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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 on the GEM: 8407)
(Stock Code on the Main Board: 6058)

TRANSFER OF LISTING FROM THE GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Joint Sponsors

Alliance Capital Partners Limited
同人融資有限公司

On 11 June 2018, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in the 4,000,000,000 Shares currently in issue on the Main Board by way of transfer of listing from the GEM to the Main Board. Such application was further renewed on 11 December 2018.

The Board confirms that all pre-conditions for the Transfer of Listing under the Listing Rules, insofar as applicable, have been fulfilled in relation to the Company and the Shares as at the date of this announcement. The Stock Exchange has granted its approval for the Shares to be listed on the Main Board and de-listed from the GEM.

The last day of dealings in the Shares on the GEM (Stock Code on the GEM: 8407) will be 2 January 2019. It is expected that dealings in the Shares on the Main Board (Stock Code on the Main Board: 6058) will commence at 9:00 a.m. on 3 January 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer office of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company dated 11 June 2018 in relation to the submission of a formal application to the Stock Exchange in relation to the Transfer of Listing pursuant to the relevant provisions of the Listing Rules, and the announcement issued by the Company dated 11 December 2018 in relation to the renewal of such formal application on such date.

A. TRANSFER OF LISTING OF THE SHARES FROM THE GEM TO THE MAIN BOARD

On 11 June 2018, an application was made by the Company to the Stock Exchange for the listing of, and permission to deal in the 4,000,000,000 Shares currently in issue on the Main Board by way of transfer of listing from the GEM to the Main Board.

The Board confirms that all pre-conditions for the Transfer of Listing under the Listing Rules, insofar as applicable, have been fulfilled in relation to the Company and the Shares as at the date of this announcement. The Stock Exchange has granted its approval for the Shares to be listed on the Main Board and de-listed from the GEM.

The last day of dealings in the Shares on the GEM (Stock Code on GEM: 8407) will be 2 January 2019. Dealings in the Shares on the Main Board (Stock Code on the Main Board: 6058) will commence at 9:00 a.m. on 3 January 2019.

B. DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from 20 October 2016, the date on which the Shares were first listed on the GEM. Subject to the continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence. All activities under CCASS are subject to the General Rules of the CCASS and CCASS Operational Procedures in effect from time to time.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in a board lots of 2,000 Shares each and are traded in Hong Kong dollars.

The Cayman Islands share registrar of the Company is Tricor Services (Cayman Islands) Limited and the Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer office of the Company following the Transfer of Listing.

C. REASONS FOR THE TRANSFER OF LISTING

The Company has been listed on the GEM since 20 October 2016. Since the GEM is positioned as a market for small to mid-sized companies to raise capital, the Board believes that companies listed on the GEM tend to carry a higher investment risk than companies listed on the Main Board. Due to its continuing development following its listing on the GEM, the Company has developed beyond this stage. The Board believes that the Transfer of Listing will enhance the attractiveness of the Shares to both retail and institutional investors and the profile of the Group.

In addition, given that companies listed on the GEM are generally perceived to carry the risk that their shares are more susceptible to high market volatility, the Board considers that a listing on the Main Board will give the Group a higher status which will result in a larger and better investor base, higher trading liquidity of the Shares; and will also promote the Company's profile and strengthen its recognition by investors, thereby bolstering the ability of the Company to further raise funds in the market. This will also strengthen the Group's position in the industry and enhance the Group's competitive strengths in retaining and attracting the Group's professional staff and customers. The Board believes that the Transfer of Listing will be beneficial to the future growth, financing flexibility and business development of the Group, and will enhance the value of the Company to the Shareholders as a whole.

As at the date of this announcement, the Board has no plans to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve any issue of new Shares.

D. COMPETING BUSINESS

As at the date of this announcement, none of the Directors or Controlling Shareholders has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and which would require disclosure pursuant to paragraph 10 (11) of Appendix 28 of the Main Board Listing Rules and Rules 8.10(1) and (2) of the Main Board Listing Rules.

The Controlling Shareholders are Industrial Securities, CISI Holdings and Industrial Securities (Hong Kong).

The principal business of Industrial Securities includes securities brokerage, securities investment consulting, financial advisory services in relation to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading, margin finance, distribution of securities investment funds, providing intermediary services for futures companies and distribution of financial products in the PRC. CISI Holdings is a holding company without any business operation. Industrial Securities (Hong Kong) is the holding company of Industrial Securities (Shenzhen). For details of the services provided by Industrial Securities (Shenzhen) to the Group, please refer to the section headed "Financial Independence from Controlling Shareholders" below.

Given the nature of the principal businesses carried out by the Controlling Shareholders and the Group, each of these entities needs to obtain licences from the respective regulatory authorities of the jurisdiction in which they respectively operate, and none of them can legally carry on such regulated businesses without obtaining relevant licences in that jurisdiction.

As at the Latest Practicable Date, the Controlling Shareholders do not possess any licence in Hong Kong to carry on the same businesses as the Group. On the other hand, the Group has not obtained any licence in the PRC to carry on same businesses as they do. Due to the clear territory delineation of the businesses of the Group and the Controlling Shareholders which results from the regulatory requirements in Hong Kong and the PRC, the Company is of the view that there is no competition between the business of the Group with those of the Controlling Shareholders.

Further, in order to avoid any potential competition between the Controlling Shareholders and the Group, the Controlling Shareholders executed a deed of non-competition (the "**Deed**") on 28 September 2016 in favour of the Company (for itself and for the benefit of each member of the Group). Pursuant to the Deed, during the period that the Deed 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 Shareholder (individually or with its associates).

E. FINANCIAL INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Service Agreements

As disclosed in the circular of the Company dated 17 May 2018, on 27 September 2016, the Company and Industrial Securities (Shenzhen) entered into the service agreement (the "**Service Agreement**"), pursuant to which Industrial Securities (Shenzhen) agreed to provide consultancy services to the Group, including the provision of consultancy services on economic information, and assisting the Group in collecting and analysing information on macroeconomics, industry news and market information in the PRC, for a term of three years from 1 January 2016 to 31 December 2018. The annual caps (after revision through a supplemental agreement dated 3 April 2018) for the transactions contemplated under the Service Agreement for the years ended 31 December 2016, 2017 and 2018 amount to approximately HK$8.2 million, HK$10.2 million and HK$36.0 million, respectively.

On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a new service agreement ("**New Service Agreement**") for, among others, renewal of the continuing connected transactions under the Service Agreement for a further term of three years from 1 January 2019 to 31 December 2021. The annual caps in respect of the transactions under the New Service Agreement for the years ended 31 December 2019, 2020 and 2021 amount to approximately HK$68.0 million, HK$105.0 million and HK$153.0 million, respectively. The actual amounts paid by the Company to Industrial Securities (Shenzhen) under the existing Service Agreement for the two years ended 31 December 2016 and 2017 were approximately HK$4.8 million and HK$10.2 million, respectively.

In determining the annual caps under the New Service Agreement, which have been increased in comparison to the annual caps under the existing Service Agreement, the Company considered, among others, the inflation of staff costs and operational costs in the PRC.

As one or more of the applicable percentage ratios of the annual caps under the New Service Agreement exceed 5% and the annual caps exceed HK$10,000,000, the above New Service Agreement and the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements as well as the requirement of independent shareholders' approval under the GEM Listing Rules. On 12 June 2018, the Company obtained the approval of the Independents Shareholders of the Company at its extraordinary general meeting with respect to the New Service Agreement and the transactions contemplated thereunder.

For further details regarding the New Service Agreement, please refer to the circular of the Company dated 17 May 2018.

Financial Independence

While the Group has continuing connected transactions with Industrial Securities (Shenzhen) as mentioned above, the Board confirms that the Group has been and is currently capable of carrying on its business independently of, and at an arm's length with Industrial Securities (Shenzhen).

The Group also has an independent financial system and makes financial decisions according to its own business needs. Save for the continuing connected transaction with Industrial Securities (Shenzhen) as disclosed above, as at the date of this announcement, there are no amounts due from or to the Controlling Shareholders other than in the ordinary course of business. The Company confirms that, as at the date of this announcement, the Group has sufficient capital to operate its business independently, and has adequate internal resources, including the proceeds from the listing of the Company on the GEM, to support its daily operations.

The Company considers that the services currently provided by Industrial Securities (Shenzhen) could be handled by the Group itself and thus there is no reliance on Industrial Securities (Shenzhen) for the services provided under such agreement. However, notwithstanding the inflation of staff costs and operational costs in the PRC as mentioned above, as labour costs are still comparatively lower in the PRC than in

Hong Kong, the Company considers the entering into the Service Agreement and New Service Agreement to be a cost effective means of securing receipt of such consultancy services by the Group.

F. MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY IN RESPECT OF THE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017 AND SIX MONTHS ENDED 30 JUNE 2017 AND 2018

Overview

For the year ended 31 December 2016, the Group recorded an operating revenue of approximately HK$507.3 million (2015: approximately HK$364.3 million), representing a year-on-year growth of 39.2%. The Group recorded a profit after tax of approximately HK$101.1 million (2015: approximately HK$50.5 million), representing a year-on-year growth of approximately 100.2%. The loans and financing business and proprietary trading business (currently known as financial products and investments) recorded growth of approximately 76.3% and approximately 401.7% respectively in terms of operating revenue for the year ended 31 December 2016 as compared to the same for the year ended 31 December 2015.

For the year ended 31 December 2017, 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 as compared to the same for the year ended 31 December 2016. 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.

For the six months ended 30 June 2018, the brokerage services, loans and financing, investment banking, asset management, and financial products and investments business segments of the Group recorded growth of approximately 36.6%, 37.1%, 563.7%, 72.0% and 3.5% respectively, in terms of operating revenue, as compared to the six months ended 30 June 2017.

Key components in the consolidated statement of profit or loss and other comprehensive income of the Group for the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018

For illustrative purposes, the table below sets forth the key items of the Group's consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, as extracted from the annual reports of the Company for the years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	364,324,168	507,300,113	927,724,226	358,380,046	560,306,817
Other income	3,865,371	7,419,660	23,630,339	7,822,277	21,229,321
Finance costs	(45,843,172)	(73,251,260)	(166,817,874)	(65,831,965)	(185,230,055)
Commission and fee expenses	(79,996,504)	(47,536,937)	(101,172,102)	(39,709,373)	(61,362,108)
Staff costs	(100,009,268)	(129,440,925)	(163,560,791)	(78,886,571)	(61,916,671)
Other operating expenses	(85,253,840)	(92,383,061)	(130,199,762)	(56,677,555)	(74,709,398)
Listing expenses	(1,598,329)	(22,899,313)	—	—	—
(Provision)/reversal of provision for impairment losses on accounts receivable	—	—	(290,394,561)	(107,347,146)	2,811,255
Other gains or losses	(7,419,313)	(15,831,828)	78,875,531	52,457,903	(97,854,413)
Profit before taxation	48,069,113	133,376,449	178,085,006	70,207,616	103,274,748
Taxation	2,434,920	(32,256,895)	(25,253,165)	(10,587,601)	(46,601,509)
Profit for the year/period	**50,504,033**	**101,119,554**	**152,831,841**	**59,620,015**	**56,673,239**
Total comprehensive income for the year/period attributable to owners of the Company	68,947,613	63,014,949	182,941,013	79,863,462	56,673,239
Earnings per share	0.10	0.04	0.04	0.01	0.01

Note: *for details regarding the key items listed above, please refer to the notes to the consolidated statement of profit or loss and other comprehensive income as set out in the annual reports of the Company for the years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018.*

Analysis on Principal Businesses

(I) Policy Review

Trading through Shenzhen-Hong Kong Stock Connect commenced on 5 December 2016 following the launch of Shanghai-Hong Kong Stock Connect on 17 November 2014. The schemes allow investors in the Chinese mainland and Hong Kong stock markets to trade eligible shares listed on the other market subject to daily quotas.

On 11 April 2018, the Hong Kong Securities and Futures Commission and China Securities Regulatory Commission announced an increase of the daily quotas under both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect to four times the original levels. The new quotas, RMB52 billion for each of the northbound trading links and RMB42 billion for each of the southbound trading links, took effect on 1 May 2018. The expansion facilitates fund flows into the Chinese mainland market amid the inclusion of A-shares into the MSCI Emerging Markets Index, as MSCI included 226 A-shares (after excluding suspended stocks) in its Emerging Markets Index on 31 May 2018.

(II) Market Review

During the first half of 2018, there were concerns that global trade tensions and higher overseas market volatility might have a contagion effect on the Hong Kong market. Investor sentiment was also affected by concerns that rising interest rates and a stronger US dollar could reduce interbank liquidity in Hong Kong, thereby affecting market performance. The Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) fell 3.2% and 5.4% respectively. The average daily trading in Hong Kong's stock market rose 43.5% to HK$126.6 billion.

In the Chinese mainland market, the Shanghai Composite Index (SHCOMP) and the Shenzhen Composite Index (SZCOMP) dropped 13.9% and 15.4% respectively. In the US, the Dow fell 1.8% while the S&P 500 (S&P) and Nasdaq rose 1.7% and 8.8% respectively.

(III) Competitive environment

As at the end of June 2018, 569 licensed corporations were Stock Exchange Participants.

(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.

For illustrative purposes, please find set out below the key items of the financial results of each business segment of the Group, as extracted from the annual reports of the Company for the years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018:

For the year ended 31 December 2015 (audited)

	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	175,164,396	127,030,188	25,615,792	7,068,319	—	—	334,878,695
Net gains on financial products and investments	—	—	—	—	29,445,473	—	29,445,473
Inter-segment revenue	—	—	—	5,633,995	—	(5,633,995)	—
Segment revenue and net gains on financial products and investments	175,164,396	127,030,188	25,615,792	12,702,314	29,445,473	(5,633,995)	364,324,168
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							364,324,168
Segment results	49,578,718	45,420,958	9,300,573	6,886,655	(6,588,246)		104,598,658
Unallocated expenses							(56,529,545)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							48,069,113

For the year ended 31 December 2016 (audited)

	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

For the year ended 31 December 2017 (audited)

	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

For the six months ended 30 June 2017 (unaudited)

	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	82,933,807	143,935,536	19,484,759	6,297,981	—	—	252,652,083
Net gains on financial products and investments	—	—	—	—	105,727,963	—	105,727,963
Inter-segment revenue	478,757	—	—	625,000	—	(1,103,757)	—
Segment revenue and net gains on financial products and investments	83,412,564	143,935,536	19,484,759	6,922,981	105,727,963	(1,103,757)	358,380,046
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							358,380,046
Segment results	29,589,259	(16,778,170)	5,809,612	141,443	60,837,677	—	79,599,821
Unallocated expenses							(9,392,205)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							70,207,616

For the six months ended 30 June 2018 (unaudited)

	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	113,300,538	197,382,074	129,328,272	10,833,258	—	—	450,844,142
Net gains on financial products and investments	—	—	—	—	109,462,675	—	109,462,675
Inter-segment revenue	2,424,480	—	—	9,048,700	—	(11,473,180)	—
Segment revenue and net gains on financial products and investments	115,725,018	197,382,074	129,328,272	19,881,958	109,462,675	(11,473,180)	560,306,817
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							560,306,817
Segment results	59,614,000	123,260,299	105,217,770	12,705,562	(186,788,946)	—	114,008,685
Unallocated expenses							(10,733,937)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							103,274,748

Summary of key operating data for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
Securities brokerage trading turnover *(HK$ in millions)* for	95,634.8	69,830.0	148,257.5	50,232.4	128,321.5
Average brokerage commission rate for securities brokerage for	0.10%	0.09%	0.09%	0.11%	0.07%
Number of contracts executed under futures and options brokerage for	1,588,765.0	555,754.0	435,109.0	197,561.0	211,929.0
Average brokerage commission per futures and options contract *(HK$)* for	37.5	39.1	45.1	50.9	56.1
Total margin loan balance *(HK$ in millions)* as at	2,421.3	3,715.8	4,402.0	3,937.4	5,406.8
Total market value of collateral held for margin financing *(HK$ in millions)*	8,940.8	13,752.2	11,829.2	12,069.1	14,145.4
Average margin ratio *(Note 1)* as at	27.1%	27.0%	37.2%	32.6%	38.2%
Total loan balance for money lending *(HK$ in millions)* as at	282.3	75.4	112.9	74.9	70.4
Total market value of collateral held for money lending *(HK$ in million)* as at	1,963.6	142.2	258.9	121.4	111.5
Average loan-to-value ratio for money lending *(Note 2)* as at	14.4%	53.0%	43.6%	61.7%	63.1%
Value of equity securities underwritten *(HK$ in millions)*	1,849.1	3,995.4	560.8	—	1,482.1
Value of securities placed *(HK$ in millions)*	16.5	1,486.1	1,733.1	966.7	1,013.8
Assets under management *(HK$ in millions)* as at	1,664.0	1,744.9	7,761.8	2,907.2	7,800.6
Net gain from financial products and investments (including interest income and dividend income) *(HK$ in millions)* for	29.4	147.7	298.8	105.7	109.5
Average return from financial products and investments for	4.40%	5.90%	5.00%	2.00%	1.60%

Notes:

1. *Average margin ratio is calculated as margin loan balance as at 31 December 2015, 2016 and 2017 and 30 June 2017 and 2018 divided by the market value of the collateral held as at the same date.*

2. *Average loan-to-value ratio for money lending is calculated as total loan balance for money lending as at 31 December 2015, 2016 and 2017 and 30 June 2017 and 2018 divided by the total market value of collateral held for money lending as at the same date.*

Brokerage

For the year ended 31 December 2016, the Group recorded a year-on-year decrease of approximately 39.9% in commission and fee income from brokerage service to approximately HK$105.3 million (2015: approximately HK$175.2 million) due to the decrease of full-year securities turnover of the Group's clients resulting from market volatility while average commission rates remained steady.

For the year ended 31 December 2017, the Group recorded a year-on-year increase of approximately 73.0% in commission and fee income from brokerage services to approximately HK$182.2 million (2016: approximately 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. For the year ended 31 December 2017, the Group's commission and fee income from securities brokerage service amounted to approximately HK$160.4 million (2016: approximately HK$82.4 million), representing a year-on-year increase of approximately 94.5%. The significant increase in the Group's commissions and fees for its securities brokerage business in 2017 was due to the significant increase of full-year securities turnover of the Group's clients resulting from the favorable conditions of the stock market, while average commission rates remained steady.

Moreover, the insurance commission income from the insurance brokerage business of the Group amounted to approximately HK$3.7 million (2016: approximately HK$2.4 million), representing a year-on-year growth of approximately 53.7%. In 2017, the Group's assets under custody and client base continued to expand.

The Group's commission and fee income from brokerage services increased by approximately 36.6% to approximately HK$113.3 million for the six months ended 30 June 2018, from approximately HK$82.9 million for the six months ended 30 June 2017. Such increase was mainly due to substantial increase of securities turnover of the Group's clients in the corresponding period despite general decrease in average commission rates. As at 30 June 2018, total assets under custody of the Group's brokerage clients exceeded HK$130.0 billion, increased by over 30% as compared to the level as at 30 June 2017.

Loans and financing

For the year ended 31 December 2016, the loans and financing business of the Group recorded a revenue of approximately HK$223.9 million, representing an increase of approximately 76.3% from approximately HK$127.0 million for 2015, due to increased loan size.

For the year ended 31 December 2017, the revenue from loans and financing business increased by 38.7% to approximately HK$310.5 million (2016: approximately HK$223.9 million), and such increase was attributable to the higher demand of margin financing from our customers resulting from the favorable conditions of the stock market.

Trading of the shares of two listed companies which a few of the Group's clients pledged as collateral for their margin loans being China Huishan Dairy Holdings Limited (Stock Code: 6863) ("**Huishan**") and Fuguiniao Co., Ltd. (Stock Code: 1819) ("**Fuguiniao**") were suspended during the year. For prudence sake, impairment loss of approximately HK$290.4 million was made for the margin loans concerned, resulting in loss of the loans and financing business segment. Such margin loan receivables were from (a) a private corporate client owing a margin loan in the amount of approximately HK$214.7 million, who held 2,199,397,460 shares in Huishan (representing approximately 16.32% of the issued share capital of Huishan as at the Latest Practicable Date based on public disclosures of Huishan) pledged as collateral for such loan; (b) a private corporate client owing a margin loan in the amount of approximately HK$9.6 million, who held 130,701,000 shares in Huishan (representing approximately 0.97% of the issued share capital of Huishan as at the Latest Practicable Date based on public disclosures of Huishan) pledged as collateral for such loan; (c) a private corporate client owing a margin loan in the amount of HK$80.0 million, who held 75,000,000 shares in Fuguiniao (representing approximately 6.17% of the issued share capital of Fuguiniao as at the Latest Practicable Date based on public disclosures of Fuguiniao) pledged as collateral for such loan ("**ML Client**"); and (d) an individual client owing a margin loan in the amount of approximately HK$6.1 million, who held 10,169,000 shares in Huishan (representing approximately 0.08% of the issued share capital of Huishan as at the Latest Practicable Date based on public disclosures of Huishan) pledged as collateral for such loan, as at 31 December 2017, representing an aggregate carrying amount of approximately HK$310.4 million. Subsequently, in March 2018, HK$20.0 million was recovered with respect to the margin loan owing by the ML Client through the sale by the Group of 25,000,000 shares of Fuguiniao held by the ML Client, being a portion of such shares in Fuguiniao pledged as collateral by the ML Client, to a private corporate client of the Group. As at the Latest Practicable Date, the Group continues to take steps for the recovery of the remaining margin loan receivables by, among others, conducting site visits and meetings with the relevant margin loan clients for negotiation, being represented on the creditors' committee with respect to one of the aforementioned Hong Kong listed companies whose shares were suspended and had been previously pledged as security for the relevant margin loans, and instructing legal counsel to represent the Group in the Group's correspondence with relevant margin loan clients in connection with the recovery of such outstanding margin loan receivables.

In 2017, the Group recruited experienced professionals to review and revise the risk management policies including its 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 its risk exposure and continuously enhanced its risk prevention capabilities.

Investment banking

For the year ended 31 December 2016, income from investment banking business of the Group dropped slightly to approximately HK$21.0 million (2015: approximately HK$25.6 million) mainly due to the decrease in the revenue from commission on placing, underwriting and sub-underwriting.

For the year ended 31 December 2017, the Group's revenue from investment banking business reached approximately HK$123.3 million (2016: approximately HK$21.0 million), representing a year-on-year growth of approximately 487.2%. The Group had only commenced its debt underwriting business in 2017. The significant increase in the underwriting fees from debt securities and the arrangement fees from the Group's newly-commenced arrangement business for fixed-income structured products were the main reasons for the rapid growth of the Group's investment banking business in 2017.

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. In 2017, the Group had underwritten fixed income products including senior unsecured bonds/notes, convertible bonds, preferred shares, subordinated capital bonds for clients from finance, real estate and other industries.

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 United States dollars. The Group commenced its arrangement business for fixed-income structured products in 2017, by arranging newly issued fund-linked notes and repacked notes. The revenue from the Group's arrangement business is derived from arrangement fees for the deals which are charged based on a specific percentage of the issuing value of the arranged products. The arrangement fee charged in each case is determined based on financial market conditions, market competition, as well as the related costs of providing such services. The arrangement fee income from this business amounted to approximately HK$62.5 million during the year ended 31 December 2017.

The Group also made progress in the equity financing business. For the year ended 31 December 2017, the Group, in the capacity of sponsor, completed one IPO project and submitted one IPO application. The Group entered into four financial advisory agreements and completed five underwriting projects for IPO and 44 placing projects.

For the six months ended 30 June 2018, the Group's revenue from investment banking business amounted to approximately HK$129.3 million, representing an increase of approximately 563.7% from approximately HK$19.5 million for the six months ended 30 June 2017. Such increase was mainly contributed by the expansion of the Group's bond issue and underwriting business as well as arrangement business for fixed income structured products which continued to develop and made high contribution to the revenue.

Asset management

For the year ended 31 December 2016, the asset management business recorded revenue of approximately HK$9.3 million, representing a decrease of 26.8% as compared with approximately HK$12.7 million for the year ended 31 December 2015. For the year ended 31 December 2016, the asset management business recorded a decrease in profit of approximately HK$11.6 million from profit of approximately HK$6.9 million for the year ended 31 December 2015 to loss of approximately HK$4.7 million. This was mainly because of the increased operating costs for the expansion of business during 2016.

For the year ended 31 December 2017, the asset management business of the Group recorded a revenue from external customers of approximately HK$12.9 million (2016: approximately HK$9.3 million), representing a year-on-year growth of approximately 38.8% due to the establishment and issue of new funds. In 2017, the Group established and issued six funds. The asset under management (including RMB Qualified Foreign Institutional Investors products, private funds and discretionary accounts) amounted to approximately HK$7.76 billion as at the end of the period.

For the six months ended 30 June 2018, the asset management business of the Group recorded a revenue from external customers of approximately HK$10.8 million, representing an increase of approximately 72.0% from approximately HK$6.3 million for the six months ended 30 June 2017, as the assets under management for the asset management business of the Group increased substantially.

Financial products and investments

For the year ended 31 December 2015, the proprietary trading business (currently named financial products and investments in the Group's financial reports) segment recorded negative result due to segment expense of approximately HK$18.5 million arising from reclassification of exchange difference on translation of financial statements of a wholly owned investment fund.

For the year ended 31 December 2016, the financial products and investments business of the Group recorded a significant growth in revenue (including interest income) from approximately HK$29.4 million for the year ended 31 December 2015 to approximately HK$147.7 million, increased by approximately 401.7%, due to the increased scale of investments which were made in accordance with the Group's investment strategies and assessments. The Group's bond and fixed-income products portfolio in 2016 mainly comprised of investment grade U.S. dollar denominated debt securities and non-investment grade debt securities which were selected after strict screening processes conducted by the Group.

For the year ended 31 December 2017, the financial products and investments income of the Group (including interest income) increased significantly to approximately HK$298.8 million (2016: approximately HK$147.7 million), representing a year-on-year growth of approximately 102.2%. The significant increase in the income from financial products and investment business in 2017 was due to the increase in interest income resulting from the increase in the Group's investment scale. The interest income from available-for-sale financial assets and financial assets at fair value through profit or loss in the year ended 31 December 2017 increased in line with the monthly average available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group in 2017. The financial products and investments business of the Group mainly includes U.S. dollar denominated bonds and other fixed-income investments. In 2017, the Group also invested in certain equity products including public funds, private funds and discretionary portfolios as well as securities and financial derivatives for hedging purpose.

For the six months ended 30 June 2018, the revenue from financial products and investments of the Group was approximately HK$109.5 million, representing an increase by 3.5% from approximately HK$105.7 million for the six months ended 30 June 2017.

In terms of the financial products and investments business of the Group, for the purposes of risk management, according to the Group's policies and internal control procedures, the Group will formulate different selection criteria for bonds and other fixed income products, limit the investment in industries and enterprise with excess capacity and negative news, and track and monitor the trends of macro economy and investment concentration ratio to optimise its investment strategies.

The Group will also 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. Furthermore, the Group will also assess the spread level, relative investment values, relative yield, shape of yield curve, major risks, the degree of liquidity and capability of revenue generation of different types of bonds, and control the investment horizon of debt securities investment. The Group will monitor its investments on a timely basis, including trading positions, unrealised profit or loss, risk exposure and trading activities.

Key fluctuations in the financial results of the Group

The Group recorded an operating revenue of HK$507.3 million (2015: HK$364.3 million) for the year ended 31 December 2016, representing a year-on-year growth of 39.2%. The profit after taxation of the Group recorded HK$101.1 million (2015: HK$50.5 million) for the year ended 31 December 2016, representing a year-on-year growth of 100.2%.

Such fluctuation of the Group's profit margin for the year ended 31 December 2016 was mainly due to the significant increase in segment results of proprietary trading business (currently known as financial products and investments business) and loans and financing business.

The Group recorded an operating revenue of HK$927.7 million (2016: HK$507.3 million) for the year ended 31 December 2017, representing a year-on-year growth of 82.9%. The profit after taxation of the Group for the year ended 31 December 2017 was HK$152.8 million (2016: HK$101.1 million), representing a year-on-year increase of 51.1%.

Such fluctuation of the Group's profit margin for the year ended 31 December 2017 was mainly due to the significant increase in segment results of proprietary trading business (currently known as financial products and investments business), and the substantial exchange gain caused by exchange rate fluctuation of foreign currency securities the Group held.

The Group recorded profit after taxation of HK$56.7 million (2017: HK$59.6 million) for the six months ended 30 June 2018, representing a year-on-year decrease of 4.9%, while the operating revenue of the Group recorded HK$560.3 million (2017: HK$358.4 million) for the six months ended 30 June 2018 with a year-on-year increase of 56.3%.

Such fluctuation of the Group's profit margin for the six months ended 30 June 2018 was a combined result of increase in total revenue offset by increases in finance cost, taxation and other gains or losses, as compared with the same period in 2017. The increase in total finance costs is mainly due to the increase in bank borrowing of approximately HK$5,404.6 million as at 31 December 2017 to approximately HK$9,965.6 million as at 30 June 2018 to cope with business development of the Group. The increase in taxation is a combined result of increased profit before taxation and the unrecognition of tax loss of two major operating subsidiaries. The Group's profit before taxation of approximately HK$103.3 million for the six months ended 30 June 2018 consists of (i) profit before taxation of approximately HK$244.1 million of all of its profit-making subsidiaries; and (ii) loss before taxation of approximately HK$140.8 million from two loss-making subsidiaries. With respect to the loss before taxation derived from the financial results for its two loss-making subsidiaries, there is no income tax expenses charged for the six months ended 30 June 2018. As a result, the Group only recorded income tax expenses of HK$46.6 million for the profit before taxation of HK$244.1 million arising from its profit-making subsidiaries, with respect to which the effective tax rate was approximately 19.1% without taking into account the impact from the unrecognition of tax loss of the two major operating subsidiaries. The effective tax rate was higher than standard profit tax rate in Hong Kong i.e. 16.5% mainly because of the net effect of (i) non-deductible expenses (such as expenses related to offshore income and fair value loss on investments) which amounted to approximately HK$101.3 million; (ii) non-taxable income (such as offshore income, interest income) which amounted to approximately HK$40.3 million; and (iii) the utilisation of tax loss in previous years which amounted to approximately HK$22.6 million. The other losses recorded for the six months ended 30 June 2018 is mainly due to relatively significant exchange loss caused by exchange rate fluctuation for foreign currency securities held by the Group. The Group purchased certain unlisted debt securities (the "**Relevant Securities**") denominated in Euros in late March 2018 of approximately EUR263.0 million. Between the date of the acquisition of such Relevant Securities and 30 June 2018, the exchange rate of Euros depreciated by approximately 4.6% against Hong Kong dollars. As a result, the Group recorded an exchange loss of approximately HK$114.7 million due to the decrease in the Hong Kong dollars equivalent value of the Relevant Securities.

For the six months ended 30 June 2018, the revenue from loans and financing business of the Group increased by approximately 37.1% to HK$197.4 million from approximately HK$143.9 million for the six months ended 30 June 2017 primarily due to increased loan size. In 2018, the Group made provision for impairment on expected credit loss under HKFRS9 which was effective during the year. For the six months ended 30 June 2018, approximately HK$2.8 million was reversed due to reduction in expected credit loss for the Group's receivables under loans and financing business of the Group.

Key fluctuations in the unaudited financial information of the Group for the nine months ended 30 September 2018

The Group has published its third quarterly report with respect to its unaudited financial information for the nine months ended 30 September 2018 (the "**3rd Quarterly Report**").

As mentioned in the 3rd Quarterly Report, there was a sharp fluctuation in Hong Kong securities market in the first three quarters of 2018, but the Group's income from brokerage business and interest income from loans and financing services still recorded steady growth. Compared with the corresponding period in 2017, there was a considerable growth of the equity securities business of the Group. A significant year-on-year increase in income from investment banking services of the Group was also achieved by the Group. The Group has actively expanded its asset management business and recorded a year-on-year increase in related revenue for the nine months ended 30 September 2018.

As disclosed in the 3rd Quarterly Report, the Group recorded an operating revenue of approximately HK$797.2 million for the nine months ended 30 September 2018 (2017: approximately HK$618.8 million) representing an increase of approximately 28.8% as compared to the same 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 in that year and as a result, experienced sharp fluctuations. In the future, the Group will continue to manage risks in a prudent manner and closely monitor market conditions. The Group will adjust the investment portfolio in a timely manner and adopt risk hedging measures to reduce the exposure to interest rate change and other external factors.

The Group recorded profit after taxation of HK$77.9 million for the nine months ended 30 September 2018 (2017: HK$121.5 million), representing a decrease of 35.9% in comparison with the same period in 2017.

Such fluctuation of the Group's profit margin was the combined result of increase in total revenue off set by increases in finance cost, taxation and other gains or losses, as compared with the same period in 2017. The reasons for such fluctuation for the nine months ended 30 September 2018 were substantially the same as the reasons for fluctuation in the Group's profit margin for the six months ended 30 June 2018. Please refer to the 3rd Quarterly Report for further details.

Financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018

As at 31 December 2017, the total assets of the Group increased by approximately 27.3% to approximately HK$17,053.8 million (31 December 2016: approximately HK$13,398.1 million). As at 31 December 2017, the total liabilities of the Group increased by approximately 39.0% to approximately HK$12,656.5 million (31 December 2016: approximately HK$9,103.8 million). For illustrative purposes, please see below the consolidated statement of financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018:

	31 December 2015 *HK$* (Audited)	**31 December 2016** *HK$* (Audited)	**31 December 2017** *HK$* (Audited)	**30 June 2018** *HK$* (Unaudited)
Non-current assets				
Property and equipment	10,170,765	6,942,085	20,583,936	23,015,318
Intangible assets	3,019,998	2,612,040	1,616,541	1,768,913
Available-for-sale financial assets	—	3,181,350,771	11,423,329	—
Loans receivable	—	2,000,000	3,000,000	—
Statutory deposits	9,717,842	8,875,453	13,361,721	32,473,863
Deposits, other receivables and prepayments	6,585,008	7,612,939	11,666,181	11,832,242
	29,493,613	3,209,393,288	61,651,708	69,090,336
Current assets				
Accounts receivable	2,683,432,603	4,090,591,460	5,007,801,784	7,271,287,300
Loans receivable	282,300,000	73,400,000	109,900,000	70,400,000
Available-for-sale financial assets	—	—	1,872,333,774	—
Financial assets at fair value through profit or loss	—	1,803,902,667	5,106,108,484	11,477,401,798
Financial assets held under repurchase agreements	—	—	—	101,013,315
Statutory deposits	12,385,409	3,614,360	15,977,608	18,021,596
Deposits, other receivables and prepayments	11,384,185	73,249,491	302,695,425	416,458,570
Tax receivable	—	—	5,943,628	7,993,806
Amounts due from related parties	3,804,021	—	—	—
Bank balances — trust accounts	1,655,617,525	3,171,106,387	3,389,991,675	3,946,913,247
Bank balances — general accounts and cash	238,022,069	972,889,752	1,181,370,930	1,846,851,422
	4,886,945,812	10,188,754,117	16,992,123,308	25,156,341,054

	31 December 2015 HK$ (Audited)	31 December 2016 HK$ (Audited)	31 December 2017 HK$ (Audited)	30 June 2018 HK$ (Unaudited)
Current liabilities				
Accounts payable	1,943,190,294	4,646,186,272	4,203,671,739	6,027,053,540
Accruals and other payables	57,285,281	99,594,969	175,425,279	177,665,860
Amount due to a related party	—	3,928,514	2,957,147	1,130,506
Other liabilities	—	—	278,866,324	402,519,439
Tax payable	149,650	33,267,865	40,347,249	83,238,611
Financial liabilities at fair value through profit or loss	—	—	161,958,014	938,093,616
Financial assets sold under repurchase agreements	—	—	1,094,855,904	1,803,013,910
Bank borrowings	2,416,068,466	4,142,518,829	5,404,592,664	9,965,590,836
Other borrowings	—	177,577,860	1,203,876,281	1,432,290,839
Notes	—	—	62,549,900	62,786,400
	4,416,693,691	9,103,074,309	12,629,100,501	20,893,383,557
Net current assets	470,252,121	1,085,679,808	4,363,022,807	4,262,957,497
Non-current liabilities				
Accruals and other payables	—	—	3,234,406	3,191,281
Other liability	873,961	—	—	—
Financial liabilities at fair value through profit or loss	—	—	23,282,776	23,411,636
Deferred tax liabilities	1,615,788	748,295	891,519	1,498,776
	2,489,749	748,295	27,408,701	28,101,693
Net assets	497,255,985	4,294,324,801	4,397,265,814	4,303,946,140
Capital and reserves				
Share capital	1,000	400,000,000	400,000,000	400,000,000
Share premium	—	3,379,895,424	3,379,895,424	3,379,895,424
Retained earnings	(2,605,237)	98,514,317	171,346,158	70,031,051
Investments revaluation reserve	—	(38,104,605)	(7,995,433)	—
Other reserve	8,419,401	11,577,844	11,577,844	11,577,844
Capital reserve	491,440,821	442,441,821	442,441,821	442,441,821
Equity attributable to owners of the Company	497,255,985	4,294,324,801	4,397,265,814	4,303,946,140

Movement in the Group's reserve

	Equity attributable to owners of the Company							
	Share capital	**Share premium**	**Capital reserve**	**Investments revaluation reserve**	**Other reserve**	**Exchange reserve**	**(Accumulated losses) retained earnings**	**Total equity**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2015	–	–	–	–	492,230,760	(18,443,580)	(53,109,270)	420,677,910
Deemed capital contribution from Industrial Securities (Hong Kong)	–	–	–	–	7,630,462	–	–	7,630,462
Issue of shares upon incorporation of the Company	1,000	–	–	–	(1,000)	–	–	–
Effect of group reorganisation	–	–	491,440,821	–	(491,440,821)	–	–	–
Profit for the year	–	–	–	–	–	–	50,504,033	50,504,033
Other comprehensive income for the year	–	–	–	–	–	18,443,580	–	18,443,580
Total comprehensive income for the year	–	–	–	–	–	18,443,580	50,504,033	68,947,613
At 31 December 2015	1,000	–	491,440,821	–	8,419,401	–	(2,605,237)	497,255,985
Deemed capital contribution from Industrial Securities (Hong Kong)	–	–	–	–	3,158,443	–	–	3,158,443
Issue of shares for acquisition of the Combined Businesses # *pursuant to the Group Reorganisation*	48,999,000	–	(48,999,000)	–	–	–	–	–
Issue of shares to CISI Holdings and Pre-IPO investors	211,881,188	1,928,118,807	–	–	–	–	–	2,139,999,995
Issue of shares under the employee share participation scheme	27,702,970	252,097,030	–	–	–	–	–	279,800,000
Capitalisation issue of shares	11,415,842	(11,415,842)	–	–	–	–	–	–
Issue of shares through initial public offering ("IPO") upon listing	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

\# "**Combined Business**" means the entire business of Industrial Securities (Hong Kong) which includes, among other things, the entire shareholding interest in China Industrial Securities International Brokerage Limited, China Industrial Securities International Asset Management Limited, China Industrial Securities International Futures Limited, China Industrial Securities International Capital Limited, China Industrial Securities International Finance Limited, China Industrial Securities International Investment Limited and China Industrial Securities International Wealth Management Limited, 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)

	Equity attributable to owners of the Company							
	Share capital *HK$*	Share premium *HK$*	Capital reserve *HK$*	Investments revaluation reserve *HK$*	Other reserve *HK$*	Exchange reserve *HK$*	Retained earnings *HK$*	Total equity *HK$*
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	—	—	—	—	—	—	(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
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	—	—	—	—	—	—	56,673,239	56,673,239
Total comprehensive income for the period	—	—	—	—	—	—	56,673,239	56,673,239
At 30 June 2018 (unaudited)	400,000,000	3,379,895,424	442,441,821	—	11,577,844	—	70,031,051	4,303,946,140

Note: for details regarding the key items listed above, please refer to the notes to the consolidated statement of financial position as set out in the annual reports of the Company for the years ended 31 December 2016 and 2017 and the interim report of the Company for the six months ended 30 June 2018.

(Accumulated losses)/retained earnings

The Group's history can be traced back to July 2011 when Industrial Securities founded Industrial Securities (Hong Kong). During the initial stage of development, the Group incurred significant expenses on operations and, as a result, an accumulated loss of approximately HK$71.9 million as of 1 January 2014 was recorded. With the expansion of sales force and positive market sentiment in the first half of 2015, net profit increased to approximately HK$50.5 million for the year ended 31 December 2015 from net profit of approximately HK$18.8 million for the year ended 31 December 2014, which largely reduced the accumulated loss to approximately HK$2.6 million as at 31 December 2015.

Liquidity, financial resources and capital structures

As at 30 June 2018, the net current assets of the Group decreased by approximately 2.3% to approximately HK$4,263.0 million (31 December 2017: approximately HK$4,363.0 million). As at 31 December 2017, the net current assets of the Group increased by approximately 301.9% to approximately HK$4,363.0 million (31 December 2016: approximately HK$1,085.7 million). As at 31 December 2016, the net current assets of the Group increased by approximately 130.9% to approximately HK$1,085.7 million (31 December 2015: approximately HK$470.3 million).

The Group's current ratio is derived by dividing current assets to current liabilities as at the end of the respective financial period/year. The Group's current ratio decreased slightly to 1.2 times as at 30 June 2018 from 1.3 times as at 31 December 2017, which remained stable at 1.1 and 1.1 times as at 31 December 2015 and 31 December 2016, respectively.

There was a general increase in the Group's bank balances (excluding trust accounts). As at 31 December 2015, 31 December 2016 and 31 December 2017 and 30 June 2018, the Group's bank balances (excluding trust accounts) were approximately HK$238.0 million, HK$972.9 million, HK$1,181.4 million and HK$1,846.9 million respectively.

As at 30 June 2018, the Group's total bank and other borrowings increased by approximately 72.5% to approximately HK$11,397.9 million from approximately HK$6,608.5 million as at 31 December 2017. The Group's bank and other borrowings as at 31 December 2017 increased by approximately 53.0% from approximately HK$4,320.1 million as at 31 December 2016. The Group's bank and other borrowings as at 31 December 2016 increased by approximately 78.8% from approximately HK$2,416.1 million as at 31 December 2015. As at Latest Practicable Date, the unutilized banking facilities of the Group were HK$4,184.5 million.

The Group's notes outstanding remained stable, which amounted to approximately HK$62.8 million and HK$62.5 million as at 30 June 2018 and 31 December 2017, respectively. As at 31 December 2015 and 2016, the Group did not have any outstanding notes.

The Group commenced the financial products and investment business from 2016. In 2016, the sources of funding for the Group to make investment in available-for-sale financial assets and financial assets at fair value through profit or loss were mainly from bank loans, other borrowings and the 20% of the net IPO proceeds for development of the proprietary trading business as mentioned in the Prospectus. In 2017, besides bank loans, other borrowings and the 20% of the net IPO proceeds, the sources of funding of the Group also included funds from financial assets sold under repurchase agreements. Under repurchase agreements entered into between the Group and non-bank financial institutions, the Group obtained short term borrowings of approximately HK$1,094.9 million as at 31 December 2017 and HK$1,803.0 million as at 30 June 2018 by selling debt securities to such non-bank financial institutions and repurchased the equivalent securities at an agreed price on the relevant maturity dates which were within 1 year. Since 2018, the Group entered into reverse repurchase agreements with non-bank financial institutions for trading purposes. Under such reverse repurchase agreements, these non-bank financial institutions sold securities to the Group and repurchased the equivalent securities at an agreed price on the relevant maturity dates. As at 30 June 2018, financial assets held under such reverse repurchase agreements was approximately HK$101.0 million. As at 1 January 2018, the Group reclassified all its investments in available for sale financial assets of approximately HK$1,883.8 million, which equals to the total balance of the Group's investments in available for sale financial assets as at 31 December 2017, to financial assets at fair value though profit or loss due to the adoption of HKFRS 9 which was effective during the year.

The increase in the Group's liabilities including other borrowings, financial assets sold under repurchase agreements and other liabilities was for fulfillment of business development needs. Other borrowings refers to amounts borrowed from financial institutions by selling financial assets to counterparties and signing a total return swap agreement whereby the Group will receive cashflow from the transferred financial securities and receive the securities upon maturity of the agreement. Financial assets sold under repurchase agreement refers to amounts borrowed from financial institutions by selling financial assets to counterparties in return for cash and signing a repurchase agreement to repurchase equivalent securities at an agreed price and on an agreed future date. The Group increases the other borrowings and financial assets sold under repurchase agreement in order to support the increase in investments under available-for-sale financial assets and financial assets at fair value through profit or loss. Other liabilities in 2017 mainly represented third party unit holders for funds which are consolidated to the Group. The Group started to invest in such funds since 2017.

Gearing ratio is the total amount of the Group's bank and other borrowings and notes outstanding as a percentage of total equity as at the end of each financial period. The Group's gearing ratio decreased by 79.3% from 4.859 as at 31 December 2015 to 1.006 as at 31 December 2016 as a result of increased equity after IPO on 20 October 2016. The Group's gearing ratio increased by 50.8% to 1.517 as at 31 December 2017 due to the increased financial liabilities. As at 30 June 2018, the Group's gearing ratio increased by 75.5% to 2.663 due to the increased financial liabilities.

The capital of the Group comprises only of ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$4,303.9 million, HK$4,397.3 million, HK$4,294.3 million and HK$497.3 million as at 30 June 2018, 31 December 2017, 31 December 2016 and 31 December 2015, respectively.

Charges on the Group's assets

As at 30 June 2018, 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 14 to the consolidated financial statements set out in the interim report of the Company for the six months ended 30 June 2018.

Contingent liabilities

The Group did not have any material contingent liability as at 31 October 2018.

Employee information

As at 30 June 2018, the Group had 178 full-time employees (30 June 2017: 144 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2018 amounted to approximately HK$61.9 million (30 June 2017: HK$78.9 million).

G. MAJOR CUSTOMERS

We serve a diverse base of clients, including individual, corporate and institutional entities. Our major clients are mainly high net worth individuals and corporate clients.

For the two years ended 31 December 2016 and 2017, our largest client accounted for approximately 9.0% and 9.1% of our revenue from external customers, respectively. During the same periods, revenue attributable to our top five customers in aggregate amounted to approximately 17.5% and 17.6%, respectively, of our revenue from external customers.

For the six months ended 30 June 2018, our largest client accounted for approximately 5.6% of our revenue from external customers. During the same period, revenue attributable to our top five customers in aggregate amounted to approximately 18.1% of our revenue from external customers.

To the best knowledge of the Directors, having made reasonable enquiries, for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively, none of our Directors or their respective close associates or existing Shareholders who owned more than 5% of our Company's issued share capital had an interest in our top five clients, and all of our top five clients for the year ended 31 December 2017 and the six months ended 30 June 2018 respectively were Independent Third Parties. Due to the nature of our business activities, we have no major suppliers.

H. BUSINESS UPDATE OF MAJOR DEVELOPMENTS AND HIGHLIGHTS DURING THE RELEVANT PERIOD

During the first six months ended 30 June 2018, under the influences of rising global inflation expectation, upward trends in interest rates and the policies of US President Trump, global financial markets experienced increased volatility, which gave rise to both challenges and opportunities. Under the impact of external factors, the Hang Seng Index fluctuated at relatively high levels from January to June 2018, and the turnover in Hong Kong securities market increased simultaneously. The average daily turnover for the first six months of 2018 was approximately HK$126.6 billion, an increase of approximately 67% when compared with approximately HK$76.0 billion for the same period last year. Total equity funds raised on the Stock Exchange for the first six months of 2018 was approximately HK$189.8 billion, an increase of approximately 9% when compared with approximately HK$174.3 billion for the same period last year. There were 108 newly listed companies (including transfers of listing from GEM to Main Board) for the first six months of 2018, an increase of approximately 50% when compared with 72 for the same period last year.

As at the Latest Practicable Date, the Group's business was under steady development. The Group's brokerage business developed through expansion on marketing channels and business teams, and by capitalizing on institutional sales and research business. As at 30 June 2018, the total assets under custody of the Group's brokerage clients remained HK$130 billion (31 December 2017: exceeded HK$130 billion). The Directors believe that the loans and financing business of the Group was carried out in accordance with the Group's risk management policies including credit risk management policy. The investment banking business of the Group moved forward, benefiting from the growing Asian G3 currency bonds markets, the solid foundation and the complete business line of the Group's fixed income business. The asset under management (including RMB Qualified Foreign Institutional Investors products, private funds and discretionary account) exceeded HK$7.80 billion as at 30 June 2018 (31 December 2017: HK$7.76 billion). During the first six months ended 30 June 2018, the Group continued to develop its financial products and investments business, while keeping risks under control by investment portfolio adjustments and risk hedging. The Group also carried out system optimization, including using technology methods to increase work efficiency, updating of internal regulations and introducing more employee-caring measures to enhance corporate governance and the effectiveness of compliance and risk management.

I. 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.

For reference purposes only, please find below a summary of the use of proceeds by the Company:

	Proposed Use of proceeds as disclosed in the Prospectus(note 1)	Use of proceeds by 30 June 2018, as allocated in accordance with the Prospectus(note 1)		Use of proceeds as at 30 June 2018, as actually applied		Use of proceeds as at the Latest Practicable Date, as actually applied		Outstanding proceeds allocated as at the Latest Practicable Date	
	Approximate percentage of allocation	*Approximate percentage of application*	*HK$'million (approx.)*	*Approximate percentage of application*	*HK$'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%	32.0%	412.2	39.0%	501.8	39.0%	501.8	1.0%	13.5
Development of proprietary trading business (currently known as financial products and investments)	20%	16.0%	206.1	20.0%	257.6	20.0%	257.6	Nil	Nil
Development of capital-based intermediary business	10%	8.0%	103.1	10.0%	128.8	10.0%	128.8	Nil	Nil
Development of asset management business	8%	8.0%	103.1	8.0%	103.1	8.0%	103.1	Nil	Nil
Development of investment banking business	8%	8.0%	103.1	0.5%	6.9	0.5%	6.9	7.5%	96.2
Development of institutional sales capabilities	4%	4.0%	51.5	4.0%	51.5	4.0%	51.5	Nil	Nil
Working capital and other general corporate purposes	10%	8.0%	103.1	10.0%	128.8	10.0%	128.8	Nil	Nil
Total		84.0%	1,082.2	91.5%	1,178.5	91.5%	1,178.5	8.5%	109.7

Note:

1. The implementation plan in 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, financial products and investments, and capital-based intermediary, business of the Group as at 30 June 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.

More particularly, due to the increased daily average trading in Hong Kong's stock market in 2017 and the first half of 2018, the demand of financing from our customers increased significantly. The margin loan balance increased by 45.5% or HK$1,691.0 million in margin loans from HK$3,715.8 million as at 31 December 2016 to HK$5,406.8 million as at 30 June 2018. As a result, the Group accelerated the actual use of proceeds in its loans and financing business by HK$89.6 million as at 30 June 2018 in comparison to the implementation plan as disclosed in the Prospectus.

The total issuance of Asia-ex Japan G3 currency bond in 2017 significantly increased as compared to the year 2016. In order to seize this market opportunity, the Group accelerated the use of proceeds in its proprietary trading business (currently known as financial products and investments business) by HK$51.5 million as at 30 June 2018 in comparison to the implementation plan as disclosed in the Prospectus for the investments in fixed-income assets.

The actual use of proceeds in capital-based intermediary business was accelerated by HK$25.7 million as at 30 June 2018 in comparison to the implementation plan as disclosed in the Prospectus, due to the significant increase in the issuance of structured products during this period.

The actual use of proceeds in working capital and other general corporate purposes was accelerated by HK$25.7 million as at 30 June 2018 in comparison to the implementation plan as disclosed in the Prospectus, due to the rapid growth in the Group's overall business during 2017 and the six months ended 30 June 2018 as mentioned above.

The actual use of proceeds in investment banking business was reduced in comparison to the implementation plan as disclosed in the Prospectus. The actual use of proceeds in investment banking business as at 30 June 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 since the listing of the Company on the GEM 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.

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.

J. PROSPECTS AND FUTURE PLANS

Given China's promotion of the Belt and Road Initiative, the mutual market access scheme between Chinese mainland and Hong Kong markets and the reform of the Hong Kong stock market, the Group is confident with its 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 expedite the development of the institutional sales and research business, which will also drive the corporate finance and asset management business.

The Group will expand the asset management business, continue to enrich the product mix and expand the diverse asset management product line to cover stocks, bonds, structured bonds and PE (private equity funds) and others, 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.

The Group will continue to develop fixed income business, including bond investment and trading business while keeping risks under control. The Group will closely monitor the interest rate hike of the U.S. Federal Reserve and the fluctuation of the United States dollars exchange rate, and will take appropriate hedging measures timely, under the goal of maintaining the steady growth of investment return.

Furthermore, going forward, the Group intends to continue carrying out system optimisation, standards formulation and other enhancements of its compliance procedures as well as its risk management effectiveness.

The Group will strive for the goal of business diversification which will help to mitigate the impacts of external factors such as the economy and interest rate volatility, while improving returns for shareholders.

K. BIOGRAPHICAL DETAILS OF DIRECTORS OF THE COMPANY

Non-executive Directors

*Mr. Yang Huahui (“**Mr. Yang**”)*

Mr. Yang Huahui, aged 52, Ph.D in Economics, is a 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 the party committee and the chairman of the board of directors of Industrial Securities. 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. He has served as 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) and CISI Holdings on 30 January 2018 which are controlling shareholders of the Company (as defined in the GEM Listing Rules).

Mr. Yang has entered into a service contract with the Company for a term of three years commencing from 30 January 2018, which may be terminated by not less than three months’ notice in writing served by either party on the other. He is not entitled to receive any emolument.

As at the Latest Practicable Date, Mr. Yang did not have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

*Mr. Huang Yilin ("**Mr. YL Huang**")*

Mr. Huang Yilin, aged 49, Ph.D, is 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. YL Huang has over 18 years of experience in the financial services industry.

Mr. YL Huang is currently the vice president of Industrial Securities and legal representative and executive director of Industrial Securities Investment Management Limited. 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 of Industrial Securities. He was also the supervisor of China Securities Credit Investment Co., Ltd. Mr. YL Huang was also appointed as director of Industrial Securities (Hong Kong) and CISI Holdings on 12 July 2017 which are the controlling shareholders of the Company (as defined in the GEM Listing Rules).

Mr. YL Huang has entered into a service contract with the Company for a term of three years commencing from 12 July 2017, which may be terminated by not less than three months' notice in writing served by either party on the other. He is not entitled to receive any emoluments.

As at the Latest Practicable Date, Mr. YL Huang beneficially owned 2,264,384 Shares. Save as disclosed herein, Mr. YL Huang does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Executive Directors

*Mr. Huang Jinguang ("**Mr. JG Huang**")*

Mr. Huang Jinguang, aged 49, 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. JG 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. JG Huang has over 24 years of experience in the financial services industry.

From November 1992 to January 2001, Mr. JG 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. JG Huang served as the general manager of the Industrial Securities Group's Chengdu operations' division. From November 2001 to November 2004, Mr. JG 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. JG 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. JG Huang served successively as, among others, office manager and general manager of the margin trading division of the Industrial Securities Group.

Since July 2011, Mr. JG Huang has been a director and the chief executive officer of Industrial Securities (Hong Kong). Currently, Mr. JG Huang is also a director of various subsidiaries of the Company. Mr. JG Huang obtained a master's degree in business administration from Nanyang Technological University, Singapore in May 2010.

As at the Latest Practicable Date, Mr. JG Huang beneficially owned 9,263,389 Shares. Save as disclosed herein, Mr. JG Huang does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

*Mr. Wang Xiang ("**Mr. Wang**")*

Mr. Wang Xiang, aged 39, 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). From May 2015 to September 2016, Mr. Wang was the deputy chief executive officer of Industrial Securities (Hong Kong). 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. Mr. Wang has entered into a service contract with the Company for a term of three years commencing from 20 October 2016, which may be terminated by not less than three months' notice in writing served by either party on the other.

Mr. Wang is entitled to receive emoluments of RMB1,327,200 per annum and discretionary bonus. Such emolument will be determined annually by the remuneration committee of the Company by reference to his relevant experience, responsibilities, workload, time devoted to the Group and performance of the Group.

As at the Latest Practicable Date, Mr. Wang beneficially owned 8,131,197 Shares. Save as disclosed herein, Mr. Wang does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

*Ms. Zeng Yanxia ("**Ms. Zeng**")*

Ms. Zeng Yanxia, aged 42, 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 chief financial officer of Industrial Securities (Hong Kong). 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), the PRC, with a bachelor's degree in certified public accountancy in June 1998. She further obtained a master's degree in finance from Wuhan University, the PRC, in June 2003, and a doctor in accounting from Xiamen University, the PRC, in July 2006. She is also a senior accountant and certified public accountant of the PRC.

Ms. Zeng has entered into a service contract with the Company for a term of three years commencing from 20 October 2016, which may be terminated by not less than three months' notice in writing served by either party on the other. Ms. Zeng is entitled to receive emoluments of HK$1,234,800 per annum and discretionary bonus. Such emolument will be determined annually by the remuneration committee of the Company by reference to her relevant experience, responsibilities, workload and time devoted to the Group and performance of the Group.

As at the Latest Practicable Date, Ms. Zeng beneficially owned 7,204,858 Shares. Save as disclosed herein, Ms. Zeng does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Independent Non-executive Directors

*Ms. Hong Ying ("**Ms. Hong**")*

Ms. Hong Ying, aged 68, 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

Ms. Hong has entered into a service contract with the Company for a term of three years commencing from 27 July 2016, which may be terminated by not less than three months' notice in writing served by either party on the other. Ms. Hong is entitled to receive emoluments of HK$200,000 per annum and discretionary bonus. Such emolument will be determined annually by the remuneration committee of the Company by reference to her relevant experience, responsibilities, workload, time devoted to the Group and performance of the Group.

As at the Latest Practicable Date, Ms. Hong did not have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

*Mr. Tian Li (“**Mr. Tian**”)*

Mr. Tian Li, aged 50, 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.

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. Tian has entered into a service contract with the Company for a term of three years commencing from 27 July 2016, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. Tian is entitled to receive emoluments of HK$200,000 per annum and discretionary bonus. Such emolument will be determined annually by the remuneration committee of the Company by reference to his relevant experience, responsibilities, workload and time devoted to the Group and performance of the Group.

As at the Latest Practicable Date, Mr. Tian did not have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

*Mr. Qin Shuo ("**Mr. Qin**")*

Mr. Qin Shuo, 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 of 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 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 was appointed as an independent director of Oppein Home Group Inc. (歐派家居集團股份有限公司) (stock code: 603833.SS) on 16 May 2018.

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.

Mr. Qin has entered into a service contract with the Company for a term of three years commencing from 27 July 2016, which may be terminated by not less than three months' notice in writing served by either party on the other. Mr. Qin is entitled to receive emoluments of HK$200,000 per annum and discretionary bonus. Such emolument will be determined annually by the remuneration committee of the Company by reference to his relevant experience, responsibilities, workload and time devoted to the Group and performance of the Group.

As at the Latest Practicable Date, Mr. Qin did not have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations within the meaning of Part XV of the SFO.

L. MATERIAL CHANGES AND OTHER MATERIAL INFORMATION ARISING FROM EVENTS SINCE 31 DECEMBER 2017

Changes in board composition

On 30 January 2018, the following changes in the composition of the Board took place:

(a) Mr. Lan Rong tendered his resignation as a non-executive Director and chairman of the Board due to devotion of more time and energy to other work with effect from 30 January 2018. As at 30 January 2018, Mr. Lan Rong also ceased to be chairman of the Nomination Committee and a member of the Remuneration Committee under the Board with effect from 30 January 2018.

(b) Mr. Yang Huahui was appointed as a non-executive Director and chairman of the Board with effect from 30 January 2018. Mr. Yang Huahui was also appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee under the Board with effect from 30 January 2018.

Mr. Lan Rong has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company and/or Stock Exchange.

For further details on the changes in the composition of the Board since 31 December 2017, please refer to the announcement of the Company dated 29 January 2018. Save as disclosed above, there have been no other material changes in the composition of the Board or senior management of the Company.

Changes in shareholding of the Controlling Shareholders

As at the date of this announcement, approximately 51.84% of the entire issued share capital of the Company is held by CISI Holdings, whose entire issued share capital is in turn held by Industrial Securities (Hong Kong). Industrial Securities (Hong Kong) is wholly-owned by Industrial Securities. Accordingly, for the purposes of the Listing Rules, CISI Holdings, Industrial Securities (Hong Kong) and Industrial Securities are each considered a controlling shareholder of the Company.

Upon the listing of the Company on 20 October 2016, the aggregate shareholding of Controlling Shareholders in the Company was 2,053,281,644 Shares, representing 51.33% of the issued share capital of the Company as at such date. As at 31 December 2017, the aggregate shareholding of Controlling Shareholders in the Company was 2,056,595,644 Shares, representing approximately 51.41% of the issued share capital of the Company as at such date.

As at the date of this announcement, the aggregate shareholding of Controlling Shareholders in the Company was 2,073,533,644 Shares, representing approximately 51.84% of the issued share capital of the Company as at such date.

Significant acquisition or disposal of subsidiaries and affiliated companies

There were no significant acquisitions or disposals of subsidiaries and affiliated companies by the Group following 31 December 2017 and up to and including the date of this announcement.

No material adverse change

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited financial statements of the Company have been made up) and up to and including the date of this announcement.

Non-compliances

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that the Directors were not aware of any non-compliances by the Group in the ordinary course of its business during the three financial years ended 31 December 2015, 2016 and 2017 and up to the date of this announcement.

Recent regulatory or industry developments affecting the Group's business

New rules to broaden Hong Kong's listing regime took effect on 30 April 2018. As part of the reforms, the Hong Kong Exchange added three new chapters in the Main Board Listing Rules and made consequential changes to the current rules to: (a) permit listings of biotech issuers that do not meet any of the Main Board financial eligibility tests; (b) permit listings of companies with weighted voting right structures; and (c) establish a new concessionary secondary listing route for Greater China and international companies that wish to seek a secondary listing in Hong Kong.

To enhance the Mainland-Hong Kong Stock Connect, the China Securities Regulatory Commission and the Hong Kong Securities and Futures Commission have agreed to increase the daily quotas under both Shanghai-Hong Kong Stock Connect and

Shenzhen-Hong Kong Stock Connect. From 1 May 2018, the daily quota for each of the northbound trading links were adjusted to RMB52 billion and the daily quota for each of the southbound trading links were adjusted to RMB42 billion.

As at the end of June 2018, 569 licensed corporations were Stock Exchange Participants, representing an increase of 68 participants or 13.6% from the end of 2016.

It is noted by the Company that the Securities and Futures Commission has issued a consultation paper regarding "The Proposed Guidelines for Securities Margin Financing Activities" on 17 August 2018, which the consultation period ended on 18 October 2018 (the "**Proposed Guidelines**"). While such Guidelines may or may not be implemented, the Company has considered the potential impact of the Guidelines on the operations of the Company.

Since the conclusion of the Proposed Guidelines is still pending, the impact of quantitative benchmarks is somehow uncertain. With respect to associated risks, the Company anticipates that on one hand, the stringent controls under the Proposed Guidelines may impede the rate of business growth, and that strict compliance to the Proposed Guidelines within the six-month transitional period under the Proposed Guidelines may reduce credit supply by professional brokers, and thus increase the volatility of stock collaterals. On the other hand, the Company is of the view that the enhancement of controls contemplated under the Proposed Guidelines with respect to margin financing activities may support the development of the local securities market as a whole. Notwithstanding any potential volatility that may result from the implementation of the Proposed Guidelines, the Company believes that the securities margin financing business of the Group can continue its sustainable development following the implementation of standardized margin control frameworks and quantitative risk control benchmarks as contemplated by the Proposed Guidelines.

Based on the Group's review of the Proposed Guidelines, the Company considers that at the present, sufficient risk management and control measures have already been implemented by the Group with respect to its new and incoming securities margin financing business in the year 2018 among some of the key risk control areas identified in the Proposed Guidelines, including the following:

- the current total margin loans-to-capital (shareholders' equity) multiple of the Group's brokerage arm is at the lower end of the benchmark range stated in the Proposed Guidelines;

- the Group already considers comprehensive factors before granting margin facility to clients, including but not limited to credit history of client, investment objectives, underlying collaterals and repayment ability, and the credit limit of a single client cannot exceed the relevant client limit threshold, thereby mitigating concentration risk;

- the concentration limits of single stock collateral is set in accordance with market capitalization of the relevant securities. For the purposes of internal control, stock collaterals are divided into four categories according to size of market capitalization, and the related margin financing amount may not exceed the threshold of its corresponding category;

- The Group performs a quarterly review of its stock margin ratio (i.e. haircuts for securities collateral as referred to in the Proposed Guidelines) by a scorecard system approved by the risk management committee of the Group (comprising all of the Company's executive directors, and the department heads of the finance, operations, risk management and legal and compliance departments, respectively) which takes into account (i) the liquidity of the relevant stock, (ii) the market capitalization of the relevant stock; (iii) the volatility of the relevant stock; (iv) the debt repayment ability of the relevant listed company; and (v) the valuation of the relevant stock. The results generated from the aforesaid scorecard system will then be compared with stock re-pledge ratio from lending banks for adjustment before final approval by the risk management committee of the Group; and

- The Group conducts a stress test on a daily basis based on a stress scenario of price slump of material stock collaterals.

Further to the above, for the purposes of complying with the Proposed Guidelines, the Group intends to conduct a review of its internal policies with respect to its margin financing business, particularly with respect to risk factors and control limits, to ensure compliance of the Proposed Guidelines within the transitional period and take further measures, which may potentially include the engagement of an external expert to advise on appropriate measures. In response to the introduction of the Proposed Guidelines, the Group is currently contemplating, among others, the following key steps for the purposes of enhancing its internal control measures:

1. In the course of review of internal policies, should the risk management department of the Group discover any material discrepancies between the Group's existing measures and the Proposed Guidelines, risk management team will identify the impact of corresponding measures, internal thresholds and/or benchmarks and put forward the same to the Group's risk management committee for consideration;

2. Based on the review result above, the risk management committee will further review the Group's current risk control thresholds and decide whether any adjustment or alteration of limits and policies are necessary and appropriate in light of the Proposed Guidelines;

3. The risk control policies and measures of the Group will then be updated in accordance with the decision of risk management committee of the Group. The risk management team of the Group will communicate with front office business units with regard to any changes or adjustment in risk control limit and policies; and

4. Following the implementation of such changes and adjustments, the Group will continue to perform regular review to ensure compliance of such new limits and policies during the transitional period under the Proposed Guidelines.

In terms of operational impact, the implementation of the Proposed Guidelines would require the Group to further invest in the development of its risk management arm in order to comply with the new quantitative measures contemplated therein. In anticipation of the implementation of the Proposed Guidelines, the Group intends to recruit further experienced credit control and finance staff, and expand its credit control team and finance team, in order to facilitate the implementation of the Proposed

Guidelines and thereby mitigate the risk of material impact upon the securities margin financing business of the Group. Further, following the implementation of the Proposed Guidelines, the brokerage arm of the Group may also consider lowering the proportion of external finance in its securities margin financing activities to mitigate risk from market volatility.

M. PUBLIC FLOAT

As at 20 November 2018, the shareholding structure of the Company was as follows:

	Number of Shares held *(Shares)*	**% of total number of issued Shares** *(%)*
The Controlling Shareholders ***Note 1***	2,070,751,644	51.77
The top 24 shareholders in terms of shareholding size in the Shares (excluding the Controlling Shareholders)	1,441,961,807	36.05
— Harvest Capital Management Co., Ltd (嘉實資本管理有限公司) *Note 2,3*	293,232,000	7.33
— Hao Kang Financial Holdings (Group) Limited *Note 2,3*	205,853,089	5.15
Dragon Power Group Holdings Limited *Note 2*	164,682,471	4.12
Other shareholders ***Note 4***	487,286,549	12.18
Total:	4,000,000,000	100

Notes:

1. The amounts stated here represent the legal and beneficial aggregate shareholdings of the Controlling Shareholders and does not include any shareholding held by the Controlling Shareholders on behalf of any of their clients in the ordinary course of its business.

2. To the best knowledge of the Directors, having made reasonable enquiries, each of these companies and their ultimate controlling shareholders are independent third parties to the Group, the Directors and chief executive, and the Controlling Shareholders.

3. The information as set out in this row is extracted from the disclosure of interest filings of such companies made available to the Company from the Stock Exchange's DION system.

4. Such other shareholders not falling into any of the above categories.

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, having made reasonable enquiries, there was a sufficient public float of the issued Shares as required under the Main Board 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 Announcement. Accordingly, the Directors believe that the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

There are no outstanding options, warrants or similar rights or convertible equity securities issued by the Company, which will be transferred to the Main Board as at the date of this announcement.

N. PUBLICATION OF RESULTS

The Company does not intend to continue with the quarterly reporting of financial results after the listing of the Shares on the Main Board and will follow the relevant requirements under the Main Board Listing Rules as regards publication of its interim and annual results within 2 months and 3 months from the end of the relevant periods or financial year ends respectively. The Board is of the view that the investors and the Shareholders will continue to have access to relevant information on the Company pursuant to the reporting requirements under the Main Board Listing Rules.

O. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the website of the Stock Exchange at **http://www.hkexnews.hk** and the website of the Company at **http://www.xyzq.com.hk**:

(a) the Memorandum and Articles of Association;

(b) the directors' report and annual financial results of the Company as set out in the annual report of the Company for the year ended 31 December 2017;

(c) the first quarterly report of the Company for the three months ended 31 March 2018;

(d) the interim report of the Company for the six months ended 30 June 2018;

(e) the third quarterly report of the Company for the nine months ended 30 September 2018;

(f) the circular of the Company dated 17 May 2018 in respect of renewal of continuing connected transaction with Industrial Securities Consultancy Service (Shenzhen) Company Limited;

(g) the circular of the Company dated 13 March 2018 in respect of general mandates to issue and buy back Shares, re-election of retiring directors and notice of annual general meeting;

(h) the circular of the Company dated 31 March 2017 in respect of general mandates to issue and buy back Shares, re-election of retiring directors and notice of annual general meeting; and

(i) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

With respect to the website of the Company at **http://www.xyzq.com.hk**, the abovesaid documents can be found in the hyperlink titled "Investor Relations".

P. DEFINITIONS

"Articles of Association"	the amended and restated articles of association of the Company adopted on 27 July 2016, as amended from time to time
"Board"	the board of Directors
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CISI Holdings"	China Industrial Securities International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose sole shareholder is Industrial Securities (Hong Kong) as at the date of this announcement
"Company"	China Industrial Securities International Financial Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the GEM of the Stock Exchange (Stock Code: 8407)
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Main Board Listing Rules and, in the context of this announcement, refers to 興業證券股份有限公司 (Industrial Securities Co., Ltd.*), Industrial Securities (Hong Kong) Financial Holdings Limited (興證(香港)金融控股有限公司) and China Industrial Securities International Holdings Limited
"Director(s)"	a director(s) of the Company
"Employee Share Participation Scheme"	the employee share participation scheme adopted by Industrial Securities (Hong Kong)
"Euros" or "**EUR**"	means Euros, the official currency of the member states of the European Union
"GEM"	the GEM operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange as amended, supplemented or otherwise modified from time to time

"Group"	the Company and its subsidiaries
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICV"	means Intelligence Creation Value Limited, a company incorporated in the British Virgin Islands with limited liability on 26 January 2016, whose entire issued share capital is held by Equity Trustee Limited in its capacity as trustee of Intelligence Creation Trust
"Independent Third Parties"	persons or entities (and their ultimate beneficial owner(s)) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are parties independent of the Company and the connected persons of the Company
"Industrial Securities"	興業證券股份有限公司 (Industrial Securities Co., Ltd.*) a company established under the laws of the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange (stock code: 601377)
"Industrial Securities (Hong Kong)"	Industrial Securities (Hong Kong) Financial Holdings Limited (興證(香港)金融控股有限公司), a company incorporated under the laws of Hong Kong with limited liability whose sole shareholder is Industrial Securities as at the date of this announcement
"Industrial Securities Group"	Industrial Securities and its subsidiaries
"Industrial Securities (Shenzhen)"	興證諮詢服務(深圳)有限公司 (Industrial Securities Consultancy Service (Shenzhen) Company Limited*), a company established under the laws of the PRC on 25 November 2013 with limited liability and currently a subsidiary of Industrial Securities (Hong Kong)
"Intelligence Creation Trust"	the Intelligence Creation International Employee Share Trust, a discretionary trust founded by ICV with the eligible participants of the Employee Share Participation Scheme as beneficiaries
"IPO"	an initial public offering

"Latest Practicable Date"	12 December 2018, being the latest practicable date prior to the issuance of this announcement for ascertaining certain information contained in this announcement
"Listing Rules"	collectively, the GEM Listing Rules and the Main Board Listing Rules
"Main Board"	the securities market operated by the Stock Exchange prior to the establishment of the GEM (excluding the options market) which continues to be operated by the Stock Exchange parallel with the GEM. For the avoidance of doubt, the Main Board excludes the GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange as amended, supplemented or otherwise modified from time to time
"Memorandum"	the memorandum of association of the Company, as amended from time to time
"PRC" or "China"	The People's Republic of China (for purposes of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Prospectus"	the prospectus of the Company dated 30 September 2016 issued in connection with the global offering of and the listing of the Shares on the GEM
"Relevant Period"	the time period from 1 January 2017 up to and including the date of this announcement
"RMB"	the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time
"Share(s)"	the ordinary share(s) having a par value of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holders of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transfer of Listing"	the transfer of the listing of the Shares from the GEM to the Main Board

"U.S."	means the United States of America
"US$"	the lawful currency of the United States of America

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

Hong Kong, 19 December 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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

* *For identification purposes only*