



**China Industrial Securities International Financial Group Limited**

**興證國際金融集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8407)**

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

**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, 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.**

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

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2018 together with the comparative unaudited figures for the corresponding periods in 2017.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
Revenue	4	<b>236,901,312</b>	260,435,465	<b>797,208,129</b>	618,815,511
Other income	4	<b>12,354,174</b>	7,443,027	<b>33,583,495</b>	15,265,304
Finance costs		<b>(82,426,375)</b>	(42,290,674)	<b>(267,656,430)</b>	(108,122,639)
Commission and fee expenses		<b>(24,183,315)</b>	(22,069,774)	<b>(85,545,423)</b>	(61,779,147)
Staff costs		<b>(41,539,182)</b>	(52,477,611)	<b>(103,455,853)</b>	(131,364,182)
Other operating expenses		<b>(49,042,401)</b>	(32,058,669)	<b>(123,751,799)</b>	(88,736,224)
(Impairment loss)/reversal of impairment loss on accounts receivable		<b>(1,078,544)</b>	(59,728,218)	<b>1,732,711</b>	(167,075,364)
Other gains or losses		<b>(24,936,236)</b>	8,141,369	<b>(122,790,649)</b>	60,599,272
Profit before taxation		<b>26,049,433</b>	67,394,915	<b>129,324,181</b>	137,602,531
Taxation	6	<b>(4,822,345)</b>	(5,542,427)	<b>(51,423,854)</b>	(16,130,028)
Profit for the period		<b>21,227,088</b>	61,852,488	<b>77,900,327</b>	121,472,503
Other comprehensive income/ (expense)					
<i>Item reclassified subsequently to profit or loss:</i>					
Changes in fair value of available- for-sale financial assets		–	25,515,650	–	23,558,052
Disposal of available-for-sale financial assets		–	(3,100,306)	–	19,100,739
Other comprehensive income for the period		–	22,415,344	–	42,658,791
Total comprehensive income for the period attributable to owners of the Company		<b>21,227,088</b>	84,267,832	<b>77,900,327</b>	164,131,294
Earnings per share					
Basic (expressed in HKD)	7	<b>0.0053</b>	0.0155	<b>0.0195</b>	0.0304

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 30 September 2018*

	Equity attributable to owners of the Company						Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Investments revaluation reserve HK\$	Other reserves HK\$	Retained earnings HK\$	
At 1 January 2018 (audited)	400,000,000	3,379,895,424	442,441,821	(7,995,433)	11,577,844	171,346,158	4,397,265,814
HKFRS 9 adjustment on retained earnings	-	-	-	7,995,433	-	(37,988,346)	(29,992,913)
At 1 January 2018 (after adjustment)	400,000,000	3,379,895,424	442,441,821	-	11,577,844	133,357,812	4,367,272,901
Dividends recognised as distribution	-	-	-	-	-	(120,000,000)	(120,000,000)
Profit for the period	-	-	-	-	-	77,900,327	77,900,327
Total comprehensive income for the period	-	-	-	-	-	77,900,327	77,900,327
At 30 September 2018 (unaudited)	400,000,000	3,379,895,424	442,441,821	-	11,577,844	91,258,139	4,325,173,228

*For the nine months ended 30 September 2017*

	Equity attributable to owners of the Company						Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Investments revaluation reserve HK\$	Other reserves HK\$	Retained earnings (Accumulated losses) HK\$	
At 1 January 2017 (audited)	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	-	-	-	-	-	(80,000,000)	(80,000,000)
Profit for the period	-	-	-	-	-	121,472,503	121,472,503
Other comprehensive income for the period	-	-	-	42,658,791	-	-	42,658,791
Total comprehensive income for the period	-	-	-	42,658,791	-	121,472,503	164,131,294
At 30 September 2017 (unaudited)	400,000,000	3,379,895,424	442,441,821	4,554,186	11,577,844	139,986,820	4,378,456,095

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the three months and nine months ended 30 September 2018*

### **1. GENERAL**

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

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

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2018. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements except for the effects as described in the 2018 interim report.

The unaudited condensed consolidated financial statements for the three months and nine months ended 30 September 2018 comprise the Company and its subsidiaries.

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

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

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

### 3. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The CODM considers the Group’s operations are located in Hong Kong.

The principal activities of the reportable and operating segments under HKFRS 8 are as follow:

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

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

Investment banking — provision of financial advisory, sponsor, placing and underwriting services of debt and equity securities;

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

Financial products and investments (previously named as 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.

*For the nine months ended 30 September 2018 (unaudited)*

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Asset management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Revenue from external customers	154,181,261	308,738,791	165,935,592	18,630,948	-	-	647,486,592
Net gains on financial products and investments	-	-	-	-	149,721,537	-	149,721,537
Inter-segment revenue	3,506,951	-	-	12,860,827	-	(16,367,778)	-
Segment revenue and net gains on financial products and investments	157,688,212	308,738,791	165,935,592	31,491,775	149,721,537	(16,367,778)	797,208,129
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							797,208,129
Segment result	72,235,743	171,243,831	113,790,009	18,952,701	(233,592,774)		142,629,510
Unallocated expenses							(13,305,329)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							129,324,181

*For the nine months ended 30 September 2017 (unaudited)*

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Asset management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Revenue from external customers	138,238,742	226,753,726	37,547,462	8,563,022	–	–	411,102,952
Net gains on financial products and investments	–	–	–	–	207,712,559	–	207,712,559
Inter-segment revenue	<u>775,063</u>	<u>–</u>	<u>–</u>	<u>2,877,099</u>	<u>–</u>	<u>(3,652,162)</u>	<u>–</u>
Segment revenue and net gains on financial products and investments	<u>139,013,805</u>	<u>226,753,726</u>	<u>37,547,462</u>	<u>11,440,121</u>	<u>207,712,559</u>	<u>(3,652,162)</u>	<u>618,815,511</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>618,815,511</u>
Segment result	49,237,313	(28,139,518)	13,180,944	1,459,430	117,392,138		153,130,307
Unallocated expenses							<u>(15,527,776)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>137,602,531</u>

For the three months ended 30 September 2018 (unaudited)

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Asset management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Revenue from external customers	40,880,723	111,356,717	36,607,320	7,797,690	-	-	196,642,450
Net gains on financial products and investments	-	-	-	-	40,258,862	-	40,258,862
Inter-segment revenue	<u>1,082,471</u>	<u>-</u>	<u>-</u>	<u>3,812,127</u>	<u>-</u>	<u>(4,894,598)</u>	<u>-</u>
Segment revenue and net gains on financial products and investments	<u>41,963,194</u>	<u>111,356,717</u>	<u>36,607,320</u>	<u>11,609,817</u>	<u>40,258,862</u>	<u>(4,894,598)</u>	<u>236,901,312</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>236,901,312</u>
Segment result	12,621,743	47,983,532	8,572,239	6,247,139	(46,803,828)		28,620,825
Unallocated expenses							<u>(2,571,392)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>26,049,433</u>

For the three months ended 30 September 2017 (unaudited)

	Brokerage HK\$	Loans and financing HK\$	Investment banking HK\$	Asset management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Revenue from external customers	55,304,935	82,818,190	18,062,703	2,265,041	-	-	158,450,869
Net gains on financial products and investments	-	-	-	-	101,984,596	-	101,984,596
Inter-segment revenue	296,306	-	-	2,252,099	-	(2,548,405)	-
Segment revenue and net gains on financial products and investments	<u>55,601,241</u>	<u>82,818,190</u>	<u>18,062,703</u>	<u>4,517,140</u>	<u>101,984,596</u>	<u>(2,548,405)</u>	<u>260,435,465</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>260,435,465</u>
Segment result	19,648,054	(11,361,348)	7,371,332	1,317,987	56,554,461		73,530,486
Unallocated expenses							<u>(6,135,571)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>67,394,915</u>

#### 4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

##### Revenue

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
(a) Brokerage:				
Commission and fee income from securities brokerage	<b>34,467,869</b>	43,652,863	<b>134,737,607</b>	110,872,358
Commission and fee income from futures and options brokerage	<b>5,885,473</b>	5,324,723	<b>17,709,654</b>	13,165,987
Insurance brokerage and commission income	<b>527,381</b>	849,849	<b>1,734,000</b>	2,533,346
Handling and other service fee income	-	5,477,500	-	11,667,051
	<u><b>40,880,723</b></u>	<u>55,304,935</u>	<u><b>154,181,261</b></u>	<u>138,238,742</u>



	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
(b) Loans and financing:				
Interest income from margin financing	110,219,839	81,137,883	304,701,176	222,644,608
Interest income from money lending activities	1,136,878	1,680,307	4,037,615	4,109,118
	<u>111,356,717</u>	<u>82,818,190</u>	<u>308,738,791</u>	<u>226,753,726</u>
(c) Investment banking:				
Commission on placing, underwriting and sub-underwriting				
— Debt securities	27,389,545	14,382,797	97,708,780	19,318,910
— Equity securities	6,567,296	1,269,906	41,393,366	13,018,552
Financial advisory fee income	677,664	150,000	1,566,438	450,000
Sponsor fee income	1,800,000	2,260,000	5,070,000	4,760,000
Arrangement fee	172,815	—	20,197,008	—
	<u>36,607,320</u>	<u>18,062,703</u>	<u>165,935,592</u>	<u>37,547,462</u>
(d) Asset management:				
Asset management fee income	6,945,247	1,444,478	15,861,095	6,121,497
Investment advisory fee income	852,443	820,563	2,769,853	2,441,525
	<u>7,797,690</u>	<u>2,265,041</u>	<u>18,630,948</u>	<u>8,563,022</u>
(e) Financial products and investments:				
Interest income from financial assets at fair value through profit or loss	85,341,703	16,595,533	299,254,391	79,410,464
Dividend income from financial assets at fair value through profit or loss	4,946,754	308,708	12,053,465	2,027,489
Net realised (loss)/gain on financial assets at fair value through profit or loss	(123,616,589)	14,729,915	(148,184,257)	16,514,454
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	37,462,901	29,098,214	(274,159,358)	29,931,196
Interest income from available-for-sale financial assets	—	35,574,919	—	105,360,561
Net realised gain/(loss) on available-for-sale financial assets	—	3,100,306	—	(19,100,739)
Net realised (loss)/gain on derivatives	(9,002,692)	(1,185,402)	20,478,614	(13,324,816)
Net unrealised gain on derivatives	15,420,088	3,733,483	163,400,518	6,673,030
Net realised gain on financial liabilities at fair value through profit or loss	601,567	—	601,567	—
Net unrealised gain on financial liabilities at fair value through profit or loss	29,105,130	28,920	76,276,597	220,920
	<u>40,258,862</u>	<u>101,984,596</u>	<u>149,721,537</u>	<u>207,712,559</u>
	<u>236,901,312</u>	<u>260,435,465</u>	<u>797,208,129</u>	<u>618,815,511</u>

## Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
Interest income from financial institutions	<b>10,771,091</b>	7,118,034	<b>31,209,929</b>	14,841,380
Sundry income	<b>1,583,083</b>	324,993	<b>2,373,566</b>	423,924
	<b><u>12,354,174</u></b>	<u>7,443,027</u>	<b><u>33,583,495</u></b>	<u>15,265,304</u>

## 5. DIVIDEND

For the nine months ended 30 September 2018, a final dividend of HK\$0.03 per share in respect of the year ended 31 December 2017 (2017: HK\$0.02) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to HK\$120,000,000 (2017: HK\$80,000,000).

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2018 (2017: Nil).

## 6. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)	2018 HK\$ (unaudited)	2017 HK\$ (unaudited)
Hong Kong Profits Tax:				
Current period	<b>6,704,186</b>	4,798,129	<b>52,698,438</b>	15,763,866
Over-provision in prior period	<b>(260,285)</b>	–	<b>(260,285)</b>	–
	<b><u>6,443,901</u></b>	<u>4,778,129</u>	<b><u>52,438,153</u></b>	<u>15,763,866</u>
Deferred Tax:				
Current period	<b>(1,621,556)</b>	744,298	<b>(1,014,299)</b>	366,162
	<b><u>4,822,345</u></b>	<u>5,542,427</u>	<b><u>51,423,854</u></b>	<u>16,130,028</u>

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

## 7. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Earnings (HK\$)</b>				
Earnings for the purpose of basic earnings per share:				
Profit for the period attributable to owners of the Company	<u>21,227,088</u>	<u>61,852,488</u>	<u>77,900,327</u>	<u>121,472,503</u>
<b>Number of shares</b>				
Weighted average number of ordinary shares				
for the purpose of basic earnings per share	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>4,000,000,000</u>	<u>4,000,000,000</u>

For each of the three months and nine months ended 30 September 2017 (unaudited) and 30 September 2018 (unaudited), there were no potential ordinary shares in issue, thus no diluted earnings per share is presented.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

In the first three quarters of 2018, global financial market volatility increased due to the radical change in monetary policy in developed economies and the increasing uncertainty of the international political and economic environment. In September, the Hang Seng Index in Hong Kong closed at 27788.5, representing a decrease of 7.1% as compared to the beginning of the year. However, the market fundraising activities in Hong Kong remained buoyant. A total of 166 new companies (including listed companies transferred from GEM to Main Board) were listed on the Stock Exchange in the first nine months, representing a year-on-year increase of 45.6% as compared with 114 newly listed companies for the corresponding period last year. The total fund raised amounted to HK\$445.91 billion, representing an increase of 40.9% from HK\$316.56 billion for the corresponding period in 2017, in which the funds raised from the initial public offerings amounted to HK\$242.67 billion, representing an increase of 177.1% from HK\$87.57 billion for the corresponding period in 2017.

Under the market environment with high complexity and volatility, the Group manages and controls risks in a stringent manner, closely monitors market conditions, and strives to promote diversified revenue structure, so as to minimize the exposure to the fluctuation of a single business. For the nine months ended 30 September 2018, the Group recorded a total operating revenue of HK\$797.2 million, representing an increase of approximately 28.8% as compared with HK\$618.8 million for the corresponding period in 2017. Profit after taxation was HK\$77.9 million, representing a decrease of approximately 35.9% as compared with HK\$121.5 million for the corresponding period in 2017.

For the nine months ended 30 September 2018, there was a significant year-on-year increase in the proportion of operating revenue for the Group's fee-charging businesses, such as brokerage, asset management and investment banking, on aggregate basis. For the nine months ended 30 September 2018, the Group's income from financial products and investments was adversely affected by the US interest rate hike and therefore fluctuated sharply. In the future, the Group will continue to manage risks in a prudent manner and closely monitor the market conditions. With risk prevention in mind, the Group will timely adjust the investment portfolio and adopt risk hedging measures to reduce the exposure to interest rate change and other external factors.

At the same time, the Group will step up its efforts in building a core professional team to timely capitalize on the prime opportunity arising from the further implementation of the PRC's "Belt and Road" Initiative and the Development Plan for a City Cluster in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will continue to consolidate and promote its securities and futures brokerage business, and accelerate the development of the institutional sales and research business, which will also drive the corporate finance and assets management business. These will facilitate its goal of business diversification and mitigate the effect of external factors such as the economic environment and interest rate volatility while achieving better returns for shareholders.

## FINANCIAL REVIEW

### Revenue

The Group's revenue is mainly derived from (i) brokerage; (ii) loans and financing; (iii) investment banking; (iv) asset management; (v) financial products and investments.

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Commission and fee income from brokerage services ( <i>note</i> )	<b>40,880,723</b>	55,304,935	<b>154,181,261</b>	138,238,742
Interest income from loans and financing services	<b>111,356,717</b>	82,818,190	<b>308,738,791</b>	226,753,726
Income from investment banking services	<b>36,607,320</b>	18,062,703	<b>165,935,592</b>	37,547,462
Management fee and advisory fee from asset management services	<b>7,797,690</b>	2,265,041	<b>18,630,948</b>	8,563,022
Income from financial products and investments	<b>40,258,862</b>	101,984,596	<b>149,721,537</b>	207,712,559
	<b><u>236,901,312</u></b>	<u>260,435,465</u>	<b><u>797,208,129</u></b>	<u>618,815,511</u>

*Note:* Such services include securities, futures and options, and insurance brokerage service.

In the first three quarters of 2018, there was a sharp fluctuation in Hong Kong securities market, but the Group's income from brokerage business and interest income from loans and financing services still recorded steady growth. Thanks to the great progress in the debt securities issue and underwriting business as compared to the corresponding period in 2017 and a considerable growth of the related businesses of equity securities, a significant year-on-year increase in income from investment banking services of the Group was also achieved. The Group has actively expanded its asset management business and recorded a year-on-year increase in related revenue.

As compared to the corresponding period in 2017, the Group's income from investment banking services had a significant year-on-year growth of HK\$128.4 million or 341.9%. Management fee and advisory fee from asset management services had a significant year-on-year growth of HK\$10.1 million or 117.6%. Interest income from loans and financing services had a year-on-year increase of HK\$82.0 million or 36.2%. Commission and fee income from brokerage services showed a year-on-year increase of HK\$15.9 million or 11.5%. Besides, given the change in fair value of financial assets, the Group's income from financial products and investments had a year-on-year decrease of HK\$58.0 million or 27.9%.

## **Profit for the period**

For the nine months ended 30 September 2018, the Group recorded profit after taxation of HK\$77.9 million (2017: HK\$121.5 million). Such decrease was mainly attributable to the influence of the increase in total finance costs as a combined result of the moderate increase in gearing ratio to cope with the business development of the Group and the significant increase in market interest rates.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 September 2018, the Group had bank balances of HK\$2,125.4 million (30 September 2017: HK\$2,076.9 million). The Group's current ratio, being the ratio of current assets to current liabilities, was approximately 1.2 times as at 30 September 2018 (30 September 2017: 1.2 times).

As at 30 September 2018, the Group had total bank and other borrowings of HK\$11,294.5 million (30 September 2017: HK\$6,141.0 million). As at 30 September 2018, the notes outstanding of the Group were HK\$62.6 million (30 September 2017: HK\$93.7 million).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to HK\$4,325.2 million as at 30 September 2018 (30 September 2017: HK\$4,378.5 million).

## USE OF PROCEEDS

On 20 October 2016, the Group was 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.

	Proposed use of proceeds as disclosed in the Prospectus <sup>(note 1)</sup>	Use of proceeds by 30 September 2018, as allocated in accordance with the Prospectus <sup>(note 1)</sup>		Use of proceeds as at 30 September 2018, as actually applied		Outstanding proceeds allocated as at 30 September 2018	
	Approximate percentage of allocation	Approximate percentage of application	HK\$'million (approx.)	Approximate percentage of application	HK\$'million (approx.)	Approximate percentage of outstanding allocation	HK\$'million (approx.)
Expansion of the loans and financing business	40.0%	36.0%	463.8	39.0%	501.8	1.0%	13.5
Development of proprietary trading business (currently known as financial products and investments)	20.0%	18.0%	231.9	20.0%	257.6	Nil	Nil
Development of capital-based intermediary business	10.0%	9.0%	115.9	10.0%	128.8	Nil	Nil
Development of asset management business	8.0%	8.0%	103.1	8.0%	103.1	Nil	Nil
Development of investment banking business	8.0%	8.0%	103.1	0.5%	6.9	7.5%	96.2
Development of institutional sales capabilities	4.0%	4.0%	51.5	4.0%	51.5	Nil	Nil
Working capital and other general corporate purposes	10.0%	9.0%	115.9	10.0%	128.8	Nil	Nil
Total		<u>92.0%</u>	<u>1,185.2</u>	<u>91.5%</u>	<u>1,178.5</u>	<u>8.5%</u>	<u>109.7</u>

### Note:

- The implementation plan in the prospectus of the Company dated 30 September 2016 (the "Prospectus") is based on the mid-range expected offer price as at the latest practicable date of the Prospectus. The allocation percentages reflect the percentage of the proceeds of the Company's listing as stated in the implementation plan, while the actual amounts allocated have been adjusted to reflect the percentage of the net proceeds actually received pursuant to the listing of the Company on the GEM.

The actual use of proceeds in loans and financing and financial products and investments of the Group up to 30 September 2018 was accelerated in comparison to the implementation plan as disclosed in the Prospectus, due to the unexpected growth of business with respect to such business segments of the Group. The actual use of proceeds in capital-based intermediary business up to 30 September 2018 was accelerated in comparison to the implementation plan as disclosed in the Prospectus, due to unexpected growth in the business since its expansion. The actual use of proceeds in investment banking business up to 30 September 2018 was significantly reduced in comparison to the implementation plan as disclosed in the Prospectus, as the Group's investment banking business was still under development during this abovesaid period and has not yet used the proceeds to provide capital support for significant fund raising services, and accordingly, the proceeds allocated for this segment have been reserved for supporting and developing such services.

The actual use of proceeds in working capital and other general corporate purposes was accelerated by HK\$25.7 million up to 30 September 2018 in comparison to the implementation plan as disclosed in the Prospectus, due to the rapid growth in the Group's overall business since the date of listing.

Save as disclosed above, the Group will apply the proceeds from its listing on the GEM to various businesses gradually in accordance with the proceeds allocation set out in the Prospectus.

## **EMPLOYEE INFORMATION**

As at 30 September 2018, the Group had 185 full-time employees (30 September 2017: 154 full-time employees), including the Directors. Total remuneration for the nine months ended 30 September 2018 was HK\$103.5 million (2017: HK\$131.4 million).

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

There was no material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 30 September 2018.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liability in the nine months ended 30 September 2018 and up to the date of this announcement.

## **EVENT AFTER THE REPORTING PERIOD**

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

## **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 nine months ended 30 September 2018.



## **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, 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 nine months ended 30 September 2018.

## **COMPLIANCE ADVISER’S INTERESTS**

As at 30 September 2018, save and except for the compliance adviser’s agreement entered into between the Company and Haitong International Capital Limited (the “Compliance Adviser”) dated 8 June 2016, neither the Compliance Adviser, nor any of its directors, employees or close associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities).

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the nine months ended 30 September 2018.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2018.

## **AUDIT COMMITTEE**

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

The Group's unaudited condensed consolidated results for the nine months ended 30 September 2018 have been reviewed by the Audit Committee, which was of the opinion that such results have complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By Order of the Board  
**China Industrial Securities International Financial Group Limited**  
**Yang Huahui**  
*Chairman*

Hong Kong, 9 November 2018

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication and on the website of the Company ([www.xyzq.com.hk](http://www.xyzq.com.hk)).*