



China Industrial Securities International Financial Group Limited

興證國際金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8407)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”)
OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK
EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of China Industrial Securities International Financial Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	2017 <i>HK\$</i> Unaudited	2016 <i>HK\$</i> Unaudited
Revenue	3	358,380,046	168,815,936
Other income	3	7,822,277	3,028,330
Finance costs		(65,831,965)	(26,878,691)
Commission and fee expenses		(39,709,373)	(22,180,425)
Staff costs	5	(78,886,571)	(52,659,945)
Other operating expenses		(56,677,555)	(43,076,437)
Listing expenses		–	(7,037,726)
Impairment loss on accounts receivable	10	(107,347,146)	–
Other gains or losses	5	52,457,903	(679,472)
Profit before taxation	5	70,207,616	19,331,570
Taxation	6	(10,587,601)	(5,079,695)
Profit for the period		59,620,015	14,251,875
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale financial assets		(1,957,598)	14,174,709
Disposal of available-for-sale financial assets		22,201,045	(1,760,729)
Other comprehensive income for the period		20,243,447	12,413,980
Total comprehensive income for the period attributable to owners of the Company		79,863,462	26,665,855
Earnings per share			
Basic (<i>expressed in HKD</i>)	8	0.0149	0.0101

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		As at 30 June 2017 HK\$ Unaudited	As at 31 December 2016 HK\$ Audited
Non-current assets			
Property and equipment		4,529,931	6,942,085
Intangible assets		2,088,151	2,612,040
Available-for-sale financial assets		3,727,764,020	3,181,350,771
Loans receivable	9	3,000,000	2,000,000
Statutory deposits		14,339,564	8,875,453
Deposits, other receivables and prepayments		16,431,345	7,612,939
		<u>3,768,153,011</u>	<u>3,209,393,288</u>
Current assets			
Accounts receivable	10	4,304,848,643	4,090,591,460
Loans receivable	9	71,900,000	73,400,000
Financial assets at fair value through profit or loss		1,656,007,536	1,803,902,667
Statutory deposits		15,294,930	3,614,360
Deposits, other receivables and prepayments		105,104,338	73,249,491
Bank balances – trust accounts		2,851,292,447	3,171,106,387
Bank balances – general accounts and cash		1,421,521,340	972,889,752
		<u>10,425,969,234</u>	<u>10,188,754,117</u>
Current liabilities			
Financial liabilities at fair value through profit or loss		3,054,000	–
Accounts payable	11	4,198,134,264	4,646,186,272
Accruals and other payables		93,573,524	99,594,969
Amounts due to related parties		676,537	3,928,514
Other liabilities		53,617,055	–
Tax payable		43,681,326	33,267,865
Bank borrowings		4,738,318,748	4,142,518,829
Other borrowings		674,850,769	177,577,860
Notes		93,657,600	–
		<u>9,899,563,823</u>	<u>9,103,074,309</u>

	<i>Note</i>	As at 30 June 2017 HK\$ Unaudited	As at 31 December 2016 HK\$ Audited
Net current assets		<u>526,405,411</u>	<u>1,085,679,808</u>
Non-current liabilities			
Deferred tax liabilities		<u>370,159</u>	<u>748,295</u>
Net assets		<u>4,294,188,263</u>	<u>4,294,324,801</u>
Capital and reserves			
Share capital		400,000,000	400,000,000
Share premium		3,379,895,424	3,379,895,424
Retained earnings		78,134,332	98,514,317
Investments revaluation reserve		(17,861,158)	(38,104,605)
Other reserves		11,577,844	11,577,844
Capital reserve		<u>442,441,821</u>	<u>442,441,821</u>
Equity attributable to owners of the Company		<u>4,294,188,263</u>	<u>4,294,324,801</u>

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 21 July 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 20 October 2016. The address of the Company’s registered office is PO Box 1350, Clifton House, 75, Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is 32/F, Infinitus Plaza, 199 Des Voeux Road, Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of brokerage services, loans and financing services, investment banking, asset management services and proprietary trading. Its immediate holding company is China Industrial Securities International Holdings Limited (“CISI Holdings”) and CISI Holdings is 100% owned by Industrial Securities (Hong Kong) Financial Holdings Limited (“Industrial Securities (Hong Kong)”), the intermediate holding company of the Company. Industrial Securities Company Limited (“Industrial Securities”), a company incorporated in the People’s Republic of China (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.

To rationalise the group structure in preparation for the listing of the Company’s shares on the Stock Exchange, the Group has undergone the group reorganisation (the “Group Reorganisation”), as more fully explained in the section headed “History, Reorganisation and Group Structure – Reorganisation” in the prospectus of the Company dated 30 September 2016 (the “Prospectus”).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2017. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 comprise the Company and its subsidiaries.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The unaudited condensed consolidated financial statements is presented in Hong Kong dollars. Hong Kong dollar is the Company’s functional and the Group’s presentation currency.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	For the six months ended 30 June	
	2017	2016
	HK\$	HK\$
	Unaudited	Unaudited
Brokerage:		
Commission and fee income from securities brokerage	67,219,495	35,597,870
Commission and fee income from futures and options brokerage	7,841,264	9,915,496
Insurance brokerage commission income	1,683,497	1,718,743
Handling and other service fee income	6,189,551	–
	<u>82,933,807</u>	<u>47,232,109</u>
Loans and financing:		
Interest income from margin financing	141,506,725	92,781,570
Interest income from money lending activities	2,428,811	10,347,986
	<u>143,935,536</u>	<u>103,129,556</u>

3. REVENUE AND OTHER INCOME (Continued)

	For the six months ended 30 June	
	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
Investment banking:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	4,936,113	–
– Equity securities	11,748,646	2,497,786
Financial advisory fee income	300,000	50,000
Sponsor fee income	2,500,000	2,500,000
	<u>19,484,759</u>	<u>5,047,786</u>
Asset management:		
Asset management fee income	4,677,019	2,062,588
Investment advisory fee income	1,620,962	968,360
	<u>6,297,981</u>	<u>3,030,948</u>
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	62,814,931	318,660
Dividend income from financial assets at fair value through profit or loss	1,718,781	–
Net realised gain on financial assets at fair value through profit or loss	1,784,539	1,407,009
Net unrealised gain on financial assets at fair value through profit or loss	832,982	60,991
Interest income from available-for-sale financial assets	69,785,642	6,828,148
Net realised (loss) gain on available-for-sale financial assets	(22,201,045)	1,760,729
Net realised loss on derivatives	(12,139,414)	–
Net unrealised gain on derivatives	2,939,547	–
Net unrealised gain on financial liabilities at fair value through profit or loss	192,000	–
	<u>105,727,963</u>	<u>10,375,537</u>
	<u><u>358,380,046</u></u>	<u><u>168,815,936</u></u>

3. REVENUE AND OTHER INCOME (Continued)

Other Income

	For the six months ended 30 June	
	2017 HK\$ Unaudited	2016 HK\$ Unaudited
Interest income from financial institutions	7,723,346	2,519,875
Sundry income	98,931	508,455
	<u>7,822,277</u>	<u>3,028,330</u>

4. 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.

During the period ended 30 June 2017, the Group expanded its business by investing in funds, debt and equity securities. After reorganization of business, the new reportable and operating segments under HKFRS 8 are as follow:

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

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 of debt and equity securities;

Asset management – provision of fund management, discretionary account management (previously named wealth management) and investment advisory services;

Financial products and investments – proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

The accounting policies of the operating segments are the same as the Group’s accounting policies. 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.

4. SEGMENT REPORTING (Continued)

For the six months ended 30 June 2017 (Unaudited)

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Assets management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Revenue from external customers	82,933,807	143,935,536	19,484,759	6,297,981	-	-	252,652,083
Net gains on financial products and investments	-	-	-	-	105,727,963	-	105,727,963
Inter-segment revenue	478,757	-	-	625,000	-	(1,103,757)	-
Segment revenue and net gains on financial products and investments	<u>83,412,564</u>	<u>143,935,536</u>	<u>19,484,759</u>	<u>6,922,981</u>	<u>105,727,963</u>	<u>(1,103,757)</u>	<u>358,380,046</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>358,380,046</u>
Segment results	29,589,259	(16,778,170)	5,809,612	141,443	60,837,677	-	79,599,821
Unallocated expenses							<u>(9,392,205)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>70,207,616</u>
Other segmental information included in the measure of segment results							
Depreciation	<u>527,014</u>	<u>-</u>	<u>770</u>	<u>7,671</u>	<u>-</u>	<u>-</u>	535,455
Unallocated:							<u>2,794,550</u>
							<u>3,330,005</u>
Amortisation	<u>176,277</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	176,527
Unallocated:							<u>347,362</u>
							<u>523,889</u>
Interest income	<u>6,309,949</u>	<u>143,936,007</u>	<u>31,713</u>	<u>615</u>	<u>132,601,296</u>	<u>-</u>	282,879,580
Unallocated:							<u>1,379,875</u>
							<u>284,259,455</u>
Interest expenses	<u>141,182</u>	<u>22,246,336</u>	<u>-</u>	<u>-</u>	<u>71,794,992</u>	<u>(28,350,545)</u>	<u>65,831,965</u>
Dividend income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,718,781</u>	<u>-</u>	<u>1,718,781</u>

4. SEGMENT REPORTING (Continued)

For the six months ended 30 June 2016 (Unaudited)

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Assets management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Revenue from external customers	47,232,109	103,129,556	5,047,786	3,030,948	–	–	158,440,399
Net gains on financial products and investments	–	–	–	–	10,375,537	–	10,375,537
Inter-segment revenue	16,785	–	919,500	–	–	(936,285)	–
Segment revenue and net gains on financial products and investments	<u>47,248,894</u>	<u>103,129,556</u>	<u>5,967,286</u>	<u>3,030,948</u>	<u>10,375,537</u>	<u>(936,285)</u>	<u>168,815,936</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>168,815,936</u>
Segment results	5,553,902	44,089,081	1,143,853	(782,567)	303,409	–	50,307,678
Unallocated expenses							<u>(30,976,108)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>19,331,570</u>
Other segmental information included in the measure of segment results							
Depreciation	<u>1,895,822</u>	<u>–</u>	<u>3,700</u>	<u>10,381</u>	<u>–</u>	<u>–</u>	1,909,903
Unallocated:							<u>1,855,059</u>
							<u>3,764,962</u>
Amortisation	<u>149,055</u>	<u>–</u>	<u>250</u>	<u>–</u>	<u>–</u>	<u>–</u>	149,305
Unallocated:							<u>323,706</u>
							<u>473,011</u>
Interest income	<u>2,291,561</u>	<u>103,129,917</u>	<u>1,448</u>	<u>1,157</u>	<u>7,146,808</u>	<u>–</u>	112,570,891
Unallocated:							<u>225,348</u>
							<u>112,796,239</u>
Interest expenses	<u>476,763</u>	<u>22,756,133</u>	<u>–</u>	<u>–</u>	<u>7,170,085</u>	<u>(3,524,290)</u>	<u>26,878,691</u>

Information about major customers

No single customer contributes 10% or more to the Group's revenue from external customers for both periods.

5. PROFIT BEFORE TAXATION

For the six months ended 30 June	
2017	2016
<i>HK\$</i>	<i>HK\$</i>
Unaudited	Unaudited

Profit before taxation has been arrived at after charging (crediting):

Staff costs (including directors' remuneration)	78,886,571	52,659,945
Salaries and bonuses	77,430,749	51,433,045
Contribution to the MPF Scheme	1,063,357	825,966
Other staff costs	392,465	400,934
Legal and professional fee	2,616,388	356,566
Minimum operating lease payments	15,409,716	10,672,298
Amortisation of intangible assets	523,889	473,011
Depreciation of property and equipment	3,330,005	3,764,962
Maintenance fee	5,389,020	5,850,564
Other gains or losses	(52,457,903)	679,472
Exchange (gain) loss	(50,888,077)	688,922
Other gain	(1,570,910)	–
Loss (gain) on disposal of property and equipment	1,084	(9,450)

6. TAXATION

For the six months ended 30 June	
2017	2016
<i>HK\$</i>	<i>HK\$</i>
Unaudited	Unaudited

Hong Kong Profits Tax:		
Current period	10,965,737	5,608,939
Deferred tax:		
Current period	(378,136)	(529,244)
	10,587,601	5,079,695

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

7. DIVIDEND

For the period ended 30 June 2017, a final dividend of HK\$0.02 per share in respect of the year ended 31 December 2016 (2016: Nil) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$80,000,000 (2016: Nil).

The Board did not declare the payment of interim dividend for the six months ended 30 June 2017 (2016: Nil).

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2017	2016
	HK\$	HK\$
	Unaudited	Unaudited
Earnings (HK\$)		
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	<u>59,620,015</u>	<u>14,251,875</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share assuming that the capitalisation issue described in Appendix IV in the Prospectus had been effective on 1 January 2014	<u>4,000,000,000</u>	<u>1,412,574,080</u>

For each of the six months ended 30 June 2017 (unaudited) and 30 June 2016 (unaudited), there were no potential ordinary shares in issue, thus no diluted earnings per share is presented.

9. LOANS RECEIVABLE

	As at 30 June 2017 <i>HK\$</i> Unaudited	As at 31 December 2016 <i>HK\$</i> Audited
Fixed-rate loans receivable	<u>74,900,000</u>	<u>75,400,000</u>
Analyses as:		
Current	71,900,000	73,400,000
Non-current	<u>3,000,000</u>	<u>2,000,000</u>
	<u>74,900,000</u>	<u>75,400,000</u>

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

		As at 30 June 2017 <i>HK\$</i> Unaudited	As at 31 December 2016 <i>HK\$</i> Audited
	Effective interest rate		
Within one year	(30 June 2017: 3.00% to 8.25% per annum 31 December 2016: 6.00% to 8.25% per annum)	71,900,000	73,400,000
In more than one year but not more than two years	(30 June 2017: 6.00% per annum 31 December 2016: 3.00% per annum)	<u>3,000,000</u>	<u>2,000,000</u>
		<u>74,900,000</u>	<u>75,400,000</u>

Majority of the loans receivable are secured by listed securities from the borrowers and cash balance in their cash clients' accounts.

10. ACCOUNTS RECEIVABLE

	As at 30 June 2017 HK\$ Unaudited	As at 31 December 2016 HK\$ Audited
Accounts receivable arising from the business of dealing in securities:		
Clearing house	21,516,103	100,521,588
Cash clients	73,665,399	17,623,497
Secured margin loans	4,044,756,131	3,715,833,985
Less: impairment allowance	(107,347,146)	–
Brokers	<u>3,346,378</u>	<u>12,507,183</u>
	<u>4,035,936,865</u>	<u>3,846,486,253</u>
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing house	16,813,676	21,400,391
Brokers	<u>106,422,156</u>	<u>148,328,311</u>
	<u>123,235,832</u>	<u>169,728,702</u>
Accounts receivable arising from the business of investment banking	<u>3,831,352</u>	<u>309,472</u>
Accounts receivable arising from the business of asset management	<u>3,375,305</u>	<u>4,092,010</u>
Accounts receivable arising from the business of wealth management:		
Brokers	<u>–</u>	<u>57,041</u>
Accounts receivable arising from the business of financial products and investments:		
Brokers	<u>138,469,289</u>	<u>69,917,982</u>
	<u>4,304,848,643</u>	<u>4,090,591,460</u>

10. ACCOUNTS RECEIVABLE (Continued)

The movements in impairment allowances of accounts receivables are as follows:

	2017	2016
	HK\$	HK\$
	Unaudited	Audited
As at 1 January	–	–
Impairment loss charged to profit or loss during the period/year	<u>107,347,146</u>	–
As at 30 June 2017/ 31 December 2016	<u><u>107,347,146</u></u>	<u><u>–</u></u>

One of the Group's margin loan client pledged ordinary shares of a Hong Kong listed company as collateral of its margin loans. Shares in the said listed company has suspended trading on The Hong Kong Stock Exchange since 8 May 2017, and announced that it is under debt restructuring afterwards. As of the date of this announcement, the margin loan receivable with a carrying amount of HK\$214,694,292 was secured by 2,199,397,460 shares on the said listed company as collateral. The pledged shares value to HK\$923,746,933 based on the closing price on the date of suspension of trading. According to the prudence concept, the Group has made an impairment loss of HK\$107,347,146, which equals to 50% of the carrying amount of HK\$214,694,292, for the period ended 30 June 2017.

Except for secured margin loans, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The normal settlement terms of 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\$14,728,752 (31 December 2016: HK\$5,791,160) as at 30 June 2017, 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\$58,936,647 (31 December 2016: HK\$11,832,337) are neither past due nor impaired as at 30 June 2017 and the directors of the Company are of the opinion that the amounts are recoverable.

10. ACCOUNTS RECEIVABLE (Continued)

For secured margin loans, as at 30 June 2017 and 31 December 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 period/year ended 30 June 2017 and 31 December 2016. As at 30 June 2017, secured margin loans of HK\$3,830,061,839 (31 December 2016: HK\$3,715,833,985) are included in “neither past due nor impaired” category, while the remaining secured margin loans of HK\$214,694,292 (31 December 2016: Nil) are included in “impaired accounts receivable” category. The total market value of securities pledged as collateral in respect of the loans to margin clients were approximately HK\$12,069,069,241 (31 December 2016: HK\$13,752,186,000) as at 30 June 2017. 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. Majority of the outstanding balances 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 appropriate impairment allowance has been made by taking into consideration of subsequent repayment of monies or additional collateral received from clients or their guarantors. 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.

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 investment banking clients, asset management clients and wealth management are determined in accordance with the agreed terms, usually within one year after the service was provided. As at 30 June 2017 and 31 December 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.

Normal settlement terms of accounts receivable from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date. As at 30 June 2017 and 31 December 2016, these accounts receivable are included in “neither past due nor impaired” category.

10. ACCOUNTS RECEIVABLE (Continued)

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

	As at 30 June 2017 HK\$ Unaudited	As at 31 December 2016 <i>HK\$</i> Audited
Past due (accounts receivable from cash clients):		
0 – 30 days	3,978,112	1,353,898
Over 30 days	10,750,640	4,437,262
Accounts receivable which were past due but not impaired	14,728,752	5,791,160
Accounts receivable which were neither past due nor impaired	4,182,772,745	4,084,800,300
Impaired accounts receivable	214,694,292	–
<i>Less: impairment allowance</i>	(107,347,146)	–
Net impaired account receivable	107,347,146	–
	<u>4,304,848,643</u>	<u>4,090,591,460</u>

In view of the nature of business of dealing in securities, futures and options contracts and financial products and investments, 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 investment banking clients and asset management clients net of impairment losses based on date of invoice/contract note at the reporting date:

10. ACCOUNTS RECEIVABLE (Continued)

Investment banking clients

	As at 30 June 2017 <i>HK\$</i> Unaudited	As at 31 December 2016 <i>HK\$</i> Audited
Less than 31 days	778,700	96,000
31 – 60 days	–	100,000
61 – 90 days	2,731,680	100,000
91 – 180 days	307,500	13,472
Over 180 days	13,472	–
	<u>3,831,352</u>	<u>309,472</u>

Asset management clients

	As at 30 June 2017 <i>HK\$</i> Unaudited	As at 31 December 2016 <i>HK\$</i> Audited
Less than 31 days	969,185	908,526
31 – 60 days	715,990	693,274
61 – 90 days	322,566	625,247
91 – 180 days	736,782	663,315
Over 180 days	630,782	1,201,648
	<u>3,375,305</u>	<u>4,092,010</u>

During the period/year ended 30 June 2017 (unaudited) and 31 December 2016 (audited), no margin loans were granted to the directors of the Company and directors of the subsidiaries.

11. ACCOUNTS PAYABLE

	As at 30 June 2017 HK\$ Unaudited	As at 31 December 2016 HK\$ Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	98,836,394	5,860,705
Brokers	262,305,715	2,570,838
Clients	<u>2,648,916,635</u>	<u>3,053,688,931</u>
	<u>3,010,058,744</u>	<u>3,062,120,474</u>
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	<u>433,714,392</u>	<u>485,149,632</u>
Accounts payable arising from the business of financial products and investments:		
Brokers	128,857,204	253,836,244
Secured margin loans from broker	<u>625,503,924</u>	<u>845,079,922</u>
	<u>754,361,128</u>	<u>1,098,916,166</u>
	<u><u>4,198,134,264</u></u>	<u><u>4,646,186,272</u></u>

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.

11. ACCOUNTS PAYABLE (Continued)

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 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.

In respect of accounts payable arising from the business of financial products and investments, accounts payable to brokers represent trades pending settlement which are normally determined in accordance with the agreed terms and which are normally two to five days after the trade date.

For secured margin loans from broker, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at the prevailing market interest rate. Only the amounts in excess of the required margin deposits are repayable on demand. The total market value of debt securities pledged as collateral in respect of the loans was approximately HK\$952,645,122 at 30 June 2017 (31 December 2016: HK\$1,355,444,382).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OVERVIEW

We are pleased to present to the shareholders of the Company that the Group recorded profit after tax of HK\$59.6 million (2016: HK\$14.3 million) for the six months ended 30 June 2017, representing a year-on-year increase of 318.3%, and the total comprehensive income of HK\$79.9 million (2016: HK\$26.7 million), representing a year-on-year increase of 199.5%.

During the period under review, the businesses of brokerage services, loans and financing, investment banking, asset management, financial products and investments of the Group all recorded substantial growth, and the corresponding operating revenue from the aforesaid businesses increased by 75.6%, 39.6%, 286.0%, 107.8% and 919.0% for the six months ended 30 June 2017, respectively.

The substantial increase in such revenue was mainly due to the relatively active securities market sentiment in Hong Kong in the first half of 2017, during which the client assets increased significantly and the Group's capital strength improved substantially as a result of capital increase and completion of the initial public offering in 2016.

ANALYSIS ON PRINCIPAL BUSINESSES

(I) Policy review

2017 is the 20th anniversary of Hong Kong's return to the motherland. The central government has been continuing to devote greater efforts to introduce more policies to support the development of Hong Kong. In March, Li Keqiang, the Premier of the State Council of the PRC, disclosed that the state was preparing to initiate "Bond Connect" between Hong Kong and mainland China in 2017. In May, the People's Bank of China (the central bank) and Hong Kong Monetary Authority issued a joint notice by which the initiative of "Bond Connect" between Hong Kong and mainland China was approved. In particular, both parties agreed to open the "Northbound Connect" at the preliminary stage, and would consider to extend to the "Southbound Connect" in due course in future. The "Bond Connect" will provide new opportunities for the development of Hong Kong bonds market, thereby consolidating and strengthening the position of Hong Kong as an international financial centre.

In June 2017, the government of the Hong Kong Special Administrative Region and the Ministry of Commerce of the RPC signed the "Investment Agreement" and the "Economic and Technological Cooperation Agreement" under the framework of the "Closer Economic Partnership Arrangement" (CEPA). The "Economic and Technological Cooperation Agreement" is related to financial cooperation and other key fields, which lays a good foundation and provides a specific direction for deepening the cooperation between Hong Kong and mainland China in the future.

(II) Macro environment

In the first half of 2017, the global economy continued to grow moderately. The US unemployment rate dropped from 4.8% in January to 4.4% in June, while 4.3% in May hit a 16-year low since 2001. In Eurozone, the economy also continued to grow moderately, and the political risks have gradually reduced subsequent to the general election in Netherlands and France. Chinese economy ran within a reasonable range as evidenced by the 6.9% GDP growth in the first half of 2017. Meanwhile, the country further promoted the supply-side structural reform which obviously showed a stable and positive trend.

Along with the stable recovery of the major global economies, Hong Kong's economy also gradually improved. In the first half of 2017, the interest rate of Hong Kong dollar still remained at a low level. However, the US has entered an interest rate hike cycle, the interest rate of Hong Kong dollar is expected to be increased accordingly under the Linked Exchange Rate System.

(III) Market

In the first half of 2017, the Shanghai SSE Index slightly rose by 2.9%, and the Shenzhen SSE Composite Index dropped by 3.6%. Under the background of improved performance of technology stocks in the US, Dow Jones Index, S & P 500 Index and Nasdaq Index went up by 8.0%, 8.2% and 14.1%, respectively.

The increased US stock market valuation and the weak US dollar induced capital to flow back, hence drove an active securities market in Hong Kong. In the first half of 2017, the Hang Seng Index increased by 17.1% which was one of the best performances among the major global indexes. For the first six months of 2017, the average daily turnover was HK\$76.03 billion, representing an increase of 12.6% from HK\$67.52 billion for the corresponding period of 2016. The funds raised from the initial public offerings amounted to HK\$53.60 billion, representing an increase of 23.1% from HK\$43.55 billion for the corresponding period of 2016. There were 72 newly listed companies, representing an increase of 80.0% from 40 companies for the corresponding period of 2016 (including listed companies transferred from the Growth Enterprise Market to the Main Board).

(IV) Business review

The Group's operating revenue mainly derives from: (i) brokerage; (ii) loans and financing; (iii) investment banking; (iv) asset management; and (v) financial products and investments. Mainly driven by the robust development of the brokerage business, loans and financing business, financial products and investments, the operating revenue of the Group significantly increased by 112.3% to HK\$358.4 million for the period ended 30 June 2017 (2016: HK\$168.8 million).

Brokerage

For the six months ended 30 June 2017, the Group recorded a year-on-year increase of 75.6% in commission and fee income from brokerage service to HK\$82.9 million (2016: HK\$47.2 million).

In the first half of 2017, the increment of Hong Kong stock market was ranked the top among the global stock markets with an increased average daily turnover. For the six months ended 30 June 2017, the Group recorded a satisfactory increase of 88.8% in the revenue of commission and fee from securities brokerage. Such increase was due to the strong performance of Hong Kong stock market, as well as the continuing increase in the number of clients and client assets resulting from the Group's implementation of multi-channel marketing methods.

Loans and financing

The Group's revenue from loans and financing business maintained steady growth. The revenue increased by 39.6% to HK\$143.9 million for the six months ended 30 June 2017 (2016: HK\$103.1 million).

The increase in the revenue from loans and financing business was attributable to the improved lending capacity of the Group due to capital growth, and the expansion of brokerage business and the increase of clients' financing requirements. The Group will continue keeping risks under control and exercising caution when sustaining steady growth in loans and financing business.

Investment banking

For the six months ended 30 June 2017, the Group's revenue from investment banking business significantly increased by 286.0% to HK\$19.5 million (2016: HK\$5.0 million).

In the first half of 2017, the total equity funding in Hong Kong securities market (including proceeds from the initial public offerings) amounted to HK\$168.61 billion, representing an increase of 16.3% from HK\$144.98 billion for the corresponding period of 2016. For the six months ended 30 June 2017, the Group completed 24 placing and underwriting projects, which assisted corporations to raise funds amounting to HK\$966.7 million in the secondary market in Hong Kong.

Meanwhile, in the first half of 2017, especially the first quarter, the size of financing carried out by enterprises from mainland China by the way of overseas bond issue experienced an exponential growth. The Group promptly seized such opportunity after the commencement of the fixed income business and the formation of a team in this regard in the second half of 2016. Up to 30 June 2017, the Group completed five bond issue and underwriting projects.

Asset management

For the six months ended 30 June 2017, the Group's revenue from asset management business increased by 107.8% to HK\$6.3 million (2016: HK\$3.0 million).

As the Federal Reserve System has entered the interest rate hike cycle, and the volatility of the exchange rate of Renminbi has expanded, the needs of institutional clients, corporate clients and individual clients in mainland China for overseas asset allocation also have increased. The Group has consolidated investment capabilities in various asset classes, and introduced the product in single asset class as well as multi-asset class portfolio, to satisfy clients' requirements in respect of risks and return. The Group will further enhance our capability of research and investment management in the future, so as to steadily and gradually develop our asset management platform.

Financial products and investments

For the six months ended 30 June 2017, the Group's revenue from financial products and investments business sharply increased by 919.0% to HK\$105.7 million (2016: HK\$10.4 million).

In the first half of 2017, the Group continued to maintain a steady investment style for our financial products and investments business, in which the investment portfolio mainly comprised fixed income products, including investment grade US dollar debt securities that deliver stable interest income and non-investment grade debt securities with higher return potentials and issued by companies which we have in-depth understanding after applying strict credit selection process. The Group has adopted proper interest rate hedge measures to hedge against risks by purchasing the US treasury bond futures and other related instruments. Meanwhile, the Group captured market opportunities to invest in certain equity products including public funds, private funds and discretionary portfolios, as well as stocks and financial derivatives for hedging purpose.

Financial positions

As at 30 June 2017, the total assets of the Group increased by 5.9% to HK\$14,194.1 million (31 December 2016: HK\$13,398.1 million). As at 30 June 2017, the total liabilities of the Group increased by 8.7% to HK\$9,899.9 million (31 December 2016: HK\$9,103.8 million).

Liquidity, financial resources and capital structures

As at 30 June 2017, the net current assets of the Group decreased by 51.5% to HK\$526.4 million (31 December 2016: HK\$1,085.7 million). As at 30 June 2017, the current ratio of the Group (defined as current assets divided by current liabilities as at the end of the respective financial year/period) was 1.1 times (31 December 2016: 1.1 times).

For the six months ended 30 June 2017, the net cash inflows of the Group were HK\$448.6 million (2016: HK\$1,010.4 million). As at 30 June 2017, the bank balances of the Group were HK\$1,421.5 million (31 December 2016: HK\$972.9 million).

As at 30 June 2017, the Group had bank and other borrowings of HK\$5,413.2 million (31 December 2016: HK\$4,320.1 million), representing an increase of 25.3%. As at 30 June 2017, the notes outstanding of the Group were HK\$93.7 million. As at 30 June 2017, the gearing ratio of the Group (defined as bank and other borrowings and notes outstanding divided by total equity) increased to 128.2% (31 December 2016: 100.6%).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to HK\$4,294.2 million as at 30 June 2017 (31 December 2016: HK\$4,294.3 million).

Prospects and future plan

In the second half of 2017, the global economy will face uncertainties arising from the US macro policy, the progress of Brexit and the geopolitical conflicts. Meanwhile, it is expected that the Federal Reserve Board will conduct balance sheet reduction in the second half of 2017 at the earliest, and the European Central Bank will gradually normalise its monetary policy, both of which may have a big impact on the global economic and financial situation. In addition to facing such external uncertainties, Chinese macro economy should continue to strike a balance between financial deleveraging and steady economic growth, so as to promote the supply-side structural reform.

In the second half of 2017, Hong Kong economy and securities market will also face uncertainties for the impact of external factors. While strengthening compliance and risk control management, the Group will be committed to expanding the base of institutional clients, corporate clients and high-net-worth clients through multi-channel marketing methods; and enhancing the synergistic cooperation among each business line, to provide comprehensive, diverse and customized financial services to customers. The Group will continue to promote the development of each business line in a steady manner, and will enhance the diversity of revenue sources while improving operating revenue. In particular, the Group will strengthen the securities and futures brokerage business; keeping risks under control, continue to develop the financial products and investments business, including continuous facilitation of the businesses of structured product issue and private equity investments; accelerate the development of the asset management business; and promote the corporate finance and institutional sales business.

Use of proceeds

On 20 October 2016, the Group listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. A total of 1,000,000,000 shares were offered under the global offering at an offer price of HK\$1.33 per share. The net proceeds (net of issuance expenses) amounted to HK\$1,288.2 million.

As disclosed in the prospectus, approximately 40% of the net proceeds from listing would be used for expansion of the loans and financing business; approximately 20% would be used for development of the proprietary trading business, primarily for investment in fixed-income assets; approximately 10% would be used for development of the new capital-based intermediary business; approximately 8% would be used for development of the asset management business; approximately 8% would be used for development of the investment banking business; approximately 4% would be used for development of the institutional sales capabilities, including hiring experienced sales personnel; the remaining amount, or approximately 10% would be used for working capital and other general corporate purposes.

As at 30 June 2017, 36.0% or HK\$463.8 million of the proceeds from listing were used for expansion of the loans and financing business; 10.0% or HK\$128.8 million were used for business operation; 20.0% or HK\$257.6 million were used for development of proprietary trading business; 0.54% or HK\$6.9 million were used for development of investment banking business; 0.43% or HK\$5.6 million were used for development of asset management business; 33.0% or HK\$425.5 million were bank deposits. The Group will apply the proceeds to various businesses gradually as planned in accordance with the requirements set out in the prospectus.

Significant acquisition or disposal of subsidiaries and affiliated companies

There were no significant acquisitions or disposals of subsidiaries and affiliated companies by the Group during the six months ended 30 June 2017.

As at 30 June 2017, the Group did not hold any significant investments.

Charges on Group assets

For the six months ended 30 June 2017, the Group's asset pledged was mainly debt securities pledged as collaterals for other borrowings or margin loans from broker.

Employee information

As at 30 June 2017, the Group had 144 full-time employees (30 June 2016: 120 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2017 was HK\$78.9 million (2016: HK\$52.7 million). Such increase was mainly attributable to the growth in staff salaries and bonus due to adjustment of workforce structure and increase in number of employees.

Contingent liabilities

The Group did not have any material contingent liability in the six months ended 30 June 2017 and to the date of this announcement.

Event after the reporting period

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the reporting period.

Risk management

The Group has in place the risk management structure and implemented the compliance and operational manuals, which contain credit policies, operating procedures and other internal control measures for control of exposure to credit, liquidity, market and operational risks during the course of business activities.

Credit risks

The Group has established the risk management committee responsible for reviewing and monitoring the implementation of risk management policies for principal business units, identifying risks, approving trading limit and credit limit, and updating the risk management policies in response to changes;

We have implemented “know-your-client” procedures and credit check to ascertain the background of potential clients. We also perform credit assessment on potential clients especially in our loans and financing business, and require futures brokerage clients and loans and financing clients to provide margin deposit or acceptable collateral (as the case may be) to minimise exposure;

The Group closely monitors the margin ratio and loan-to-value ratio of the loans and financing clients and takes appropriate action to recover or minimise loss where it foresees that the client may default in his or her obligation. For the six months ended 30 June 2017, the Group has made an impairment loss according to the prudence concept. The details are set out in note 10 to the interim financial information. As the relevant listed company was at the restructuring stage, the Group will pay close attention to the progress of the matter and adopt appropriate measures when necessary;

The senior management and head of business units of the Group regularly review the balance sheet, profit and loss accounts and credit granted to clients to identify the risk exposure of the Group, especially during adverse market movements; and we have established credit policy with respect to the trading limit, credit line and credit period granted to brokerage and loans and financing clients, and we review and revise such policy on an ongoing basis; we conduct regular review in respect of outstanding margin loans to assess exposure to credit risks.

Liquidity risks

The Group has in place liquidity risk management system to identify, measure, monitor and control potential liquidity risk and to maintain our liquidity and financial resources requirements as specified under applicable laws and regulations, such as Financial Resources Rules;

The Group has established a multi-tiers authorisation mechanism and internal policies for the management and approval of the use and allocation of capital. We have authorisation limits in place for any commitment or fund outlay, such as procurement, investments, loans, etc., and we assess the impact of those transactions on the capital level;

The Group meets its funding requirements primarily through bank borrowings from multiple banks. We have also adopted stringent liquidity management measures to ensure we satisfy capital requirements under the applicable laws; and

We have established limits and controls on margin loans and money lending loans on aggregate and individual loan basis.

Market risks

The Group has established policy and procedures to monitor and control the price risk in the ordinary and usual course of business;

Our staff with professional qualification and industry experience in the business units discusses and evaluates the underlying market risks prior to engaging in any such new transaction or launching of any such new business;

The Group reviews market risk limits for certain business lines such as the asset management and financial products and investments business to manage risk and periodically review and adjust our market strategies in response to changes in the business performance, risk tolerance levels and variations in market conditions;

In terms of the financial products and investments business, the Group formulates different selection criteria for bonds and other fixed income products, limit the investment in industries and enterprises with excess capacity and negative news, and track and monitor the trends of macro economy and investment concentration ratio to optimise our investment strategies; we diversify the fixed income investment portfolios, limit the size of investment in relation to any single product, client or type of investment and continually track the changes on the operation, credit rating and solvency of the issuers; and

The Group also assesses the spread level, relative investment values, relative yield, shape of yield curve, major risks, degree of liquidity and capability of revenue generation of different types of bonds and control the investment horizon of debt securities investment; the Group monitors investments on a timely basis, including trading positions, unrealised profit or loss, risk exposure and trading activities and establish mechanisms that set pre-determined points to stop profit or loss on an overall basis or on each individual stock.

Foreign currency risks

The Group's exposure to foreign currency risks is primarily related to transactions denominated in a currency other than Hong Kong dollars. The Group's financial products and investments business primarily comprises bond and other fixed income product investment denominated in US dollars. Despite the fact that the Hong Kong dollar is pegged to the US dollar under the Linked Exchange Rate System, the exchange rate of Hong Kong dollar has been fluctuating in the first half of 2017, the Group will closely monitor the exchange rate trend and adopt hedge measures when appropriate. However, the Group does not expect significant foreign exchange risk arising from US dollar denominated monetary items.

Interest rate risks

The interest rate risks of the Group mainly come from fixed-rate loans receivable and fixed-rate debt securities. For debt securities included in financial assets, the fair value measurement is subject to market interest rate. The Group has adopted the US treasury bond futures and other instruments to hedge against interest rate risks.

The Group may also expose to cash flow interest rate risks primarily arising from bank balances, secured margin loans and bank borrowings which carry interest at prevailing market interest rates;

The management of the Group closely monitors exposure related to interest rate risks and ensures it is maintained at an acceptable level. The Group's exposure to cash flow interest rate risks is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from the Group's financial instruments denominated in Hong Kong dollars and US dollars.

Operational risks

The Group has responsible officers in charge of overseeing the day-to-day operations, controlling and monitoring compliance issues and solving dealing problems; they also formulate and update the operational manual for each business function based on regulatory and industrial requirements to standardise our operational procedures and reduce human errors;

The Group sets authorisation hierarchy and procedures for its daily operations, and has surveillance systems to monitor the trading activities of our business units and staff on a real-time basis.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Relationship with the controlling shareholders" and "Connected transactions" in the prospectus of the Company dated 30 September 2016, none of the Directors or the controlling shareholders of the Company nor their respective close associates (as defined in the GEM Listing Rules) had any interest in business that competed or might compete with business of the Group during the six months ended 30 June 2017.

COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2017, save and except for the compliance adviser's agreement entered into between the Company and Haitong International Capital Limited (the "Compliance Adviser") dated 8 June 2016, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2017.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee comprises a non-executive Director and two independent non-executive Directors, namely Mr. Huang Yilin, Ms. Hong Ying and Mr. Tian Li. The chairlady of the Audit Committee is Ms. Hong Ying.

The Group’s unaudited condensed consolidated results for the six months ended 30 June 2017 have been reviewed by the Audit Committee, which was of the opinion that such results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable requirement and that adequate disclosures have been made.

By Order of the Board

China Industrial Securities International Financial Group Limited

Lan Rong

Chairman

Hong Kong, 10 August 2017

As at the date of this announcement, the Board comprises two non-executive Directors, namely Mr. Lan Rong (Chairman) and Mr. Huang Yilin, three executive Directors, namely Mr. Huang Jinguang, Mr. Wang Xiang and Ms. Zeng Yanxia, and three independent non-executive Directors, namely Ms. Hong Ying, Mr. Tian Li and Mr. Qin Shuo.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.xyzq.com.hk).