兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

興證國際金融集團有限公司
China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 8407

Annual Report 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

Contents

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors

Mr. Lan Rong *(Chairman) (resigned on 30 January 2018)*
Mr. Yang Huahui *(Chairman) (appointed on 30 January 2018)*
Mr. Huang Yilin

Executive Directors

Mr. Huang Jinguang *(Chief Executive Officer)*
Mr. Wang Xiang
Ms. Zeng Yanxia

Independent Non-executive Directors

Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

BOARD COMMITTEES

Audit Committee

Ms. Hong Ying *(Chairlady)*
Mr. Huang Yilin
Mr. Tian Li

Remuneration Committee

Mr. Tian Li *(Chairman)*
Mr. Lan Rong *(resigned on 30 January 2018)*
Mr. Yang Huahui *(appointed on 30 January 2018)*
Mr. Qin Shuo

Nomination Committee

Mr. Lan Rong *(Chairman) (resigned on 30 January 2018)*
Mr. Yang Huahui *(Chairman) (appointed on 30 January 2018)*
Mr. Tian Li
Mr. Qin Shuo

COMPANY SECRETARY

Mr. Cho Ka Wai

COMPLIANCE OFFICER

Ms. Zeng Yanxia

AUTHORISED REPRESENTATIVES

Ms. Zeng Yanxia
Mr. Cho Ka Wai

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER

Haitong International Capital Limited

REGISTERED OFFICE

PO Box 1350, Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial Bank Co., Ltd., Hong Kong Branch
Wing Lung Bank Limited
Fubon Bank (Hong Kong) Limited
China Citic Bank International Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
China Everbright Bank Co., Ltd., Hong Kong Branch
Chiyu Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited
China Minsheng Bank Corp., Ltd., Hong Kong Branch

WEBSITE

www.xyzq.com.hk

STOCK CODE

8407

Financial Highlights

RESULTS

	For the year ended 31 December		
	2017	2016	Change
	HK$	HK$	%
Commission and fee income from brokerage services *(note a)*	**182,234,697**	105,344,793	73.0%
Interest income from loans and financing services	**310,521,831**	223,919,007	38.7%
Commission and advisory fee from investment banking services	**123,288,298**	20,995,911	487.2%
Management fee and advisory fee from asset management services	**12,916,407**	9,303,771	38.8%
Income from financial products and investments	**298,762,993**	147,736,631	102.2%
Revenue	**927,724,226**	507,300,113	82.9%
Profit for the year	**152,831,841**	101,119,554	51.1%
Per share			
Basic earnings per share (HK$) *(note b)*	**0.04**	0.04	0.0%
Dividend per share (HK$)	**0.03**	0.02	50.0%
Net assets per share *(note c)*	**1.10**	1.07	2.8%

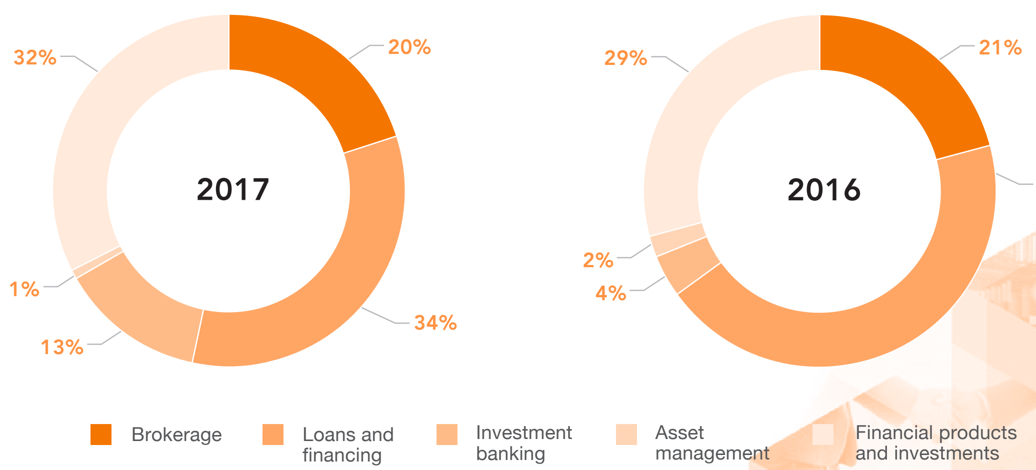
Notes:

a. Such services include securities, futures and options and insurance brokerage services.

b. Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares.

c. Net assets per share is calculated by dividing the net assets at the end of the year by the number of shares in issue as at the end of the year.

Analysis of revenue



Financial Highlights

FINANCIAL CONDITIONS

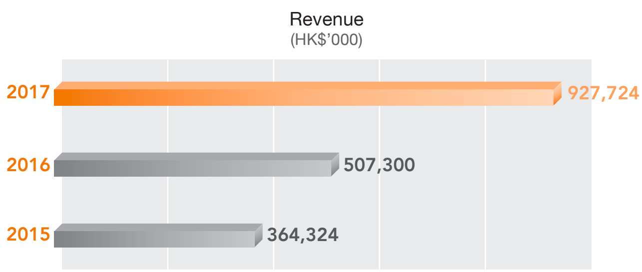
	As at 31 December 2017 HK$	As at 31 December 2016 HK$	Change %
Total assets	**17,053,775,016**	13,398,147,405	27.3%
Equity attributable to owners of the Company	**4,397,265,814**	4,294,324,801	2.4%
Number of issued shares	**4,000,000,000**	4,000,000,000	0.0%
Net profit margin	**16.5%**	19.9%	-17.1%
Return on equity *(note a)*	**3.5%**	3.8%	-7.9%
Return on total assets	**0.9%**	0.8%	12.5%
Gearing ratio *(note b)*	**151.7%**	100.6%	50.8%
Net debt to equity ratio *(note c)*	**124.8%**	77.9%	60.2%

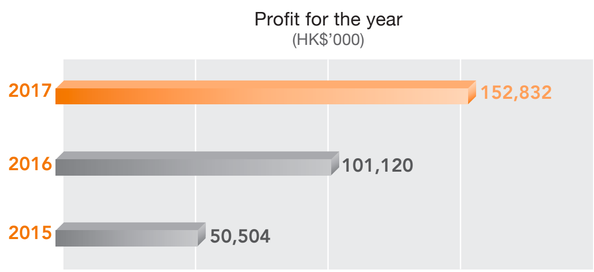
Notes:

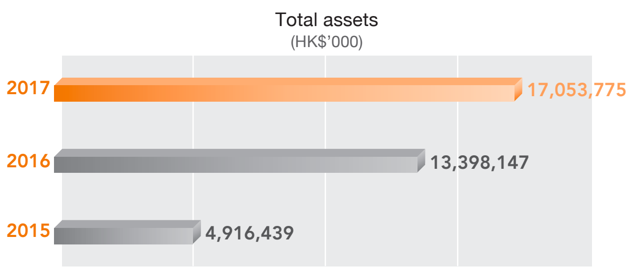
a. Return on equity is calculated by dividing the profit for the year by the weighted average equity attributable to owners of the Company. The weighted average equity attributable to owners of the Company for 2017 was HK$4,379,826,393 (2016: HK$2,675,973,726).

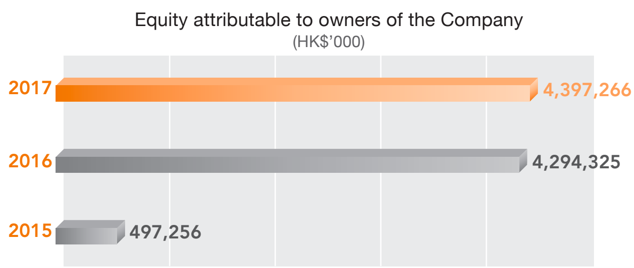
b. Gearing ratio is calculated by dividing the total of the bank borrowings, other borrowings and notes as at the end of the year by the equity attributable to owners of the Company as at the end of the year.

c. Net debt to equity ratio is calculated by dividing the total of the bank borrowings, other borrowings and notes less cash and cash equivalents as at the end of the year by the equity attributable to owners of the Company as at the end of the year.









Chairman's Statement

I am pleased to report to the shareholders that the Group delivered outstanding operating results for the financial year of 2017, and accomplished remarkable progress as compared with 2016. For the year ended 31 December 2017, the Group's operating revenue was HK$927.7 million (2016: HK$507.3 million), representing a year-on-year growth of 82.9%, and its profit after taxation was HK$152.8 million (2016: HK$101.1 million), representing a year-on-year increase of 51.1%.

PERFORMANCE REVIEW

Looking back to 2017, the world's economy improved. Under the global economic recovery, developed economies were concurrently reviving while emerging markets grew rapidly. With fewer uncertainties in the political and economic arenas and macro-economic policies, risk appetite in the international financial market improved significantly, the capital market witnessed active trading and bulk commodities market rebounded steadily.

In the meantime, the supply-side structural reform became the new development philosophy in the Chinese economy, which maintained the momentum of stable and sound development and exceeded the expectation with the economic vitality, impetus and potential released and the stability, coordination and sustainability strengthened. The economy has achieved stable and healthy development. According to the preliminary estimation of the National Bureau of Statistics of China, the GDP of China in 2017 was RMB82,712.2 billion, an increase of 6.9% at constant price compared with 2016.

As at the third quarter of 2017, Hong Kong has recorded the fourth consecutive quarter of above-trend economic expansion, thanks to the vibrant external demand supported by the broadly benign global economic conditions and solid domestic demand growth led by the brisk expansion of private consumption.

Amidst the global economic recovery, improvement of corporate profitability brought valuation recovery. The Hong Kong Hang Seng Index outperformed most markets around the world and rose 36.0% to close 2017 at 29,919. Coupled with the active multichannel marketing initiatives in recent years, this has led to increasing client base and assets under custody of the Group. Institutional sales business progressed rapidly in parallel with the substantial growth of effective institutional clients and assets, as the business model gradually took shape. The fast-growing fixed income business established and strengthened a complete business line covering bond investment, bond issue and underwriting, and structured products issuance. The assets management business advanced and reached another record high in terms of assets under management. The financial products and investments business continued to see steady development, with a good start in the new fund of funds (FOF) product investment business. The business initiatives of the Group garnered market recognition. During the period under review, the Group was awarded the "Annual Star Investment Bank in the Capital Market", "Best Performance Broker" and "Best Growth Performance Brokerage Firm Award".

PROSPECTS

In 2018, the global economy will maintain stable recovery. The World Bank forecasts that the world economy growth will edge up to 3.1% in 2018, after a much stronger-than-expected growth in 2017. Nonetheless, the fluctuation of the world crude oil price, geopolitics in the Korean Peninsula and other regions, unexpected slowdown of major economies or tightening global financing condition, rising protectionism in developed economies, especially the USA, and policy change after Brexit, created uncertainties for the global economic and financial environment in 2018.

Chairman's Statement

The year 2018 marks the first year when the PRC implements the decision of the 19th CPC National Congress and builds a moderately prosperous society in all aspects. Emerging industries are set to grow fast with increasing momentum, while the service industry will continue to develop rapidly. Nevertheless, apart from external factors, the adjustment of the domestic property market, the transitioning in traditional drivers of growth as well as the monetary and financial policies may also bring economic uncertainties.

The external environment is of high relevance to the economy and financial market in Hong Kong. The Group will analyse and monitor relevant policy movements in real time, and manage risks in a prudent manner.

In 2018, favorable policies including the PRC's Belt and Road Initiative, the mutual market access mechanism in the two markets and the reform of the Hong Kong stock market, will deliver huge development opportunities for the securities brokerage industry.

According to a report of PricewaterhouseCoopers (PwC), overseas mergers and acquisitions by PRC companies (excluding Hong Kong, Macao and Taiwan) in countries along the Belt and Road route increased from 22 in 2016 to 135 in 2017. The aggregate transaction amount for mergers and acquisitions surged from approximately US$2.0 billion to US$21.4 billion in 2017.

As Belt and Road Initiative advances, cross-border investment and financing between the PRC and countries along the route will become more active. Being the largest offshore Renminbi center in the world, Hong Kong has legal, talent and geographical advantages, which enable it to provide various services, including investment and financing, professional services, risk management for projects around the world and especially those in the Belt and Road region.

Foreign investors saw the commencement of Bond Connect Northbound Trading in 2017. In the future, the mutual market access mechanism will undergo further optimization and improvement, with the aim of enriching the product offering. The market looks forward to the possible inclusion of exchange-traded funds (ETFs) into the mutual market access scheme and the commencement of Bond Connect Southbound Trading in 2018.

The reform of the Hong Kong stock market will reach a major breakthrough in 2018. The change in the issuance system and commencement of full circulation trial of H shares are expected to attract top enterprises to seek listing in Hong Kong and draw investors' attention to the Hong Kong market.

In the coming year, the Group will seize the golden opportunities brought by national policies and industry trends. The Group will actively research and pursue the internationalisation strategy to take up growth opportunities. Through talent recruitment, we will push forward the development of various business lines and continue to create a more diversified income mix. The Group will strengthen cooperation with the controlling shareholder, namely Industrial Securities, and explore cross-border investment and financing business opportunities. With a focus on high net worth individual clients, corporate clients and institutional clients, the Group will continue to provide customized and one-stop financial services, and create long-term value for shareholders.

Yang Huahui
Chairman

7 March 2018

Management Discussion and Analysis

RESULTS AND OVERVIEW

We are pleased to present to the shareholders of the Company that the Group achieved outstanding results for the year ended 31 December 2017 and recorded an operating revenue of HK$927.7 million (2016: HK$507.3 million) for the year, representing a year-on-year growth of 82.9%. The profit after tax was HK$152.8 million (2016: HK$101.1 million), representing a year-on-year increase of 51.1%.

During the period under review, the businesses of brokerage services, loans and financing, investment banking, asset management, financial products and investments of the Group recorded substantial growth of approximately 73.0%, 38.7%, 487.2%, 38.8% and 102.2% respectively in terms of operating revenue. These were attributable to the increasing client base and assets under custody due to the active sentiment in the Hong Kong securities market and the Group's multichannel marketing initiatives, as well as the more balanced business structure resulting from the effort of the Group.

ANALYSIS ON PRINCIPAL BUSINESSES

(I) Policy review

Following the launch of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the mutual market access mechanism for the mainland and Hong Kong capital markets opened up a new chapter in 2017 as Northbound Trading on Bond Connect commenced on 3 July. In the Policy Address delivered in October, HKSAR's Chief Executive Carrie Lam stated that the SAR government would explore to deepen the mutual market access mechanism with industry players and the related mainland government departments aiming at including more investment products into the mechanism, such as exchange-traded funds (ETFs) and extending the Bond Connect to cover Southbound Trading.

In December, the HKEx announced the listing rules reform to be rolled out in 2018, which allows new listing applicants to adopt weighted voting rights and biotech issuers which are pre-profit or pre-revenue to be listed in Hong Kong. In the same month, as approved by the State Council, the CSRC announced the launch of full circulation trial of H share companies, for the purposes of optimizing the financing environments for the overseas listing of mainland enterprises, and facilitating the in-depth reform of the overseas listing regime.

(II) Market review

In 2017, Trump's U.S. presidential administration, the official start of the Brexit process, the three interest rate hikes by the US Federal Reserve, the tapering of the QE (quantitative easing) program and bond purchase by the European Central Bank, and ongoing geopolitical crisis in the Korean Peninsula brought uncertainties to the global financial market.

However, the Hong Kong stock market was only mildly affected by such uncertainties and came out of "slow bull" with the support of strong fundamentals during the year. The Hang Seng Index rose for 8 consecutive months from January to August with cumulative growth of 27.1%. Following the adjustment in September, the Hang Seng Index picked up in October. It exceeded 30,000 in November, hitting a record high in nearly a decade, before dropping in December. The Index rose 36.0% to close 2017 at 29,919. In 2017, the average daily turnover of the Hong Kong securities market was HK$88.2 billion, which was 31.9% higher than HK$66.9 billion in 2016. Trading volumes of the Shanghai Stock Connect and Shenzhen Stock Connect increased significantly during the year. In 2017, total Northbound turnover and total Southbound turnover reached HK$2,266.0 billion and HK$2,259.0 billion respectively, representing an increase of 193.9% and 170.2% from levels in 2016.

In 2017, there were 174 newly listed companies (including transfers of listing from GEM to Main Board) in Hong Kong, representing a year-on-year increase of 38.1% from 126 in 2016. Comparing with the active secondary market, the funds raised by the initial public offerings amounted to HK$128.207 billion, down 34.4% from HK$195.316 billion in 2016, due to the lack of large listing projects. The total funds raised were HK$579.9 billion for 2017, representing an increase of 18.3% from HK$490.1 billion in 2016.

The buoyant global stock markets were characterized by increased major world indexes in 2017. In terms of the mainland market, the Shanghai SSE Index and Shenzhen SSE Index rose by 6.6% and decreased by 3.5% respectively. In terms of the overseas market, the US Dow Jones Index, Standard & Poor's 500 Index and NASDAQ Index increased by 25.1%, 19.4% and 28.2%, the FTSE UK Index went up 7.6% and the Nikkei 225 Index climbed 19.1% respectively.

(III) Competitive environment

For Chinese mainland background brokers, the Hong Kong securities market presents both challenges and opportunities. As of the end of December 2017, the market capitalisation of Hong Kong's securities market went up 37.9% from the end of 2016 to HK$34 trillion, ranking the seventh in the world and the third in Asia. Meanwhile, participants of the Hong Kong securities market have been increasing recently. As at the end of 2017, 555 licensed corporations were Stock Exchange Participants, representing an increase of 54 participants or 10.8% from the end of 2016.

(IV) Business review

The Group's operating revenue derives from: (i) brokerage services; (ii) loans and financing; (iii) investment banking; (iv) asset management; and (v) financial products and investments.

Brokerage services

For the year ended 31 December 2017, the Group recorded a year-on-year increase of 73.0% in commission and fee income from brokerage services to HK$182.2 million for 2017 (2016: HK$105.3 million).

The higher commission and fee income from brokerage services of the Group was mainly attributable to the growth in securities brokerage business. During the period under review, the Group recorded commission and fee income from securities brokerage service amounted to HK$160.4 million (2016: HK$82.4 million), representing a year-on-year increase of 94.5%.

Management Discussion and Analysis

Moreover, the insurance commission income from the insurance brokerage business of the Group was HK$3.7 million (2016: HK$2.4 million), representing a year-on-year growth of 53.7%.

During the period under review, the Group's assets under custody and client base continued to expand. As of the end of 2017, the total market value of all securities held by the Group's brokerage clients reached a record high and exceeded HK$130 billion. The institutional sales business moved into high gear with a remarkable growth of institutional trading volume. The Group will seek to expand the business teams, explore marketing channels and consolidate and promote the securities and futures brokerage business and institutional sales business, with the view of boosting the client base and assets under custody.

Loans and financing

The loans and financing business achieved steady growth with prudent risk management. For the year ended 31 December 2017, the revenue increased by 38.7% to HK$310.5 million (2016: HK$223.9 million).

In 2017, the Group recruited experienced professionals to review and revise the risk management policies including credit risk management policy, so as to optimize the risk control system. The Group reviewed its own risk control levels on an ongoing basis, timely monitored risk exposure and was continuously enhancing risk prevention capabilities.

Investment banking

For the year ended 31 December 2017, the Group's revenue from investment banking business reached HK$123.3 million (2016: HK$21.0 million), representing a year-on-year growth of 487.2%.

According to Bloomberg, the total issue size of G3 currency bonds in the Asia Pacific region recorded substantial year-on-year growth of over 40% in 2017. Meanwhile, the bond issue and underwriting business of the Group was growing fast. Through the underwriting of senior bonds, subordinated bonds and convertible bonds for clients from the finance, real estate and other industries, the business delivered satisfying results in both public offerings and private placements. Up to 31 December 2017, the Group completed 26 publicly offered or privately placed bond (including preference share) projects, among which 25 were denominated in USD, and helped raised approximately US$1.61 billion for clients. Additionally, the new fixed income structured products issuance business generated arrangement fee income amounting to HK$62.5 million during the year.

The Group made good progress in the equity financing business. For the year ended 31 December 2017, the Group, in the capacity of sponsor, has completed one IPO project and submitted one IPO application. The Group entered into four financial advisory agreements and completed 5 underwriting projects for IPO and 44 placing projects with a total underwritten amount of approximately HK$560.8 million and a total placing amount of approximately HK$1,733.1 million respectively. It is worth mentioning that the Hong Kong public offering of the Riverine China Holdings Limited (1417) IPO project in 2017, in which the Group was the sole sponsor, was well received by investors with oversubscription of approximately 210 times.

Asset management

For the year ended 31 December 2017, the asset management business of the Group recorded a revenue of HK$12.9 million (2016: HK$9.3 million), representing a year-on-year growth of 38.8%.

During the period under review, the Group established and issued six funds. The asset under management (including RMB Qualified Foreign Institutional Investors funds, private funds and discretionary portfolio management) amounted to HK$7.76 billion as at the end of the period.

Looking forward, the Group will continue to enrich the product mix and expand the diverse asset management product line to cover stocks, bonds, currencies, hierarchy and PE (private equity funds), thereby optimizing the product mix. At the same time, the Group will enhance professional team building, gradually strengthen investment management capabilities and promote brand building.

Financial products and investments

For the year ended 31 December 2017, the financial products and investments income of the Group (including interest income) increased significantly to HK$298.8 million (2016: HK$147.7 million), representing a year-on-year growth of 102.2%.

The financial products and investments business of the Group mainly includes USD denominated bonds and other fixed-income investments. In 2017, the Group also seized market opportunities to invest in certain equity products including public funds, private funds and discretionary portfolios as well as securities and financial derivatives for hedging purpose.

In 2018, the Group will closely monitor the interest rate hike of the US Federal Reserve and the fluctuation of the USD exchange rate, and will take appropriate hedging measures timely, under the goal of maintaining the steady growth of investment return. While strictly controlling the equity investment scale of FOF (fund of funds), the Group will take advantages of the upward trend of the Hong Kong stock market to enhance investment return.

FINANCIAL POSITIONS

As at 31 December 2017, the total assets of the Group increased by 27.3% to HK$17,053.8 million (31 December 2016: HK$13,398.1 million). As at 31 December 2017, the total liabilities of the Group increased by 39.0% to HK$12,656.5 million (31 December 2016: HK$9,103.8 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 31 December 2017, the net current assets of the Group increased by 301.9% to HK$4,363.0 million (31 December 2016: HK$1,085.7 million). As at 31 December 2017, the current ratio of the Group (defined as current assets to current liabilities as at the end of the respective financial year) increased slightly to approximately 1.3 times (31 December 2016: 1.1 times).

For the year ended 31 December 2017, the net cash inflows of the Group were HK$208.5 million (31 December 2016: HK$734.9 million). As at 31 December 2017, the bank balances of the Group was HK$1,181.4 million (31 December 2016: HK$972.9 million).

As at 31 December 2017, the Group's bank and other borrowings increased by 53.0% to HK$6,608.5 million (31 December 2016: HK$4,320.1 million).

As at 31 December 2017, the notes outstanding of the Group amounted to HK$62.5 million (details of which are set out in note 32 to the consolidated financial statements, 31 December 2016: nil). As at 31 December 2017, the gearing ratio of the Group (defined as bank and other borrowings and notes outstanding divided by total equity) increased by 50.8% to 151.7% (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$4,397.3 million as at 31 December 2017 (31 December 2016: HK$4,294.3 million).

PROSPECTS AND FUTURE PLAN

Given China's promotion of the Belt and Road Initiative, the expected expansion of the scope of eligible securities under the mutual market access scheme and the upcoming regime reform of the Hong Kong stock market in the coming year, the Group is confident with business development in the future.

The Group will further accelerate cross-border business integration, enhance diversity of income mix and create diverse income resources. The Group will continue to consolidate and promote the securities and futures brokerage business, strive to explore and expand the client base to provide customized and comprehensive services. The Group will also push forward the corporate financing business. The Group will expedite the development of the institutional sales and research business, and give full play to the crucial role of institutional sales in equity placement in corporate finance, product sales and project matching in overseas markets, continue to develop fixed income business, including bond investment and trading business while keeping risks under control. The Group will expand the assets management business, and steadily achieve progress in equity investment business. Furthermore, the Group will carry out system optimization, standards formulation and enhance compliance and risk management effectiveness.

USE OF PROCEEDS

On 20 October 2016, the Group listed on the GEM of the 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 the issuance 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 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 31 December 2017, 39.0% or HK$501.8 million of the proceeds from listing were used for expansion of the loans and financing business; approximately 20.0% or HK$257.6 million were used for development of the proprietary trading business, primarily for investment in fixed-income assets; approximately 8.0% or HK$103.1 million were used for development of the asset management business; approximately 0.5% or HK$6.9 million were used for development of the investment banking business; approximately 4.0% or HK$51.5 million were used for development of the institutional sales capabilities, including hiring experienced sales personnel; approximately 10.0% or HK$128.8 million were used for working capital and other general corporate purposes; 18.5% or HK$238.5 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 for the year ended 31 December 2017.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, the Group's assets pledged were mainly debt securities pledged as collaterals for other borrowings or margin loans from broker. For details please refer to note 40 to the consolidated financial statements.

COMMITMENTS UNDER OPERATING LEASE

Details of commitments under operating leases of the Group are set out in note 35 to the consolidated financial statements.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had 165 full-time employees (31 December 2016: 134 full-time employees), including the Directors. Total remuneration for the year ended 31 December 2017 was HK$163.6 million (2016: HK$129.4 million). Such increase was mainly attributable to the growth in staff salaries and bonus due to adjustment of workforce structure and increase in the number of employees.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 31 December 2017 and to the date of this report.

EVENT AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors of the Company recommended a final dividend of HK$0.03 per share. Further details are set out in the Report of the Board of Directors.

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 year ended 31 December 2017, the Group has made an impairment loss according to the principle of prudence. The details are set out in notes 10 and 22 to the consolidated financial statements.

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, treat, 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 the capital requirements under the applicable laws; and

We have established limits and controls on margin loans and money lending loans on an 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 market conditions;

In terms of the financial products and investments business, the Group formulates different selection criteria for bonds and other fixed income products, limits the investment in industries and enterprises with excess capacity and negative news, and tracks and monitors the trends of macro economy and investment concentration ratio to optimise our investment strategies; we diversify the fixed income investment portfolios, limit the investment in 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 take profit or stop loss on an overall basis or on each individual stock.

Management Discussion and Analysis

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 investment in bonds and other fixed income products denominated in US dollars. The Group continuously monitors the exchange rate trend and adopts hedging measures when appropriate, so as to prevent 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 the 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.

Biographical Details of Directors

NON-EXECUTIVE DIRECTORS

Mr. Yang Huahui ("Mr. Yang"), aged 51, Ph.D in Economics, Senior Economist. He was appointed as a non-executive Director, the chairman of the Board, the chairman of nomination committee and a member of remuneration committee under the Board on 30 January 2018. Mr. Yang has over 27 years of experience in financial services industry.

Mr. Yang is currently the secretary of party committee and the chairman of the board of directors of Industrial Securities Co. Ltd. From January 2010 to October 2017, he served as the secretary of party committee and the chairman of China Industrial International Trust Limited. He was served as the deputy manager of Shanghai Securities Business Department of Industrial Bank Co., Ltd. headquarters, the general manager of Shanghai Business Department of Industrial Securities Company, the member of party committee and the vice president of Shanghai Branch of Industrial Bank Co., Ltd., the secretary of party committee and the president of Hangzhou Branch of Industrial Bank Co., Ltd., and the secretary of party committee and the chairman of Union Trust Limited.

Mr. Yang was appointed as director and chairman of the board of directors of Industrial Securities (Hong Kong) Financial Holdings Limited and China Industrial Securities International Holdings Limited on 30 January 2018 which are the controlling shareholders of the Company (as defined in the GEM Listing Rules).

Mr. Huang Yilin ("Mr. Huang"), aged 49, Ph.D, a member of the Communist Party of China. He was appointed as a non-executive Director on 12 July 2017 and a member of audit committee under the Board. Mr. Huang has over 20 years of experience in the financial services industry.

Mr. Huang is currently the vice president of Industrial Securities Co. Ltd. He was the general manager of R&D Center, the general manager of customers of asset management, the assistant to the president and the general manager of investment bank headquarters, the general manager of fixed income and derivatives product department, and general manager of fixed income business headquarters. He is also the supervisor of China Securities Credit Investment Co., Ltd. Mr. Huang was also appointed as director of Industrial Securities (Hong Kong) Financial Holdings Limited and China Industrial Securities International Holdings Limited on 12 July 2017 which are the controlling shareholders of the Company (as defined in the GEM Listing Rules).

EXECUTIVE DIRECTORS

Mr. Huang Jinguang ("Mr. Huang"), aged 48, was appointed as a Director on 21 July 2015 and re-designated as an executive Director on 1 June 2016, and was further appointed as chief executive officer of the Company on 8 June 2016. Mr. Huang is primarily responsible for the overall management of the operations of our Group, and the day-to-day management of our Group's businesses and operations. Mr. Huang has over 24 years of experience in the financial services industry.

From November 1992 to January 2001, Mr. Huang successively served as a staff member and the deputy general member of the Industrial Securities Group's Nanping operations' division. From January 2001 to November 2001, Mr. Huang served as the general manager of the Industrial Securities Group's Chengdu operations' division. From November 2001 to November 2004, Mr. Huang successively served as the office manager, and then general manager of operations for the brokerage division of the Industrial Securities Group. From November 2004 to October 2007, Mr. Huang served concurrently as general manager of operations for the brokerage division of the Industrial Securities Group and the general manager of the Industrial Securities Group's Hangzhou operations' division. From October 2007 to July 2011, Mr. Huang served successively as, among others, office manager and general manager of the margin trading division of the Industrial Securities Group.

Biographical Details of Directors

Since July 2011, Mr. Huang is a director and the chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited. Currently, Mr. Huang is also a director of various subsidiaries of the Company.

Mr. Huang obtained a master's degree in business administration from Nanyang Technological University, Singapore in May 2010.

Mr. Wang Xiang ("Mr. Wang"), aged 38, was appointed as an executive Director on 1 June 2016 and a deputy chief executive officer of the Company on 8 June 2016. Mr. Wang is primarily responsible for assisting the chief executive officer with the overall administration of business operations of our Group, and participating in the day-to-day management of our Group's businesses and operations. Mr. Wang has over 9 years of experience in the financial services industry.

Prior to joining our Group, Mr. Wang joined the Industrial Securities Group as a research analyst of its securities investment department in March 2008. From August 2010 to December 2011, Mr. Wang served as a manager of the securities investment department of Industrial Securities Group, and from January 2012 to May 2015, Mr. Wang served as the assistant chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited.

From May 2015 to September 2016, Mr. Wang was the deputy chief executive officer of Industrial Securities (Hong Kong) Financial Holdings Limited. Currently, Mr. Wang is also a director of various subsidiaries of the Company.

Mr. Wang obtained a master's degree in accounting and financial management from the University of Hertfordshire, the United Kingdom, in March 2006.

Ms. Zeng Yanxia ("Ms. Zeng"), aged 41, was appointed as an executive Director on 1 June 2016, and was further appointed as a deputy chief executive officer and the chief financial officer of the Company on 8 June 2016. Ms. Zeng is primarily responsible for assisting the chief executive officer with the overall management and supervision of the financial aspects of our Group's operations, and participating in the day-to-day management of our Group's businesses and operations. Ms. Zeng has approximately 11 years of experience in the financial services industry.

Prior to joining our Group, Ms. Zeng joined the accounting and finance department of the Industrial Securities Group in October 2006, following which she served successively as a manager of its internal division, assistant to the general manager, deputy director and deputy general manager. From August 2013 to March 2016, Ms. Zeng served as deputy general manager of the strategy development department of the Industrial Securities Group, and from March 2016 to September 2016, Ms. Zeng was the deputy chief executive officer and CFO of Industrial Securities (Hong Kong) Financial Holdings Limited. Ms. Zeng is also a director of various subsidiaries of the Company.

Ms. Zeng graduated from the Zhongnan University of Finance and Economics (as it was then known as) with a bachelor's degree in certified public accountancy in June 1998. She further obtained a master's degree in finance from Wuhan University in June 2003, and a doctor in accounting from Xiamen University in July 2006. She is also a senior accountant and CPA of the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hong Ying ("Ms. Hong"), aged 67, was appointed as an independent non-executive Director on 27 July 2016. She was appointed as the chairman of audit committee under the Board on 30 September 2016. Ms. Hong has over 37 years of experience in the accounting industry. Ms. Hong is also qualified as a fellow certified public accountant and senior accountant in the PRC and a fellow certified public accountant of CPA Australia, and international associate member of Hong Kong CPA. Currently, Ms. Hong is the chairlady and legal representative of Beijing Fortune C.P.A Limited, a firm engaged in enterprise audit and accounting and consulting services, which is based in the PRC. Ms. Hong is also the chairlady and legal representative of Beijing Fortune International Enterprise Management Consulting Limited, and the chairlady of Fortune International (Asia) Limited.

Ms. Hong completed the Finance CEO programme jointly offered by the Cheung Kong Graduate School of Business, Columbia Business School and London Business School in January 2009, and obtained a certificate in Executive Management from the Golden Gate University, the United States in August 1993.

Ms. Hong was a director of the companies named below. As confirmed by Ms. Hong, as far as she is aware, the dissolution of these companies has not resulted in any liability or obligation being imposed against her.

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Fortune International (Hong Kong) Certified Public Accountants Limited 富勤國際(香港)會計師行有限公司	Hong Kong	None; inactive since incorporation	11 February 2011	Deregistration	Cessation of business
Fortune International Certified Public Accountants (Hong Kong) Limited	Hong Kong	None; inactive since incorporation	11 February 2011	Deregistration	Cessation of business

Mr. Tian Li ("Mr. Tian"), aged 49, was appointed as an independent non-executive Director on 27 July 2016. He was appointed as the chairman of remuneration committee and a member of audit committee and nomination committee under the Board on 30 September 2016. Mr. Tian has over 17 years of experience in the financial services industry. Mr. Tian is a director of Shanghai Tuhong Investment Management Company Limited（上海圖鴻投資管理有限公司）, a company primarily engaged in strategic investment, asset management, and the provision of corporate advisory services, and he also currently serves as the independent board director of the Bank of De Yang and of China Industrial International Trust Limited, respectively. For the avoidance of doubt, China Industrial International Trust Limited is a subsidiary of Industrial Bank Co. Ltd（興業銀行股份有限公司）, which like Industrial Securities, is partially owned by Fujian Provincial Department of Finance（福建省財政廳）. He is also a director of New York Institute of Finance Inc., and a managing director of Shanghai Li Ding Information Technology Development（上海力鼎信息科技發展有限公司）and Shanghai Hui Sheng Equity Investment Management Limited（上海惠盛股權投資管理有限公司）respectively. Mr. Tian's previous experiences include employment with Bank of China International Limited as group executive director and head of financial institutions from January 2002 to October 2004.

Biographical Details of Directors

Mr. Tian graduated with a bachelor's degree in engineering from the People's Liberation Army University of Science and Technology (previously known as the People's Liberation Army Institute of Engineering Corps), the PRC, in July 1990. He then obtained a master's degree in civil engineering from Cleveland State University, the United States, in August 1996, and a further master's degree in business administration from Duke University, the United States, in May 1999.

Mr. Tian was a director of the company named below. As confirmed by Mr. Tian, as far as he is aware, the dissolution of this company has not resulted in any liability or obligation being imposed against him.

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Harvest International (HK) Group Limited 禾成國際有限公司	Hong Kong	None; inactive since incorporation	14 March 2014	Striking Off	Inactive

Mr. Qin Shuo ("Mr. Qin"), aged 49, was appointed as an independent non-executive Director on 27 July 2016. He was appointed as a member of remuneration committee and nomination committee under the Board. Mr. Qin was the chief editor of China Business News（第一財經日報）, from June 2004 to October 2015. Currently, Mr. Qin is a director of Guangzhou Microdream Media Co., Ltd.（廣州市匯志文化傳播股份有限公司）and an independent director of Shenzhen Bosun Institute of Management Science Co. Ltd（深圳市博商管理科學研究院股份有限公司）, a consulting company trading on the National Equities Exchange and Quotations system in the PRC.

Mr. Qin graduated with a bachelor's degree in journalism from Fudan University, the PRC in July 1990, a master's degree in public administration from California State University (Northridge), the United States, in June 2001 and further obtained his doctor in business administration from Sun Yat-sen University, the PRC, in June 2009.

Report of the Board of Directors

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017 (the "Year").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of brokerage services, loans and financing services, investment banking services, asset management services and financial products and investments.

BUSINESS REVIEW

The business review of the Group for the Year is set out in the sections of Management Discussion and Analysis on pages 9 to 17 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the state of affairs of the Group as at that date are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report.

The Board recommended the payment of a final dividend of HK$0.03 per share for the year ended 31 December 2017 to the shareholders whose names appear on the register of members of the Company on 16 May 2018. The final dividend will be payable on or about 6 June 2018.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 63 to 64 and the note 48 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders amounted to approximately HK$135,000,000.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the 5 largest customers of the Group accounted for less than 18% of the Group's revenue from external customers for the Year.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest customers.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for each of the last four financial years is set out on page 152 of this report.

DIRECTORS

The directors of the Company during the Year and up to the date of this report are as follows:

NON-EXECUTIVE DIRECTORS:
Mr. Lan Rong *(Chairman) (resigned on 30 January 2018)*
Mr. Yang Huahui *(Chairman) (appointed on 30 January 2018)*
Ms. Zhuang Yuanfang *(resigned on 12 July 2017)*
Mr. Huang Yilin *(appointed on 12 July 2017)*

EXECUTIVE DIRECTORS:
Mr. Huang Jinguang *(Chief Executive Officer)*
Mr. Wang Xiang
Ms. Zeng Yanxia

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

Pursuant to articles 108(a) and (b) of articles of association of the Company (the "Articles"), Mr. Wang Xiang, Ms. Zeng Yanxia and Mr. Qin Shuo shall retire from office, and being eligible, will offer themselves for re-election as the Directors at the forthcoming annual general meeting ("AGM") of the Company.

Pursuant to article 112 of the Articles, Mr. Yang Huahui and Mr. Huang Yilin shall retire form office and being eligible, will offer themselves for re-election as the Directors at the forthcoming AGM.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for a term of three years and be thereafter continuous unless and until the termination by either party thereto giving no less than three months' prior written notice.

The non-executive Directors and Independent Non-executive Directors are appointed for a term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

DIRECTORS' EMOLUMENTS

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group. Details of the emoluments of Directors are set out in note 12 to the consolidated financial statements of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Long position in ordinary shares of HK$0.1 each of the Company

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage
Lan Rong	Beneficiary of a trust	9,263,389	0.23%
Huang Yilin	Beneficiary of a trust	2,264,384	0.06%
Huang Jinguang	Beneficiary of a trust	9,263,389	0.23%
Wang Xiang	Beneficiary of a trust	8,131,197	0.20%
Zeng Yanxia	Beneficiary of a trust	7,204,858	0.18%

Save as disclosed above, as at the 31 December 2017, none of the Directors or Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors and the Chief Executives are aware, as at 31 December 2017, the following persons/corporations (other than a Director or the chief executive of the Company) had interests or short positions in the Shares and the underlying Shares, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	**Nature of Interest**	**No. of Shares held**	**Approximate percentage of Shareholding**
China Industrial Securities International Holdings Limited	Beneficial owner	2,056,595,644	51.41%
Industrial Securities (Hong Kong) Financial Holdings Limited *(Note 1)*	Interest of controlled corporation	2,056,595,644	51.41%
Industrial Securities Co., Ltd.* *(Note 2)*	Interest of controlled corporation	2,056,595,644	51.41%
Harvest Capital Management Co., Ltd *(Note 3)*	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd. *(Note 3)*	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd. *(Note 3)*	Interest of controlled corporation	293,232,000	7.33%
Intelligence Creation International Limited *(Note 4)*	Settlor of a trust	287,988,473	7.20%
Equity Trustee Limited *(Note 5)*	Trustee	287,988,473	7.20%
Intelligence Creation Value Limited *(Note 6)*	Beneficial owner	287,988,473	7.20%
Hao Kang Financial Holdings (Group) Limited	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan *(Note 7)*	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying *(Note 8)*	Interest of spouse	205,853,089	5.15%

Report of the Board of Directors

Notes:

1. Industrial Securities (Hong Kong) Financial Holdings Limited holds the entire issued share capital of China Industrial Securities International Holdings Limited. Therefore, Industrial Securities (Hong Kong) Financial Holdings Limited is deemed or taken to be interested in all the Shares held by China Industrial Securities International Holdings Limited for the purposes of the SFO.

2. Industrial Securities Co., Ltd.* holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities Co., Ltd.* is deemed or taken to be interested in all the Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.

3. China Credit Trust Co., Ltd holds 40% of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75% of the entire issued share capital of Harvest Capital Management Co., Ltd, Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all our Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.

4. Intelligence Creation International Limited is the settlor of Intelligence Creation Trust.

5. Equity Trustee Limited holds the entire issued share capital of Intelligence Creation Value Limited as the trustee of the Intelligence Creation Trust.

6. Intelligence Creation Value Limited holds the Shares issued and allotted pursuant to the Employee Share Participation which is the trust assets of the Intelligence Creation Trust. For further details of the Intelligence Creation Trust, please refer to the paragraph headed "History, Reorganisation and Group Structure – Employee Share Participation Scheme" in the prospectus of the Company dated 30 September 2016.

7. Chen Jiaquan holds 70% of the total issued share capital of Apex Trade Holdings Limited and is the sole director of Hao Kang Financial Holdings (Group) Limited and therefore is deemed or taken to be interested in all the Shares held by Apex Trade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.

8. Yang Zhiying is the spouse of Chen Jiaquan. Under the SFO, Yang Zhiying is deemed, or is taken to be, interested in all the Shares in which Chen Jiaquan is interested.

Save as disclosed above, as at 31 December 2017, none of the substantial or significant shareholders of the Company or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best knowledge of the Board, at no time during the Year was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Year.

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 period from the Listing Date to the date of this report.

COMPLIANCE ADVISER'S INTERESTS

As at 31 December 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).

MANAGEMENT CONTRACTS

The Board is not aware of any contract during the Year entered into with the management and administration of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The Directors of the Company receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors, as well as the performance of the Group.

The Group regularly reviews and determines the remuneration and compensation packages of the Directors by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

the Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

CONTINUING CONNECTED TRANSACTIONS

On 27 September 2016, the Company and Industrial Securities Consultancy Service (Shenzhen) Company Limited entered into a service agreement (the "Service Agreement") pursuant to which Industrial Securities Consultancy Service (Shenzhen) Company Limited agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC. The major reason for such arrangement is to lower the staff and other operating costs for the Group. The term of the Service Agreement is for three years from 1 January 2016 to 31 December 2018. The proposed cap amounts for the provision of abovementioned services by Industrial Securities Consultancy Service (Shenzhen) Company Limited to the Company is approximately HK$8.2 million, HK$10.2 million and HK$12.1 million for each of the three years ending 31 December 2018, respectively. For the year ended 31 December 2017, the Group paid a consultancy service fee of HK$10,198,537.88 to Industrial Securities Consultancy Service (Shenzhen) Company Limited. In deterring the transactions price and terms, the relevant pricing policy and guideline stated in the prospectus have been complied. China Industrial Securities International Holdings Limited, as the controlling shareholder of the Company, holds a 51.41% interest of the Company. Industrial Securities (Hong Kong) Financial Holdings Limited holds a 100% interest of China Industrial Securities International Holdings Limited. Industrial Securities (Hong Kong) Financial Holdings Limited holds a 100% interest of Industrial Securities Consultancy Service (Shenzhen) Company Limited. Therefore, Industrial Securities (Hong Kong) Financial Holdings Limited is a connected person to the Company and transactions between the Company and the subsidiaries and/or associates of Industrial Securities (Hong Kong) Financial Holdings Limited constitute connected transactions of the Company under the GEM Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions for the year ended 31 December 2017 and confirmed that they have been entered into in the ordinary and usual course of business of the Group on normal commercial terms and according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged the Company's auditor to perform certain procedures in order to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The Company confirms that the signing and execution of the specific agreements under the Continuing Connected Transactions for the year ended 31 December 2017 have been subject to the pricing principles of such continuing connected transactions.

The Company confirms that the related party transactions are not classified as defined in Chapter 20 of the GEM Listing Rules in relation to the Connected Transactions or the Continuing Connected Transactions, as the case may be, and is in accordance with Chapter 20 of the GEM Listing Rules Disclosure requirements.

Details of the related party transactions during the Year are set out in note 43 to the consolidated financial statements.

DEED OF NON-COMPETITION

On 28 September 2016, Industrial Securities Co. Ltd., Industrial Securities (Hong Kong) Financial Holdings Limited and China Industrial Securities International Holdings Limited (the "Controlling Shareholders") entered into a deed of non-competition (the "Deed of Non-Competition") in favour of the Company (for itself and for the benefit of each member of the Group). Pursuant to the Deed of Non-Competition, during the period that the Deed of Non-Competition remains effective, each of the Controlling Shareholders irrevocably and unconditionally undertakes with the Company (for itself and for the benefit of each member of the Group) that it shall not, and shall procure its associates or companies controlled by it (other than members of the Group) not to, directly or indirectly engage, participate in or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group in Hong Kong or any other area in which the Group carries on business, save for the holding of not more than 5% shareholding interests (individually or with its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Controlling Shareholders (individually or with its associates).

During the Year, the Controlling Shareholders have confirmed in writing to the Company of their compliance with the Deed of Non-Competition, and the independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders.

DONATIONS

During the Year, the Group made charitable donations of approximately HK$55,000.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2018.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2017, the transfer books and register of members of the Company will be closed from Monday, 14 May 2018 to Wednesday, 16 May 2018, both days inclusive, during which period no share transfers can be registered. In order to qualify for the entitlement to the proposed final dividend, subject to passing of the ordinary resolution number 2 at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 May 2018.

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 Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the provisions of the Companies Law, each Director, or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, or other officer of the Company. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year in respect of any legal liabilities which may be assumed by the Directors and officers in the execution and discharge of their duties or in relation thereto.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL POLICY

The Group emphasises the importance of energy conservation and environmental protection as part of its corporate culture and encourages its employees to minimise the use of paper by promoting digitalisation of documents and better use of waste paper. The Group has also participated in a carbon reduction program by replacing all traditional fluorescent lamps with energy-saving lamps within the working area. Details of the relevant policies are set out in the Environment, Social and Governance Report on pages 43 to 54 of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, there has been a sufficient public float of the issued Shares as required under the GEM Listing Rules (i.e. at 25% of the issued Shares in public hands) throughout the year ended 31 December 2017 and up to the date of this report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Yang Huahui
Chairman

Hong Kong, 7 March 2018

* For identification purposes only

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high standards of corporate governance in the best interest of the shareholders of the Company (the"Shareholders"). The Company has been making an effort to enhance the corporate governance standard of the Company by reference to the code provisions and recommended best practices set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. During the Year, the Company has applied and complied with all the code provisions set out in the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Composition

As at the date of this report, the Board comprises of eight Directors including two non-executive Directors, three executive Directors, and three independent non-executive Directors.

Non-executive Directors
Mr. Yang Huahui *(Chairman)*
Mr. Huang Yilin

Executive Directors
Mr. Huang Jinguang *(Chief Executive Officer)*
Mr. Wang Xiang
Ms. Zeng Yanxia

Independent non-executive Directors
Ms. Hong Ying
Mr. Tian Li
Mr. Qin Shuo

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "biographical details of directors" of this report.

BOARD MEETINGS

The Board meets regularly at least four times each year, and more frequently as the needs of the business demand, to formulate overall strategy, monitor business development as well as the financial performance of the Group. The Board has delegated certain duties and authorities to the management for the day-to-day management of the Group's operation.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For all other Board meetings, reasonable notices are given. The agenda together with all relevant meeting materials are sent to all Directors at least 3 days before each regular board meetings and at agreed periods for other meetings to enable them to make informed decisions with adequate information. The Board and each Director also have direct and independent access to the management whenever necessary.

All minutes of Board meetings and general meetings are kept by the company secretary and are open for inspection at reasonable time on reasonable notice by any Director. Every Director is entitled to have access to Board papers and related materials and access to the advice and services of the company secretary. In addition, the Company enables the Directors, in discharge of their duties, to seek independent professional advice in appropriate circumstances.

During the Year, the Directors' attendance at the Board meeting and annual general meeting is set out as follows:

	Number of meetings attended/held	
Name	**Board Meetings***	**Annual General Meeting***
Non-executive Directors:		
Mr. Lan Rong *(Chairman) (resigned on 30 January 2018)*	9/9	1/1
Mr. Yang Huahui *(Chairman) (appointed on 30 January 2018)*	N/A	N/A
Ms. Zhuang Yuanfang *(resigned on 12 July 2017)*	4/4	1/1
Mr. Huang Yilin *(appointed on 12 July 2017)*	5/5	N/A
Executive Directors:		
Mr. Huang Jinguang *(Chief Executive Officer)*	9/9	1/1
Mr. Wang Xiang	9/9	1/1
Ms. Zeng Yanxia	9/9	1/1
Independent Non-executive Directors:		
Ms. Hong Ying	9/9	1/1
Mr. Tian Li	9/9	1/1
Mr. Qin Shuo	9/9	1/1

* The denominator represents the number of Board meetings and annual general meeting held during the tenure of each Director in the financial year ended 31 December 2017.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the code provision D.3.1 of the CG Code including:

- develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Policy") which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service. The Board will review such objectives from time to time to ensure their appropriateness and the progress made towards achieving those objectives. The Company will also take into consideration its own specific needs from time to time in determining the optimum composition of the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Lan Rong resigned as a non-executive Director and ceased to be the chairman on 30 January 2018, and Mr. Yang Huahui was appointed as a non-executive Director and the chairman on the same date. Mr. Yang Huahui is currently the chairman and Mr. Huang Jinguang is the chief executive officer. There is a clear division of responsibilities between the chairman and the chief executive officer in that the chairman bears primary responsibility for the effective functioning of the Board, ensuring the establishment of business strategies and sound corporate governance practices of the Group, while the chief executive officer bears executive responsibility for implementing the Board's approved strategies and policies and supervising the Group's day-to-day business operations.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills.

During the Year, a record of the training attended/received by each of the Directors, is set out as follows:

Name	**Type of training**
Non-executive Directors:	
Mr. Lan Rong *(resigned on 30 January 2018)*	A & B
Mr. Yang Huahui *(appointed on 30 January 2018)*	N/A
Ms. Zhuang Yuanfang *(resigned on 12 July 2017)*	A & B
Mr. Huang Yilin *(appointed on 12 July 2017)*	A & B
Executive Directors:	
Mr. Huang Jinguang	A & B
Mr. Wang Xiang	A & B
Ms. Zeng Yanxia	A & B
Independent Non-executive Directors:	
Ms. Hong Ying	A & B
Mr. Tian Li	A & B
Mr. Qin Shuo	A & B

Notes:

A: attending courses/seminars/conferences

B: reading journals/written training materials/updates

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Articles provide that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. In addition, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that each Director shall be subject to retirement at least once every three years. The non-executive Directors and each of the independent non-executive Directors were appointed for a term of three years and subject to retirement by rotation (at least once every three years) and re-election in accordance with the Articles.

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 Year.

REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emolument of the Directors, chief executive and five individuals with highest emoluments are set out in note 12 to the consolidated financial statements.

AUDITOR'S REMUNERATION

During the Year, the Group has engaged its external auditor, Deloitte Touche Tohmatsu. The remuneration paid/payable to the external auditor is set out as follows:

Services rendered	**Fee paid/payable** **HK$**
Audit services	1,464,500
Non-audit services	370,500

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules and the code provisions under the CG Code. The Audit Committee currently comprises a non-executive Director, namely Mr. Huang Yilin, and two independent non-executive Directors, namely Ms. Hong Ying and Mr. Tian Li. The chairlady of the Audit Committee is Ms. Hong Ying.

The primary duties of the Audit Committee include the following:

- to review and supervise financial reporting process;
- to nominate and monitor external auditor; and
- to oversee the risk management and internal control procedures of the Company.

During the Year, the major work performed by the Audit Committee included:

(i) reviewed the Group's annual results and report of 2016, first quarterly results and report of 2017, interim results and report of 2017 and third quarterly results and report of 2017 and made recommendations to the Board for approval;

(ii) reviewed and discussed with the auditor to ensure that the Group's financial statements had been prepared in accordance with the accounting principles;

(iii) made recommendation on the re-appointment of the auditor; and

(iv) reviewed the financial reporting system, risk management and the internal control system of the Group.

During the Year, the members' attendance of the meetings of the Audit Committee is set out as follows:

Name	**Number of meetings of the Audit Committee attended/held***
Ms. Hong Ying *(Chairlady)*	4/4
Ms. Zhuang Yuanfang *(resigned on 12 July 2017)*	2/2
Mr. Huang Yilin *(appointed on 12 July 2017)*	2/2
Mr. Tian Li	4/4

* The denominator represents the number of the Audit Committee meetings held during the tenure of each Director in the financial year ended 31 December 2017.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the GEM Listing Rules and the code provisions under the CG Code. The Remuneration Committee currently comprises one non-executive Director, namely Mr. Yang Huahui, and two independent non-executive Directors, namely Mr. Tian Li and Mr. Qin Shuo. Mr. Tian Li is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include the following:

- to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company; and

- to ensure that none of the Directors determine their own remuneration.

During the Year, the major work performed by the Remuneration Committee included:

(i) reviewed the remuneration packages of the Directors;

(ii) made recommendation to the Board on the service contract of new non-executive Director; and

(iii) made recommendation to the Board on the proposed remuneration of new non-executive Director.

During the Year, the member's attendance of the meetings of the Remuneration Committee is set out as follows:

Name	**Number of meetings of the Remuneration Committee attended/held***
Mr. Tian Li *(Chairman)*	2/2
Mr. Lan Rong *(resigned on 30 January 2018)*	2/2
Mr. Yang Huahui *(appointed on 30 January 2018)*	N/A
Mr. Qin Shuo	2/2

* The denominator represents the number of the Remuneration Committee Meetings held during the tenure of each Director in the financial year ended 31 December 2017.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the GEM Listing Rules and the code provisions under the CG Code. The Nomination Committee currently comprises one non-executive Director, namely Mr. Yang Huahui, and two independent non-executive Directors, namely Mr. Tian Li and Mr. Qin Shuo. Mr. Yang Huahui is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include the following:

- to review the structure, size and composition of the Board annually;
- to identify individuals suitably qualified to become members of the Board;
- to assess the independence of our independent non-executive Directors; and
- to make recommendations to the Board on relevant matters relating to appointments of Directors.

During the Year, the major work performed by the Nomination Committee included:

(i) reviewed the structure, size and composition of the Board;

(ii) assess the independence of the independent non-executive Directors; and

(iii) made recommendation to the Board on appointment of new non-executive Director.

During the Year, the member's attendance of the meetings of the Nomination Committee is set out as follows:

Name	**Number of meetings of the Nomination Committee attended/held***
Mr. Lan Rong *(Chairman) (resigned on 30 January 2018)*	2/2
Mr. Yang Huahui *(Chairman) (appointed on 30 January 2018)*	N/A
Mr. Tian Li	2/2
Mr. Qin Shuo	2/2

* The denominator represents the number of the Nomination Committee Meetings held during the tenure of each Director in the financial year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for reviewing the effectiveness of risk management and internal control systems of the Group. The Board is committed to implementing an effective and sound risk management and internal control systems to safeguard the interest of the Shareholders and the Group's assets. The Board has delegated to the management the implementation of the systems of risk management and internal control and review of all relevant financial, operational, compliance controls and risk management functions within the established framework.

The internal auditor is assigned with the task to perform regular reviews on internal control system of the Group in respect of operational, financial and compliance aspects and will alert the management on the audit review findings or irregularities, if any, and advise them on the implementation of necessary steps and actions to enhance the internal controls of the Group.

The external auditor has been appointed to carry out a review of the implemented system and procedures, including areas covering financial, operational, legal compliance controls and risk management functions in 2017.

During the Year, the Board considered the Group's internal control system as adequate and effective and that the Company has complied with the code provisions of the CG Code.

COMPANY SECRETARY

During the Year, the company secretary of the Company (the "Company Secretary") is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The Company's website (www.xyzq.com.hk) provides an effective communication platform to the public and the Shareholders.

COMMUNICATION WITH SHAREHOLDERS

The AGM provides a useful forum for the Shareholders to exchange views with the Board. The chairman as well as chairlady/chairman of the Audit Committee, Remuneration Committee and Nomination Committee are pleased to answer the enquires raised by the Shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. All the announcements and circulars are published on the Company's website (www.xyzq.com.hk) and on the Stock Exchange's website (www.hkexnews.hk).

CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in constitutional documents of the Company.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue raised at a general meeting, including the election of individual Directors. All resolutions put forward at a general meeting will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for the Shareholders to convene extraordinary general meeting

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM is held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting (the "EGM").

Pursuant to the Articles, the Shareholders, holding at the date of deposit of the written requisition to the Board or the Company Secretary not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, may require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so.

The requisition must state the purposes of the EGM and must be signed by the requisitionists and deposited to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

If a Shareholder wishes to put forward proposals at the AGM/EGM which is to be held, such Shareholder should submit a written notice of the proposal with his/her detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

Procedures for the Shareholders to put their enquiries to the board

The enquiries must be in writing with the detailed contact information of the requisitionists and deposited to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or by email to ir@xyzq.com.hk.

Procedures for the Shareholders to propose a person for election as a director

Pursuant to the Articles, a written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his intention to propose such person for election and also a written notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong provided that the minimum length of the period, during which such notices are given, shall be at least seven days and that the period for lodgment of such notices shall commence on the day after the despatch of the notice of the general meeting of the Company appointed for such election and end no later than seven days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 17.50(2) of the GEM Listing Rules. The procedures for Shareholders to propose a person for election as a Director are posted on the Company's website.

Environmental, Social and Governance Report

To comply with the requirements set in the Appendix 20 Environmental, Social and Governance ("ESG") Reporting Guide of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "ESG Guide"), the Group hereby presents this Environmental, Social and Governance report ("this report") for the year ended 31 December 2017. Mainly focusing on creating customer value, advancing employee value, emphasizing shareholder and investor value, exploring social responsibility's value, and practicing environmental value under the theme of "developing sustainable value".

The Group is principally engaged in the provision of brokerage services, loans and financing services, investment banking, asset management services and proprietary trading. The Group strives to create positive values to shareholders, stakeholders and customers and committed to fulfill the objectives as follows:

Enhancing the sustainable value of stakeholders. The Group attaches great importance to the multi-channel interaction with the stakeholders. Adhering to the core values of "advancing employee value and creating customer value", the Group can meet the various demands of customers through the creation of specialised and diversified products. The Group respects for employee diversity, and develops competitive compensation system and prospective career path and training for employees. The Group is committed to dedicating itself in achieving best interests for shareholders and investors and satisfying the sustainable development. Meanwhile, in order to achieve the harmonious and sustainable development between the Group and society, the Group is concerned with and actively involved in the construction of community livelihood, and considers it as one of the important ways to pay back the society.

Integrating sustainability into business practices. The Group is very concerned about the impact of its operations on the environment, and therefore green office and low carbon policies are actively promoted among the employees to reduce energy consumption, greenhouse gas emissions and air pollutants emissions. In order to achieve a more prominent environmental performance, the Group plans to promote the use of renewable energy and preserves environmental resources through various measurements to achieve its sustainable development.

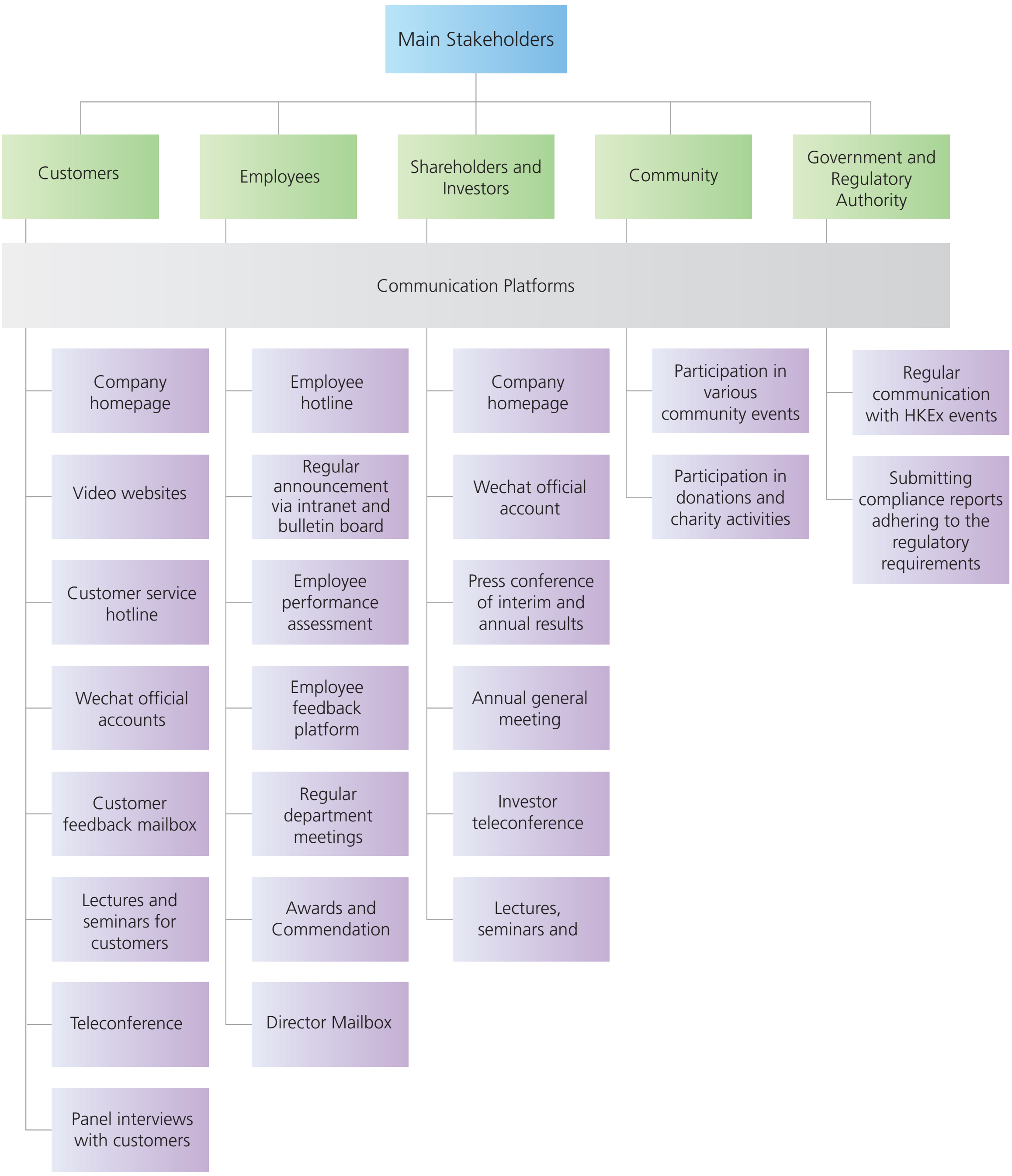
Committing to the development of sustainable finance. As a financial services provider, the Group is eager to provide green financial services for upstream and downstream companies, thus to protect and improve the ecological environment. The Group has been attempting to assess environmental and social factors in various businesses, thereby gradually achieving the coordinated development of the Group, the environment and the society. The Group plans to increase investment and financing projects in environmental and social fields step by step.

Fulfilling social and environmental responsibilities is the vision of the Group. The Group will keep creating greater value for stakeholders, and supporting charities and environmental protection. By participating in the improvement of people's livelihood, the Group can contribute to the sustainable development of society and the environment.

The following sections provide more information about the Group's practices in areas of enhancing the sustainable value of stakeholders, integrating sustainability into business practices and committing to the development of sustainable finance.

INTERACTION WITH STAKEHOLDERS

The Group attaches great importance to the views of stakeholders and applies diversified platforms to interact effectively with different stakeholders. On the basis of management's discussion and analysis, this report takes the stakeholders' critical focus into consideration in response to their expectations of the Group.



CREATE CUSTOMER VALUE

Insisting on the strategic ideology of being "professional, standardised, and market-oriented" and "customer-centric" service awareness, the Group can provide value-added products and professional service to meet the diverse needs of customers. By providing a wide range of products, including the securities business, global futures, investment banking, asset management, insurance brokerage, fixed income and other investment and financing business, the Group is determined to build a sustainable relationship with customers.

Know your customers from multi dimensions

In order to provide the best service to customers and to minimise risks from both customers and the Group's own operations, the Group will take all reasonable steps to confirm the identification, financial situation, investment experience and investment objective of each client before establishing a business relationship. In the context of developing sustainable value, the Group is active to integrate environmental and social factors into the consideration in Know Your Customers and to extend environmental and social factors to all customer-related businesses such as due diligence, customer evaluation, etc. Hence, the Group could gradually achieve the coordinated development among the Group, the environment, and the society.

One-stop Services Meet Diverse Demands of Customers

With the rise of the integration of mainland and Hong Kong's financial markets and the internationalism of Chinese capital in recent years, the Group has built mutual trust with a huge base of Chinese customers and actively opened up global investment market opportunities and approached global customers. As the Group has committed to the diversification of customer sources, in particular, localization, the Group strives to provide comprehensive high-quality services for institutional clients and individual investors.

The Group provides a full range of brokerage services to customers who intend to obtain profits from market volatility. On behalf of clients, the Group can trade listed securities, futures, options, other securities, eligible A-shares of the Shanghai Stock Exchange, and securities and futures in overseas market (including the United States, Taiwan, Singapore, Australia, the United Kingdom and Germany) through the broker with the relevant trading licenses. The Group provides loans and financing services to customers who wish to either obtain maximum benefit through leverage or meet their business needs through external financing. The Group provides investment banking services, including sponsorship for companies seeking initial public offering or listing on the HKEx, underwriting the initial public offering stocks and bonds, selling stocks and bonds in secondary market, and provision of financial advisory services to the client who seeks for external financing strategies. The Group provides asset management products for customers who wish to seek the best balance between risk and opportunities to obtain profits. The Group also provides clients with a private wealth management pension program developed by a third party. A broad portfolio of service offerings enables the Group to accumulate expertise in diverse service areas, and to customise products or services to meet customer needs.

Interact with Customers through Multi Channels

Not only does the Group's professional teams have solid business knowledge and rich industry experience to grasp the latest developments in capital market and financial industry, but the Group can also understand customer needs and expectations. Through the latest information technology, the Group can provide customers with full-business chain and high-quality integrated financial services.

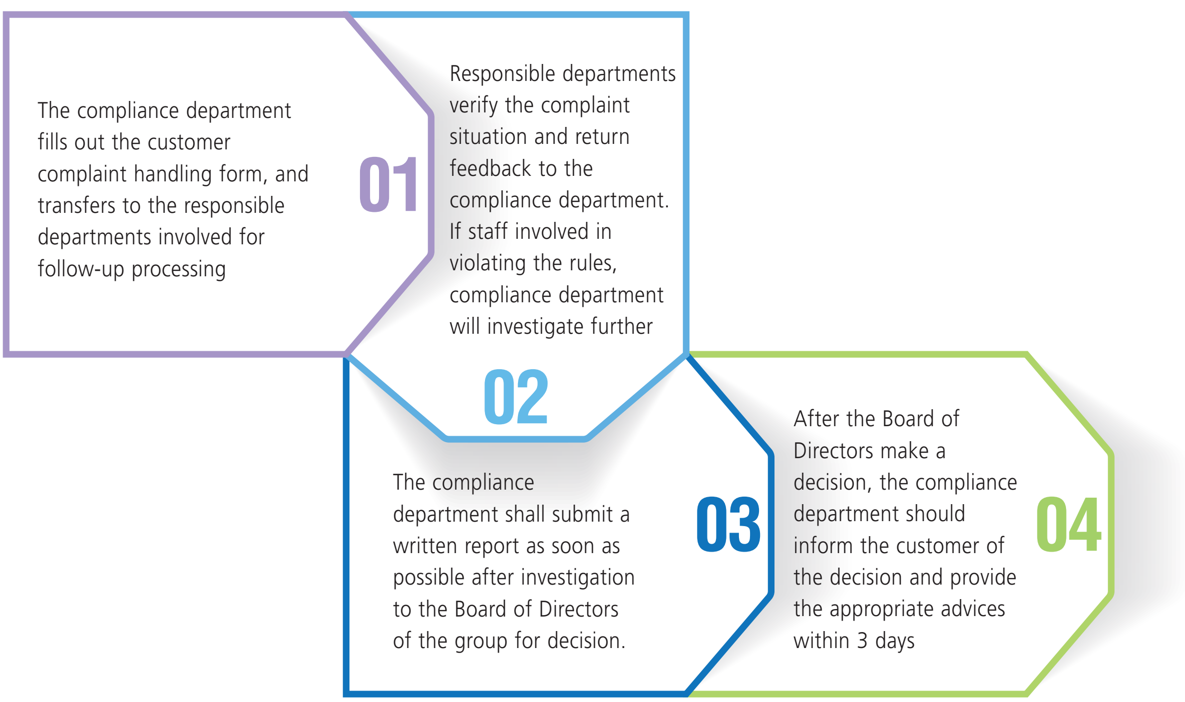
Environmental, Social and Governance Report

The Group provides customers with the latest market research reports, real-time market information, individual stock performance, and appointment booking service to open an account through the WeChat official account. Through the video website, the weekly capital market news is broadcast every week by CHOW Ka Yee, the co-director of the market development department of China Industrial Securities International Brokerage Limited, sharing the topics and insights on macro market and industry. Market information can be shared with customers timely by teleconference, and panel discussions. Customers can have access to information of market fluctuations and industry cycle, combined with the macro environment, during which the Group can discuss or promote important research results with related institutional clients.

Customer Complaints Handling and Improving Mechanism

To improve service standard and to better win the trust of customers, the Group has built a complete complaint management system in compliance with the requirements of the Securities and Futures Commission's regulatory for licensed companies and subsidiaries so as to conduct and strengthen handling customer complaints. The Group has carefully handled any complaints with build up "customer-centricity" to provide a high-standard of service, and follow the complaints handling procedures to ensure all complaints to be handled fairly, timely and promptly. The compliance department head is appointed as the customer complaints officer by the Group to facilitate the customer complaints handling. Through the induction and analysis of customer complaints, the compliance department and the responsible department should bring suggestions forward for business compliance, as well as strengthening and improving the weakness reflected in the customer complaints. Upon completion of the handling of the complaints, the group keeps to follow up the clients to see their feedbacks.

Customers Complaint Handling Procedure



Customer Privacy Protection and Customer Information management

In order to encourage all employees to strive to comply with the highest standards of business ethics when serving customers, and to help the Group enhance self-restraint for lawful operation, the Group has developed a code of ethics – "Compliance Manual". Protecting customer privacy is the foundation and professionalism of being responsible for clients. The Group has always been pursuing strict confidentiality principles, for example, adopting appropriate measures to protect the company's confidential information, disallowing to disclose confidential information to others in any way, and not using confidential information inappropriately. The Group does not disclose any confidential information except to disclose and provide confidential information in accordance with legal and regulatory requirements. To this end, the Group has taken a number of specific measures to warn all employees to pay attention to customer privacy issues when serving clients. Employees, for example, who are employed or were employed by the Group should be responsible for information confidentiality. Moreover, employees should be careful when discussing the confidential information outside the office especially with those who are not authorised to access to. In addition, the documents containing confidential information should be kept in good condition and discarded properly after use.

Additionally, on the basis of the relevant provisions of the Personal Data (Privacy) Ordinance and the "New Guidance on Direct Marketing" issued by the Office of Privacy Commissioner for Personal Data in Hong Kong, the Group has formulated the "Regulations on Direct Marketing Act" to ensure adequate monitoring of customer information used in direct marketing so as to manage customer information effectively. The Group requires that customer consent should be granted before conducting any promotional applications. However, the customer can change the preference on the use of personal information at any time, and the Group shall update customers' latest orders timely. During this reporting period, the Group did not receive any substantiated complaints on loss of customer information.

ADVANCE EMPLOYEES VALUE

The Group regards employees as an important asset, adhering to the principle of being "hard working and creative, diligent and dedicated, honest and self-disciplined, professional and self-governed". The Group values people and insists on advancing employees value. By improving human resources management mechanism and caring about the lives and career needs of employees, the Group strives to provide employees with an optimistic and positive, harmonious and diverse, sustainable and humanised work atmosphere.

Respect for Employees Diversity

In order to standardise the group recruitment management, the Group follows the principle of "professionalism orientation, scientific selection, standardised management and relative avoidance" in the recruitment management. The Group emphasises the specialisation, marketisation, equality and fairness to ensure a scientific, timely and effective selection process, thus attracting all kinds of excellent and suitable personnel to meet the needs for talents of the Group. On the basis of the Code of Practice in Employment on the Ground of Sexual Orientation issued by the Society for Community Organization, the Disability Discrimination Ordinance issued by the Equal Opportunities Commission, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance, and Code of Practice against Discrimination in Employment on the Ground of Sexual Orientation issued by the Hong Kong Government Constitution and Mainland Affairs Bureau and other relevant laws and regulations, the Group has drawn up an "employee handbook" that all employees must follow to ensure that employees, regardless of sex, age, nationality, physical defects, etc., are respected in the Group and have equal opportunities for career development. The Group prohibits employment discrimination and forced labor, and resolutely put an end to the employment of child labor.

Summary of Employee Data	
Gender	
Male	101
Female	64
Age distribution of present employees	
Under 30	39
31 to 40	72
41 to 50	44
Above 50	10
Areas	
Hong Kong	129
Mainland	32
Canada	1
Taiwan	2
US	1
Turnover Rate by Gender	
Male	10.03%
Female	8.03%
Turnover Rate by Age	
Under 30	6.02%
31 to 40	8.70%
41 to 50	2.68%
Above 50	0.67%

The Group had a total of 165 employees (including directors) by 31 December 2017, of whom 61% were male and 39% were female. Employees between 31 to 40 years old are the main force of the Group, accounting for 44%. The Group tends to provide more develop opportunities to the younger generation as there are 39 employees under 30 years old, and only 10 employees are above 50 years old. The Group has pushed on localization process, with 129 local employees, 32 employees in the Mainland, 1 employee in the Canada, 2 employees in Taiwan and 1 employee in US. During the reporting period, the Group did not receive any complaints about discrimination cases.

CAREER DEVELOPMENT AND TRAINING

The Group has committed to providing employees with an ideal career development and training platform, and to constantly improving the performance appraisal system for employees to create a fair development environment. Meanwhile, the Group provides a smooth development on path and upstream development for employees. To foster an interactive work environment and encourage employees to communicate with supervisors about career aspiration and ideas, the Group had conducted a review of employee performance on a regular basis, giving the supervisor a better understanding of the strengths and advantages of each employee and then co-exploring the career development opportunities. The appointment and promotion of an employee are determined by the performance, ability and appraisal result. Employees with outstanding performance could be promoted exceptionally.

The Group has always been concerned about the growth of employees, and attaches great importance to training through investing sufficient resources in training and development to maintain competitiveness of the Group. Each licensed employee intended to take the continuous training course offered by the Hong Kong Securities and Futures Commission can receive a subsidy of HK $500 per supervised category. The annual maximum amount per person is HK $1,000. Additionally, intended to help employees to achieve better work performance in future career, the Group provides a variety of training resources and channels, and builds a sound training system, including new employee orientation, on-the-job training, and manager-enhance training.

SALARY, COMPENSATION, AND BENEFITS

The Group strictly abides by the laws and regulations on labor and human rights in the place of operation. Through the establishment of a sound labor contract system, compensation, welfare system, occupational health management and other related measures, the Group can legitimate rights and interests of employees. According to the salary assessment system, the Group takes employee's development, personal performance, and organizational performance into considerations when assessing employee compensation. In order to attract talented people, the Group provides employees with market-competitive Remuneration package. At the same time, the Group also provides comprehensive welfare protection, including compulsory provident fund schemes, medical insurance, major diseases and accident insurance, and work injury compensation in accordance with the Employees' Compensation Ordinance.

BALANCING WORK AND LIFE

The Group is committed to providing employees with a safe, healthy, and humanised working environment. The Group has two offices with a total area of 21,606 square feet in Infinitus Plaza on Des Voeux Road Central and Three Exchange Square on Connaught Place, Hong Kong. The office area has installed emergency power systems and continuous lighting systems. The exit aisles are equipped with lighting panels "Exit" in both Chinese and English to guide the way out of the workplace when an emergency (especially fire) occurs. Rest area, coffee break area, maternal room and informal meeting area are also provided, so that employees can take a short break during working to ensure more efficient work.

The Group believes that employees will have a better performance when achieving a work-life balance, thus encouraging employees to pursue personal interests and achieve physical and mental health. The Group attaches importance to the family-harmony attitude, and strives to create a working environment that reflects the needs of the family. Provided with expectant maternity leave, maternity leave, marriage leave, and funeral leave, employees can manage their work and life effectively. In order to help employee alleviate the work pressure and achieve self-improvement, the Group organises regular sports and recreational activities for employees and their family members, including employee dinner, badminton, table tennis, golf and other ball games, different interest classes, etc.

EMPHASISE SHAREHOLDERS AND INVESTORS VALUE

To achieve the best interests of shareholders and investors and to meet the Group vision of sustainable development, the Group spares no effort to build a wide range of products and professional services. The Group is determined to help shareholders and investors to understand the market deeply and to become an international integrated financial services company.

Through multi-channel communication, including the latest market research reports on Wechat official account, real-time market information, regular seminars, lectures and forums, the Group can increase the awareness of shareholder and investors in regard of investment. Meanwhile, the group can strengthen the communication between the management and the shareholders through the annual shareholders' meeting and press conferences on the interim and annual performance.

AWARDS

The awards recognized and affirmed the Group's outstanding achievements in operating performance, public image, overseas expansion and overseas brands establishment.

- 2016 "Best Growth Performance Brokerage Firm Award"
- "Best Performance Broker" in 2017 "Golden Central" Awards
- "Annual Star Investment Bank in Capital Market" Award in "2017 China Financial Market Awards"
- "Most Valuable Listed Financial Company" in 2017 "Golden Hong Kong Stocks Award"

EXPLORING SOCIAL RESPONSIBILITY VALUE

The Group has been committed to becoming the main force to promote social development and to actively serve the community. The Group regards building a better society and return to society as an important way to realise the enterprise's value, and thus attaches great importance to and takes the initiative to participate in community events and takes social responsibility. The Group will continue to carry out public welfare activities, and strives to achieve the harmonious and sustainable development between the Group and society.

To Build a Strict and Effective Firewall for Anti-corruption and Anti-money Laundering

The financial industry plays a very important role in supporting social anti-corruption and the Group has also insisted on promoting the construction of honest and uncorrupted environment. The Group requires all employees to maintain proper integrity and moral standards in dealing with matters. All employees of the Group are regulated by the Prevention of Bribery Ordinance, and employees outside Hong Kong must comply with local legislation to prevent bribery. Money laundering not only affects the security and stability of market order and the fairness and justice of the society, but also directly threatens national interests. Therefore, to fulfill the responsibility to combat money laundering and terrorist fund raising and to raise awareness of employees of such activities, the Group implements "Requirements on Anti-Money Laundering/Terrorist Fund Raising". During the reporting period, the Group did not receive any complaints on corruption and money laundering.

Actively Serve the Community and Support public welfare undertakings

In addition to providing high-quality products and services to customers, the Group also engages local community activities and actively participates in various social developments and public welfare projects which focus on groups in need. On 11 July 2017, the volunteers of the Company visited 13 elders at the Chan Au Big Yan Home for the Elderly of Hong Kong Po Leung Kuk and enjoyed tea together. On 17 November 2017, the Company participated in the charity dinner and auction of the United Nations High Commissioner for Refugees, where the auction items were worth approximately HK$50,000. The Group will continue to encourage employees to participate in volunteer work to serve the community and actively establish strategic relationships with non-governmental organizations for further connection with the community.

PRACTICING ENVIRONMENTAL VALUE

The Group is highly concerned about the impact of its own operations on the environment. Green office policy, including energy saving policy and improvement of resource utilization efficiency, plus green financial services are all encouraged. The Group is committed to fulfilling the environmental protection and realizing the harmonious and sustainable co-development between the Group and the environment. On 25 March 2017, the Group actively participated in the "Earth Hour" event organized by the World Wide Fund for Nature. It also undertook to cherish natural resources and contribute to the earth's future, adopt sustainable consumption, reduce wastage, maximize the use of renewable resources and promote green concept.

Environmental Performance and Low Carbon Policy

Scope of GHG Emission	**Emissions (in tonnes of CO_2e)**
Scope 1	10.86
Scope 2	361.95
Scope 3	65.48
Total	438.29

The group has adopted a series of measures to reduce GHG emissions. For example, encourage employees to select direct flights for unavoidable business trips and take an advantage of video conferencing seminars to replace non-essential overseas business trips. The Group plans to purchase carbon emissions and participate in carbon offset program to promote renewable energy and protect environmental resources. During the reporting period, total Green House Gas ("GHG") emissions included emissions of carbon dioxide, methane and nitrous oxide, where methane and nitrous oxide emissions were converted to carbon dioxide emissions based on global warming potential (GWP). Therefore, the total amount of GHG emissions is the total amount of carbon dioxide emissions equivalent, including Scope 1,2 and 3. Scope 1 calculated GHG emissions of the Group's vehicle, generating a total of 10.86 tCO_2e; Scope 2 calculated GHG emissions of electricity use, generating 361.95 tCO_2e; Scope 3 calculated the GHG emissions of waste paper recycled to landfill generating 65.48 tCO_2e. The total amount of GHG emissions produced by the Group as a whole was 438.29 tCO_2e.

Direct Energy Use

Total consumption of unleaded petrol	4,009 L
Consumption intensity of unleaded petrol	2.74 km/L

Indirect Energy Use

Total amount of electricity used	458,164 kWh
Intensity of electricity used	228.25 kWh/m^2

The Group actively promotes green operations and takes a number of measures to conserve electricity: turning off unnecessary lighting during lunch, overtime and non-office hours; posting tips/slogans next to lighting switches and office equipment (e.g. copiers, printers, etc.) to remind employees to turn off lighting fixtures and printers after use. The Group has a total area of 21,606 square feet (approximately 2007.26 square meters) in Infinite Plaza and Exchange Square, and electricity from which is purchased from the Hong Kong Electric Co., Ltd. Hence, there is no potential risk for power supply shortage. Payment for water usage has been included in the management fee to the landlord, thus related consumption data cannot be obtained. Meanwhile, the Group did not have problems on shortage of water supply. During the reporting period, the total electricity consumption was 458,164 kWh, and the energy consumption intensity was 228.25 kWh/m^2 based on the office area, generating 361.95 tCO_2e GHG emissions.

The Group promotes green and low-carbon travel, and encourages employees to take public transport. The company vehicle is a passenger car that is fueled by unleaded petrol in line with Euro 5 emission standards. The Group has been regularly maintained the vehicle for the purpose of avoiding unnecessary fuel consumption and thus air pollutants due to low fuel efficiency accordingly. Tires are inspected and inflated to ensure proper tire pressure. Engine is required to be idle when the vehicle is not in motion. During the reporting period, the driving distance of the vehicle was 11,000 km, and consumed 4,009 L unleaded petrol with intensity of 2.74 km/L based on driving distance, and generated GHG emission of 10.86 tCO_2e.

Non-Hazardous Waste

Total Paper Consumption	13,641 kg

The Group actively promotes paperless office policies to reduce the consumption of paper. Employees, for example, are encouraged to communicate electronically (e.g. via e-mail), to use electronic devices to reduce printing documents and reports such as projector, electronic scanning, electronic faxing, etc. Secondly, double-sided printing and ink-saving mode are set as default for printers. During the reporting period, A total of 13,641 kg of paper has been used for daily office operations, contributing to 65.48 tCO_2e.

PROMOTE GREEN FINANCE

As a financial service institution, the Group not only focuses on the impact of its operations on the environment but also attempts to provide green finance to upstream and downstream companies for protecting and improving the ecological environment. The Group has been actively exploring the green finance sector. In addition to integrating environmental and social factors into the consideration in Know Your Customers, the Group will gradually increase the environmental and social assessment when evaluating investment and financing projects.

Independent Auditor's Report

Deloitte. 德勤

To the shareholders of China Industrial Securities International Financial Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Industrial Securities International Financial Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 60 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Allowance for individual impairment losses on accounts receivable from margin clients arising from the business of dealing in securities and loans receivable	
We identified the allowance for individual impairment losses on accounts receivable from margin clients arising from the business of dealing in securities and loans receivable as a key audit matter due to the significant judgement in determining whether objective evidence of impairment exists and the related estimation uncertainty in assessing the ultimate recovery of these receivables. The gross amounts of accounts receivable from margin clients arising from the business of dealing in securities and loans receivable are HK$4,692,352,438 and HK$112,900,000 respectively as at 31 December 2017. Management assesses the ultimate recovery of these receivables, by considering various factors, including the current creditworthiness, the past collection history of each client or borrower, the realisable value of securities or collaterals from clients or borrowers and their guarantors which are held by the Group and subsequent settlement and additional collaterals received. For further details, refer to the disclosure of key source of estimation uncertainty and disclosure of loans receivable and accounts receivable from margin clients arising from the business of dealing in securities in notes 5, 19 and 22 to the consolidated financial statements respectively.	Our procedures in relation to allowance for individual impairment losses on accounts receivable from margin clients arising from the business of dealing in securities and loans receivable included: • understanding through enquiry with the management the established policies and procedures on credit risk management of the Group, assessing and evaluating the design of controls with respect to identification of impaired accounts receivable from margin clients arising from the business of dealing in securities and loans receivable and testing the key controls on margin lending; • in respect of accounts receivable from margin clients, examining whether the master client agreements contain the right to dispose the securities collateral for settlement for clients' obligations; • in respect of the accounts receivable from margin clients with guarantees provided, examining, on a sample basis, the guarantee agreements for the legal enforceable right to dispose the securities of clients' guarantors for settlement of the respective clients' obligations; • in respect of loans receivable, examining, on a sample basis, loan agreements for the legal enforceable right to dispose the securities collateral for settlement of borrowers' obligations; and • on a sample basis, evaluating management's judgement over the recoverability and creditworthiness of the individual clients and borrowers and assessing whether impairment loss is required against the available information, such as the recoverable amount of securities collateral, past collection history of borrowers, the Group's actual loss experience, subsequent settlement or additional collaterals received from clients or their guarantors.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is MAN KAI SZE.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
7 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
Revenue	6	**927,724,226**	507,300,113
Other income	6	**23,630,339**	7,419,660
Finance costs	8	**(166,817,874)**	(73,251,260)
Commission and fee expenses	9	**(101,172,102)**	(47,536,937)
Staff costs	10	**(163,560,791)**	(129,440,925)
Other operating expenses		**(130,199,762)**	(92,383,061)
Listing expenses		**–**	(22,899,313)
Impairment losses on accounts receivable	10	**(290,394,561)**	–
Other gains or losses	10	**78,875,531**	(15,831,828)
Profit before taxation	10	**178,085,006**	133,376,449
Taxation	11	**(25,253,165)**	(32,256,895)
Profit for the year		**152,831,841**	101,119,554
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**16,043,397**	10,379,590
Disposal of available-for-sale financial assets		**14,065,775**	(48,484,195)
Other comprehensive income (expense) for the year		**30,109,172**	(38,104,605)
Total comprehensive income for the year attributable to owners of the Company		**182,941,013**	63,014,949
Earnings per share			
Basic (expressed in HKD)	14	**0.04**	0.04

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$	2016 HK$
Non-current assets			
Property and equipment	15	**20,583,936**	6,942,085
Intangible assets	18	**1,616,541**	2,612,040
Available-for-sale financial assets	17	**11,423,329**	3,181,350,771
Loans receivable	19	**3,000,000**	2,000,000
Statutory deposits	20	**13,361,721**	8,875,453
Deposits, other receivables and prepayments	21	**11,666,181**	7,612,939
		61,651,708	3,209,393,288
Current assets			
Accounts receivable	22	**5,007,801,784**	4,090,591,460
Loans receivable	19	**109,900,000**	73,400,000
Available-for-sale financial assets	17	**1,872,333,774**	–
Financial assets at fair value through profit or loss	16	**5,106,108,484**	1,803,902,667
Statutory deposits	20	**15,977,608**	3,614,360
Deposits, other receivables and prepayments	21	**302,695,425**	73,249,491
Tax receivable		**5,943,628**	–
Bank balances – trust accounts	24	**3,389,991,675**	3,171,106,387
Bank balances – general accounts and cash	24	**1,181,370,930**	972,889,752
		16,992,123,308	10,188,754,117
Current liabilities			
Accounts payable	26	**4,203,671,739**	4,646,186,272
Accruals and other payables	27	**175,425,279**	99,594,969
Amount due to a related party	23	**2,957,147**	3,928,514
Other liabilities	46	**278,866,324**	–
Tax payable		**40,347,249**	33,267,865
Financial liabilities at fair value through profit or loss	25	**161,958,014**	–
Financial assets sold under repurchase agreements	29	**1,094,855,904**	–
Bank borrowings	30	**5,404,592,664**	4,142,518,829
Other borrowings	31	**1,203,876,281**	177,577,860
Notes	32	**62,549,900**	–
		12,629,100,501	9,103,074,309
Net current assets		**4,363,022,807**	1,085,679,808

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$	2016 HK$
Non-current liabilities			
Accruals and other payables	27	**3,234,406**	–
Financial liabilities at fair value through profit or loss	25	**23,282,776**	–
Deferred tax liabilities	28	**891,519**	748,295
		27,408,701	748,295
Net assets		**4,397,265,814**	4,294,324,801
Capital and reserves			
Share capital	33	**400,000,000**	400,000,000
Share premium		**3,379,895,424**	3,379,895,424
Retained earnings		**171,346,158**	98,514,317
Investments revaluation reserve	34	**(7,995,433)**	(38,104,605)
Other reserve		**11,577,844**	11,577,844
Capital reserve	34	**442,441,821**	442,441,821
Equity attributable to owners of the Company		**4,397,265,814**	4,294,324,801

The consolidated financial statements on page 60 to 151 were approved and authorised for issue by the Board of Directors on 7 March 2018 and are signed on its behalf by:

Huang Jinguang
DIRECTOR

Zeng Yanxia
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to owners of the Company						
	Share capital HK$	**Share premium** HK$	**Capital reserve** HK$ *(Notes a and 34)*	**Investments revaluation reserve** HK$ *(Note 34)*	**Other reserve** HK$ *(Note b)*	**(Accumulated losses) retained earnings** HK$	**Total equity** HK$
At 1 January 2016	1,000	–	491,440,821	–	8,419,401	(2,605,237)	497,255,985
Deemed capital contribution from Industrial Securities (Hong Kong) *(Note b)*	–	–	–	–	3,158,443	–	3,158,443
Issue of shares for acquisition of the Combined Businesses pursuant to the Group Reorganisation *(Notes a(i) and (ii))*	48,999,000	–	(48,999,000)	–	–	–	–
Issue of shares to CISI Holdings and Pre-IPO investors *(Note 33)*	211,881,188	1,928,118,807	–	–	–	–	2,139,999,995
Issue of shares under ESPS *(Note 33)*	27,702,970	252,097,030	–	–	–	–	279,800,000
Capitalisation issue of shares *(Note 33)*	11,415,842	(11,415,842)	–	–	–	–	–
Issue of shares through initial public offering ("IPO") upon listing *(Note 33)*	100,000,000	1,230,000,000	–	–	–	–	1,330,000,000
Transaction costs attributable to issue of shares through IPO upon listing	–	(18,904,571)	–	–	–	–	(18,904,571)
Profit for the year	–	–	–	–	–	101,119,554	101,119,554
Other comprehensive expense for the year	–	–	–	(38,104,605)	–	–	(38,104,605)
Total comprehensive income for the year	–	–	–	(38,104,605)	–	101,119,554	63,014,949
At 31 December 2016	400,000,000	3,379,895,424	442,441,821	(38,104,605)	11,577,844	98,514,317	4,294,324,801
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	(80,000,000)	(80,000,000)
Profit for the year	–	–	–	–	–	152,831,841	152,831,841
Other comprehensive income for the year	–	–	–	30,109,172	–	–	30,109,172
Total comprehensive income for the year	–	–	–	30,109,172	–	152,831,841	182,941,013
At 31 December 2017	400,000,000	3,379,895,424	442,441,821	(7,995,433)	11,577,844	171,346,158	4,397,265,814

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Notes:

(a) (i) As at 1 January 2016, capital reserve represents 489,990,000 consideration shares of HK$0.1 each to be issued by China Industrial Securities International Financial Group Limited (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 consolidated financial statements) pursuant to the Group Reorganisation (as defined in note 2 to the consolidated financial statements) 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 December 2016 and 2017, 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 consolidated financial statements.

(b) Other reserve represents the deemed capital contribution from Industrial Securities (Hong Kong) with regard to consultancy services provided by 興證諮詢服務(深圳)有限公司, a wholly owned subsidiary of Industrial Securities (Hong Kong) ("Industrial Securities (Shenzhen)") to the Company and its subsidiaries (collectively referred to as the "Group") during the period from 1 January 2016 to 26 September 2016. As described in note 2, Industrial Securities (Shenzhen) is not included in the Combined Business. The directors of the Company consider that the consultancy services provided by Industrial Securities (Shenzhen) should be accounted for as operating expenses of the Combined Business for the the period from 1 January 2016 to 26 September 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$3,158,443 was recognised in other reserve for the period from 1 January 2016 to 26 September 2016. Since 27 September 2016, Industrial Securities (Shenzhen) has received service fees from the Company under the service agreement as more fully explained in note 43(c).

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**178,085,006**	133,376,449
Adjustments for:			
Finance costs		**166,817,874**	73,251,260
Depreciation of property and equipment		**8,354,881**	8,054,385
Losses (gains) on disposal of property and equipment, net		**22,300**	(9,450)
Amortisation of intangible assets		**1,052,293**	930,736
Net realised loss (gain) from available-for-sale financial assets		**14,065,775**	(48,484,195)
Impairment losses on accounts receivable		**290,394,561**	–
Fair value changes of interest held by third-party unitholders/ shareholders of consolidated investment funds		**(102,018)**	–
Consultancy services provided by Industrial Securities (Shenzhen)	*2*	**–**	3,158,443
Operating cash flows before movements in working capital		**658,690,672**	170,277,628
(Increase) decrease in statutory deposits		**(16,849,516)**	9,613,438
Increase in deposits, other receivables and prepayments		**(233,499,176)**	(62,893,237)
Increase in financial assets at fair value through profit or loss		**(3,245,173,730)**	(1,803,902,667)
Increase in accounts receivable		**(1,207,604,885)**	(1,407,158,857)
(Increase) decrease in loans receivable		**(37,500,000)**	206,900,000
Increase in bank balances – trust accounts		**(218,885,288)**	(1,515,488,862)
(Decrease) increase in accounts payable		**(486,188,400)**	2,702,995,978
Increase in accruals and other payables		**68,778,736**	39,335,956
Increase in financial liabilities at fair value through profit or loss		**185,240,790**	–
Increase in financial assets sold under repurchase agreements		**1,094,855,904**	–
Decrease in other liabilities		**–**	(873,961)
(Decrease) increase in amount due to a related party		**(971,367)**	3,928,514
Cash used in operations		**(3,439,106,260)**	(1,657,266,070)
Tax paid		**(23,974,185)**	(6,173)
NET CASH USED IN OPERATING ACTIVITIES		**(3,463,080,445)**	(1,657,272,243)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(22,019,032)**	(4,828,855)
Proceeds from disposal of property and equipment		**–**	12,600
Purchase of intangible assets		**(56,794)**	(522,778)
Acquisition of a consolidated structured entity	*44*	**50,481,196**	–
Proceeds from disposal of available-for-sale financial assets		**7,821,693,773**	4,530,961,901
Purchase of available-for-sale financial assets		**(6,508,056,708)**	(7,701,933,082)
Repayment from Industrial Securities (Hong Kong)		**–**	3,804,021
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**1,342,042,435**	(3,172,506,193)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$	2016 HK$
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	41	**(156,531,894)**	(70,277,528)
Bank borrowings raised	41	**41,754,216,261**	12,487,439,182
Repayments of bank borrowings	41	**(40,492,142,426)**	(10,760,988,819)
Other borrowings raised	41	**1,203,876,281**	177,577,860
Repayments of other borrowings	41	**(177,577,860)**	–
Proceeds from issue of notes	41	**93,813,600**	–
Redemption of notes	41	**(31,263,700)**	–
Proceeds from issue of new shares		**–**	3,749,799,995
Expenses of issue of new shares		**–**	(18,904,571)
Dividends paid		**(80,000,000)**	–
Contributions from third-party unitholders/shareholders of consolidated investment funds	41	**223,780,377**	–
Withdrawals from third-party unitholders/shareholders of consolidated investment funds	41	**(8,651,451)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**2,329,519,188**	5,564,646,119
NET INCREASE IN CASH AND CASH EQUIVALENTS		**208,481,178**	734,867,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**972,889,752**	238,022,069
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,181,370,930**	972,889,752
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY			
Bank balances – general accounts and cash	24	**1,181,370,930**	972,889,752
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE			
Interest received		**560,346,113**	252,847,231
Dividend received		**3,164,138**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 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.

The shares of the Company have been listed in the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 October 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are 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 CONSOLIDATED FINANCIAL STATEMENTS

Under 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"), to rationalise the group structure in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), 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 listing entity on the Stock Exchange.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(d) On 18 December 2015, Industrial Securities (Hong Kong), CISI Holdings and the Company entered into a 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 China Industrial Securities International Brokerage Limited ("CISI Brokerage"), China Industrial Securities International Asset Management Limited ("CISI Asset Management"), China Industrial Securities International Futures Limited ("CISI Futures"), China Industrial Securities International Capital Limited ("CISI Capital"), China Industrial Securities International Finance Limited ("CISI Finance"), China Industrial Securities International Investment Limited ("CISI Investment") and China Industrial Securities International Wealth Management Limited ("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 year ended 31 December 2015 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 year ended 31 December 2015, or since the respective date of incorporation, where this is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2015 has been prepared to present the assets and liabilities of the Combined Businesses as if the current group structure had been in existence as at that date taking into account the respective date of incorporation, where applicable.

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

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 period from 1 January 2016 to 26 September 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$3,158,443 was recognised in other reserve for the period from 1 January 2016 to 26 September 2016. Since 27 September 2016, Industrial Securities (Shenzhen) has received service fees from the Company under the service agreement as more fully explained in note 43(c).

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 41. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 41, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

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

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

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

[4] Effective for annual periods beginning on or after 1 January 2021.

Except for the impact mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 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 fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at 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 ("FVTPL"), 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 Financial Instruments: Recognition and Measurement, 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Loans receivable and accounts receivable carried at amortised cost as disclosed in notes 19 and 22 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Debt instruments and unlisted investment fund classified as available-for-sale ("AFS") financial assets carried at fair value as disclosed in note 17: these investments do not meet the criteria to be classified either as at FVTOCI or at amortised cost and will have to be reclassified to financial assets at FVTPL. Related net fair value loss of HK$7,995,433 will have to be transferred from the investments revaluation reserve to retained earnings on 1 January 2018.

- Unlisted structured products issued by the Group designated as at FVTPL as disclosed in note 25: these financial liabilities qualified for designation as measured at FVTPL under HKFRS 9, however, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment under which the entire change in fair value of the financial liabilities is recognised in profit or loss. The change in fair value attributed to a change in credit risk of these financial liabilities is not significant during the current year and does not have significant impact in other comprehensive income were HKFRS 9 applied.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on secured margin loans. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and likely increase the deferred tax assets at 1 January 2018.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group provides various types of financial services. Revenue under the scope of HKFRS 15 comprises primarily commission income arising from broking business of securities, futures and option contracts dealing and insurance brokerage business, corporate advisory and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee, arrangement fee and commission income arising from placing, underwriting and sub-underwriting.

The directors intend to use the modified approach of transition to HKFRS 15. Under the modified approach, the Group can apply the standard only from the date of initial application (i.e. 1 January 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has assessed the impact of HKFRS 15 and expects that application of the standard will have no significant impact, when applied, on the Group's consolidated financial statements. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$63,773,278 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have 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 consolidated financial statements 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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 statement of financial position, if any.

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the Combined businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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".

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(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) Commission income arising from insurance brokerage business 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) Corporate advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income and arrangement 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) Realised profits or losses from AFS financial assets and financial assets at FVTPL are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments (see the accounting policies below);

(vi) 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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which the arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, 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 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at FVTPL, AFS financial assets 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.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading (ii) it is designated as at FVTPL. 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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 excludes 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 39.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equities and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 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 financial assets, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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 to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)
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.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 at amortised cost
Financial liabilities (including amount due to a related party, accounts payable, bank borrowings, other borrowings, notes, other liabilities 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

- on initial recognition it is a 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured 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 excludes any interest paid on the financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "financial assets at FVTPL" and "AFS financial assets". Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements" in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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 statement 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 statement 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 consolidated financial statements 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, which are described in note 4, 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 and loans 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, the realisable value of securities or collaterals from clients or borrowers and their guarantors which are held by the Group and subsequent settlement or additional collaterals received, 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 19 and 22.

Management uses estimates based on realisable value of securities or collaterals from clients or borrowers and their guarantors which are held by the Group, 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. As at 31 December 2017, the carrying amount of accounts receivable and loans receivable are HK$5,007,801,784 (net of impairment allowance of HK$290,394,561) and HK$112,900,000 respectively (2016: carrying amount of HK$4,090,591,460 and HK$75,400,000 respectively).

Income taxes

Due to the unpredictability of future profit streams, no deferred tax asset has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$88,364,000 as at 31 December 2017 (2016: HK$42,901,000). 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 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	2017 HK$	2016 HK$
Brokerage:		
Commission and fee income from securities brokerage	**160,360,628**	82,444,968
Commission and fee income from futures and options brokerage	**18,134,536**	20,466,463
Commission income from insurance brokerage	**3,739,533**	2,433,362
	182,234,697	105,344,793
Loans and financing:		
Interest income from margin financing	**304,576,242**	207,896,302
Interest income from money lending activities	**5,945,589**	16,022,705
	310,521,831	223,919,007
Investment banking:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	**31,865,379**	–
– Equity securities	**20,673,686**	14,700,911
Corporate advisory fee income	**1,215,640**	595,000
Sponsor fee income	**7,060,000**	5,700,000
Arrangement fee	**62,473,593**	–
	123,288,298	20,995,911
Asset management:		
Asset management fee income	**9,467,366**	7,108,468
Investment advisory fee income	**3,449,041**	2,195,303
	12,916,407	9,303,771

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND OTHER INCOME *(Continued)*

Revenue *(Continued)*

	2017 HK$	2016 HK$
Financial products and investments		
Interest income from financial assets at fair value through profit or loss	**127,042,093**	23,322,594
Dividend income from financial assets at fair value through profit or loss	**7,994,084**	–
Net realised gain on financial assets at fair value through profit or loss	**26,279,987**	23,078,260
Net unrealised gain (loss) on financial assets at fair value through profit or loss	**20,988,702**	(18,313,591)
Interest income from available-for-sale financial assets	**137,445,058**	60,018,483
Net realised (loss) gain on available-for-sale financial assets	**(14,065,775)**	48,484,195
Net realised (loss) gain on derivatives	**(13,898,296)**	10,884,049
Net unrealised gain on derivatives	**3,182,197**	262,641
Net unrealised gain on financial liabilities at fair value through profit or loss	**3,794,943**	–
	298,762,993	147,736,631
	927,724,226	507,300,113

Other Income

	2017 HK$	2016 HK$
Interest income from financial institutions	**21,968,355**	5,939,728
Sundry income	**1,661,984**	1,479,932
	23,630,339	7,419,660

7. 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 year ended 31 December 2017, the Group expanded its business by investing in funds, debt and equity securities. After expansion of business, the principal activities of the reportable and operating segments under HKFRS 8 are updated as follows:

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

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

Investment banking – provision of corporate advisory, sponsor, placing and underwriting services of debt and equity securities and structured products arrangement services;

Asset management – provision of fund management, discretionary account management and investment advisory services;

Financial products and investments (previously named proprietary trading) – 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.

7. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2017

	Brokerage HK$	Loans and financing HK$	Investment banking HK$	Asset management HK$	Financial products and investments HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	182,234,697	310,521,831	123,288,298	12,916,407	–	–	628,961,233
Net gains on financial products and investments	–	–	–	–	298,762,993	–	298,762,993
Inter-segment revenue	2,584,158	–	–	6,490,004	–	(9,074,162)	–
Segment revenue and net gains on financial products and investments	184,818,855	310,521,831	123,288,298	19,406,411	298,762,993	(9,074,162)	927,724,226
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							927,724,226
Segment results	79,528,261	(100,233,859)	55,445,133	6,789,197	161,109,344	–	202,638,076
Unallocated expenses							(24,553,070)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							178,085,006
Other segmental information included in the measure of segment results							
Impairment losses on accounts receivable	–	290,394,561	–	–	–	–	290,394,561
Depreciation	788,953	–	1,539	11,440	–	–	801,932
Unallocated:							7,552,949
							8,354,881
Amortisation	356,963	–	500	–	–	–	357,463
Unallocated:							694,830
							1,052,293
Interest income	18,084,045	310,522,762	180,569	1,505	264,564,819	–	593,353,700
Unallocated:							3,623,637
							596,977,337
Interest expenses	792,926	59,963,363	–	–	158,841,027	(52,779,442)	166,817,874
Dividend income	–	–	–	–	7,994,084	–	7,994,084

7. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2016

	Brokerage HK$	Loans and financing HK$	Investment banking HK$	Asset management HK$	Financial products and investments HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	105,344,793	223,919,007	20,995,911	9,303,771	–	–	359,563,482
Net gains on financial products and investments	–	–	–	–	147,736,631	–	147,736,631
Inter-segment revenue	418,699	–	22,597,832	–	–	(23,016,531)	–
Segment revenue and net gains on financial products and investments	105,763,492	223,919,007	43,593,743	9,303,771	147,736,631	(23,016,531)	507,300,113
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							507,300,113
Segment results	19,909,567	133,169,658	2,466,713	(4,711,778)	30,552,089	–	181,386,249
Unallocated expenses							(48,009,800)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							133,376,449
Other segmental information included in the measure of segment results							
Depreciation	3,335,750	–	4,470	18,052	133,840	–	3,492,112
Unallocated:							4,562,273
							8,054,385
Amortisation	266,999	–	500	–	54,199	–	321,698
Unallocated:							609,038
							930,736
Interest income	5,236,313	223,920,728	2,718	2,019	83,341,077	–	312,502,855
Unallocated:							696,957
							313,199,812
Interest expenses	148,286	44,248,012	–	–	91,383,878	(62,528,916)	73,251,260

7. SEGMENT REPORTING *(Continued)*

Geographical information

For the years ended 31 December 2017 and 2016, 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 for both years.

Information about major customers

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

8. FINANCE COSTS

	2017 HK$	2016 HK$
Interest on bank borrowings	**123,374,688**	70,629,887
Interest on secured margin loans from broker	**13,524,026**	2,122,076
Interest on other borrowings	**23,345,467**	452,685
Interest on financial assets sold under repurchase agreements	**3,209,774**	–
Interest on notes	**1,624,678**	–
Interest on clients' account	**693,048**	44,844
Interest on financial liabilities at fair value through profit or loss	**552,847**	–
Others	**493,346**	1,768
	166,817,874	73,251,260

9. COMMISSION AND FEE EXPENSES

	2017 HK$	2016 HK$
Sales commission paid to account executives	**51,155,241**	26,653,439
Commission and fee paid to brokers	**39,023,570**	11,901,911
Others *(note)*	**10,993,291**	8,981,587
	101,172,102	47,536,937

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. PROFIT BEFORE TAXATION

	2017 HK$	2016 HK$
Profit before taxation has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration and five highest paid employees) *(note)*	**163,560,791**	129,440,925
Salaries and bonuses	**160,915,558**	127,318,328
Contribution to the MPF Scheme	**2,217,306**	1,686,575
Other staff costs	**427,927**	436,022
Auditor's remuneration	**1,801,856**	1,376,500
Legal and professional fee	**14,651,171**	1,949,023
Minimum operating lease payments	**28,743,021**	22,220,241
Amortisation of intangible assets	**1,052,293**	930,736
Depreciation of property and equipment	**8,354,881**	8,054,385
Telephone and postage	**4,152,222**	3,391,748
Maintenance fee	**12,218,536**	11,933,385
Transportation expenses	**3,606,932**	2,669,849
Entertainment expenses	**4,762,608**	4,270,273
Impairment losses on accounts receivable	**290,394,561**	–
Other gains or losses	**(78,875,531)**	15,831,828
Exchange (gains) losses, net	**(78,795,813)**	15,841,278
Other gains	**(102,018)**	–
Losses (gains) on disposal of property and equipment, net	**22,300**	(9,450)

Note: 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 36.

11. TAXATION

	2017 HK$	2016 HK$
Hong Kong Profit Tax:		
Current year	**24,259,698**	33,267,865
Under (over) provision in prior year	**850,243**	(143,477)
	25,109,941	33,124,388
Deferred Tax:		
Current year	**143,224**	(867,493)
	25,253,165	32,256,895

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits throughout the years ended 31 December 2017 and 2016.

The tax charge for the years ended 31 December 2017 and 2016 can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$	2016 HK$
Profit before taxation	**178,085,006**	133,376,449
Tax at domestic income tax rate (16.5%)	**29,384,026**	22,007,115
Tax effect of expenses not deductible for tax purpose	**5,080,388**	11,607,036
Tax effect of income not taxable for tax purpose	**(18,029,465)**	(4,871,248)
Tax effect of income taxable arising from inter-company transaction	**–**	3,233,642
Tax effect of tax losses not recognised	**8,773,273**	1,573,019
Utilisation of tax losses previously not recognised	**(1,175,829)**	(969,782)
Under (over) provision in prior year	**850,243**	(143,477)
Others	**370,529**	(179,410)
Tax charge for the year	**25,253,165**	32,256,895

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

(a) Directors' emoluments

During the years ended 31 December 2017 and 2016, the emoluments paid or payable by the Group are as follows:

	Fees HK$	Salaries, allowances HK$	Benefits in kind# HK$	Discretionary bonus HK$ *(note c)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2017						
Huang Jinguang *(note a)*	**–**	**1,737,133**	**516,000**	**2,576,000**	**–**	**4,829,133**
Wang Xiang *(note a)*	**–**	**1,477,646**	**324,000**	**2,134,400**	**–**	**3,936,046**
Zeng Yanxia *(note a)*	**–**	**1,294,674**	**300,000**	**1,893,600**	**–**	**3,488,274**
Hong Ying	**200,000**	**–**	**–**	**–**	**–**	**200,000**
Tian Li	**200,000**	**–**	**–**	**–**	**–**	**200,000**
Qin Shuo	**200,000**	**–**	**–**	**–**	**–**	**200,000**
	600,000	**4,509,453**	**1,140,000**	**6,604,000**	**–**	**12,853,453**

	Fees HK$	Salaries, allowances HK$	Benefits in kind# HK$	Discretionary bonus HK$ *(note c)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2016						
Huang Jinguang *(note a)*	–	1,736,636	496,000	3,420,000	–	5,652,636
Wang Xiang *(notes a and b)*	–	1,452,049	288,800	2,818,000	–	4,558,849
Zeng Yanxia *(notes a and b)*	–	757,901	200,000	2,486,700	–	3,444,601
Hong Ying *(note d)*	86,339	–	–	–	–	86,339
Tian Li *(note d)*	86,339	–	–	–	–	86,339
Qin Shuo *(note d)*	86,339	–	–	–	–	86,339
	259,017	3,946,586	984,800	8,724,700	–	13,915,103

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) No retirement benefit schemes contributions was paid or payable by the Group to Mr. Huang Jinguang, Mr. Wang Xiang and Ms. Zeng Yanxia during the years ended 31 December 2017 and 2016 as Mr. Huang Jinguang, Mr. Wang Xiang and Ms. Zeng Yanxia are also employees of the ultimate holding company and the cost of retirement benefit scheme contribution is borne by the ultimate holding company.

(b) Mr. Wang Xiang and Ms. Zeng Yanxia were appointed as the directors of the Company on 1 June 2016.

(c) 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.

(d) 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.

Mr. Lan Rong and Ms. Zhuang Yuanfang were appointed as the directors of the Company on 1 June 2016 and resigned on 30 January 2018 and 12 July 2017 respectively.

Mr. Huang Yilin and Mr. Yang Huahui were appointed as the directors of the Company on 12 July 2017 and 30 January 2018 respectively.

The remuneration of Mr. Lan Rong, Ms. Zhuang Yuanfang, Mr. Huang Yilin and Mr. Yang Huahui for the years 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.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group included two directors of the Company for the year ended 31 December 2017 (2016: Two) and details of whose emoluments are included in the disclosure above. The emoluments of the remaining three individuals for the year ended 31 December 2017 (2016: Three) are as below:

	2017	2016
	HK$	HK$
Employees		
– salaries and allowances	**5,829,000**	4,772,613
– discretionary bonus	**13,804,630**	8,425,000
– retirement benefit schemes contributions	**54,000**	48,000
	19,687,630	13,245,613

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of employees	
	2017	2016
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$8,500,001 to HK$9,000,000	**1**	–

During the year ended 31 December 2017, 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 (2016: Nil). None of the the directors waived any emoluments during both years.

13. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2017	2016
	HK$	HK$
2016 Final – HK$0.02 (2016: Nil) per share	**80,000,000**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK$0.03 (2016: final dividend in respect of the year ended 31 December 2016 of HK$0.02) per ordinary share, in an aggregate amount of HK$120,000,000 (2016: HK$80,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	2017	2016
	HK$	HK$
Earnings (HK$)		
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to owners of the Company	**152,831,841**	101,119,554
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,000,000,000**	2,410,077,821

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2016 has been determined on the assumption that the Reorganisation and the Capitalisation Issue as defined in note 33 had been effective on 1 January 2016.

For each of the years ended 31 December 2017 and 2016, there were no potential ordinary shares in issue, thus no diluted earnings per share is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

15. PROPERTY AND EQUIPMENT

	Leasehold improvement HK$	Motor vehicles HK$	Furniture and fixtures HK$	Computer equipment HK$	Total HK$
COST					
At 1 January 2016	9,212,438	769,307	62,090	16,343,598	26,387,433
Additions	2,414,339	–	313,450	2,101,066	4,828,855
Disposals	–	–	–	(63,000)	(63,000)
At 31 December 2016	11,626,777	769,307	375,540	18,381,664	31,153,288
Additions	18,279,010	–	718,349	3,021,673	22,019,032
Written off	(5,555,709)	–	(28,100)	(21,680)	(5,605,489)
At 31 December 2017	24,350,078	769,307	1,065,789	21,381,657	47,566,831
DEPRECIATION					
At 1 January 2016	(5,855,979)	(327,437)	(18,131)	(10,015,121)	(16,216,668)
Eliminated on disposals	–	–	–	59,850	59,850
Charge for the year	(2,961,774)	(91,337)	(37,109)	(4,964,165)	(8,054,385)
At 31 December 2016	(8,817,753)	(418,774)	(55,240)	(14,919,436)	(24,211,203)
Written off	5,555,709	–	6,885	20,595	5,583,189
Charge for the year	(5,813,867)	(91,337)	(110,801)	(2,338,876)	(8,354,881)
At 31 December 2017	(9,075,911)	(510,111)	(159,156)	(17,237,717)	(26,982,895)
CARRYING VALUES					
At 31 December 2017	15,274,167	259,196	906,633	4,143,940	20,583,936
At 31 December 2016	2,809,024	350,533	320,300	3,462,228	6,942,085

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$	2016 HK$
Held for trading		
Equity securities		
– Listed in Hong Kong	**194,579,762**	–
– Listed outside Hong Kong	**65,132,742**	–
Debt securities *(note a)*		
– Listed in Hong Kong	**2,903,831,104**	342,441,286
– Listed outside Hong Kong	**463,239,548**	362,192,298
– Unlisted	**718,618,170**	189,548,233
Credit derivative *(note b)*	**3,193,943**	–
	4,348,595,269	894,181,817
Designated at fair value through profit or loss		
Convertible bonds		
– Listed in Hong Kong	**32,240,418**	55,012,073
– Listed outside Hong Kong	**–**	20,809,809
– Unlisted	**–**	16,648,452
Unlisted collateralised loan obligation *(note f)*	**40,066,225**	–
Unlisted investment funds	**375,621,692**	–
Unlisted fund-linked note *(note c)*	**–**	695,295,000
Unlisted credit-linked notes *(note d)*	**67,233,080**	121,955,516
Unlisted preference share linked note *(note e)*	**242,351,800**	–
	757,513,215	909,720,850
	5,106,108,484	1,803,902,667

Notes:

(a) Included in the portfolio of held for trading debt securities, the Group transferred debt securities, with a fair value of HK$970,278,494 (2016: Nil) at 31 December 2017, to non bank financial institutions and entered into total return swap contract, whereby the Group received cash flow arising from transferred debt securities and receives the debt securities upon maturity of the contracts, during the year. The transferred debt securities were not derecognised and are continued to be recognised on the consolidated statement of financial position at 31 December 2017 as the Group retains significant risks and rewards of the transferred debt securities. Details of the arrangement are set out in note 37.

(b) For the year ended 31 December 2017, the Group entered into a credit derivative contract with a notional amount of US$100,000,000, of which reference entities are companies in diverse industries, with a non bank financial institution.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(c) For the year ended 31 December 2016, the Group purchased an unlisted fund-linked note with nominal amount of US$90,000,000 issued by a non bank financial institution. The return of the fund-linked note is linked to the net asset value of the underlying asset which is a private equity fund, reported by the fund administrator. The fund-linked note was redeemed during the year.

(d) For the years ended 31 December 2017 and 2016, the Group invested in unlisted credit-linked notes issued by a non bank financial institution. The return of the credit-linked notes is linked to the fair value of the underlying assets which are listed preference shares.

(e) For the year ended 31 December 2017, the Group invested in an unlisted preference share linked note issued by a special purpose entity. The return of the preference share linked note is linked to the fair value of the underlying asset which is preference share.

(f) During the year ended 31 December 2017, the Group purchased an unlisted collateralised loan obligation with a nominal amount of US$5,000,000, of which exposed to the risk of underlying loan obligation (primarily secured), issued by a non bank financial institution.

Details of disclosure for fair value measurement are set out in note 39.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 **HK$**	2016 HK$
Measured at fair value:		
Debt securities *(note)*		
– Listed in Hong Kong	**813,720,566**	2,321,841,771
– Listed outside Hong Kong	**659,784,232**	808,811,179
– Unlisted	**398,828,976**	50,697,821
Unlisted investment funds	**11,423,329**	–
	1,883,757,103	3,181,350,771
Analyses as:		
Current	**1,872,333,774**	–
Non-current	**11,423,329**	3,181,350,771
	1,883,757,103	3,181,350,771

Note: Included in the portfolio of debt securities, the Group transferred debt securities, with a fair value of HK$1,034,914,911 at 31 December 2017 (2016: HK$348,806,325), to non bank financial institutions and entered into total return swap contract, whereby the Group receives cash flow arising from the transferred debt securities and receives the debt securities upon maturity of the contracts, during the years. The transferred debt securities were not derecognised and are continued to be recognised on the consolidated statement of financial position at 31 December 2017 and 2016 as the Group retains significant risks and rewards of the transferred debt securities. Details of the arrangement are set out in note 37.

Details of disclosure for fair value measurement are set out in note 39.

18. INTANGIBLE ASSETS

	Software	Trading rights	Total
	HK$	HK$	HK$
COST			
At 1 January 2016	3,712,087	1,000,000	4,712,087
Additions	522,778	–	522,778
At 31 December 2016	4,234,865	1,000,000	5,234,865
Additions	56,794	–	56,794
At 31 December 2017	4,291,659	1,000,000	5,291,659
AMORTISATION			
At 1 January 2016	(1,692,089)	–	(1,692,089)
Charge for the year	(930,736)	–	(930,736)
At 31 December 2016	(2,622,825)	–	(2,622,825)
Charge for the year	(1,052,293)	–	(1,052,293)
At 31 December 2017	(3,675,118)	–	(3,675,118)
CARRYING VALUES			
At 31 December 2017	616,541	1,000,000	1,616,541
At 31 December 2016	1,612,040	1,000,000	2,612,040

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 years ended 31 December 2017 and 2016.

19. LOANS RECEIVABLE

	2017 HK$	2016 HK$
Fixed-rate loans receivable	**112,900,000**	75,400,000
Analyses as:		
Current	**109,900,000**	73,400,000
Non-current	**3,000,000**	2,000,000
	112,900,000	75,400,000

The credit quality of loans receivable are summarised as follows:

	2017 HK$	2016 HK$
Neither past due nor impaired	**112,900,000**	75,400,000

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

	Effective interest rate	2017 HK$	2016 HK$
Within one year	(2017: 3.00% to 8.25% per annum; 2016: 6.00% to 8.25% per annum)	**109,900,000**	73,400,000
In more than one year but not more than two years	(2017: 6.00% per annum; 2016: 3.00% per annum)	**3,000,000**	2,000,000
		112,900,000	75,400,000

As at 31 December 2017, the loans receivable amounting to HK$111,400,000 (2016: HK$73,400,000) are secured by listed securities from the borrowers and cash balance in their cash clients' accounts with aggregate fair value of HK$258,890,000 (2016: HK$142,151,171). At 31 December 2017 and 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 December 2017, there is an unsecured loan receivable of HK$1,500,000 (2016: 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.

20. STATUTORY DEPOSITS

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

Non-current portion

In accordance with the rules of 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 40 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 the rules of 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 40 in accordance with the rules of CCASS. The directors of the Company expect to realise the amounts in its normal operating cycle.

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$	HK$
Deposits	**64,358,153**	7,612,939
Other receivables *(note a)*	**163,920,660**	22,944,614
Interest and dividend receivables *(note b)*	**77,546,585**	43,254,328
Prepayments	**8,536,208**	7,050,549
	314,361,606	80,862,430
Analysed as:		
Current	**302,695,425**	73,249,491
Non-current	**11,666,181**	7,612,939
	314,361,606	80,862,430

21. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Notes:

(a) As at 31 December 2017, the amount mainly comprises of monies paid for subscription of an investment fund. The subscription is not completed up to the date of the report. As at 31 December 2016, the amount mainly comprises of the underwriting income receivable from a non bank financial institution arising from the underwriting of the Group's own shares during the IPO.

(b) The amount mainly represents the interest and dividend receivables arising from financial assets at FVTPL and AFS financial assets.

22. ACCOUNTS RECEIVABLE

	2017 **HK$**	2016 HK$
Accounts receivable arising from the business of dealing in securities:		
Clearing house	**268,876,197**	100,521,588
Cash clients	**61,117,959**	17,623,497
Secured margin loans	**4,692,352,438**	3,715,833,985
Less: impairment allowance	**(290,394,561)**	–
Brokers	**11,106,841**	12,507,183
Clients for subscription of new shares in IPO	**682,984**	–
	4,743,741,858	3,846,486,253
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing house	**19,255,638**	21,400,391
Brokers	**178,656,783**	148,328,311
	197,912,421	169,728,702
Accounts receivable arising from the business of insurance brokerage	**–**	57,041
Accounts receivable arising from the business of investment banking	**58,567,106**	309,472
Accounts receivable arising from the business of asset management	**6,645,151**	4,092,010
Accounts receivable arising from the business of financial products and investments	**935,248**	69,917,982
	5,007,801,784	4,090,591,460

22. ACCOUNTS RECEIVABLE *(Continued)*

The accounts receivable have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of each client, the realisation value of securities or collaterals from clients and their guarantors which are held by the Group, subsequent settlement or additional collaterals received. Except for the amount of HK$310,394,561 (2016: Nil) which was impaired, there was no other impaired debt for the years ended 31 December 2017 and 2016.

In determining the impairment allowance on secured margin loans, the management of the Group also takes into account margin shortfall by comparing the value of stock portfolio and the outstanding balance of margin loan to clients individually. Impairments are made for those clients with shortfall as at year end for an amount which was the shortfall between the outstanding margin loans to clients and the recoverable amount determined by the value of stock portfolio. Movements in the impairment allowances for accounts receivable are as follows:

	2017	2016
	HK$	HK$
As at 1 January	**–**	–
Impairment losses charged to profit or loss during the year	**290,394,561**	–
As at 31 December	**290,394,561**	–

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$4,804,013 (2016: HK$5,791,160) as at 31 December 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$56,313,946 (2016: HK$11,832,337) are neither past due nor impaired as at 31 December 2017 and the directors of the Company are of the opinion that the amounts are recoverable.

22. ACCOUNTS RECEIVABLE *(Continued)*

For secured margin loans, as at 31 December 2017 and 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 years ended 31 December 2017 and 2016. As at 31 December 2017, secured margin loans of HK$4,381,957,877 (2016: HK$3,715,833,985) were included in "Neither past due nor impaired" category while the remaining secured margin loans of HK$310,394,561 (2016: Nil), which were individually impaired, were included in "impaired accounts receivable" category. The total market value of securities pledged as collateral in respect of the margin loans which were classified as neither past due nor impaired were approximately HK$11,829,208,000 (2016: HK$13,752,186,000) at 31 December 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 value of securities deposited. As at 31 December 2017, 95% (2016: 94%) 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 no additional impairment allowance is necessary taking into consideration of subsequent settlement or additional collaterals 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. Details of the Group's pledged assets are disclosed in note 30.

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 receivable 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 insurance brokerage, investment banking and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided. As at 31 December 2017 and 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 arising 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 31 December 2017 and 2016, these accounts receivable are included in "neither past due nor impaired" category.

22. ACCOUNTS RECEIVABLE *(Continued)*

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

	2017	2016
	HK$	HK$
Past due (accounts receivable from cash clients):		
0 – 30 days	**1,435,627**	1,353,898
Over 30 days	**3,368,386**	4,437,262
Accounts receivable which were past due but not impaired	**4,804,013**	5,791,160
Accounts receivable which were neither past due nor impaired	**4,982,997,771**	4,084,800,300
Impaired accounts receivable	**310,394,561**	–
	5,298,196,345	4,090,591,460
Less: impairment allowance	**(290,394,561)**	–
	5,007,801,784	4,090,591,460

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 credit risk management department and then by the senior management of the Group on individual basis. The Group has a policy for testing for impairment of 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, guarantee received and the past collection history of each customer.

In determining the recoverability of accounts receivable, the Group considers any change in the credit quality of 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 26% and 41% of the total loans to margin clients as at 31 December 2017 and 2016 respectively. The balances due from the ten largest securities margin clients were approximately HK$1,121,170,000 and HK$1,521,545,000 as at 31 December 2017 and 2016 respectively, which is neither past due nor impaired, of which the amount is secured by clients' securities with an aggregate fair value of HK$2,913,263,000 and HK$6,786,254,000 as at 31 December 2017 and 2016 respectively. The Group believes that the amount is considered recoverable given the collateral provided by respective clients and guarantors of respective clients 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 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.

22. ACCOUNTS RECEIVABLE *(Continued)*

The following is an aging analysis of accounts receivable arising from the business of investment banking and asset management net of impairment losses based on date of invoice/contract note at the reporting date:

Investment banking clients

	2017 **HK$**	2016 HK$
Less than 31 days	**40,133,081**	96,000
31 – 60 days	**3,127,120**	100,000
61 – 90 days	**468,588**	100,000
91 – 180 days	**11,183,496**	13,472
Over 180 days	**3,654,821**	–
	58,567,106	309,472

Asset management clients

	2017 **HK$**	2016 HK$
Less than 31 days	**2,087,648**	908,526
31 – 60 days	**2,259,816**	693,274
61 – 90 days	**551,320**	625,247
91 – 180 days	**760,541**	663,315
Over 180 days	**985,826**	1,201,648
	6,645,151	4,092,010

During the years ended 31 December 2017 and 2016, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

The Group offsets 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 40.

Details of the Group's policy on credit risk are set out in note 39.

23. AMOUNT DUE TO A RELATED PARTY

The Group had the following balance with a related party at the end of each reporting period:

	2017	2016
	HK$	HK$
Amount due to Industrial Securities (Shenzhen) *(note)*	**2,957,147**	3,928,514

Note: Amount due to Industrial Securities (Shenzhen) was mainly arising from the consultancy services provided by Industrial Securities (Shenzhen), which is unsecured, non-interest bearing and repayable on demand.

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.

As at 31 December 2017, the Group's bank balances and cash denominated in United States dollar and Renminbi are equivalent to HK$1,728,190,419 and HK$224,138,231 (2016: HK$2,219,621,608 and HK$60,168,863) respectively.

The general accounts held by the Group 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$	2016 HK$
Held for trading		
Short position in listed equity securities	2,718,000	–
Credit derivative *(note a)*	596,858	–
Foreign currency forward contracts *(note b)*	5,254,235	–
	8,569,093	–
Designated at fair value through profit or loss		
Unlisted issued structured products *(note c)*	176,671,697	–
	185,240,790	–
Analyses as:		
Current	161,958,014	–
Non-current	23,282,776	–
	185,240,790	–

Notes:

(a) For the year ended 31 December 2017, the Group entered into a credit derivative contract with a notional amount of US$25,000,000, of which reference entity was within the Korea Sovereign sector, with a non bank financial institution.

(b) For the year ended 31 December 2017, the Group entered into foreign currency forward contracts with notional amounts of US$220,000,000 with non bank financial institutions.

(c) As at 31 December 2017, included in financial liabilities designated at FVTPL are the issued structured notes which arise from selling structured products generally in the form of notes with the underlying investments related to listed debt security traded in the Stock Exchange and unlisted debt investment traded in over-the-counter markets.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets at FVTPL. These structured products are designated at FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

The carrying amount of financial liabilities designated at FVTPL as at 31 December 2017 was less than the amount the Group would be contractually required to pay at maturity to the holders by HK$3,137,703 (2016: Nil). The amount of change in fair values of the financial liabilities designated at FVTPL, during the year and cumulatively, attributable to changes in own credit risk was insignificant.

Details of disclosure for fair value measurement are set out in note 39.

26. ACCOUNTS PAYABLE

	2017	2016
	HK$	HK$
Accounts payable arising from the business of dealing in securities:		
Clearing house	**5,857,460**	5,860,705
Brokers	**21,025,415**	2,570,838
Clients	**3,675,453,119**	3,053,688,931
	3,702,335,994	3,062,120,474
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	**310,087,267**	485,149,632
Accounts payable arising from the business of financial products and investments:		
Brokers	**–**	253,836,244
Secured margin loans from broker	**191,248,478**	845,079,922
	191,248,478	1,098,916,166
	4,203,671,739	4,646,186,272

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 22 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.

26. ACCOUNTS PAYABLE *(Continued)*

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$315,015,000 as at 31 December 2017 (2016: HK$1,355,444,000).

The Group has accounts payable arising from the business of dealing in securities of HK$1,615,942 due to the immediate holding company as at 31 December 2017 (2016: Nil).

27. ACCRUALS AND OTHER PAYABLES

	2017 HK$	2016 HK$
Accrued charges *(note a)*	**156,087,977**	88,814,051
Interest payable *(note b)*	**14,863,192**	4,577,212
Other payables	**7,708,516**	6,203,706
	178,659,685	99,594,969
Analysed as:		
Current	**175,425,279**	99,594,969
Non-current	**3,234,406**	–
	178,659,685	99,594,969

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 and other borrowings, notes and financial assets sold under repurchase agreements.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the years ended 31 December 2017 and 2016:

	Accelerated tax depreciation HK$
At 1 January 2016	1,615,788
Credit to profit or loss *(note 11)*	(867,493)
At 31 December 2016	748,295
Charge to profit or loss *(note 11)*	143,224
At 31 December 2017	891,519

As at 31 December 2017, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to estimated tax losses of approximately HK$88,364,000 (2016: HK$42,901,000), as it is uncertain that there will be sufficient taxable profits for the utilisation. The tax losses may be carried forward indefinitely.

29. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2017 HK$	2016 HK$
Analysed by collateral type:		
Debt securities classified as:		
Available-for-sale financial assets	**302,216,997**	–
Financial assets at fair value through profit or loss	**792,638,907**	–
	1,094,855,904	–

As at 31 December 2017, debt securities which are classified as AFS financial assets and financial assets at FVTPL with carrying amount of HK$347,702,954 (2016: Nil) and HK$1,044,241,136 (2016: Nil) respectively were sold under repurchase agreements with other financial institutions. All repurchase agreements are due within 12 months from the end of the reporting period. Details of the arrangement are set out in note 37.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

30. BANK BORROWINGS

	2017	2016
	HK$	HK$
Variable rate borrowings	**5,404,592,664**	4,142,518,829
Repayable within one year and contain a repayable on demand clause	**5,104,592,664**	4,142,518,829
Repayable within one year without a repayable on demand clause	**300,000,000**	–
Repayable within one year	**5,404,592,664**	4,142,518,829

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

The interest rate of the Group's bank borrowings as at 31 December 2017 ranged from Hong Kong Interbank Offered Rate ("HIBOR") +1.6% to HIBOR+2.3% (2016: HIBOR+1.5% to HIBOR+2.3%).

At 31 December 2017, HK$5,404,592,664 (2016: HK$4,142,518,829) was drawn by the Group under the aggregated banking facilities of HK$9,428,200,000 (2016: HK$5,470,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK$1,600,000,000 as at 31 December 2017 (2016: Nil).

The Group's bank borrowings amounting to HK$414,592,664 as at 31 December 2017 (2016: HK$902,518,829) were secured by charges over clients' pledged securities with fair value of approximately HK$1,504,808,500 (2016: HK$2,213,886,600) upon receiving client's authorisation. Industrial Securities provided letters of comfort to support the bank borrowings of the Group amounting to HK$1,480,000,000 as at 31 December 2017 (2016: Nil).

31. OTHER BORROWINGS

	2017	2016
	HK$	HK$
Borrowings associated with transferred assets *(as disclosed in note 37)*	**1,203,876,281**	177,577,860

The interest rate of the Group's other borrowings as at 31 December 2017 is at fixed interest rate of 2.70% to 3.68% (2016: 2.96%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

32. NOTES

	2017 HK$	2016 HK$
Notes *(note)*	**62,549,900**	–

Note: During the year ended 31 December 2017, the Group's wholly owned subsidiary issued guaranteed notes with fixed interest rate of 3% which is guaranteed by the Company. The note will mature in June 2018.

33. SHARE CAPITAL

Details of the movement of share capital for both years are as follows:

	Notes	**Number of ordinary shares of HK$0.10 each**	**Share capital** HK$
Authorised:			
As at 1 January 2016		490,000,000	49,000,000
Increase in authorised share capital	*(a)*	2,395,841,579	239,584,158
Increase in authorised share capital	*(b)*	17,114,158,421	1,711,415,842
As at 31 December 2016, 1 January 2017 and 31 December 2017		20,000,000,000	2,000,000,000
Issued and fully paid:			
As at 1 January 2016		10,000	1,000
Issue of shares pursuant to the Group Reorganisation	*(c)*	489,990,000	48,999,000
Issue of shares to CISI Holdings and pre-IPO investors	*(d)*	2,118,811,876	211,881,188
Issue of shares under ESPS	*(e)*	277,029,703	27,702,970
Capitalisation issue of shares	*(f)*	114,158,421	11,415,842
Issue of shares through IPO upon listing	*(g)*	1,000,000,000	100,000,000
As at 31 December 2016, 1 January 2017 and 31 December 2017		4,000,000,000	400,000,000

33. SHARE CAPITAL *(Continued)*

Notes:

(a) Pursuant to the written resolution of the sole shareholder of the Company passed on 26 April 2016, the authorised share capital of the Company was increased from HK$49,000,000 to HK$288,584,158 divided into 2,885,841,579 shares of a par value of HK$0.1 each.

(b) Pursuant to the written resolution of the shareholders of the Company passed on 27 July 2016, the authorised share capital of the Company was increased from HK$288,584,158 to HK$2,000,000,000 divided into 20,000,000,000 shares of a par value of HK$0.1 each.

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

(d) (i) 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 to CISI Holdings. All new shares issued rank pari passu in all respects with the then existing shares.

(ii) 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 pre-IPO investors. Details of the introduction of pre-IPO investors are set out in section headed "Introduction of Pre-IPO Investors" in the Prospectus. All new shares issued rank pari passu in all respects with the then existing shares.

(e) An employee share participation scheme ("ESPS") has been adopted by Industrial Securities (Hong Kong) 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. 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 selected employees or directors ("eligible participants") under the ESPS, by reference to each eligible participants' proportional initial contribution of the total consideration paid for the ES Shares. The Company engaged an independent valuer to conduct valuation of such transactions. Based on the valuation report prepared by such independent valuer, as at 26 April 2016 (being the date of the grant of ES Shares), the estimated fair value per ES Share is HK$1.00. In light of such estimated fair value and on the basis that the subscription price per ES Share is HK$1.01, the directors of the Company consider that the transactions do not have material financial impact on the Group's financial performance and financial position. Details of the ESPS are set out in note 36(b) and section headed "History, Reorganisation and Group Structure" in the Prospectus.

(f) Pursuant to the written resolutions passed by the shareholders on 27 July 2016, a sum of HK$11,415,842.1 standing to the credit of the share premium account of the Company was capitalised by paying up in full at par a total of 114,158,421 new shares and for allotment and issue to CISI Holdings and pre-IPO investors (the "Capitalisation Issue").

33. SHARE CAPITAL *(Continued)*

Notes: (Continued)

(g) On 20 October 2016, the Company issued 1,000,000,000 shares at HK$1.33 per share pursuant to the initial public offering of the Company's shares for a total gross proceeds of HK$1,330,000,000. The proceeds will be used to finance the implementation of the business plans as set forth in the section headed "Future Plan and Use of Proceeds" of the Prospectus.

34. RESERVES

Capital reserve

As at 31 December 2017 and 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)).

As at 1 January 2016, 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.

Investments revaluation reserve

The investments revaluation reserve was set up to deal with the fair value changes arising from AFS financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those AFS financial assets are disposed of or are determined to be impaired.

35. COMMITMENTS

Commitments under operating lease

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

	2017 **HK$**	2016 HK$
Within one year	**27,027,784**	13,946,256
In the second to fifth year inclusive	**36,745,494**	–
	63,773,278	13,946,256

35. COMMITMENTS *(Continued)*

Commitments under operating lease *(Continued)*

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

36. EMPLOYEE BENEFITS

(a) 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 (up to HK$1,500 per employee per month) 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.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement 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 10.

(b) Employee Share Participation Scheme

On 25 April 2016, Industrial Securities (Hong Kong) adopted an ESPS (as defined in note 33(e)) to incentivise eligible participants for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the Company issued and allotted a total of 277,029,703 ES Shares (as defined in note 33(e)) for a total consideration of HK$279,800,000 (being the total award price (the "Award Price")) for award of the ES Shares which has been irrevocably settled on 26 April 2016.

No expenses is recognised in the consolidated financial statements for the years ended 31 December 2017 and 2016 as the fair value of ES shares at grant date was approximate to the Award Price.

37. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of debt securities with concurrent total return swaps and sales and repurchase agreements.

The Group sells debt securities that are subject to concurrent total return swap. The Group retains substantially all the risks and rewards of ownership of the debt securities. Therefore, the Group continues to recognise the transferred securities in its consolidated statement of financial position. The transferred debt securities serve as "collateral" to secure these liabilities. The proceeds received are recognised as liabilities under "Other borrowings".

Sales and repurchase agreements are transactions in which the Group sells a debt security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those debt securities sold. These debt securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these debt securities. The proceeds received on the transfer are recognised as liabilities under "Financial assets sold under repurchase agreements".

The following table sets out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	As at 31 December 2017				
Analysed by liabilities type	**Carrying amount of transferred assets**			**Carrying amount of associated liabilities**	**Net position**
	Available-for-sale debt securities HK$	**Financial assets at fair value through profit or loss HK$**	**Total HK$**	**HK$**	**HK$**
Other borrowings *(note 31)*	**1,034,914,911**	**970,278,494**	**2,005,193,405**	**1,203,876,281**	**801,317,124**
Financial assets sold under repurchase agreements *(note 29)*	**347,702,954**	**1,044,241,136**	**1,391,944,090**	**1,094,855,904**	**297,088,186**

37. TRANSFERRED FINANCIAL ASSETS *(Continued)*

	As at 31 December 2016				
Analysed by liabilities type	Carrying amount of transferred assets			Carrying amount of associated liabilities	Net position
	Available-for-sale debt securities HK$	Financial assets at fair value through profit or loss HK$	Total HK$	HK$	HK$
Other borrowings *(note 31)*	348,806,325	–	348,806,325	177,577,860	171,228,465

38. 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, other borrowings and notes as disclosed in notes 30, 31 and 32, and equity attributable to owners of the Company (comprising issued share capital, reserves and retained earnings).

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. For the purpose of expansion of the business and developing new business, the Group raised a total of approximately HK$3,750 million by issuing shares to Pre-IPO investors, employees and through IPO during the year ended 31 December 2016. The Group's overall strategy remains unchanged throughout the years.

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 throughout both years.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$	2016 HK$
Financial assets		
Financial assets at fair value through profit or loss	**5,106,108,484**	1,803,902,667
Available-for-sale financial assets	**1,883,757,103**	3,181,350,771
Loans and receivables (including cash and cash equivalents)	**9,986,544,529**	8,376,186,541
Financial liabilities		
Financial liabilities at fair value through profit or loss	**185,240,790**	–
Amortised cost	**12,273,941,667**	8,980,992,393

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, AFS financial assets, accounts receivable, loans receivable, other receivables, bank balances and cash, accounts payable, bank borrowings, other 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.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

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 classified as AFS financial assets and financial assets at FVTPL. The Group currently does not have fair value hedging policy. 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.

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 cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from the Group's respective HKD and USD denominated financial instruments.

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. When reporting to management of the Group on the interest rate risk, a 50 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.

	2017 **HK$**	2016 HK$
Profit after taxation for the year		
Increase by 50 bps	**(60,370,418)**	12,311,000
Decrease by 50 bps	**73,666,784**	4,003,000
Other comprehensive income for the year		
Increase by 50 bps	**(26,824,383)**	(74,021,000)
Decrease by 50 bps	**26,824,383**	74,021,000

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as at the year end and exposure does not reflect the exposure during the year.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

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:

	Liabilities		Assets	
	2017	2016	**2017**	2016
	HK$	HK$	**HK$**	HK$
United States dollars ("USD")	**4,286,319,606**	3,623,587,754	**8,790,361,423**	7,688,753,373
Renminbi ("RMB")	**31,606,753**	71,986,264	**354,717,220**	91,035,423

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 an equal and opposite impact on the profit after taxation for the year.

	RMB impact	
	2017	2016
	HK$	HK$
Increase in profit after taxation for the year	**13,490,000**	795,000

Other price risk
The Group is exposed to price changes arising from investments classified as financial assets at FVTPL and AFS financial assets.

The Group has established a multi-level management system for its proprietary trading business. The Board has set up the Investment Decision Committee for the purposes of formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment managers in investment activities. The risk control team is responsible for monitoring the daily operations of its proprietary trading activities and to ensure compliance with its trading policies.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)
In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Compliance Department and the Internal Audit Department. The Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

For sensitivity analysis purpose of listed equity and debt securities and convertible bonds, if the prices of equity and debt securities had been 2% higher/lower, the profit after tax for the year ended 31 December 2017 would increase/decrease by approximately HK$55,883,000 (2016: HK$13,034,000) and investments revaluation reserve would have an estimated HK$29,470,000 (2016: HK$62,613,000) increase/decrease.

For unlisted debt securities, convertible bonds, collateralised loan obligation, investment funds, fund-linked note, credit-linked notes and preference share linked note that depend on the valuation of the respective investments or underlying investments, it is assumed that the unit price of debt securities, convertible bonds, collateralised loan obligation and investment funds and underlying assets of fund-linked note, credit-linked notes and preference share linked note increased/decreased by 5%, profit after tax for the year ended 31 December 2017 would have an estimated HK$64,917,000 (2016: HK$50,727,000) increase/decrease and investments revaluation reserve would have an estimated HK$20,513,000 (2016: HK$2,535,000) increase/decrease.

The fair value of derivative financial instruments depends on the underlying investment linked index and credit spread of Korea credit default swap. If the linked index or credit spread increased/decreased by 1% or 100 bps, profit after tax for the year ended 31 December 2017 would have an estimated HK$6,801,000 decrease/increase and HK$9,039,918 increase/decrease respectively (2016: Nil).

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

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 AFS financial assets and financial assets at FVTPL, accounts receivable, loans receivable and bank balances.

Other than the debt securities in the PRC and overseas, the Group's concentration of credit risk by geographical location is mainly in Hong Kong.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

As at 31 December 2017 and 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 consolidated statement of financial position except for certain credit default swaps which the Group entered into during the year ended 31 December 2017 with a maximum exposure of approximately HK$83,944,000 (2016: Nil). 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.

As described in more detail in note 22, 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 25% of the total accounts receivable from margin clients at 31 December 2017 (2016: 41%), 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 (2016: three) independent counterparties amounting to HK$89,900,000 in aggregate as at 31 December 2017 (2016: HK$58,900,000), the Group does not have any other significant concentration of credit risk on loans receivable.

The Group also invested in debt securities and other financial products which exposed to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and other financial products to ensure that the concentration risk is at an acceptable level. In this regard, the directors of the Company consider that the credit risk relating to the debt securities and other financial products is closely monitored.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The following table details the aggregate investment grade of debt securities and other financial products investment portfolio, which includes convertible bonds, unlisted collateralised loan obligation, unlisted fund-linked note, unlisted credit-linked notes and unlisted preference share linked note, held by the Group, as rated by well-known rating agencies.

	As at 31 December 2017	As at 31 December 2016
Portfolio by issuer rating		
Available-for-sale financial assets		
AAA to A-	**0.8%**	25.6%
BBB+ to BBB-	**17.9%**	49.8%
BB+ and below	**64.6%**	19.5%
Non-rated *(note)*	**16.7%**	5.1%
	100.0%	100.0%
Financial assets at fair value through profit or loss		
AAA to A-	**5.3%**	11.4%
BBB+ to BBB-	**16.2%**	55.8%
BB+ and below	**23.6%**	13.6%
Non-rated *(note)*	**54.9%**	19.2%
	100.0%	100.0%

Note: Non-rated financial assets mainly represent debts instruments and other financial products issued by special purpose entities, banks and other financial institutions and large corporations in the industries of industrial and construction, real estate, chemicals, metals and mining, transportation, and trade and retail, which are creditworthy issuers in the market.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from investment securities, which includes debt securities, convertible bonds, unlisted collateralised loan obligation, unlisted fund-linked note, unlisted credit-linked notes and unlisted preference share linked note held by the Group, is shown below.

		2017		2016	
	Notes	**Available-for-sale financial assets HK$**	**Financial assets at fair value through profit or loss HK$**	Available-for-sale financial assets HK$	Financial assets at fair value through profit or loss HK$
Carrying amount	*16, 17*	**1,872,333,774**	**4,467,580,345**	3,181,350,771	1,803,902,667
Concentration by sector					
Banks		**86,960,918**	**1,442,081,473**	1,166,644,666	188,914,742
Other financial institutions		**660,970,310**	**1,325,570,585**	1,138,927,975	893,926,103
Insurance		**140,687,565**	**118,353,674**	530,664,594	–
Corporate:		**968,055,928**	**1,581,574,613**	300,151,126	721,061,822
Real estate		**524,094,367**	**1,172,510,828**	121,457,221	496,254,075
Chemicals		**62,023,298**	**–**	–	185,276,031
Industrial and construction		**–**	**127,845,091**	–	–
Transportation		**268,185,939**	**28,614,631**	116,461,913	16,288,004
Telecommunications		**30,958,488**	**46,437,732**	40,415,953	–
Utilities		**–**	**74,190,922**	–	–
Metals and mining		**82,793,836**	**131,975,409**	21,816,039	–
Airlines		**–**	**–**	–	23,243,712
Retail		**15,659,053**	**–**	44,962,410	–
		1,872,333,774	**4,467,580,345**	3,181,350,771	1,803,902,667
Concentration by location					
China		**1,628,910,154**	**2,144,040,689**	2,466,668,629	663,913,579
Europe		**55,428,202**	**118,353,674**	301,120,676	16,648,452
Hong Kong		**–**	**1,950,400,753**	226,144,699	768,416,858
Asia		**187,995,418**	**98,751,322**	157,399,337	35,627,318
Australia		**–**	**115,967,682**	30,017,430	181,889,945
North America		**–**	**40,066,225**	–	137,406,515
		1,872,333,774	**4,467,580,345**	3,181,350,771	1,803,902,667

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

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.

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.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the earliest date on which the Group 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 2017, the aggregate undiscounted principal amounts of these bank borrowings of the Group amounted to HK$5,104,592,664 (2016: HK$4,142,518,829). The maturity dates for other financial liabilities are based on the agreed repayment dates.

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2017						
Accounts payable (excluding secured margin loans payable to broker)	**0.01%**	**4,012,456,690**	**–**	**–**	**4,012,456,690**	**4,012,423,261**
Accounts payable arising from the business of financial products and investments – secured margin loans (including interest payable)	**2.70%**	**191,677,567**	**–**	**–**	**191,677,567**	**191,677,567**
Financial liabilities held for trading	**N/A**	**2,718,000**	**5,851,093**	**–**	**8,569,093**	**8,569,093**
Financial liabilities designated at fair value through profit or loss (including interest payable)	**6.26%**	**166,822,080**	**–**	**24,223,502**	**191,045,582**	**176,964,865**
Financial assets sold under repurchase agreement (including interest payable)	**2.38%**	**1,096,140,258**	**–**	**–**	**1,096,140,258**	**1,096,140,258**
Bank borrowings (including interest payable)	**3.30%**	**5,107,450,071**	**301,643,883**	**–**	**5,409,093,954**	**5,407,703,125**
Other borrowings (including interest payable)	**3.51%**	**27,149,534**	**1,229,435,067**	**–**	**1,256,584,601**	**1,213,654,737**
Notes (including interest payable)	**3.00%**	**–**	**63,814,747**	**–**	**63,814,747**	**62,946,653**
Other payables	**N/A**	**4,474,110**	**–**	**3,234,406**	**7,708,516**	**7,708,516**
Amount due to a related party	**N/A**	**2,957,147**	**–**	**–**	**2,957,147**	**2,957,147**
Other liabilities	**N/A**	**278,866,324**	**–**	**–**	**278,866,324**	**278,866,324**
At 31 December 2016						
Accounts payable (excluding secured margin loans payable to broker)	0.01%	3,801,138,026	–	–	3,801,138,026	3,801,106,350
Accounts payable arising from the business of financial products and investments – secured margin loans (including interest payable)	1.72%	846,287,437	–	–	846,287,437	846,287,437
Bank borrowings (including interest payable)	2.61%	4,145,435,841	–	–	4,145,435,841	4,145,435,841
Other borrowings (including interest payable)	2.96%	178,030,545	–	–	178,030,545	178,030,545
Other payable	N/A	6,203,706	–	–	6,203,706	6,203,706
Amount due to a related party	N/A	3,928,514	–	–	3,928,514	3,928,514

39. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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 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;

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 2017 and 2016.

39. FINANCIAL INSTRUMENTS *(Continued)*

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 are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

Financial assets	Fair value as at 31 December 2017 HK$	Fair value as at 31 December 2016 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets held for trading				
Equity securities – Traded on stock exchanges	**259,712,504**	–	Level 1	Quoted price in active markets
Debt securities – Traded on stock exchanges	**3,367,070,652**	704,633,584	Level 1	Quoted price in active markets
– Unlisted	**718,618,170**	189,548,233	Level 2	Quoted from market makers
Credit derivative	**3,193,943**	–	Level 2	Quoted from market makers
	4,348,595,269	894,181,817		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Financial assets	Fair value as at 31 December 2017 HK$	31 December 2016 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Financial assets designated at fair value through profit or loss				
Convertible bonds – Traded on stock exchanges	**32,240,418**	75,821,882	Level 1	Quoted price in active markets
– Unlisted	**–**	16,648,452	Level 2	Quoted from market makers
Unlisted collateralised loan obligation	**40,066,225**	–	Level 2	Quoted from market makers
Unlisted investment funds	**375,621,692**	–	Level 2	NAV of funds with reference to observable quoted price of underlying investment portfolio in active market
Unlisted fund-linked note	**–**	695,295,000	Level 2	Recent transaction price
Unlisted credit-linked notes	**67,233,080**	121,955,516	Level 2	Observable quoted price of underlying preference shares/ debt securities in active market
Unlisted preference share linked note	**242,351,800**	–	Level 2	Recent transaction price
	757,513,215	909,720,850		

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Financial assets	Fair value as at 31 December 2017 HK$	31 December 2016 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
3) Available-for-sale financial assets				
Debt securities				
– Traded on stock exchanges	**1,473,504,798**	3,130,652,950	Level 1	Quoted price in active markets
– Unlisted	**398,828,976**	50,697,821	Level 2	Quoted from market makers
Unlisted investment funds	**11,423,329**	–	Level 2	NAV of funds with reference to observable quoted price of underlying investment portfolio in active market
	1,883,757,103	3,181,350,771		

39. FINANCIAL INSTRUMENTS *(Continued)*

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

Financial liabilities	Fair value as at 31 December 2017 HK$	Fair value as at 31 December 2016 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
4) Financial liabilities held for trading				
Short position in listed equity securities	**2,718,000**	–	Level 1	Quoted price in active market
Credit derivative	**596,858**	–	Level 2	Quoted price from market makers
Foreign currency forward contracts	**5,254,235**	–	Level 2	Quoted price from market makers
	8,569,093	–		
5) Financial liabilities designated at fair value through profit or loss				
Unlisted structured product (with the underlying investment related to listed debt security)	**153,388,921**	–	Level 2	Observable quoted price of underlying investment in active market
Unlisted structured product (with the underlying investment related to unlisted debt security)	**23,282,776**	–	Level 2	Observable quoted price of underlying investment from market makers
	176,671,697	–		

There were no transfers between Level 1 and 2 during the years ended 31 December 2017 and 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

39. FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments settled daily

	As at 31 December 2017		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
	HK$	**HK$**	**HK$**
Hang Seng Index futures	**179,626,050**	**–**	**1,559,350**
Interest rate futures	**683,215,914**	**3,241,029**	**–**
Total	**862,841,964**	**3,241,029**	**1,559,350**
Less: Settlement		**(3,241,029)**	**(1,559,350)**
Net Position		**–**	**–**

	As at 31 December 2016		
	Notional amount	Fair value	
		Assets	Liabilities
	HK$	HK$	HK$
Interest rate futures	1,404,387,743	262,641	–
Total	1,404,387,743	262,641	–
Less: Settlement		(262,641)	–
Net position		–	–

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures traded through CISI Futures, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 31 December 2017 and 2016.

40. 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 statement 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 statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for total return swaps and sale and repurchase agreements.

The Group's total return swaps transactions that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the statements of financial position. However, they create a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

In addition, the Group pledged collateral in the form of cash in respect of its total return swaps transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral pledged must be returned on maturity of the transactions.

Under the agreement of continuous net settlement between the Group and 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.

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2017

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	5,250,275,695	(506,533,837)	4,743,741,858	(126,539,202)	(4,110,243,308)	506,959,348
Debt securities pledged as collaterals for other borrowings *(as disclosed in note 37)*	2,005,193,405	–	2,005,193,405	(1,203,876,281)	–	801,317,124
Debt securities pledged as collaterals for financial assets sold under repurchase agreement *(as disclosed in note 37)*	1,391,944,090	–	1,391,944,090	(1,094,855,904)	–	297,088,186
Debt securities pledged as collaterals for margin loans from broker *(notes b and 26)*	315,014,701	–	315,014,701	(191,248,478)	–	123,766,223
Financial assets at fair value through profit or loss *(note a)*	474,272,850	(474,272,850)	–	–	–	–

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	4,208,869,831	(506,533,837)	3,702,335,994	(126,539,202)	(5,857,460)	3,569,939,332
Accounts payable arising from the business of financial products and investments – secured margin loans from broker	191,248,478	–	191,248,478	(191,248,478)	–	–
Financial assets sold under repurchase agreements	1,094,855,904	–	1,094,855,904	(1,094,855,904)	–	–
Other borrowings	1,203,876,281	–	1,203,876,281	(1,203,876,281)	–	–
Financial liabilities at fair value through profit or loss *(note a)*	474,272,850	(474,272,850)	–	–	–	–

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2016

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	4,008,736,742	(162,250,489)	3,846,486,253	(89,233,070)	(3,438,681,861)	318,571,322
Debt securities pledged as collaterals for other borrowings *(as disclosed in note 37)*	348,806,325	–	348,806,325	(177,577,860)	–	171,228,465
Debt securities pledged as collaterals for margin loans from broker *(notes b and 26)*	1,355,444,382	–	1,355,444,382	(845,079,922)	–	510,364,460

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral pledged HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	3,224,370,963	(162,250,489)	3,062,120,474	(89,233,070)	(2,239,273)	2,970,648,131
Accounts payable arising from the business of financial products and investments – secured margin loans from broker	845,079,922	–	845,079,922	(845,079,922)	–	–
Other borrowings	177,577,860	–	177,577,860	(177,577,860)	–	–

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

Notes:

(a) During the year ended 31 December 2017, the Group entered into contracts for separate financial assets and financial liabilities which are subject to enforceable netting arrangement, and the Group intends either to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(b) As at 31 December 2017, for the debt securities pledged as collaterals by the Group which is eligible to set off the Group's secured margin loans from broker, debt securities with carrying value amounting to HK$147,439,040 and HK$167,575,661 are classified as financial assets at FVTPL and AFS financial assets in the Group's consolidated statement of financial position respectively (2016: HK$547,357,855 and HK$808,086,527 respectively).

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$ *(Note 30)*	**Other borrowings** HK$ *(Note 31)*	**Notes** HK$ *(Note 32)*	**Interest payable** HK$ *(Note 27)*	**Other liabilities** HK$ *(Note 46)*	**Total** HK$
At 1 January 2017	4,142,518,829	177,577,860	–	4,577,212	–	4,324,673,901
Borrowings raised	41,754,216,261	1,203,876,281	–	–	–	42,958,092,542
Repayments of borrowings	(40,492,142,426)	(177,577,860)	–	–	–	(40,669,720,286)
Issuance of notes	–	–	93,813,600	–	–	93,813,600
Redemption of notes	–	–	(31,263,700)	–	–	(31,263,700)
Contributions from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	223,780,377	223,780,377
Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	(8,651,451)	(8,651,451)
Net assets acquired at the date of acquisition attributable to third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	63,839,416	63,839,416
Fair value changes of interest held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	(102,018)	(102,018)
Interest expense	–	–	–	166,817,874	–	166,817,874
Interest paid	–	–	–	(156,531,894)	–	(156,531,894)
At 31 December 2017	5,404,592,664	1,203,876,281	62,549,900	14,863,192	278,866,324	6,964,748,361

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group has the following material non-cash transactions.

As disclosed in note (b) under the consolidated statement of changes in equity, during the period from 1 January 2016 to 26 September 2016, the consultancy services provided by Industrial Securities (Shenzhen) amounting to HK$3,158,443 for the period from 1 January 2016 to 26 September 2016, is regarded as deemed capital contribution from Industrial Securities (Hong Kong).

43. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 12(a), the remuneration of other members of key management during the years ended 31 December 2017 and 2016 was as follows:

	2017 **HK$**	2016 HK$
Short-term benefits	**32,129,482**	24,060,000
Post-employment benefits	**135,000**	126,000

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

During the years ended 31 December 2017 and 2016, the Group invests in RMB denominated securities in the PRC using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program of the intermediate holding company for consideration of HK$1 per annum.

(c) Consultancy services from a fellow subsidiary

For the period from 1 January 2016 to 26 September 2016, the total costs incurred by Industrial Securities (Shenzhen) for provision of the services mentioned above to the Group amounted to HK$3,158,443 on the basis of actual costs incurred by Industrial Securities (Shenzhen), which is regarded as deemed capital contributed from Industrial Securities (Hong Kong) as disclosed in note (b) under the consolidated statement of changes in equity.

Pursuant to service agreement entered into between the Company and Industrial Securities (Shenzhen), dated 27 September 2016 (the "Service Agreement"), Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%. During the year ended 31 December 2017, the Company paid a consultancy service fee of HK$10,198,538 (period from 27 September 2016 to 31 December 2016: HK$4,826,110) under the Service Agreement. Details of the Service Agreement are set out in section headed "Connected Transactions" in the Prospectus.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Right of use of trademark

During the years ended 31 December 2017 and 2016, the Group was granted by the intermediate holding company a non-transferable and non-assignable license to use its registered trademarks for the Group's business and any related businesses for consideration of HK$1 per annum.

44. ACQUISITION OF A CONSOLIDATED STRUCTURED ENTITY

In May 2017, the Group acquired approximately 38.45% of issued units of CIS Excellent Select Fund Segregated Portfolio ("CISEF") for a consideration of HK$39,880,000.

Consideration transferred

	HK$
Cash	39,880,000

Assets acquired and liabilities recognised at the date of acquisition

Bank balances	90,361,196
Financial assets at fair value through profit or loss	57,032,087
Accounts payable	(43,673,867)
	103,719,416

Net assets acquired at the date of acquisition attributable to the Group

Net assets acquired at the date of acquisition	103,719,416
Proportion of the Group's interest	38.45%
Net assets acquired at the date of acquisition attributable to the Group	39,880,000

Third-party interests at the acquisition date were measured at the proportionate share of the fair value of identifiable net assets of CISEF, which are reflected as other liability in the consolidated statement of financial position.

44. ACQUISITION OF A CONSOLIDATED STRUCTURED ENTITY *(Continued)*

At the acquisition date, included in the financial assets at fair value through profit or loss represents the listed equity securities with the quoted market price.

Net cash inflow on acquisition of a consolidated structured entity

Cash and cash equivalent balances acquired	90,361,196
Less: consideration paid in cash	(39,880,000)
	50,481,196

45. SUBSIDIARIES

The particulars of the Group's subsidiaries and consolidated investment funds are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group at 31 December		Principal activities
				2017	2016	
				%	%	
Directly owned						
CISI Brokerage	Hong Kong	Hong Kong	HK$2,500,000,000	**100**	100	Securities dealing and broking and securities margin financing
CISI Futures	Hong Kong	Hong Kong	HK$50,000,000	**100**	100	Futures and options contracts broking
CISI Capital	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Investment banking services
CISI Asset Management	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Advising on securities and asset management services
CISI Finance	Hong Kong	Hong Kong	HK$210,000	**100**	100	Money lending
CISI Investment	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Investment holding
CISI Wealth Management	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Wealth management services
Indirectly owned						
CISI Investment Limited	British Virgin Islands	Hong Kong	US$2,500,000	**100**	100	Investment trading
CISI Capital Management Limited *(note a)*	British Virgin Islands	Hong Kong	US$1	**100**	N/A	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

45. SUBSIDIARIES *(Continued)*

Name of investment fund	Place of incorporation	Place of operation	Class of share	Effective interest holding at 31 December		Principal activities
				2017	2016	
				%	%	
Indirectly owned						
IS Investment Fund Segregated Portfolio Company – CIS Excellent Select Fund Segregated Portfolio ("CISEF") *(note b)*	Cayman Islands	Hong Kong	Participating	**42.08**	N/A	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS Resources Fund Segregated Portfolio ("CISRF") *(note b)*	Cayman Islands	Hong Kong	Participating	**100**	N/A	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS USD Fixed Income Fund Segregated Portfolio ("CISFF") *(note b)*	Cayman Islands	Hong Kong	Participating	**97.46**	N/A	Investment trading
IS Investment Fund Segregated Portfolio Company – WVCIS Value Growth Fund Segregated Portfolio ("CISWF") *(note b)*	Cayman Islands	Hong Kong	Participating	**49.58**	N/A	Investment trading

Notes:

(a) Incorporated during the year as a company limited by shares.

(b) CISI Asset Management, a wholly owned subsidiary of the Group, holds all management shares of IS Investment Fund Segregated Portfolio Company ("IS IFSPC"). CISI Asset Management has been appointed as an investment manager of CISEF, CISRF, CISFF and CISWF under IS IFSPC. The Group holds significant participating shares in the above mentioned funds. The directors of the Company are of the opinion that the funds are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests.

46. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2017, profit contributed by the consolidated investment funds (excluding third party interest as stated below), were HK$49,029,295 (2016: Nil). As at 31 December 2017, the total assets and total liabilities (excluding third party interest as stated below) of the consolidated investment funds, were HK$1,732,636,912 and HK$32,979,274 respectively (2016: Nil).

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

For the year ended 31 December 2017, interests held by third-party unit holders/shareholders of HK$102,018 (2016: Nil) in consolidated structured entities are included as other gains within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK$278,866,324 (2016: Nil) as at 31 December 2017 are included in other liabilities in the consolidated statement of financial position.

47. 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". The directors of the Company are of the opinion that the investment funds are regarded as unconsolidated structured entities as the Group does not hold any participating shares in the investment funds which is not able to exercise control over their operation and has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

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 2017 is HK$3,075,000 (2016: HK$2,414,530) (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 2017 is HK$6,972,000 (2016: HK$3,376,693). The net asset value of total assets under management for these funds amounts to approximately HK$5,359 million as at 31 December 2017 (2016: HK$759 million).

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

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 years ended 31 December 2017 and 2016, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$	2016 HK$
Non-current assets		
Property and equipment	**19,775,614**	5,451,832
Intangible assets	**211,021**	901,956
Investment in subsidiaries	**2,611,761,045**	1,927,150,163
Deposits, other receivables and prepayments	**11,544,450**	7,318,755
	2,643,292,130	1,940,822,706
Current assets		
Deposits, other receivables and prepayments	**10,193,603**	4,526,333
Amounts due from subsidiaries/related parties	**5,885,032,842**	4,439,670,000
Bank balances – general accounts and cash	**270,739,675**	549,497,307
	6,165,966,120	4,993,693,640
Current liabilities		
Accruals and other payables	**101,878,338**	72,406,380
Amounts due to related parties	**2,957,147**	3,928,514
Tax payable	**32,852,390**	8,548,683
Bank borrowings	**4,330,000,000**	2,550,000,000
	4,467,687,875	2,634,883,577
Net current assets	**1,698,278,245**	2,358,810,063
Non-current liabilities		
Accruals and other payables	**3,234,406**	–
Deferred tax liabilities	**694,474**	447,036
	3,928,880	447,036
Net assets	**4,337,641,495**	4,299,185,733
Capital and reserves		
Share capital	**400,000,000**	400,000,000
Share premium	**3,359,547,592**	3,359,547,592
Retained earnings	**135,652,082**	97,196,320
Capital reserve	**442,441,821**	442,441,821
Equity attributable to owners of the Company	**4,337,641,495**	4,299,185,733

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in the Company's reserve

	Share premium HK$	Capital reserve HK$	Retained earnings HK$	Total HK$
At 1 January 2016	–	491,440,821	2,273,617	493,714,438
Issue of shares pursuant to the Group Reorganisation	–	(48,999,000)	–	(48,999,000)
Issue of shares to CISI Holdings and Pre-IPO investors	1,928,118,807	–	–	1,928,118,807
Issue of shares under ESPS	252,097,030			252,097,030
Capitalisation issue of shares	(11,415,842)	–	–	(11,415,842)
Issue of shares through IPO upon listing	1,230,000,000	–	–	1,230,000,000
Transaction costs attributable to issue of shares through IPO upon listing	(39,252,403)	–	–	(39,252,403)
Profit and total comprehensive income for the year	–	–	94,922,703	94,922,703
At 31 December 2016	3,359,547,592	442,441,821	97,196,320	3,899,185,733
Dividends recognised as distribution	–	–	(80,000,000)	(80,000,000)
Profit and total comprehensive income for the year	–	–	118,455,762	118,455,762
At 31 December 2017	3,359,547,592	442,441,821	135,652,082	3,937,641,495

Financial Summary

RESULTS

	Year ended 31 December			
	2014 HK$	2015 HK$	2016 HK$	**2017 HK$**
REVENUE	120,001,758	364,324,168	507,300,113	**927,724,226**
Other income	4,365,712	3,865,371	7,419,660	**23,630,339**
Finance costs	(16,682,557)	(45,843,172)	(73,251,260)	**(166,817,874)**
Commission and fee expenses	(12,976,346)	(79,996,504)	(47,536,937)	**(101,172,102)**
Staff costs	(36,377,417)	(100,009,268)	(129,440,925)	**(163,560,791)**
Other operating expenses	(37,460,628)	(85,253,840)	(92,383,061)	**(130,199,762)**
Listing expenses	–	(1,598,329)	(22,899,313)	**–**
Impairment losses on accounts receivable	–	–	–	**(290,394,561)**
Other gains and losses	2,248,537	(7,419,313)	(15,831,828)	**78,875,531**
PROFIT BEFORE TAXATION	23,119,059	48,069,113	133,376,449	**178,085,006**
Taxation	(4,347,723)	2,434,920	(32,256,895)	**(25,253,165)**
PROFIT FOR THE YEAR	18,771,336	50,504,033	101,119,554	**152,831,841**
Other comprehensive income (expense) for the year	(18,443,580)	18,443,580	(38,104,605)	**30,109,172**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	327,756	68,947,613	63,014,949	**182,941,013**
EARNINGS PER SHARE				
Basic (expressed in HKD)	0.04	0.10	0.04	**0.04**

ASSETS AND LIABILITIES

	As at 31 December			
	2014 HK$	2015 HK$	2016 HK$	**2017 HK$**
Total assets	2,137,432,645	4,916,439,425	13,398,147,405	**17,053,775,016**
Total liabilities	(1,716,754,735)	(4,419,183,440)	(9,103,822,604)	**(12,656,509,202)**
Net assets	420,677,910	497,255,985	4,294,324,801	**4,397,265,814**

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