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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: 6058)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board of directors (the “Board”) of China Industrial Securities International Financial Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 together with the comparative figures as follows:

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

		For the six months ended 30 June	
	<i>Notes</i>	2022 HK\$ Unaudited	2021 HK\$ Unaudited
Commission and fee income	3	100,560,756	151,048,768
Interest revenue	3	18,595,371	73,719,676
Net trading and investment income	3	(25,960,784)	200,981,728
Total revenue	3	93,195,343	425,750,172
Other income	3	25,168,023	10,635,200
Share of result of a joint venture		–	(7,418,150)
Finance costs		(79,161,928)	(113,837,802)
Commission and fee expenses		(19,703,701)	(45,066,273)
Staff costs	5	(80,873,385)	(92,955,332)
Other operating expenses		(78,355,198)	(80,314,006)
Impairment losses on financial assets	5	(44,720,352)	(48,710,991)
Other gains or losses	5	(14,452,492)	14,322,874
(Loss)/profit before taxation	5	(198,903,690)	62,405,692
Taxation	6	558,267	(8,574,432)
(Loss)/profit for the period		(198,345,423)	53,831,260

		For the six months ended 30 June	
		2022	2021
<i>Notes</i>		HK\$	HK\$
		Unaudited	Unaudited
Other comprehensive income for the period, net of tax			
Items that will not be reclassified to profit or loss:			
– Equity investments on fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)		<u>(7,825,451)</u>	–
Other comprehensive income for the period		<u>(7,825,451)</u>	–
Total comprehensive income for the period		<u>(206,170,874)</u>	<u>53,831,260</u>
(Loss)/profit for the period attributable to:		(198,345,423)	53,831,260
– Holder of ordinary shares of the Company		(198,345,423)	53,831,260
– Holder of other equity instruments of the Company		–	–
		<u><u>–</u></u>	<u><u>–</u></u>
Total comprehensive income for the period attributable to:		(206,170,874)	53,831,260
– Holder of ordinary shares of the Company		(206,170,874)	53,831,260
– Holder of other equity instruments of the Company		–	–
		<u><u>–</u></u>	<u><u>–</u></u>
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic (expressed in HK\$)	8	<u>(0.0496)</u>	<u>0.0135</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 <i>HK\$</i> Unaudited	As at 31 December 2021 <i>HK\$</i> Audited
Non-current assets			
Property and equipment		55,135,437	76,002,382
Intangible assets		5,426,541	7,658,890
Interest in a joint venture		–	16,125,931
Financial assets at fair value through profit or loss		12,897,137	16,615,824
Debt investment at amortised cost		23,563,313	–
Reverse repurchase agreements		89,751,622	90,036,076
Statutory deposits		16,907,778	19,063,234
Deferred tax assets		126,135,961	121,593,827
Deposits, other receivables, prepayments and other assets		14,824,718	14,946,898
		344,642,507	362,043,062
Current assets			
Accounts receivable	9	2,051,743,599	1,518,484,994
Reverse repurchase agreements		–	120,712,083
Financial assets at fair value through profit or loss		5,971,219,547	4,892,256,938
Financial assets at fair value through other comprehensive income		717,492,509	–
Statutory deposits		16,796,887	30,463,929
Deposits, other receivables, prepayments and other assets		207,639,125	139,002,439
Tax receivable		3,919,498	4,464,870
Bank balances – trust accounts		3,273,270,120	4,268,417,736
Bank balances – general accounts and cash		4,479,497,967	5,458,957,080
		16,721,579,252	16,432,760,069

		As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited
Current liabilities			
Accounts payable	10	4,392,317,701	4,786,178,972
Accruals and other payables		47,686,941	101,672,982
Amount due to a fellow subsidiary		2,231,087	4,560,326
Amount due to the immediate holding company		2,315,543,500	2,300,852,500
Contract liabilities		6,130,240	5,049,632
Tax payable		858,560	252,291
Financial liabilities at fair value through profit or loss		46,564,617	65,396,077
Repurchase agreements		2,956,207,389	1,970,119,726
Bank borrowings		500,044,808	530,146,916
Lease liabilities		32,658,945	37,325,638
Other liabilities		<u>213,991,271</u>	<u>238,046,664</u>
		<u>10,514,235,059</u>	<u>10,039,601,724</u>
Net current assets		<u>6,207,344,193</u>	<u>6,393,158,345</u>
Non-current liabilities			
Bonds		2,368,769,919	2,352,317,863
Deferred tax liabilities		16,733	18,767
Lease liabilities		<u>2,172,950</u>	<u>15,666,805</u>
		<u>2,370,959,602</u>	<u>2,368,003,435</u>
Net assets		<u><u>4,181,027,098</u></u>	<u><u>4,387,197,972</u></u>

	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited
Equity		
Share capital	400,000,000	400,000,000
Share premium	3,379,895,424	3,379,895,424
Accumulated loss	(1,045,062,540)	(846,717,117)
Other reserve	11,577,844	11,577,844
Capital reserve	442,441,821	442,441,821
Fair value reserve	(7,825,451)	–
Equity attributable to holders of the ordinary shares	3,181,027,098	3,387,197,972
Equity attributable to holders of other equity instruments	1,000,000,000	1,000,000,000
Total equity	<u>4,181,027,098</u>	<u>4,387,197,972</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL

The Company was incorporated in the Cayman Islands on 21 July 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 20 October 2016. On 3 January 2019, the Company has successfully transferred the shares listed on GEM of the Stock Exchange to the Main Board of the Stock Exchange. The address of the Company’s registered office is PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of brokerage services, loans and financing services, corporate finance services, asset management services and financial products and investments. Its immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited (“Industrial Securities (Hong Kong)”). Industrial Securities Co., Ltd. (“Industrial Securities”), a company incorporated in the People’s Republic of China (the “PRC”), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

(a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2(b).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

(b) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	For the six months ended 30 June	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
Commission and fee income		
Brokerage:		
Commission and fee income from securities brokerage	59,509,764	109,457,746
Commission and fee income from futures and options brokerage	8,588,753	10,915,267
Insurance brokerage commission income	328,855	1,030,034
	<u>68,427,372</u>	<u>121,403,047</u>
Corporate finance:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	18,263,646	10,815,154
– Equity securities	–	1,893,919
Corporate advisory fee income	513,035	1,324,560
Sponsor fee income	1,650,000	1,027,258
Arrangement fee income	–	1,008,559
	<u>20,426,681</u>	<u>16,069,450</u>
Asset management:		
Asset management fee income	10,899,703	11,164,825
Investment advisory fee income	807,000	2,411,446
	<u>11,706,703</u>	<u>13,576,271</u>
	<u>100,560,756</u>	<u>151,048,768</u>
Interest revenue		
Financial products and investments:		
Interest income from reverse repurchase agreements	2,954,976	8,300,873
Interest income from debt investment at amortised cost	18,602	–
	<u>2,973,578</u>	<u>8,300,873</u>
Loans and financing:		
Interest income from margin financing	15,621,793	65,418,803
	<u>18,595,371</u>	<u>73,719,676</u>

	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
	Unaudited	Unaudited
Net trading and investment income		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	117,646,737	144,896,933
Dividend income from financial assets at fair value through profit or loss	3,199,257	3,769,655
Net (loss)/gain on financial assets at fair value through profit or loss	(298,346,026)	113,349,657
Interest income from derivatives	3,195,879	4,874,117
Net gain on derivatives	105,123,366	5,406,030
Net gain/(loss) on financial liabilities at fair value through profit or loss	39,661,758	(71,314,664)
Interest income from financial assets at fair value through other comprehensive income	3,558,245	–
	(25,960,784)	200,981,728
Total revenue	93,195,343	425,750,172

Timing of revenue recognition for commission and fee income from customers

	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
A point in time	85,857,836	134,779,358
Over time	14,702,920	16,269,410
	<u>100,560,756</u>	<u>151,048,768</u>

Other income

	For the six months	
	ended 30 June	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
Interest income from financial institutions	23,611,015	8,533,151
Sundry income	1,557,008	2,102,049
	<u>25,168,023</u>	<u>10,635,200</u>

4. SEGMENT REPORTING

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

The Group’s reportable and operating segments under HKFRS 8 are as follows:

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

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

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

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

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

The accounting policies of the operating segments are the same as the Group’s accounting policies. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred. During the current period, the Group has regrouped the segment revenue by different nature of revenue consistent with the analysis of revenue presented in note 3 and reallocated them to different segment. Comparative information on segment revenue has been restated to conform the current year’s presentation.

For the six months ended 30 June 2022 (unaudited)

	Brokerage	Loans and financing	Corporate finance	Assets management	Financial products and investments	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue and result							
Commission and fee income	68,427,372	-	20,426,681	11,706,703	-	-	100,560,756
Interest revenue	-	15,621,793	-	-	2,973,578	-	18,595,371
Net trading and investment income	-	-	-	-	(25,960,784)	-	(25,960,784)
Inter-segment revenue	179,421	-	-	4,499,275	-	(4,678,696)	-
Segment revenue	<u>68,606,793</u>	<u>15,621,793</u>	<u>20,426,681</u>	<u>16,205,978</u>	<u>(22,987,206)</u>	<u>(4,678,696)</u>	<u>93,195,343</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u><u>93,195,343</u></u>
Segment results	(2,428,973)	(51,317,320)	(5,797,781)	(3,623,681)	(118,312,023)	-	(181,479,778)
Unallocated expenses							<u>(17,423,912)</u>
Loss before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u><u>(198,903,690)</u></u>

For the six months ended 30 June 2021 (unaudited) (restated)

	Brokerage	Loans and financing	Corporate finance	Asset management	Financial products and investments	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue and result							
Commission and fee income	121,403,047	–	16,069,450	13,576,271	–	–	151,048,768
Interest revenue	–	65,418,813	–	–	8,300,873	–	73,719,676
Net trading and investment income	–	–	–	–	200,981,728	–	200,981,728
Inter-segment revenue	<u>140,306</u>	<u>–</u>	<u>–</u>	<u>10,297,446</u>	<u>–</u>	<u>(10,437,752)</u>	<u>–</u>
Segment revenue	<u>121,543,353</u>	<u>65,418,803</u>	<u>16,069,450</u>	<u>23,873,717</u>	<u>209,282,601</u>	<u>(10,437,752)</u>	<u>425,750,172</u>
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u><u>425,750,172</u></u>
Segment results	62,843,137	(44,330,148)	(9,014,216)	7,468,602	86,078,266	–	103,045,641
Unallocated expenses							<u>(40,639,949)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u><u>62,405,692</u></u>

5. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
	Unaudited	Unaudited
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	80,873,385	92,955,332
Salaries and bonuses	78,907,515	91,195,281
Contribution to the Mandatory Provident Fund Scheme	1,670,415	1,556,820
Other staff costs	295,455	203,231
Legal and professional fee	2,394,291	3,056,951
Amortisation of intangible assets	2,329,417	2,612,059
Depreciation		
Owned property and equipment	7,491,495	2,147,325
Right-of-use assets	17,773,416	17,773,416
Maintenance fee	6,915,612	14,818,337
Impairment losses on financial assets		
Secured margin loans	44,712,242	48,710,991
Debt investment at amortised cost	8,110	–
Other gains or losses	14,452,492	(14,322,874)
Exchange loss/(gain)	22,257,270	(27,612,904)
Other (gain)/loss	(7,831,518)	13,290,030
Loss on disposal of property and equipment	26,740	–

6. TAXATION

	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
	Unaudited	Unaudited
Hong Kong Profits Tax:		
Current period	2,280	957,225
Under provision in prior year	<u>3,983,621</u>	<u>7,011,437</u>
	3,985,901	7,968,662
Deferred tax:		
Current period	<u>(4,544,168)</u>	<u>605,770</u>
	<u>(558,267)</u>	<u>8,574,432</u>

The provision for Hong Kong Profits Tax is calculated by applying the annual effective tax rate of 16.5% (2021: 16.5%) to the estimated assessable profit for the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

7. DIVIDENDS

No dividend in respect of the year ended 31 December 2021 and 2020 respectively were declared and paid to the owners of the Company.

The Board did not declare the payment of interim dividend for the six months ended 30 June 2022 and 2021.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June	
	2022	2021
	HK\$	HK\$
	Unaudited	Unaudited
(Loss)/earnings (HK\$)		
(Loss)/earnings for the purpose of basic (loss)/earnings per share:		
(Loss)/profit for the period attributable to ordinary equity holders of the Company	<u>(198,345,423)</u>	<u>53,831,260</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>4,000,000,000</u>	<u>4,000,000,000</u>

For each of the six months ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited), there were no potential ordinary shares in issue, thus no diluted (loss)/earnings per share is presented.

9. ACCOUNTS RECEIVABLE

	As at 30 June 2022 <i>HK\$</i> Unaudited	As at 31 December 2021 <i>HK\$</i> Audited
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	1,475,256,530	1,641,156,797
Less: impairment allowance	<u>(879,779,801)</u>	<u>(835,067,558)</u>
	<u>595,476,729</u>	<u>806,089,239</u>
Clearing houses	262,433,257	199,656,455
Cash clients	261,323,213	109,270,792
Brokers	33,931,453	32,704,349
Clients for subscription of new shares in IPO	138,633	–
Less: impairment allowance	<u>(332,591)</u>	<u>(332,591)</u>
	<u>557,493,965</u>	<u>341,299,005</u>
	<u>1,152,970,694</u>	<u>1,147,388,244</u>
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	83,993,956	28,718,585
Brokers	<u>130,084,121</u>	<u>154,488,402</u>
	<u>214,078,077</u>	<u>183,206,987</u>
Accounts receivable arising from the business of corporate finance	<u>14,581,077</u>	<u>6,930,769</u>
Accounts receivable arising from the business of asset management	8,917,195	17,902,189
Less: impairment allowance	<u>(1,493,961)</u>	<u>(1,493,961)</u>
	<u>7,423,234</u>	<u>16,408,228</u>
Accounts receivable arising from the business of financial products and investments:		
Brokers	<u>662,690,517</u>	<u>164,550,766</u>
	<u>2,051,743,599</u>	<u>1,518,484,994</u>

Secured margin loans

As at 30 June 2022 and 31 December 2021, the secured margin loans are repayable on demand subsequent to settlement date.

Accounts receivable (except for secured margin loans)

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

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

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided.

Normal settlement terms of accounts receivable arising from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date.

In view of the nature of business of dealing in securities, futures and options contracts and financial products and investments, no aging analysis on those accounts receivable is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

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

Corporate finance clients

	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited
Less than 31 days	4,270,263	3,427,483
31–60 days	93,760	2,788,715
61–90 days	245,526	313,985
91–180 days	7,105,918	400,586
Over 180 days	2,865,610	–
	14,581,077	6,930,769

Asset management clients

	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited
Less than 31 days	2,608,219	4,183,563
31–60 days	1,062,885	2,206,800
61–90 days	1,029,802	2,257,808
91–180 days	612,528	2,546,737
Over 180 days	3,603,761	6,707,281
	8,917,195	17,902,189

During the six months ended 30 June 2022 and the year ended 31 December 2021, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.

10. ACCOUNTS PAYABLE

	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 <i>HK\$</i> Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	154,530,116	26,217,445
Brokers	2,552,458	6,534,819
Clients	3,032,126,423	4,340,712,723
	<u>3,189,208,997</u>	<u>4,373,464,987</u>
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	<u>479,916,046</u>	<u>408,089,583</u>
Accounts payable arising from the business of financial products and investments:		
Brokers	<u>723,192,658</u>	<u>4,624,402</u>
	<u><u>4,392,317,701</u></u>	<u><u>4,786,178,972</u></u>

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

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

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

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

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

The Group has accounts payable arising from the business of dealing in securities of HK\$78,718,717 due to the immediate holding company as at 30 June 2022 (31 December 2021: HK\$78,718,717).

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG CAPITAL MARKET REVIEW

The Hang Seng Index closed at 21,859 as at the end of June 2022, decreased by 6.57% as compared with the end of 2021. In the primary market, the total amount of funds raised in the first half of 2022 was HK\$114.0 billion, decreased by 76.6% as compared with the corresponding period in 2021, of which HK\$19.7 billion were raised from IPOs, representing a decrease of 90.7% as compared with the corresponding period in 2021. A total of 27 companies went public in the first half of 2022, decreased by 41.3% year-on-year. In the secondary market, the average daily turnover of securities in the first half of 2022 was HK\$138.3 billion, decreased by 26.52% year-on-year. As at the end of June 2022, the total market cap of Hong Kong's securities market was HK\$39.06 trillion, decreased by 7.82% as compared with the end of 2021.

In the first half of 2022, the global capital markets, especially that of Hong Kong, were hard hit by the twists and turns of the fifth wave of the COVID-19 pandemic in Hong Kong, US Federal Reserve's aggressive rate hikes and shrinking of its balance sheet, escalating conflicts between Russia and Ukraine as well as geopolitical and economic uncertainties. Although the primary and secondary capital markets in Hong Kong plummeted due to the impact of global market sentiment, Hong Kong remained a bridge and window between domestic and overseas capital markets as the number of Mainland companies listed in Hong Kong and the total fundraising amount of continued to account for a significant share. With the continuous optimization of the listing regime of the Hong Kong Stock Exchange, seeking a list in Hong Kong has gradually become the first choice for many China concept stocks. Favourable factors like Hong Kong Stock Exchange's stable launch of the SPAC listing mechanism, the continuous expansion of the stock connect, China's national policies and the further construction of the Guangdong-Hong Kong-Macao Greater Bay Area will continue to enhance the competitiveness of Hong Kong as an international financial hub.

RESULTS AND OVERVIEW OF THE COMPANY

For the six months ended 30 June 2022, the Group recorded an operating revenue of HK\$93.20 million (2021: HK\$425.75 million) and net loss of HK\$198.35 million (2021: profit of HK\$53.83 million), mainly due to loss incurred from changes in fair value of equity and bond investments resulting from adverse factors including tightened monetary policies across the globe, geopolitics and the COVID-19 pandemic; year-on-year decrease in revenue from underwriting business due to the cyclicity of equity investment banking projects; and expected credit losses of accounts receivable arising from the Group's margin loans for the six months ended 30 June 2022.

For the six months ended 30 June 2022, the Group's operating revenue from brokerage services, corporate finance services, asset management services, loans and financing services, financial products and investments saw a decrease of 43.63%, an increase of 27.13%, a decrease of 13.77%, a decrease of 76.12% and a decrease of 110.99% year-on-year, respectively.

BUSINESS REVIEW OF THE COMPANY

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

Brokerage

For the six months ended 30 June 2022, the Group's commission and fee income from the brokerage services amounted to HK\$68.43 million (2021: HK\$121.40 million), decreased by 43.63% year-on-year, mainly due to a low level of investment activities as investors were reluctant to trade and mostly adopted a wait-and-see approach given the fluctuating decline of stock and futures market indexes across the globe. As at the end of June 2022, the number of securities brokerage customers of the Group was 42,801, increased by 0.15% as compared with at the beginning of the year, the market value of Hong Kong shares custody in the HKSCC was HK\$33.3 billion, making the Company rank 29th among 614 securities companies, up 2 places from the end of 2021.

Corporate finance

For the six months ended 30 June 2022, the Group's revenue from corporate finance business amounted to HK\$20.43 million (2021: HK\$16.07 million), increased by 27.13% year-on-year.

Among this revenue, commission income from placing, underwriting and sub-underwriting of debt securities amounted to HK\$18.26 million (2021: HK\$10.82 million), increased by 68.76% year-on-year. In the first half of 2022, the offshore bonds of Chinese-funded companies began to contract overall as they came under pressure in terms of interest and policy, yet the Group was still able to record growth in both commission income and underwriting amount of the bond underwriting business, make advance planning for innovative product types, continue to push forward business innovation and explore ways to overtake challenges in the current cycle. According to Bloomberg data, for the six months ended 30 June 2022, the Group as the underwriter has completed the total underwriting amount of offshore bonds of US\$786.47 million in total, making itself rank No. 8 among Chinese brokers, unchanged from the same period of the previous year.

For the six months ended 30 June 2022, the Group's sponsor fee income amounted to HK\$1.65 million (2021: HK\$1.03 million) and corporate advisory fee income was HK\$0.51 million (2021: HK\$1.32 million). No commission income from placing, underwriting and sub-underwriting of equity securities was recorded (2021: HK\$1.89 million), primarily due to a delay in income recognition as a result of the delay in the progress of relevant projects due to the COVID-19 pandemic.

Asset management

For the six months ended 30 June 2022, the Group's income from asset management business amounted to HK\$11.71 million (2021: HK\$13.58 million), decreased by 13.77% year-on-year. As at the end of June 2022, the Group's assets under management amounted to HK\$7,295 million. Among them, China Core Asset Fund, the Group's first overseas public fund that was granted the qualification of Mainland-Hong Kong Mutual Recognition of Funds, had assets under management of HK\$548 million as at the end of the period.

Loans and financing

In the first half of 2022, the Group continued to optimize its customer composition and scaled down low-quality margin financing, so that there was a further decline in the amount of secured margin loans. For the six months ended 30 June 2022, the Group's revenue from loans and financing business was HK\$15.62 million (2021: HK\$65.42 million), decreased by 76.12% year-on-year.

Financial products and investments

For the six months ended 30 June 2022, the Group's losses from financial products and investments amounted to HK\$22.99 million (2021: profit of HK\$209.28 million), decreased by 110.99% year-on-year. In the first half of 2022, the bond prices were subject to downside pressure as US decided to raise interest rates and shrink its balance sheet, and the inflation expectation remained high. Moreover, the market was repeatedly disturbed by various factors like the COVID-19 pandemic and geopolitical risks, exacerbating price volatility in the secondary market. The Group adopted a conservative and prudent investment strategy by continuously reducing the size of investments in entities with relatively weak credit qualifications to avoid credit risks; by proactively and dynamically adjusting the position composition in line with market changes; and by closely keeping track of credit risk standing of each segment to keep the default risk of the investees under stringent control, thus enabling the Company to reap an investment yield that generally outperformed others in the terms of comparable market indexes.

FINANCIAL POSITION

As at 30 June 2022, the total assets of the Group increased by 1.62% to HK\$17,066.22 million (31 December 2021: HK\$16,794.80 million).

As at 30 June 2022, the total liabilities of the Group increased by 3.85% to HK\$12,885.19 million (31 December 2021: HK\$12,407.61 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 30 June 2022, the net current assets of the Group decreased by 2.91% to HK\$6,207.34 million (31 December 2021: HK\$6,393.16 million). As at 30 June 2022, the current ratio of the Group (defined as current assets divided by current liabilities as at the end of the respective financial year/period) was 1.59 times (31 December 2021: 1.64 times).

For the six months ended 30 June 2022, the net cash outflow of the Group was HK\$979.46 million (31 December 2021: inflow of HK\$3,172.73 million). As at 30 June 2022, the bank balance of the Group was HK\$4,479.50 million (31 December 2021: HK\$5,458.96 million).

As at 30 June 2022, the Group's bank and other borrowings in aggregate decreased by 5.68% to HK\$500.04 million (31 December 2021: HK\$530.15 million), and the Group had outstanding bonds of HK\$2,368.77 million (31 December 2021: HK\$2,352.32 million) and shareholder loans of HK\$2,315.54 million (31 December 2021: HK\$2,300.85 million). As at 30 June 2022, the gearing ratio of the Group (defined as the sum of bank borrowings, other borrowings, notes outstanding and bonds, and shareholder loans divided by total equity) increased by 4.95% to 1.240 (31 December 2021: 1.181).

Total equity attributable to shareholders of ordinary shares of the Group amounted to HK\$3,181.03 million as at 30 June 2022 (31 December 2021: HK\$3,387.2 million).

FUTURE PLAN

Looking forward to the second half of 2022, as the global economy will continue to be subject to considerable uncertainties and the ongoing impact of geopolitics, developed countries will face the rising risk of stagflation, monetary policies will be tightened at an accelerated pace, while emerging markets will be exposed to the potential risk of a debt crisis outbreak. As the Group sees it will be difficult for the global economy to pick up, it will continue with a neutral yet prudent risk appetite, hold steadfast to the bottom line of compliance and risk control, and proceed with the high-quality and sustainable development of its various businesses. Firstly, we will continue to strengthen our fee-based business capabilities, step up the empowerment of fintech, expedite innovation and transformation of our great wealth management business, expand our strength in research, and take the market competitiveness of our large institutional business to a new height. Secondly, we will continue to apply a prudent investment strategy, cautiously develop the capital-intensive business, and improve capital return while vigorously keeping risks under control. Thirdly, we will closely follow development and changes in the capital market, explore more new business segments and make plans for these, and increase the income and profit sources of the Company. Fourthly, we will continue to optimise the mechanism for allocating human, financial and material resources, improve the Company's compliance risk control management system, strengthen the build-up of information systems, improve the quality and efficiency of business and management in a bid to achieve business goals. As 2022 marks the 25th anniversary of Hong Kong's reunification with the motherland, the Group will continue to apply the new development concepts that feature innovation, coordination, greenness, openness and sharing, seize new business opportunities and build a new development pattern on the back of Hong Kong's status as an international financial hub. We will also hold fast to the systematic thinking with a global perspective as well as quality and efficient development, proactively undertake our corporate social responsibility and inject vitality into the vigorous development of Hong Kong's capital market to contribute to the inclusive development of the Hong Kong society.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no significant investments nor material acquisitions or disposals of subsidiaries and associated companies by the Group for the six months ended 30 June 2022.

CHARGES ON GROUP ASSETS

For the six months ended 30 June 2022, the Group's assets pledged were mainly debt securities pledged as collaterals for repurchase agreements and other borrowings.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had 208 full-time employees (30 June 2021: 204 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2022 was HK\$80.87 million (30 June 2021: HK\$92.96 million). The Group will review its remuneration policy from time to time in accordance with market practice, while the bonus will be distributed with reference to individual performance appraisal, prevailing market condition, and the Group's financial performance. Other employee benefits include contributions to the Mandatory Provident Fund Scheme, medical care insurance etc.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities for the six months ended 30 June 2022 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, the Board was not aware of any significant events related to the business or financial performance of the Group after the reporting period.

RISK MANAGEMENT

Risk management framework and mechanism

The Group has established a comprehensive risk management institutional structure consisting of the Board, management members, Risk Management Committee, Risk Management Department, each functional department, and subsidiaries. The Board assumes the ultimate responsibility for comprehensive risk management in supervising and guiding our risk management, approving risk appetite and controlling overall risk within a reasonable range to ensure that we can implement effective management in risk control for our business activities. The management steers the management of various risks in our operations and promotes the planning, establishment and implementation of its comprehensive risk management system. The Risk Management Committee under the management carries out our risk management efforts within the scope of authority granted by the management. It is responsible for guiding, supervising and coordinating the launching and implementation of our efforts related to risk management, putting forward advice for perfecting and improving its structures and systems to push forward its comprehensive risk management. Led by the Chief Risk Management Officer, the Risk Management Department arranges and promotes our efforts in comprehensive risk management, makes arrangements for the identification, evaluation, monitoring, analysis and testing of the overall risk and total risk and their changing trends faced by us in our operations and management, and puts forward corresponding control measures and response solutions.

The Group has also established three lines of defence for risk management, namely, effective self-control by each functional department and subsidiaries serves as the first line of defence, professional risk management by the Risk Management Department before and during business operations serves as the second line of defence, and post-supervision and evaluation by the Audit Department serves as the third line of defence. The design of the “three lines of defence” risk management governance structure effectively guarantees the efficiency and effectiveness of risk management.

In addition, the Group has implemented risk appetite, authority management and quota management systems, upheld the business philosophy of stable operation for sustainability based on the neutral and prudent risk appetite determined by the Board, and focused on the development concept of advancing amid stability to accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage during the whole process various risks in our operations, including liquidity, market, credit, operation, reputation, compliance and legal risks in a timely manner and ensure that various risks exposed to the Group can be controlled within a reasonable range that is measurable, controllable and acceptable without spilling over. The Group has made every effort to build a sound institutional structure, operable management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to achieve detectability, measurability, analysis and risk-response in risk management and facilitate its sound business development in the long run and achievement of strategic goals.

Credit risk

The credit risk of the Group refers to the potential losses resulting from the failure of a debtor or counterparty to perform its obligations under a contract. The Group has established a Risk Management Committee to review and monitor the implementation of credit risk management policies and update relevant risk management policies to cope with changes. The Group has also in place an Investment and Financing Business Review Committee, which is responsible for reviewing and re-examining the policies, transaction limits and credit limits related to credit approval, regularly re-examining existing margin loans to assess the credit risk exposure and taking appropriate measures to mitigate risks.

The Group closely monitors the credit business risk limit indicators, adopts measures such as daily mark-to-market and timely warning. It has established a mechanism for monitoring public sentiment information related to debtors, collaterals and counterparties to effectively handle emergencies and formulate response solutions in advance. It also conducts regular stress tests and takes appropriate measures to make up for or reduce losses and properly resolve risks when it foresees that customers may fail to perform their obligations.

Liquidity risk

The liquidity risk of the Group refers to the risk of failure to obtain sufficient capital at reasonable cost in time to repay debts which are falling due, perform other payment obligations and meet the capital demand for routine business operation.

The Group has established liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risk, and maintain liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Hong Kong Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)). The Group has set up a multi-level authority mechanism and internal policies for managing and approving the use and allocation of capital. It sets authority restrictions on all of the commitments or capital outflows (such as procurement, investment and loans), and evaluates the impact of such transactions on capital adequacy.

The Group meets its financing needs primarily through obtaining bank loans from a number of banks and issuing bonds, and constantly explores and expands financing channels and methods. The Group also adopts strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that liquidity planning and management is prepared in advance and that the Group meets the capital requirements stipulated by applicable laws.

Market risk

The market risk of the Group refers to the risk of potential losses incurred to the Group due to adverse changes in exchange rates, interest rates and prices of financial assets, etc.

The Group has formulated policies and procedures to monitor and control market risk arising from business development. Prior to engaging in any new transaction or launching any new business, each business segment of the Group will arrange staff with professional qualifications and industry experience to discuss and evaluate various market risks and formulate management and mitigation measures for such risks.

The Group has market risk limit indicators in place, and regularly checks and adjusts market strategies to cope with changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group has formulated selection criteria for different bonds and other fixed-income products, prudently selects industries and enterprises, and tracks and monitors macro-economic trends to enhance investment strategies.

Operation risk

The operation risk of the Group refers to the risk of losses arising from imperfect or defective internal procedures, employees, information systems or external events. The Group's operation risk management mainly aims at promoting a sound operation risk management culture, establishing an operation risk management framework and system tailored for the Company and lowering the frequency and impact of occurrence of operation risk events in accordance with regulatory requirements and our development strategies.

The Group has established an operation risk management framework consisting of the Board, operation management members, Risk Management Committee, Risk Management Department and other departments. Management of operation risk covers all departments and personnel, and penetrates into various business activities, processes and operation stages.

The Group monitors operation risk events through its operation risk policy, risk reporting mechanism, indicators for operation risk limits and risk warnings, etc. It raises the Group's overall awareness of operation risk and steps up operation risk management through sharing cases of operation risk and training, etc. The Risk Management Department regularly conducts analysis on and evaluates operation risk, continuously monitors the status and changes of the Group's operation risk, regularly reports the implementation of indicators, and follows up operational risk to ensure that our loss from operation risk is under control and improve monitoring and management of operation risk.

The Group has established a business continuity management mechanism to enhance its practical ability in responding to emergencies and operation interruptions and ensure its stable and orderly operation.

Compliance and legal risks

The Group proactively promotes the establishment of a stable and sound compliance and legal risk management framework, formulates relevant policies, processes and templates, keeps a close eye on the prevailing laws and regulations relating to business operations, and makes timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations to ensure that our business and operations comply with the laws and regulations amended from time to time.

The Group has set up a compliance management structure and established three lines of defence for compliance management. In particular, the Legal and Compliance Department takes the lead in formulating the Group's compliance management policies and procedures, providing compliance advice for various business plans and affairs, closely monitoring the compliance operation of the Group's licensed business activities, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the Legal and Compliance Department will take the lead in conducting legal and compliance training activities for employees from time to time and providing internal guidance for the latest regulatory updates.

The Legal and Compliance Department of the Group is assisted by full-time legal personnel. Meanwhile, the Group has engaged three legal consultants who have cooperated with the Group throughout the years and maintains close relations with other external law firms. Maintaining close ties with full-time legal personnel and external legal consultants or law firms ensures the Group to prevent and address various legal risks in a timely manner.

Reputation risk

The reputation risk of the Group refers to the risk of public negative views on the Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies due to the Groups' operations, management and other acts or external events. The Group has a sound corporate governance structure, proactively promotes the establishment of a reputation risk management mechanism, adheres to the principles of putting prevention first and reporting in a positive, proactive and timely manner, effectively prevents and addresses reputation risk and conducted all-round and whole-process management over the classification, identification, assessment, reporting, handling and evaluation of reputation risk arising from the operation and management process, so as to reduce losses and negative impact on the reputation and brand image of the Group. During the reporting period, the Group further improved its reputation risk management system, maintained stable public views overall, and did not experience any major reputation risk.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

COMPETING INTERESTS

Save for the continuing connected transactions as disclosed in the section headed "Relationship with the controlling shareholders" and "Connected transactions" in the prospectus of the Company dated 30 September 2016, none of the Directors or the controlling shareholders of the Company nor their respective close associates as defined in the Listing Rules had any interest in business that competes or might compete with business of the Group during the six months ended 30 June 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2022.

AUDIT COMMITTEE

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

The Group’s unaudited condensed consolidated results for the six months ended 30 June 2022 have been reviewed by the Audit Committee, which was of the opinion that such results have complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By Order of the Board

China Industrial Securities International Financial Group Limited

Hu Pingsheng

Chairman

Hong Kong, 26 August 2022

As at the date of this announcement, the Board comprises one non-executive Director, namely Mr. Hu Pingsheng (Chairman), three executive Directors, namely Mr. Li Baochen, Ms. Zeng Yanxia and Ms. Zhang Chunjuan, and three independent non-executive Directors, namely Ms. Hong Ying, Mr. Tian Li and Mr. Qin Shuo.