698,829	12,192,503
At 31 December 2014	9,135,658	769,307	28,290	12,364,088	22,297,343
Written off	–	–	–	(8,443)	(8,443)
Additions	76,780	–	33,800	3,987,953	4,098,533
At 31 December 2015	9,212,438	769,307	62,090	16,343,598	26,387,433
Additions	–	–	–	79,530	79,530
Disposals	–	–	–	(63,000)	(63,000)
At 31 March 2016	9,212,438	769,307	62,090	16,360,128	26,403,963
DEPRECIATION					
At 1 January 2014	(2,539,395)	(144,707)	(5,512)	(3,878,397)	(6,568,011)
Charge for the year	(1,117,335)	(91,393)	(2,944)	(1,763,603)	(2,975,275)
At 31 December 2014	(3,656,730)	(236,100)	(8,456)	(5,642,000)	(9,543,286)
Written off	–	–	–	8,021	8,021
Charge for the year	(2,199,249)	(91,337)	(9,675)	(4,381,142)	(6,681,403)
At 31 December 2015	(5,855,979)	(327,437)	(18,131)	(10,015,121)	(16,216,668)
Eliminated on disposals	–	–	–	59,850	59,850
Charge for the period	(559,411)	(22,834)	(3,376)	(1,291,033)	(1,876,654)
At 31 March 2016	(6,415,390)	(350,271)	(21,507)	(11,246,304)	(18,033,472)
CARRYING VALUES					
At 31 December 2014	5,478,928	533,207	19,834	6,722,088	12,754,057
At 31 December 2015	3,356,459	441,870	43,959	6,328,477	10,170,765
At 31 March 2016	2,797,048	419,036	40,583	5,113,824	8,370,491

THE COMPANY

	Leasehold improvement *HK$*	**Motor vehicles** *HK$*	**Furniture and fixtures** *HK$*	**Computer equipment** *HK$*	**Total** *HK$*
COST					
At date of incorporation	–	–	–	–	–
Transferred from Industrial Securities (Hong Kong)	3,542,929	449,481	21,309	1,979,742	5,993,461
At 31 December 2015	3,542,929	449,481	21,309	1,979,742	5,993,461
Additions	–	–	–	48,930	48,930
Disposals	–	–	–	(63,000)	(63,000)
At 31 March 2016	3,542,929	449,481	21,309	1,965,672	5,979,391
DEPRECIATION					
At date of incorporation	–	–	–	–	–
Charge for the period	(186,470)	(7,611)	(727)	(110,146)	(304,954)
At 31 December 2015	(186,470)	(7,611)	(727)	(110,146)	(304,954)
Eliminated on disposals	–	–	–	59,850	59,850
Charge for the period	(559,411)	(22,834)	(2,179)	(333,520)	(917,944)
At 31 March 2016	(745,881)	(30,445)	(2,906)	(383,816)	(1,163,048)
CARRYING VALUES					
At 31 December 2015	3,356,459	441,870	20,582	1,869,596	5,688,507
At 31 March 2016	2,797,048	419,036	18,403	1,581,856	4,816,343

The above items of property and equipment are depreciated on a straight-line basis at the following rate per annum:

Leasehold improvement	Over the lease term
Motor vehicles	12.5%
Furniture and fixtures	20%
Computer equipment	50%

16. INTANGIBLE ASSETS

THE GROUP

	Software	**Trading rights**	**Total**
	HK$	*HK$*	*HK$*
COST			
At 1 January 2014	1,081,640	1,000,000	2,081,640
Additions	1,779,485	–	1,779,485
At 31 December 2014	2,861,125	1,000,000	3,861,125
Additions	850,962	–	850,962
At 31 December 2015	3,712,087	1,000,000	4,712,087
Additions	10,040	–	10,040
At 31 March 2016	3,722,127	1,000,000	4,722,127
AMORTISATION			
At 1 January 2014	(668,773)	–	(668,773)
Charge for the year	(370,972)	–	(370,972)
At 31 December 2014	(1,039,745)	–	(1,039,745)
Charge for the year	(652,344)	–	(652,344)
At 31 December 2015	(1,692,089)	–	(1,692,089)
Charge for the period	(249,702)	–	(249,702)
At 31 March 2016	(1,941,791)	–	(1,941,791)
CARRYING VALUES			
At 31 December 2014	1,821,380	1,000,000	2,821,380
At 31 December 2015	2,019,998	1,000,000	3,019,998
At 31 March 2016	1,780,336	1,000,000	2,780,336

THE COMPANY

	Software
	HK$
COST	
At date of incorporation	–
Transferred from Industrial Securities (Hong Kong)	1,445,486
At 31 December 2015	1,445,486
Additions	10,040
At 31 March 2016	1,455,526
AMORTISATION	
At date of incorporation	–
Charge for the period	(53,071)
At 31 December 2015	(53,071)
Charge for the period	(159,494)
At 31 March 2016	(212,565)
CARRYING VALUES	
At 31 December 2015	1,392,415
At 31 March 2016	1,242,961

Intangible assets include trading rights in the Stock Exchange and the Hong Kong Futures Exchange Limited with indefinite useful life and the using rights of software with finite life.

Software are initially recognised at cost. The cost less estimated residual values (if any) of the software is amortised on a straight-line basis over their expected useful lives of 3 years, and charged to the profit or loss.

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

No impairment loss on intangible assets is recognised during the Relevant Periods.

17. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	At 31 December 2015	**At 31 March 2016**
	HK$	*HK$*
Unlisted shares, at cost	1,408,150,163	1,408,150,163

As disclosed in note 2, pursuant to the Group Reorganisation to rationalise the group structure to prepare for the [**REDACTED**] of the shares of the Company, the Company acquired the entire shareholding interest in all wholly owned subsidiaries of Industrial Securities (Hong Kong) except for Industrial Securities (Shenzhen) and CISI Holdings, including CISI Brokerage, CISI Futures, CISI Capital, CISI Asset Management, CISI Finance, CISI Investment and CISI Wealth Management, from Industrial Securities (Hong Kong) at an aggregated net asset value amount of HK$1,408,150,163.

Interests in unconsolidated structured entities

During the Relevant Periods, other than the wholly owned investment funds, including ISSBF (up to 30 April 2015), ISRFIF (up to 2 November 2015) and CISDF (up to 26 February 2016), CISI Asset Management serves as the investment manager of several investment funds. CISI Asset Management has provided initial capital, normally US$100 in the form of management shares for the set up of these funds. As at 31 March 2016, the Group determined that all of these investment funds are unconsolidated structured entities (see note 38 for details).

18. LOANS RECEIVABLE

	THE GROUP		
	At 31 December		At 31 March
	2014	2015	2016
	HK$	*HK$*	*HK$*
Fixed-rate loans receivable	157,500,000	282,300,000	264,600,000
Analyses as:			
Current	150,500,000	282,300,000	262,600,000
Non-current	7,000,000	–	2,000,000
	157,500,000	282,300,000	264,600,000

The credit quality of loans receivable are summarised as follows:

	THE GROUP		
	At 31 December		At 31 March
	2014	2015	2016
	HK$	*HK$*	*HK$*
Neither past due nor impaired	157,500,000	282,300,000	264,600,000

The exposure of the Group's fixed-rate loans receivable to interest rate risks and their contractual maturity dates are as follows:

Fixed-rate loans receivable denominated in HKD

		At 31 December		At 31 March
	Effective interest rate	**2014**	**2015**	**2016**
		HK$	*HK$*	*HK$*
Within one year	(31.12.2014: 5.25% to 7.5% per annum; 31.12.2015: 6.25% to 8.25% per annum; 31.3.2016: 6% to 8.25% per annum)	150,500,000	282,300,000	262,600,000
In more than one year but not more than two years	(31.3.2014 and 31.3.2016: 5.25% per annum)	7,000,000	–	2,000,000
		157,500,000	282,300,000	264,600,000

As at 31 December 2014, 31 December 2015 and 31 March 2016, the loans receivable amounting to HK$157,500,000, HK$282,300,000 and HK$262,600,000 are secured by listed securities from the borrowers and cash balance in their cash clients' accounts with aggregates fair value of HK$720,012,224, HK$1,963,626,561 and HK$1,881,513,115 respectively. At 31 December 2014, 2015 and 31 March 2016, the fair value of the collateral is sufficient to cover the balance of loans on an individual basis, and the directors of the Company consider the amounts to be recoverable. At 31 March 2016, there is an unsecured loan receivable of HK$2,000,000, the directors of the Company consider the amount to be recovered based on the evaluation of the repayment capacity of the borrower.

19. STATUTORY DEPOSITS

Statutory deposits represent deposits with clearing houses. They are non-interest bearing.

Non-current portion

In accordance with Central Clearing and Settlement System ("CCASS"), admission fee, basic contribution and dynamic contribution to the guarantee fund of a defaulting clearing participant will be used to offset its indebtedness arising in the course of dealing in securities as disclosed in note 37 in accordance with the rules of CCASS.

Under the arrangement with HKFE Clearing Corporation Limited ("HKCC"), the statutory deposit could be used to set off against accounts payable to HKCC.

The directors of the Company do not expect to realise the amounts within twelve months after the reporting period.

Current portion

In accordance with CCASS, the Group is required to provide to Hong Kong Securities Clearing Company Limited (the "HKSCC") deposits from time to time as determined by HKSCC, as the Group has become a China Connect Clearing Participant under the rules of CCASS since year 2014. Amounts will be used to offset the Group's indebtedness arising in the course of dealing in securities as disclosed in note 37 in accordance with the rules of CCASS. The directors of the Company expect to realise the amounts in its normal operating cycle.

20. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP			THE COMPANY	
	At 31 December		At 31 March	At 31 December	At 31 March
	2014	2015	2016	2015	2016
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Deposits	7,836,509	6,585,008	6,923,236	6,259,322	6,599,763
Other receivables	23,827,334	4,433,430	3,649,525	–	–
Deferred [**REDACTED**] expenses	–	306,409	1,249,768	397,409	1,403,018
Prepayments	4,620,456	6,644,346	6,730,996	3,935,236	3,813,620
	36,284,299	17,969,193	18,553,525	10,591,967	11,816,401
Analysed as					
Current	29,032,757	11,384,185	11,630,289	4,332,645	5,216,638
Non-current	7,251,542	6,585,008	6,923,236	6,259,322	6,599,763
	36,284,299	17,969,193	18,553,525	10,591,967	11,816,401

21. ACCOUNTS RECEIVABLE

	THE GROUP		
	Year ended 31 December		Year ended 31 March
	2014	2015	2016
	HK$	*HK$*	*HK$*
Accounts receivable arising from the business of dealing in securities:			
Clearing house	65,542,856	33,762,232	213,816,394
Cash clients	11,670,164	48,528,276	38,760,215
Secured margin loans	411,743,535	2,421,317,090	2,484,616,544
Brokers	6,711,407	16,295,234	10,563,651
Clients for subscription of new shares in initial public offering ("IPO") *(Note)*	–	–	12,635,861
	495,667,962	2,519,902,832	2,760,392,665
Accounts receivable arising from the business of dealing in futures and options contracts:			
Clearing house	13,287,834	18,641,515	13,715,817
Brokers	142,479,330	134,452,891	93,739,033
	155,767,164	153,094,406	107,454,850
Accounts receivable arising from the business of corporate finance clients	346,640	7,941,669	1,500,000
Accounts receivable arising from the business of asset management clients	229,029	2,493,696	1,432,822
	652,010,795	2,683,432,603	2,870,780,337

Note: The credit period is determined under the relevant market practices. The amounts are settled within ten days after the end of the reporting period.

Except for secured margin loans and accounts receivable for subscription of new shares in IPO, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. Accounts receivable arising from the business of dealing in futures and options contracts are one day after trade date.

In respect of accounts receivable arising from the business of dealing in securities, included in the accounts receivable from cash clients are debtors with a carrying amount of HK$862,937, HK$14,986,312 and HK$3,554,917 as at 31 December 2014, 2015 and 31 March 2016 respectively, which are past due at the end of each reporting period but which the directors of the Company consider not to be impaired as there has not been a significant change in credit quality and a substantial portion of the carrying amount is subsequently settled. The directors of the Company consider full amounts to be recoverable.

The accounts receivable from cash clients with a carrying amount of HK$10,807,227, HK$33,541,964 and HK$35,205,298 are neither past due nor impaired as at 31 December 2014, 2015 and 31 March 2016 and the directors of the Company are of the opinion that the amounts are recoverable.

For secured margin loans, as at 31 December 2014, 31 December 2015 and 31 March 2016, the loans are repayable on demand subsequent to settlement date and carry interest at Hong Kong prime rate plus 3% per annum during the Relevant Periods. They are generally included in "Neither past due nor impaired" category. The total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK$1,543,520,000, HK$8,940,763,000 and HK$8,639,645,000 as at 31 December 2014, 31 December 2015 and 31 March 2016 respectively. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2014, 31 December 2015 and 31 March 2016, 99%, 98% and 94% of the outstanding balances, respectively, were secured by sufficient collateral on an individual basis. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. Management of the Group has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the end of each reporting period and considered that no impairment allowance is necessary taking into consideration of subsequent repayment of monies or additional collateral received. The Group had obtained margin clients' consent to pledge their securities collateral to secure banking facilities granted to the Group to finance the margin loan. Details of the Group's pledged assets are disclosed in note 28.

In respect of accounts receivable arising from the business of dealing in future and options contracts, under the settlement arrangement with HKCC (the clearing house), all open positions held at HKCC are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivables with HKCC. In accordance with the agreement with the brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management clients are determined in accordance with the agreed terms, usually within one year after the service was provided. As at 31 December 2014, 31 December 2015 and 31 March 2016, these accounts receivable are included in "neither past due nor impaired" category. The management of the Group believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality.

The aging analysis of the accounts receivable based on past due dates are as follows:

	THE GROUP		
	At 31 December		**At 31 March**
	2014	**2015**	**2016**
	HK$	*HK$*	*HK$*
Past due (accounts receivable from cash clients):			
0 – 30 days	738,093	12,741,118	1,508,315
Over 30 days	124,844	2,245,194	2,046,602
Accounts receivable which were past due but not impaired	862,937	14,986,312	3,554,917
Accounts receivable which were neither past due nor impaired	651,147,858	2,668,446,291	2,867,225,420
	652,010,795	2,683,432,603	2,870,780,337

To minimise the Group's exposure to credit risk, there is a credit risk control team responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management of the Group has set up the credit limits for each individual customer which could be changed at the Group's discretion. Any further extension of credit beyond these approval limits has to be first approved by the compliance department and then by the senior management of the Group on individual basis. The Group has a policy for testing for impairment accounts receivable without sufficient collaterals and those with default or delinquency in interest or principal payments. The assessment is based on an evaluation of the collectability, aging analysis, current creditworthiness, collaterals value and the past collection history of each customer.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date at which credit was initially granted up to the reporting date. The Group has concentration of credit risk to ten largest margin clients' exposure representing 72%, 33% and 40% of the total loans to margin clients as at 31 December 2014, 2015 and 31 March 2016 respectively. The balances due from the ten largest securities margin clients were approximately HK$297,553,000, HK$806,858,000 and HK$992,372,000 as at 31 December 2014, 2015 and 31 March 2016 respectively, which is neither past due nor impaired, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK$941,854,000, HK$3,293,961,000 and HK$3,754,980,000 at the end of each reporting period respectively. The Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance on individual basis. In view of the nature of business of dealing in securities, futures and options contracts, no aging analysis on those accounts receivable is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

The following is an aging analysis of accounts receivable arising from the business of corporate finance clients and asset management clients based on date of invoice/contract note at the reporting date:

Corporate finance clients

	At 31 December		At 31 March
	2014	**2015**	**2016**
	HK$	*HK$*	*HK$*
Less than 31 days	346,640	4,254,045	–
31 – 60 days	–	2,187,624	–
61 – 90 days	–	–	–
91 – 180 days	–	1,500,000	1,500,000
	346,640	7,941,669	1,500,000

Asset management clients

	At 31 December		At 31 March
	2014	**2015**	**2016**
	HK$	*HK$*	*HK$*
Less than 31 days	229,029	720,084	507,933
31 – 60 days	–	255,897	281,380
61 – 90 days	–	329,209	245,004
91 – 180 days	–	655,181	398,505
Over 180 days	–	533,325	–
	229,029	2,493,696	1,432,822

During the Relevant Periods, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

The Group offset certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 37.

Details of the Group's policy on credit risk are set out in note 7.

As at 31 December 2015 and 31 March 2016, the Company has a brokerage account with CISI Brokerage with an accounts receivable of HK$1,100,000.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP At 31 December 2014
	HK$
Held for trading	
Debt securities	
– listed outside Hong Kong *(note)*	577,226,569
Equity securities	
– listed in Hong Kong	2,368,400
	579,594,969

The Group disposed all debt securities and equity securities held for trading during the year ended 31 December 2015. No debt securities and equity securities were held by the Group as at 31 December 2015 and 31 March 2016.

Note: Debt securities are listed on the stock exchanges in the PRC.

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

The Group had the following balances with related parties during Relevant Periods:

THE GROUP

	At 31 December 2014 *HK$*	At 31 December 2015 *HK$*	At 31 March 2016 *HK$*
Amount due from Industrial Securities (Hong Kong)	–	3,804,021	2,373,400

Amounts are non-trading in nature, unsecured, repayable on demand, and non-interest bearing. The Group expected to recover the amount due from Industrial Securities (Hong Kong) within one year. The maximum amount outstanding during the year ended 31 December 2015 and the three months ended 31 March 2016 is HK$3,804,021 and HK$3,804,021 respectively.

THE COMPANY

	At 31 December 2015 *HK$*	Maximum amount outstanding during the period *HK$*	At 31 March 2016 *HK$*	Maximum amount outstanding during the period *HK$*
Amount due from Industrial Securities (Hong Kong) *(note 1)*	3,804,021	3,804,021	2,373,400	3,804,021
Amount due from CISI Brokerage *(note 3)*	545,000,000	595,000,000	621,923,108	625,000,000
Amount due from CISI Finance *(note 2)*	282,300,000	292,000,000	264,600,000	284,300,000
Amount due from CISI Futures *(note 1)*	–	–	493,239	760,000
Amount due from CISI Capital *(note 1)*	–	–	416,702	1,060,000
Amount due from CISI Asset Management *(note 1)*	–	–	1,018,677	1,018,677
Amount due from CISI Wealth Management *(note 1)*	–	–	572,549	572,549
	831,104,021		891,397,675	
Amount due to CISI Finance *(note 1)*	–		923,367	
Amount due to CISI Investment *(note 1)*	988,650		972,800	
	988,650		1,896,167	

The management of the Company assesses at the reporting date whether or not there is objective evidence that the amounts are impaired and considered that no impairment is necessary.

Notes:

1. Amounts due from (to) related parties are non-trading in nature, unsecured, repayable on demand, and non-interest bearing.

2. Amount represents the intercompany loans due from subsidiaries. The loans are unsecured and repayable on demand and bear floating rate interest in accordance with the Company's bank borrowing cost plus a spread by reference to market borrowing cost.

3. Amount represents the intercompany loans due from CISI Brokerage amounting to HK$545,000,000 and HK$615,000,000 as at 31 December 2015 and 31 March 2016 respectively, which are unsecured and repayable on demand and bear floating rate interest in accordance with the Company's bank borrowing cost plus a spread by reference to market borrowing cost, and amount due from CISI Brokerage amounting to nil and HK$6,923,108 as at 31 December 2015 and 31 March 2016 respectively, which are non-trading in nature, unsecured, repayable on demand, and non-interest bearing.

24. BANK BALANCES – TRUST ACCOUNTS/GENERAL ACCOUNTS AND CASH

The Group receives and holds money deposited by customers and other institutions in the course of conducting regulated activities. These customers' monies are maintained in trust bank accounts and bear interest at commercial rate. The Group has recognised the corresponding accounts payable to respective customers and other institutions. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

The Group's bank balances and cash denominated in United States dollar and Renminbi are equivalent to HK$118,210,578 and HK$102,585,465 as at 31 December 2014, HK$412,219,366 and HK$87,702,820 as at 31 December 2015 and HK$741,938,275 and HK$103,789,720 as at 31 March 2016 respectively. As at 31 December 2015 and 31 March 2016, the Company's bank balances and cash are denominated in HK$.

The general accounts held by the Group and the Company comprises current and saving deposits held by the Group at prevailing market interest rate and bank deposits bearing interest at commercial rate with original maturity of three months or less.

25. ACCOUNTS PAYABLE

	THE GROUP		
	At 31 December		At 31 March
	2014	**2015**	**2016**
	HK$	*HK$*	*HK$*
Accounts payable arising from the business of dealing in securities:			
Clearing house	–	14,316,346	59,539,994
Brokers	3,787,689	23,800,501	1,386,583
Clients	500,715,080	1,492,222,004	1,873,001,131
	504,502,769	1,530,338,851	1,933,927,708
Accounts payable arising from the business of dealing in futures and options contracts:			
Clients	199,161,764	412,851,443	502,822,784
Accounts payable arising from the business of corporate finance clients	9,456,291	–	–
	713,120,824	1,943,190,294	2,436,750,492

In respect of accounts payable arising from the business of dealing in securities, accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally two trading days after the trade date or at specific terms agreed with clearing house. The majority of the accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral stipulated are repayable on demand.

Accounts payable to brokerage clients (except certain balances arising from trades pending settlement) mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

In respect of accounts payable arising from the business of dealing in futures and options contracts, settlement arrangements with clients follow the same settlement mechanism with HKCC or brokers as disclosed in note 21 and profits or losses arising from mark-to-market settlement arrangement are included in accounts payables with clients. Accounts payable to clients arising from the business of dealing in futures and option contract are non-interest bearing.

The normal settlement terms of accounts payable arising from the business of dealing in securities for cash clients are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

Accounts payable to a corporate finance client is repayable on demand. The aging of accounts payable to corporate finance client is within 30 days based on the transaction date as at 31 December 2014.

26. ACCRUALS AND OTHER PAYABLES

	THE GROUP			**THE COMPANY**	
	At 31 December		**At 31 March**	**At 31 December**	**At 31 March**
	2014	**2015**	**2016**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Accrued charges *(note a)*	9,234,326	55,063,513	57,625,985	42,711,091	47,303,474
Interest payable *(note b)*	2,320,847	1,603,481	1,417,015	1,301,775	1,213,230
Other payables	977,702	618,287	1,089,943	–	–
	12,532,875	57,285,281	60,132,943	44,012,866	48,516,704

Notes:

(a) The amount mainly comprises of the accrued operating expenses including staff salary and bonus and also commission to accounts executives.

(b) The amount represents the interest payable arising from bank borrowings.

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	
	THE GROUP	**THE COMPANY**
	HK$	*HK$*
At 1 January 2014	253,313	–
Charge to profit or loss *(note 13)*	777,155	–
At 31 December 2014	1,030,468	–
Charge to profit or loss *(note 13)*	585,320	779,771
At 31 December 2015	1,615,788	779,771
Charge to profit or loss *(note 13)*	(301,272)	(134,522)
At 31 March 2016	1,314,516	645,249

No deferred tax asset has been recognised in the Group's consolidated statements of financial position in relation to estimated tax losses of approximately HK$69,079,000, HK$39,245,000 and HK$42,148,000 as at 31 December 2014, 31 December 2015 and 31 March 2016 respectively, as it is uncertain that there will be sufficient taxable profits for the utilisation. The tax losses may be carried forward indefinitely.

28. BANK BORROWINGS

	THE GROUP			THE COMPANY	
	At 31 December		At 31 March	At 31 December	At 31 March
	2014	**2015**	**2016**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Variable rate borrowings	986,500,000	2,416,068,466	2,389,454,855	1,792,000,000	1,792,000,000
Repayable within one year and contain a repayable on demand clause	986,500,000	1,624,068,466	1,597,454,855	1,000,000,000	1,000,000,000
Repayable within one year without a repayable on demand clause	–	792,000,000	792,000,000	792,000,000	792,000,000
Repayable within one year	986,500,000	2,416,068,466	2,389,454,855	1,792,000,000	1,792,000,000

The bank borrowings consist of loans borrowed by the Group and the Company from banks to facilitate investment and general working capital.

The interest rate of the Group's borrowings as at 31 December 2014, 2015 and 31 March 2016 ranged from Hong Kong Interbank Offered Rate ("HIBOR") + 1.9% to HIBOR + 3.3%, HIBOR + 1.04% to HIBOR to 2.7% and the fixed interest rate of 0.9% to HIBOR + 2.65%, respectively. The interest rate of the Company's borrowings as at 31 December 2015 and 31 March 2016 ranged from HIBOR + 1.04% to HIBOR + 2.3% and HIBOR + 2.3% to HIBOR + 2.65% respectively.

At 31 December 2014 and 2015 and 31 March 2016, HK$986,500,000, HK$2,416,068,466 and HK$2,389,454,855 was drawn by the Group respectively under the aggregated banking facilities of HK$1,960,000,000, HK$7,265,000,000 and HK$8,177,500,000 of the Group respectively. Industrial Securities issued a guarantee to support the banking facilities of the Group amounting to HK$650,000,000, HK$2,000,000,000 and HK$2,000,000,000 as at 31 December 2014, 2015 and 31 March 2016 respectively. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK$1,060,000,000, HK$2,560,000,000 and HK$3,160,000,000 as at 31 December 2014, 2015 and 31 March 2016 respectively. Industrial Securities (Hong Kong) provided corporate guarantees to support the banking facilities of the Group amounting to HK$1,060,000,000, HK$1,535,000,000 and HK$3,165,000,000 as at 31 December 2014, 2015 and 31 March 2016 respectively. The Group's bank borrowings amounting to HK$50,000,000, HK$394,068,466 and HK$284,954,855 as at 31 December 2014, 2015 and 31 March 2016 respectively was guaranteed by Industrial Securities (Hong Kong) and secured by charges over clients' pledged securities with fair value of approximately HK$306,146,000, HK$1,679,079,500 and HK$1,929,683,500 respectively upon receiving client's authorisation. The Group's bank borrowings amounting to HK$500,000,000, HK$1,030,000,000 and HK$ 1,200,000,000 as at 31 December 2014, 2015 and 31 March 2016 respectively was guaranteed by Industrial Securities (Hong Kong). Also, the Group's bank borrowings amounting to nil, HK$792,000,000 and HK$792,000,000 as at 31 December 2014, 2015 and 31 March 2016 respectively was guaranteed by Industrial Securities. In addition to the above guarantees and charges, Industrial Securities provided letters of comfort to support the bank borrowings of the Group amounting to HK$550,000,000, HK$1,554,068,066 and HK$1,504,954,855 as at 31 December 2014, 2015 and 31 March 2016 respectively. The directors of the Company represent that the guarantees issued and letters of comfort provided by Industrial Securities and Industrial Securities (Hong Kong) will be released prior to the [**REDACTED**] of the shares of the Company.

At 31 December 2015 and 31 March 2016, HK$1,792,000,000 and HK$1,792,000,000 was drawn by the Company under the aggregated banking facilities of HK$5,500,000,000 and HK$5,500,000,000 respectively. Also, the Company's bank borrowings amounting to HK$1,000,000,000 and HK$792,000,000 was guaranteed by Industrial Securities (Hong Kong) and Industrial Securities respectively as at 31 December 2015 and 31 March 2016. Industrial Securities issued a guarantee to support the banking facilities of the Company amounting to HK$2,000,000,000 as at 31 December 2015 and 31 March 2016. Also, Industrial Securities provided a letter of comfort and Industrial Securities provided corporate guarantees to support the banking facilities of the Company amounting to HK$1,000,000,000 as at 31 December 2015 and 31 March 2016. The directors of the Company represent that the letters of comfort provided by Industrial Securities and guarantees issued by Industrial Securities and Industrial Securities (Hong Kong) will be released prior to the [**REDACTED**] of the shares of the Company.

29. SHARE CAPITAL

The Company was incorporated on 21 July 2015 and therefore there was no issued share capital shown in the consolidated statement of financial position as at 31 December 2014.

Details of the movement of share capital for the year ended 31 December 2015 and the three months ended 31 March 2016 are as follows:

	Notes	**Number of ordinary shares of HK0.10 each**	**Share capital** *HK$*
Authorised:			
At date of incorporation	*(a)*	10,000	1,000
Increase in authorised share capital	*(b)*	489,990,000	48,999,000
As at 31 December 2015 and 31 March 2016		490,000,000	49,000,000
Issued and fully paid:			
At date of incorporation	*(c)*	10,000	1,000
As at 31 December 2015		10,000	1,000
Issue of shares	*(d)*	489,990,000	48,999,000
As at 31 March 2016		490,000,000	49,000,000

Notes:

(a) On 21 July 2015, the Company was incorporated in Cayman Island with authorised share capital of HK$1,000 divided into 10,000 shares of HK$0.1 each.

(b) Pursuant to resolutions in writing of the sole member of the Company passed on 18 December 2015, the authorised share capital of the Company was increased from HK$1,000 to HK$49,000,000 divided into 490,000,000 shares of a par value of HK$0.1 each.

(c) On 21 July 2015, 10,000 paid shares of HK$0.1 were issued to CISI Holdings.

(d) On 22 January 2016, 489,990,000 paid shares of HK$0.1 were issued to CISI Holdings pursuant to the Group Reorganisation.

30. RETAINED EARNINGS OF THE COMPANY

	THE COMPANY
	HK$
At date of incorporation	–
Profit and total comprehensive income for the period	2,273,617
At 31 December 2015	2,273,617
Profit and total comprehensive income for the period	2,502,253
At 31 March 2016	4,775,870

31. CAPITAL RESERVE OF THE COMPANY

As at 31 December 2015, capital reserve represents 489,990,000 ordinary shares of HK$0.1 each to be issued by the Company to CISI Holdings, a wholly owned subsidiary of Industrial Securities (Hong Kong) pursuant to the Group Reorganisation as more fully explained in note 2(d). On 22 January 2016, 489,990,000 consideration shares of HK$0.1 were issued by the Company to CISI Holdings. As at 31 March 2016, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK$0.1 each issued by the Company and the consideration for the acquisition of the Combined Businesses pursuant to the Group Reorganisation (as more fully explained in note 2(d)).

32. COMMITMENTS

Commitments under operating lease

At the end of the each of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP			**THE COMPANY**	
	At 31 December		**At 31 March**	**At 31 December**	**At 31 March**
	2014	**2015**	**2016**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Within one year	17,755,746	20,839,533	23,251,097	20,839,533	23,251,097
In the second to fifth year inclusive	31,584,770	11,346,632	7,315,680	11,346,632	7,315,680
	49,340,516	32,186,165	30,566,777	32,186,165	30,566,777

Operating lease payments represent rentals payable by the Group and the Company for its office premises and director/staff apartments. Leases and rentals are negotiated and fixed for periods of two to three years.

33. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, the emoluments paid or payable by the Group are as follows:

	Fees *HK$*	**Salaries, allowances** *HK$*	**Benefits in kind#** *HK$*	**Discretionary bonus** *HK$* *(note 5)*	**Retirement benefit schemes contributions** *HK$*	**Total** *HK$*
For the year ended 31 December 2014						
Huang Jin Guang *(notes 1, 2 and 4)*	–	1,682,759	364,000	1,187,500	–	3,234,259
Wang Xiang *(notes 2, 3 and 4)*	–	887,891	222,300	500,000	–	1,610,191
	–	2,570,650	586,300	1,687,500	–	4,844,450

	Fees *HK$*	**Salaries, allowances** *HK$*	**Benefits in kind#** *HK$*	**Discretionary bonus** *HK$* *(note 5)*	**Retirement benefit schemes contributions** *HK$*	**Total** *HK$*
For the year ended 31 December 2015						
Huang Jin Guang *(notes 1, 2 and 4)*	–	1,782,100	492,000	2,870,000	–	5,144,100
Wang Xiang *(notes 2, 3 and 4)*	–	1,239,512	218,400	2,340,000	–	3,797,912
	–	3,021,612	710,400	5,210,000	–	8,942,012

	Fees *HK$*	**Salaries, allowances** *HK$*	**Benefits in kind#** *HK$*	**Discretionary bonus** *HK$* *(note 5)*	**Retirement benefit schemes contributions** *HK$*	**Total** *HK$*
For the three months ended 31 March 2015 (unaudited)						
Huang Jin Guang *(notes 1, 2 and 4)*	–	494,687	123,000	462,842	–	1,080,529
Wang Xiang *(notes 2, 3 and 4)*	–	290,347	54,600	382,028	–	726,975
	–	785,034	177,600	844,870	–	1,807,504

	Fees *HK$*	**Salaries, allowances** *HK$*	**Benefits in kind#** *HK$*	**Discretionary bonus** *HK$* *(note 5)*	**Retirement benefit schemes contributions** *HK$*	**Total** *HK$*
For the three months ended 31 March 2016						
Huang Jin Guang *(notes 1, 2 and 4)*	–	413,084	123,000	675,757	–	1,211,841
Wang Xiang *(notes 2, 3 and 4)*	–	326,068	54,600	557,768	–	938,436
	–	739,152	177,600	1,233,525	–	2,150,277

Amounts represent benefits in kind of accommodation provided by the Group.

Notes:

1. Mr. Huang Jin Guang was appointed as the director of the Company on 21 July 2015 and acts as chief executive of the Group.

2. No retirement benefit schemes contributions was paid or payable by the Group to Mr. Huang Jin Guang and Mr. Wang Xiang during the Relevant Periods as Mr. Huang and Mr. Wang are also employees of the ultimate holding company and the cost of retirement benefit scheme contribution is borne by the ultimate holding company.

3. Mr. Wang Xiang was appointed as the director of the Company on 1 June 2016.

4. The emoluments disclosed above represent emoluments paid or payable to Mr. Huang Jin Guang and Mr. Wang Xiang (including emoluments for services as employees of the group entities prior to becoming the directors of the Company) by the entities comprising the Group during the Relevant Periods.

5. The discretionary bonus of directors or chief executive of the Company was determined by the management of the ultimate and intermediate holding companies and by reference to the Group's financial performance and the directors' and the chief executive's duties, responsibilities and individual performance within the Group.

Mr. Lan Rong, Ms. Zhuang Yuanfang and Ms. Zeng Yanxia were appointed as the directors of the Company on 1 June 2016.

The remuneration of Mr. Lan Rong , Ms. Zhuang Yuanfang and Ms. Zeng Yanxia for the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 2016 was borne by the ultimate holding company and there is no basis of allocation of their remuneration between the ultimate holding company and the Group.

Ms. Hong Ying, Mr. Tian Li and Mr. Qin Shuo were appointed as the independent non-executive directors of the Company on 27 July 2016, and there was no remuneration paid by the Group for the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 2016.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group included one, two, two and two directors of the Company for the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 2016 respectively, and details of whose emoluments are included in the disclosure above. The emoluments of the remaining four, three, three and three individuals for the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 2016 respectively are as below:

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Employees				
– salaries and allowances	5,078,290	5,997,367	1,496,867	1,602,000
– discretionary bonus	1,140,000	7,004,000	1,190,165	1,469,504
– retirement benefit schemes contributions	67,000	52,500	9,000	13,500
	6,285,290	13,053,867	2,696,032	3,085,004

Their emoluments were within the following bands:

	Number of employees			
	Year ended 31 December		Three months ended 31 March	
	2014	2015	2015	2016
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Nil to HK$1,000,000	–	–	2	2
HK$1,000,001 to HK$1,500,000	2	–	1	1
HK$1,500,001 to HK$2,000,000	1	–	–	–
HK$2,000,001 to HK$2,500,000	1	–	–	–
HK$3,500,001 to HK$4,000,000	–	2	–	–
HK$5,500,001 to HK$6,000,000	–	1	–	–

During the Relevant Periods, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office. None of the the directors waived any emoluments during the Relevant Periods.

34. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 33(a), the remuneration of other members of key management during the Relevant Periods was as follows:

	THE GROUP			
	Year ended 31 December		Three months ended 31 March	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Short-term benefits	6,026,000	20,709,629	4,211,551	5,967,735
Post-employment benefits	60,750	102,000	18,000	31,500

(b) Right of trading of RMB denominated securities in the PRC

During the Relevant Periods, the intermediate holding company has maintained deposits amounting to RMB2 million in a designated bank account in the PRC to enable ISRFIF's trading of RMB denominated securities in the PRC by using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program.

During the Relevant Periods, the Group invests in RMB denominated securities in the PRC using such quota of the intermediate holding company free of charge.

(c) Consultancy services from a fellow subsidiary

During the Relevant Periods, a fellow subsidiary of the Company provided consultancy services to the Group as disclosed in note 39.

35. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK$1,250 to HK$1,500 per employee per month.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid to the schemes by the Group are disclosed in note 11.

36. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The CODM considers the Group's operations are located in Hong Kong. The principal activities of the reportable and operating segments under HKFRS 8 are as follows:

Brokerage – provision of securities, futures and options, and insurance brokerage;

Loans and financing – provision of margin financing and secured or unsecured loans to customers;

Investment banking – provision of financial advisory, sponsor, placing and underwriting services;

Assets management – provision of fund management, wealth management and investment advisory services;

Proprietary trading – trading of debt and equity securities.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

For the year ended 31 December 2014

	Brokerage HK$	Loans and financing HK$	Investment banking HK$	Assets management HK$	Proprietary trading HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	45,292,039	9,985,060	20,120,146	1,177,536	–	–	76,574,781
Net gains on financial assets at FVTPL	–	–	–	–	43,426,977	–	43,426,977
Inter-segment revenue	39,360	–	–	10,325,609	–	(10,364,969)	–
Segment revenue and net gains on financial assets at FVTPL	45,331,399	9,985,060	20,120,146	11,503,145	43,426,977	(10,364,969)	120,001,758
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							120,001,758
Segment results	10,404,829	3,727,595	7,167,659	6,597,069	15,226,411		43,123,563
Unallocated expenses							(20,004,504)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							23,119,059
Other segmental information included in the measure of segment results							
Depreciation	1,326,843	–	28,420	17,070	–		1,372,333
Unallocated:							1,602,942
							2,975,275
Amortisation	355,598	–	–	–	–		355,598
Unallocated:							15,374
							370,972
Interest income	1,745,623	9,985,060	2,565	1,269	30,339,937		42,074,454
Unallocated:							8,493
							42,082,947
Interest expenses	131,742	1,990,783	–	–	14,544,687		16,667,212
Unallocated:							15,345
							16,682,557

For the year ended 31 December 2015

	Brokerage *HK$*	Loans and financing *HK$*	Investment banking *HK$*	Assets management *HK$*	Proprietary trading *HK$*	Eliminations *HK$*	Consolidated *HK$*
Segment revenue and result							
Revenue from external customers	175,164,396	127,030,188	25,615,792	7,068,319	–	–	334,878,695
Net gains on financial assets at FVTPL	–	–	–	–	29,445,473	–	29,445,473
Inter-segment revenue	–	–	–	5,633,995	–	(5,633,995)	–
Segment revenue and net gains on financial assets at FVTPL	175,164,396	127,030,188	25,615,792	12,702,314	29,445,473	(5,633,995)	364,324,168
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							364,324,168
Segment results	49,578,718	45,420,958	9,300,573	6,886,655	(6,588,246)		104,598,658
Unallocated expenses							(56,529,545)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							48,069,113
Other segmental information included in the measure of segment results							
Depreciation	3,265,121	–	8,265	12,397	–	–	3,285,783
Unallocated:							3,395,620
							6,681,403
Amortisation	132,861	–	167	–	–	–	133,028
Unallocated:							519,316
							652,344
Interest income	2,684,515	127,030,232	3,421	2,526	13,480,135	–	143,200,829
Unallocated:							10,223
							143,211,052
Interest expenses	665,733	60,208,187	–	–	7,798,359	(22,829,107)	45,843,172

For the three months ended 31 March 2015 (unaudited)

	Brokerage *HK$*	**Loans and financing** *HK$*	**Investment banking** *HK$*	**Assets management** *HK$*	**Proprietary trading** *HK$*	**Eliminations** *HK$*	**Consolidated** *HK$*
Segment revenue and result							
Revenue from external customers	20,537,634	9,725,528	1,572,677	939,673	–	–	32,775,512
Net gains on financial assets at FVTPL	–	–	–	–	21,039,498	–	21,039,498
Inter-segment revenue	–	–	–	2,991,359	–	(2,991,359)	–
Segment revenue and net gains on financial assets at FVTPL	20,537,634	9,725,528	1,572,677	3,931,032	21,039,498	(2,991,359)	53,815,010
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							53,815,010
Segment results	6,358,764	3,608,294	720,152	1,846,754	13,583,889		26,117,853
Unallocated expenses							(21,219,348)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							4,898,505
Other segmental information included in the measure of segment results							
Depreciation	765,479	–	2,066	2,846	–	–	770,391
Unallocated:							738,989
							1,509,380
Amortisation	37,220	–	–	–	–	–	37,220
Unallocated:							123,227
							160,447
Interest income	432,314	9,725,528	8	–	8,987,778	–	19,145,628
Unallocated:							281
							19,145,909
Interest expenses	26,318	3,482,901	–	–	4,165,349	(462,995)	7,211,573

For the three months ended 31 March 2016

	Brokerage HK$	Loans and financing HK$	Investment banking HK$	Assets management HK$	Proprietary trading HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	23,915,615	52,932,543	1,420,000	1,498,841	–	–	79,766,999
Inter-segment revenue	–	–	186,750	–	–	(186,750)	–
Segment revenue and net gains on financial assets at FVTPL	23,915,615	52,932,543	1,606,750	1,498,841	–	(186,750)	79,766,999
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							79,766,999
Segment results	2,825,720	21,567,975	(1,331,589)	(422,435)	–		22,639,671
Unallocated expenses							(15,060,960)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							7,578,711
Other segmental information included in the measure of segment results							
Depreciation	951,184	–	2,066	5,461	–	–	958,711
Unallocated:							917,943
							1,876,654
Amortisation	90,083	–	125	–	–	–	90,208
Unallocated:							159,494
							249,702
Interest income	886,478	52,932,543	–	–	–	–	53,819,021
Unallocated:							260
							53,819,281
Interest expenses	237,807	23,867,279	–	–	–	(11,139,342)	12,965,744

Geographical information

Other than the income generated from the proprietary trading business in ISRFIF amounting to approximately HK$43,210,000, HK$28,383,000, HK$20,841,000 and nil for the years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 31 March 2016 respectively, the Group's revenue from external customers are all derived from activities in Hong Kong based on the location of services delivered and the Group's non-current assets excluded financial instruments are all located in Hong Kong by physical location of assets. As a result, no geographical segment information is presented.

Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total revenue from external customers of the Group are as follows:

	THE GROUP			
	Year ended 31 December		**Three months ended 31 March**	
	2014	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$* (unaudited)	*HK$*
Customer A[1]	9,946,871	N/A[3]	5,713,801	N/A[3]
Customer B[2]	8,280,000	N/A[3]	N/A[3]	N/A[3]
Customer C[1]	N/A[3]	N/A[3]	N/A[3]	7,835,963

[1] Revenue from brokerage, loans and financing.

[2] Revenue from investment banking.

[3] The corresponding revenue did not contribute over 10% of the total revenue from external customers of the Group.

No single customer contributes 10% or more to the Group's revenue from external customers for the year ended 31 December 2015.

37. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

The disclosures set out in the table below include financial assets that:

- are offset in the Group's consolidated statements of financial position; or
- are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statements of financial position.

Under the agreement of continuous net settlement between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and respective agreements between the Group and brokers, the Group has a legally enforceable right to set off money obligations receivable and payable with HKSCC and respective brokers on the same settlement date on a net basis. The Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

THE GROUP

As at 31 December 2014

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets						
Accounts receivable arising from the business of dealing in securities	662,030,609	(166,362,647)	495,667,962	(65,938,200)	(352,541,237)	77,188,525

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral pledged	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial liabilities						
Accounts payable arising from the business of dealing in securities	670,865,416	(166,362,647)	504,502,769	(65,938,200)	–	438,564,569

As at 31 December 2015

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets						
Accounts receivable arising from the business of dealing in securities	2,733,264,516	(213,361,684)	2,519,902,832	(108,225,175)	(2,298,428,648)	113,249,009

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial Instruments	Collateral pledged	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial liabilities						
Accounts payable arising from the business of dealing in securities	1,743,700,535	(213,361,684)	1,530,338,851	(108,225,175)	(12,406,003)	1,409,707,673

As at 31 March 2016

	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets						
Accounts receivable arising from the business of dealing in securities	3,201,318,171	(440,925,506)	2,760,392,665	(163,793,765)	(2,263,876,948)	332,721,952

	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial Instruments	Collateral pledged	
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Financial liabilities						
Accounts payable arising from the business of dealing in securities	2,374,853,214	(440,925,506)	1,933,927,708	(163,793,765)	–	1,770,133,943

38. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A wholly owned subsidiary of the Company, CISI Asset Management, serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 "Disclosure of interests in other entities", which are not consolidated in the Financial Information. CISI Asset Management receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in a range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2015 and 31 March 2016 is HK$1,142,267 and HK$273,268 respectively (included in accounts receivable) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 and 31 March 2016 is HK$1,142,267 and HK$273,268 respectively. The net asset value of total asset under management ("AUM") for these funds amounts to approximately HK$328 million and HK$300 million as at 31 December 2015 and 31 March 2016 respectively. The Group did not have any unconsolidated structured entities as at 31 December 2014.

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount mentioned as above.

Financial support

The Group has not provided financial support to any of its unconsolidated structured entities during the Relevant Periods, and has no contractual obligations or current intention of providing financial support in the future.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

39. MAJOR NON-CASH TRANSACTIONS

During the Relevant Periods, the Group has the following material non-cash transactions.

As disclosed in note (b)(iii) under the consolidated statements of changes in equity, during the Relevant Periods, the consultancy services provided by Industrial Securities (Shenzhen) amounting to HK$2,230,760, HK$7,630,462, HK$1,796,100 and HK$1,000,340 for the years ended 31 December 2014 and 2015 and the three months ended 31 March 2015 (unaudited) and 31 March 2016 respectively, is regarded as deemed capital contributed from Industrial Securities (Hong Kong).

(B) DIRECTORS' REMUNERATION

Under the arrangement presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2016, excluding discretionary benefits or bonus or other fringe benefits, is estimated to be approximately HK$4,571,000.

(C) SUBSEQUENT EVENTS

The following significant events of the Group took place subsequent to 31 March 2016:

1. On 26 April 2016, the Company issued 1,485,148,514 ordinary shares of HK$1.01 each with a par value of HK$0.1 each at a cash consideration of HK$1,499,999,999. All new shares issued rank pari passu in all respects with the then existing shares.

2. On 26 April 2016, the Company issued 633,663,362 shares of HK$1.01 each with a par value of HK$0.1 each, credited as fully paid, for cash consideration of HK$639,999,996 to the [**REDACTED**] on 26 April 2016. Details of the introduction of [**REDACTED**] are set out in section headed "Introduction of [**REDACTED**]" in the Document. All new shares issued rank pari passu in all respects with the then existing shares.

3. Subsequent to 31 December 2015, an employee share participation scheme ("ESPS") has been adopted by the Company for the purpose of incentivising the employees of the Group and to align the interest of the management team of the Group with those of the shareholders of the Company. Details of the ESPS are set out in section headed "Employee Share Participation Scheme" in the Document. On 26 April 2016, the Company issued 277,029,703 ordinary shares of HK$1.01 each under the employee share participation scheme at a total cash consideration of HK$279,800,000. All new shares issued rank pari passu in all respects with the then existing shares. The shares issued and allotted pursuant to the ESPS ("ES Shares") are held in a trust. The ES Shares are subject to a lock-up period of twelve months and may be either (i) sold; or (ii) distributed from the trust to the eligible participants under the ESPS, by reference to each eligible participants' proportional initial contribution of the total consideration paid for the ES Shares. The directors of the Company consider that the transactions do not have material financial impact on the Group's financial performance and financial position.

4. Pursuant to the written resolution of the shareholders passed on 27 July 2016, the Company increased its authorised share capital from HK$288,584,158 to HK$2,000,000,000 by the creation of an additional of 17,114,158,421 shares of HK$0.1 each, each ranking pari passu with the shares then in issue in all respects.

   Immediately following the [**REDACTED**], as defined in the Document, being unconditional, 114,158,421 shares will be allotted and issued, credited as fully paid, to persons whose names appear on the register of members of our Company at the close of business on 27 July 2016 in proportion to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued shares.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong