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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 2025

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 2025 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	
		2025	2024
	Notes	HK\$	HK\$
		Unaudited	Unaudited
Commission and fee income	3	160,282,624	141,299,173
Interest revenue	3	117,922,649	72,773,734
Net trading and investment income	3	120,046,994	204,802,065
Total revenue	3	398,252,267	418,874,972
Other income	3	78,682,788	102,627,933
Finance costs		(240,686,439)	(232,062,063)
Commission and fee expenses		(16,003,107)	(44,639,184)
Staff costs	5	(90,122,845)	(101,204,007)
Other operating expenses		(61,755,055)	(57,300,117)
Reversal of impairment losses on financial assets	5	2,056,386	11,239,922
Other gains or losses	5	52,826,614	(735,234)
Profit before taxation	5	123,250,609	96,802,222
Taxation	6	(20,318,855)	(8,133,005)
Profit for the period		102,931,754	88,669,217
Attributable to:			
Owners of the Company		102,931,754	88,669,217
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted (expressed in HKD)	8	0.0142	0.0182

	For the six months ended 30 June	
	2025	2024
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
<i>Notes</i>		
Profit for the period	<u>102,931,754</u>	<u>88,669,217</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
– Equity instruments designated at fair value through other comprehensive income		
– Changes in fair value	46,050,894	26,021,792
– Income tax impact	239,403	(4,088,574)
Items that may be reclassified subsequently to profit or loss:		
– Debt investments at fair value through other comprehensive income		
– Changes in fair value	28,032,704	24,859,410
– Reclassification adjustment to profit or loss on disposal	(2,080,905)	(2,450,418)
– Income tax impact	<u>(1,067,031)</u>	<u>(3,677,927)</u>
Other comprehensive income for the period, net of tax	<u>71,175,065</u>	<u>40,664,283</u>
Total comprehensive income for the period	<u>174,106,819</u>	<u>129,333,500</u>
Attributable to:		
Owners of the Company	<u>174,106,819</u>	<u>129,333,500</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2025 <i>HK\$</i> Unaudited	As at 31 December 2024 <i>HK\$</i> Audited
	<i>Notes</i>		
Non-current assets			
Property and equipment		26,837,593	37,006,105
Intangible assets		9,684,930	11,448,338
Financial assets at fair value through profit or loss		9,960,794	10,908,359
Debt investments at amortised cost		2,210,958,551	690,934,760
Reverse repurchase agreements		90,599,030	92,700,369
Statutory deposits		13,722,661	20,723,815
Deferred tax assets		73,527,895	93,974,695
Deposits, other receivables and prepayments		<u>6,393,746</u>	<u>6,403,751</u>
		<u>2,441,685,200</u>	<u>964,100,192</u>
Current assets			
Accounts receivable	9	1,379,177,656	1,171,860,830
Financial assets at fair value through profit or loss		6,284,497,750	4,373,209,742
Financial assets at fair value through other comprehensive income		5,466,977,543	4,941,786,306
Debt investments at amortised cost		85,797,931	84,222,555
Statutory deposits		9,143,613	9,796,173
Deposits, other receivables and prepayments		334,304,711	387,514,648
Tax receivable		1,265,569	7,967,063
Bank balances – trust accounts		2,628,828,222	1,831,016,133
Bank balances – general accounts and cash		<u>2,269,418,398</u>	<u>1,961,292,282</u>
		<u>18,459,411,393</u>	<u>14,768,665,732</u>

		As at 30 June 2025 HK\$ Unaudited	As at 31 December 2024 HK\$ Audited
	<i>Notes</i>		
Current liabilities			
Accounts payable	10	3,553,252,834	2,246,110,797
Accruals and other payables		114,707,992	124,641,261
Amount due to a related party		4,873,605	4,002,026
Contract liabilities		1,256,848	1,355,175
Tax payable		1,222,194	6,826,313
Financial liabilities at fair value through profit or loss		40,515,958	26,180,966
Repurchase agreements		6,191,119,767	5,108,975,622
Bank borrowings		5,014,302,091	2,621,311,780
Notes		63,141,669	60,960,087
Lease liabilities		19,289,126	19,365,469
Other liabilities		102,644,028	96,457,776
		<u>15,106,326,112</u>	<u>10,316,187,272</u>
Net current assets		<u>3,353,085,281</u>	<u>4,452,478,460</u>
Non-current liabilities			
Repurchase agreements		812,153,481	519,317,230
Bonds		656,435,863	649,739,968
Deferred tax liabilities		6,910	8,318
Lease liabilities		2,238,955	11,434,683
		<u>1,470,835,209</u>	<u>1,180,500,199</u>
Net assets		<u><u>4,323,935,272</u></u>	<u><u>4,236,078,453</u></u>

	As at 30 June 2025 <i>Notes</i> HK\$ Unaudited	As at 31 December 2024 <i>HK\$</i> Audited
Equity		
Share capital	400,000,000	400,000,000
Share premium	3,339,895,424	3,379,895,424
Accumulated loss	(918,598,006)	(992,084,722)
Other reserve	11,577,844	11,577,844
Capital reserve	442,441,821	442,441,821
Fair value reserve	48,618,189	(5,751,914)
	<hr/>	<hr/>
Equity attributable to holders of the ordinary shares	3,323,935,272	3,236,078,453
Equity attributable to holders of other equity instruments	1,000,000,000	1,000,000,000
	<hr/>	<hr/>
Total equity	<u>4,323,935,272</u>	<u>4,236,078,453</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. 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, margin 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 information 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 ("Listing Rules"), 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 18 August 2025.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in note 2(b).

(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 2024, except for the adoption of the following amendment to HKFRSs for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKAS 21	<i>The effects of changes in foreign exchange rates – Lack of exchangeability</i>
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The adoption of the amendment to HKFRSs does not have a significant 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	
	2025	2024
	HK\$	HK\$
	Unaudited	Unaudited
<i>Revenue from contracts with customers within the scope of HKFRS15</i>		
Commission and fee income		
Brokerage:		
Commission and fee income from securities brokerage	55,579,713	77,388,520
Commission and fee income from futures and options brokerage	7,072,735	5,921,647
Insurance brokerage commission income	1,838,638	1,914,308
	<u>64,491,086</u>	<u>85,224,475</u>
Corporate finance:		
Commission income on placing, underwriting and sub-underwriting		
– Debt securities	85,240,629	38,682,565
– Equity securities	549,487	39,416
Corporate advisory fee income	200,400	607,735
Sponsor fee income	1,053,487	–
Arrangement fee income	3,035,803	9,389,455
	<u>90,079,806</u>	<u>48,719,171</u>
Asset management:		
Asset management fee income	4,747,274	6,218,442
Investment advisory fee income	964,458	1,137,085
	<u>5,711,732</u>	<u>7,355,527</u>
	<u>160,282,624</u>	<u>141,299,173</u>

	For the six months ended 30 June	
	2025	2024
	HK\$	HK\$
	Unaudited	Unaudited
Revenue from other sources		
Interest revenue		
Financial products and investments:		
Interest income from reverse repurchase agreements	3,398,352	2,835,410
Interest income from debt investments at fair value through other comprehensive income	59,758,858	48,957,180
Interest income from debt investments at amortised cost	41,369,311	6,040,519
	<u>104,526,521</u>	<u>57,833,109</u>
Margin financing:		
Interest income from margin financing	13,396,128	14,940,625
	<u>117,922,649</u>	<u>72,773,734</u>
Net trading and investment income		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	163,715,677	167,903,138
Dividend income from financial assets at fair value through profit or loss	3,405,563	2,086,388
Net loss on financial assets at fair value through profit or loss	(77,535,818)	(45,019,423)
Net (loss)/gain on derivatives	(42,259,405)	19,668,063
Net gain on financial liabilities at fair value through profit or loss	–	1,484,870
Dividend income from equity instruments designated at fair value through other comprehensive income	70,640,072	56,228,611
Net gain on disposals of debt investments at fair value through other comprehensive income	2,080,905	2,450,418
	<u>120,046,994</u>	<u>204,802,065</u>
Total revenue	<u><u>398,252,267</u></u>	<u><u>418,874,972</u></u>

Timing of revenue recognition for commission and fee income from customers

	For the six months ended 30 June	
	2025	2024
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
A point in time	150,408,675	129,426,104
Over time	9,873,949	11,873,069
	<u>160,282,624</u>	<u>141,299,173</u>

Other income

	For the six months ended 30 June	
	2025	2024
	<i>HK\$</i>	<i>HK\$</i>
	Unaudited	Unaudited
Interest income from financial institutions	71,563,816	95,264,428
Sundry income	7,118,972	7,363,505
	<u>78,682,788</u>	<u>102,627,933</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:

Wealth management – provision of securities, futures, options and insurance brokerage, financial products and margin financing services to clients;

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;

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

Others – other business in addition to the above, including head office operations and investment holding platforms, and management of general working capital.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

For the six months ended 30 June 2025 (unaudited)

	Wealth management HK\$	Corporate finance HK\$	Assets management HK\$	Financial products and investments HK\$	Others HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Commission and fee income	64,491,086	90,079,806	5,711,732	–	–	–	160,282,624
Interest revenue	13,396,128	–	–	104,526,521	–	–	117,922,649
Net trading and investment income	–	–	–	120,046,994	–	–	120,046,994
Inter-segment revenue	652,872	–	1,224,654	–	–	(1,877,526)	–
Segment revenue	78,540,086	90,079,806	6,936,386	224,573,515	–	(1,877,526)	398,252,267
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							398,252,267
Segment results	71,522,648	58,764,177	(10,658,375)	(15,929,680)	19,551,839	–	123,250,609
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							123,250,609

For the six months ended 30 June 2024 (unaudited)

	Wealth management HK\$	Corporate finance HK\$	Assets management HK\$	Financial products and investments HK\$	Others HK\$	Eliminations HK\$	Consolidated HK\$
Segment revenue and result							
Commission and fee income	85,224,475	48,719,171	7,355,527	–	–	–	141,299,173
Interest revenue	14,940,625	–	–	57,833,109	–	–	72,773,734
Net trading and investment income	–	–	–	204,802,065	–	–	204,802,065
Inter-segment revenue	194,415	–	3,963,540	–	–	(4,157,955)	–
Segment revenue	100,359,515	48,719,171	11,319,067	262,635,174	–	(4,157,955)	418,874,972
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							418,874,972
Segment results	71,217,165	10,925,062	(7,683,614)	10,986,709	11,356,900	–	96,802,222
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							96,802,222

5. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2025	2024
	HK\$	HK\$
	Unaudited	Unaudited
Profit before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	90,122,845	101,204,007
Salaries and bonuses	88,298,848	98,978,989
Contribution to the Mandatory Provident Fund Scheme	1,537,767	1,813,661
Other staff costs	286,230	411,357
Legal and professional fee	5,342,913	4,828,525
Amortisation of intangible assets	3,632,567	2,869,650
Depreciation	11,250,042	11,106,325
Owned property and equipment	2,277,269	2,133,552
Right-of-use assets	8,972,773	8,972,773
Maintenance fee	7,942,618	9,191,291
Reversal of impairment losses on financial assets	(2,056,386)	(11,239,922)
Secured margin loans	(2,597,904)	(11,137,612)
Debt investments at amortised cost	622,345	(3,684)
Debt investments at fair value through other comprehensive income	(80,827)	(98,626)
Other gains or losses	(52,826,614)	735,234
Exchange (gain)/loss	(60,830,488)	1,120,980
Other loss/(gain)	8,314,274	(385,746)

6. TAXATION

	For the six months ended 30 June	
	2025	2024
	HK\$	HK\$
	Unaudited	Unaudited
Hong Kong Profits Tax:		
Current period	<u>701,091</u>	<u>1,745,811</u>
Deferred tax	<u>19,617,764</u>	<u>6,387,194</u>
	<u>20,318,855</u>	<u>8,133,005</u>

The provision for Hong Kong Profits Tax is calculated by applying the annual effective tax rate of 16.5% (2024: 16.5%) to the estimated assessable profit for the six months ended 30 June 2025, except for one entity of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this qualifying entity, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

7. DIVIDENDS

Final dividend in respect of the year ended 31 December 2024 of HK\$0.01 per ordinary share, in an aggregate amount of HK\$40,000,000 was approved and paid during the six months ended 30 June 2025 (30 June 2024: no dividend in respect of the year ended 31 December 2023 was declared and paid during the six months ended 30 June 2024).

The Board did not declare the payment of interim dividend for the six months ended 30 June 2025 and 2024.

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2025	2024
	HK\$	HK\$
	Unaudited	Unaudited
Earnings (HK\$)		
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	102,931,754	88,669,217
Less: distribution to holder of other equity instruments	(46,250,000)	(15,800,000)
Profit for the period attributable to ordinary equity holders of the Company	<u>56,681,754</u>	<u>72,869,217</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>4,000,000,000</u>	<u>4,000,000,000</u>

For each of the six months ended 30 June 2025 (unaudited) and 30 June 2024 (unaudited), there were no dilutive potential ordinary shares in issue, thus diluted earnings per share is equal to basic earnings per share.

9. ACCOUNTS RECEIVABLE

	As at 30 June 2025 HK\$ Unaudited	As at 31 December 2024 HK\$ Audited
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	651,371,688	1,151,314,120
Less: impairment allowance	<u>(202,619,663)</u>	<u>(533,674,166)</u>
	<u>448,752,025</u>	<u>617,639,954</u>
Clearing houses	157,902,996	154,349,728
Cash clients	61,575,786	32,692,302
Brokers	50,605,240	44,989,047
Clients for subscription of new shares in Initial Public Offerings	17,261,848	–
Less: impairment allowance	<u>(825,319)</u>	<u>(825,319)</u>
	<u>286,520,551</u>	<u>231,205,758</u>
	<u>735,272,576</u>	<u>848,845,712</u>
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	71,097,258	20,510,294
Brokers	<u>119,244,669</u>	<u>105,701,971</u>
	<u>190,341,927</u>	<u>126,212,265</u>
Accounts receivable arising from the business of corporate finance	27,976,632	29,617,914
Less: impairment allowance	<u>(1,450,216)</u>	<u>(1,450,216)</u>
	<u>26,526,416</u>	<u>28,167,698</u>
Accounts receivable arising from the business of asset management	1,487,715	3,062,938
Less: impairment allowance	<u>(150,000)</u>	<u>(150,000)</u>
	<u>1,337,715</u>	<u>2,912,938</u>
Accounts receivable arising from the business of financial products and investments:		
Brokers	<u>425,699,022</u>	<u>165,722,217</u>
	<u><u>1,379,177,656</u></u>	<u><u>1,171,860,830</u></u>

Secured margin loans

As at 30 June 2025 and 31 December 2024, 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 month to 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/accrual at the reporting date:

Corporate finance clients

	As at 30 June 2025 HK\$ Unaudited	As at 31 December 2024 HK\$ Audited
Not past due	11,776,050	9,318,600
Less than 31 days	6,126,804	7,501,959
31–60 days	2,441,062	9,417,143
61–90 days	107,441	1,796,001
91–180 days	6,039,213	52,098
Over 180 days	1,486,062	1,532,113
	<u>27,976,632</u>	<u>29,617,914</u>

Asset management clients

	As at 30 June 2025 HK\$ Unaudited	As at 31 December 2024 HK\$ Audited
Less than 31 days	938,891	1,546,832
31–60 days	125,412	622,645
61–90 days	85,412	596,344
91–180 days	104,000	147,117
181–365 days	84,000	–
Over 365 days	150,000	150,000
	<u>1,487,715</u>	<u>3,062,938</u>

During the six months ended 30 June 2025 and the year ended 31 December 2024, 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 2025 <i>HK\$</i> Unaudited	As at 31 December 2024 <i>HK\$</i> Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	111,202,833	4,552,535
Brokers	213	1,961,657
Clients	2,451,051,391	1,736,296,194
	<u>2,562,254,437</u>	<u>1,742,810,386</u>
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	370,847,385	336,877,496
Accounts payable arising from the business of asset management:		
Clients	18	—
Accounts payable arising from the business of financial products and investments:		
Brokers	608,959,100	149,564,486
Clients	11,191,894	16,858,429
	<u>620,150,994</u>	<u>166,422,915</u>
	<u>3,553,252,834</u>	<u>2,246,110,797</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\$7,032,085 due to the immediate holding company as at 30 June 2025 (31 December 2024: HK\$4,050,272).

MANAGEMENT DISCUSSION AND ANALYSIS

I. MARKET REVIEW

In the first half of 2025, despite the slowdown in global economic growth due to uncertainties such as geopolitical tensions and tariffs, Hong Kong leveraged the advantages of the “One Country, Two Systems” Policy to continuously optimise its function as a two-way gateway, facilitating the flow of international capital into Mainland China and the expansion of Mainland enterprises into global markets. This enabled Hong Kong to perform exceptionally well in the global capital market, further solidifying its position as an international financial centre. In the first half of 2025, Hong Kong’s IPO market raised a total of HK\$107.1 billion, up sevenfold from the same period last year, ranking first globally and surpassing the total fundraising amount for the entire year of 2024; the Hang Seng Index gained nearly 20%, placing it among the top performers in major global stock markets; the average daily turnover of Hong Kong stocks reached HK\$240.2 billion, representing an increase of approximately 118% compared to the same period in 2024.

II. RESULTS AND OVERVIEW

For the six months ended 30 June 2025, the Group recorded an operating revenue of HK\$398.25 million (2024: HK\$418.87 million), representing a year-on-year decrease of 4.92%. The net profit after tax amounted to HK\$102.93 million (2024: HK\$88.67 million), representing a year-on-year increase of 16.08%, which demonstrated steady improvement in profitability. The growth in profit was mainly attributable to the synergy of the Group’s efficient internal management system, along with high-quality and stable asset quality, as well as revenue growth from its core business of corporate finance.

For the six months ended 30 June 2025, the Group’s operating revenue from wealth management services, corporate finance services, asset management services, and financial products and investments saw a decrease of 22.24%, an increase of 84.89%, a decrease of 22.42% and a decrease of 14.50% year-on-year, respectively.

III. BUSINESS REVIEW

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

Wealth management

For the six months ended 30 June 2025, the Group's revenue from wealth management business amounted to HK\$77.89 million (2024: HK\$100.17 million), representing a year-on-year decrease of 22.24%. Among this revenue, commission and fee income from the brokerage services amounted to HK\$64.49 million (2024: HK\$85.22 million), representing a year-on-year decrease of 24.33%, while interest income from margin financing amounted to HK\$13.40 million (2024: HK\$14.94 million), representing a year-on-year decrease of 10.31%. The Group's wealth management business swiftly captured customer needs by introducing preferential policies such as interest-free IPO financing and fee waivers amid the current boom in Hong Kong's IPO market. This resulted in client's trading turnover in Hong Kong stock reaching approximately HK\$34.7 billion, representing an increase of approximately 71% year-on-year. At the same time, the Group proactively promoted the Cross-boundary Wealth Management Connect Scheme, and precisely met the clients' diversified cross-border investment needs through continuous enrichment and optimisation of the product matrix, achieving product sales of nearly HK\$900 million, representing an increase of approximately 11% year-on-year. The Group was honoured with the Wealth Management Platform – Outstanding Award in the securities sector by Bloomberg Businessweek's "Financial Institutions 2025".

Corporate finance

For the six months ended 30 June 2025, the Group's revenue from corporate finance business amounted to HK\$90.08 million (2024: HK\$48.72 million), representing a year-on-year increase of 84.89%.

Among which, commission income from placing, underwriting and sub-underwriting of debt securities for the six months ended 30 June 2025 amounted to HK\$85.24 million (2024: HK\$38.68 million), representing a year-on-year increase of 120.37%. Facing increasingly fierce market competition, the Group's debt underwriting business proactively explored high-quality customers and expanded its customer base across various industries. Leveraging its strong brand advantage and core competitiveness, the Group secured the 6th place in terms of debt underwriting among Chinese securities firms in Hong Kong, up by 3 places. It completed a total of 105 bond underwriting projects, with bond underwriting scale equivalent to US\$1.112 billion, an increase of 13% year-on-year. In addition, the Group firmly adhered to the principle of green finance, and underwrote a total of 34 green bonds, with a financing and issuance scale of over HK\$60.7 billion. The Group was honoured with the Bond Excellence Award in the securities sector by Bloomberg Businessweek's "Financial Institutions 2025".

For the six months ended 30 June 2025, the Group recorded sponsor fee income of HK\$1.05 million (2024: Nil) and equity underwriting income of HK\$549,500 (2024: HK\$39,400). The Group successfully assisted six companies in listing in Hong Kong, securing the 12th place in terms of equity underwriting among Chinese securities firms in Hong Kong, up by 7 places. The Group will closely monitor developments in regulatory policies in the capital market, deeply explore business opportunities, and expand its integrated sales network to provide customers with comprehensive and high-quality professional support.

Asset management

For the six months ended 30 June 2025, the Group's revenue from asset management business amounted to HK\$5.71 million (2024: HK\$7.36 million), representing a year-on-year decrease of 22.42%. The Group's asset management business continued to deepen its focus on actively managed mutual funds business to meet the diverse investment needs of customers. As of 30 June 2025, the Group had a total of 26 asset management products and the scale of assets under management was approximately HK\$5.7 billion. The overall performance of fund products remained stable, with the China Core Asset Fund achieving a growth in net asset value of 16.7% in the first half of 2025.

Financial products and investments

For the six months ended 30 June 2025, the Group's revenue from financial products and investments amounted to HK\$224.57 million (2024: HK\$262.64 million), representing a year-on-year decrease of 14.50%. Under the neutral and moderate risk preference, the Group strictly controlled credit risk, actively sought investment opportunities, and enhanced the profitability of its investment portfolio. For the six months ended 30 June 2025, the cumulative annualised return on fixed income investments amounted to 8.19%, and the cumulative annualised return on equity investments amounted to 13.75%.

FINANCIAL POSITION

As at 30 June 2025, the total assets of the Group increased by 32.85% to HK\$20,901.10 million (31 December 2024: HK\$15,732.77 million).

As at 30 June 2025, the total liabilities of the Group increased by 44.19% to HK\$16,577.16 million (31 December 2024: HK\$11,496.69 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2025, the net current assets of the Group decreased by 24.69% to HK\$3,353.09 million (31 December 2024: HK\$4,452.48 million). As at 30 June 2025, 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 1.2 times (31 December 2024: 1.4 times).

For the six months ended 30 June 2025, the net cash inflow of the Group was HK\$308.13 million (for the year ended 31 December 2024: net cash inflow of HK\$69.14 million), and the bank balance of the Group as at 30 June 2025 was HK\$2,269.42 million (31 December 2024: HK\$1,961.29 million).

As at 30 June 2025, the total bank borrowings of the Group increased by 91.29% to HK\$5,014.30 million (31 December 2024: HK\$2,621.31 million).

As at 30 June 2025, the Group had outstanding bonds of HK\$656.44 million (31 December 2024: HK\$649.74 million) and outstanding notes of HK\$63.14 million (31 December 2024: HK\$60.96 million). As at 30 June 2025, the gearing ratio of the Group (defined as the sum of repurchase agreements, bank borrowings, outstanding bonds and outstanding notes divided by total equity) increased by 83% to 295% (31 December 2024: 212%).

Total equity attributable to holders of ordinary shares of the Company amounted to HK\$3,323.94 million as at 30 June 2025 (31 December 2024: HK\$3,236.08 million).

FUTURE PLAN

Looking ahead to the second half of 2025, the Group will continue to adhere to the principle of “stable operation and progress amidst stability”, seize the strategic opportunities arising from the accelerated iteration in the digital asset sector, systematically plan for technological research and development and business reserves to secure a competitive edge in the market; focus on customer needs to build a rich and balanced wealth management product matrix, with an emphasis on expanding institutional customers, exploring the needs of existing customers, and enhancing cross-border financial service capabilities; accelerate the innovation of asset management products to meet the diverse service needs of customers; leverage on brand and professional strengthens of its bond underwriting business to consolidate and enhance the market leading position; capture opportunities arising from the recovery of the Hong Kong stock market for the equity financing business to focus on hot sectors, strengthen synergies, and comprehensively enhance business competitiveness; adhere to a “neutral and moderate” low-volatility investment strategies, strictly control risks, and seize market rotation investment opportunities through diversified investment types to increase absolute returns; stick to the bottom line of compliance and risk control, optimise resource allocation, and build a professional, market-oriented, and international talent team; consistently uphold the principle of green financial services, focus on the Company’s sustainable development, create long-term value for the Company, and provide investors with stable and long-term returns.

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

For the six months ended 30 June 2025, the Group had no significant investments, material acquisition or disposal of subsidiaries and affiliated companies.

PLEDGE OF ASSETS BY THE GROUP

For the six months ended 30 June 2025, the Group’s assets pledged were mainly debt securities pledged as collaterals for repurchase agreements.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2025, the Group had 164 full-time employees including the Directors (30 June 2024: 224 full-time employees including the Directors). Total remuneration for the six months ended 30 June 2025 amounted to HK\$90.12 million (30 June 2024: HK\$101.20 million). The remuneration policy will be reviewed by the Group from time to time in accordance with market practice, and the bonus will be distributed with reference to individual performance appraisal, prevailing market condition and the financial performance of the Group. Other employee benefits include contributions to the mandatory provident fund scheme and medical care insurance.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities for the six months ended 30 June 2025 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

As of 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 organisational structure consisting of the Board, management, the risk management committee, risk management department, departments and subsidiaries. The Board shall undertake the ultimate responsibility for comprehensive risk management, be responsible for the supervision and guidance of the risk management of the Company, approve the risk preference of the Company, and control the overall risk of the Company within a reasonable range to ensure that the Company can effectively manage the risk control in business activities. The management shall lead and manage various risks in the course of business of the Company and promote the planning, construction and implementation of the comprehensive risk management system of the Company. The risk management committee under the management shall carry out the risk management work of the Company with the authorisation of the management, be responsible for guiding, supervising and coordinating the implementation of the work related to risk management of the Company, provide advice on the improvement and updating of the organisational system, and promote the comprehensive risk management construction of the Company. Under the leadership of the compliance and risk control director, the risk management department shall organise and promote the comprehensive risk management work of the Company, organise to conduct identification, evaluation, monitoring, analysis and tests on the overall risk, aggregate risk faced in the course of operation and management of the Company and its changing trend, and put forward corresponding control measures and solutions.

The Group has built three lines of defence for risk management, of which the first line of defence is effective self-control by all departments and subsidiaries, the second line of defence is professional risk management by the risk management department before and during business operations, and the third line of defence is post-supervision and evaluation by the audit department. The design of the “three lines of defence” (三道防線) of risk management governance structure has effectively provided guarantees for the efficiency and effectiveness of risk management.

The Group has implemented the risk preference, quota management and authorisation management system, kept the business philosophy of “stable operation for sustainable development” (穩健經營、長遠發展) based on the neutral and prudent risk preference determined by the Board, and adhered to the development idea of seeking progress while keeping performance stable, conducted precise identification, careful evaluation, dynamical monitoring, timely response and overall management on various risks, such as liquidity risk, market risk, credit risk, operational risk, reputation risk, and compliance and legal risk in a timely manner in the course of business of the Company to ensure that various risks undertaken by the Group were controlled within a reasonable range that is measurable, controllable, acceptable and without spillover. The Group has endeavoured to build a sound organisational structure, operational management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to realise the detectability, measurability, analysis and risk-response in risk management, facilitating the sound business development of the Group in the long run and the achievement of strategic objectives.

Credit risk

The Group’s exposure to credit risk refers to the risk of losses to the Group arising from non-performance by the debtors or counterparties. The Group has established a risk management committee to review and monitor the implementation of credit risk management policies, and to update relevant risk management policies to adapt to changes. The Group has also set up an investment and financing business review committee, which is responsible for reviewing investment and financing projects and re-examining the policies relating to credit approval, transaction limits and credit limits. The Group has regularly re-examined the implementation of existing investment and financing projects and margin loans to assess the credit risk exposure, and has taken appropriate measures to mitigate risks.

The Group has closely monitored the risk limit indicators of credit business, adopted measures such as daily mark-to-market and timely warning, and established a public opinion information monitoring mechanism for debtors, collaterals and counterparties to effectively respond to sudden public events to formulate response plans in advance. We will regularly conduct stress tests, take appropriate measures to compensate for or minimise losses in the event that customers may not fulfil their obligations, properly resolve risks, and effectively carry out post-investment management. We will also regularly measure the impairment of our financial assets and make provision for expected credit losses in a timely manner, in accordance with the latest standards on financial instruments and using reasonable and evidence-based forward-looking information based on our existing business.

Liquidity risk

The Group's exposure to liquidity risk refers to the risk of failure to obtain sufficient capital at reasonable cost in time to repay debts which are falling due, fulfil other payment obligations and meet the liquidity requirement for ordinary business operation.

The Group has formulated liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risks, and maintained liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)).

The Group has formulated a multi-level authorisation mechanism and internal policies for managing and approving the use and allocation of capital. It has set up restrictions on authorisation in respect of any commitments or capital outflows (such as procurement, investment and loans), and evaluated the impact of such transactions on capital adequacy.

The Group has met its financing needs primarily through obtaining bank loans from certain banks and issuing bonds, and constantly explored and expanded financing channels and methods. The Group has also adopted strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that the planning and management of liquidity is prepared well and that the Group satisfies the capital requirements stipulated by applicable laws.

Market risk

The Group's exposure to market risk refers to the risk of potential losses incurred to the Group arising from adverse changes in exchange rates, interest rates and prices of financial assets.

The Group has formulated policies and procedures to monitor and control market risks arising from carrying out business. Prior to engaging in any new transaction or launching any new business, each business segment of the Group will arrange professionals with appropriate qualifications and industry experience to discuss and evaluate the relevant market risks, and develop management and mitigation measures for such market risk.

The Group has set up market risk limit indicators, and regularly reviewed and adjusted market strategies to adapt to changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group has formulated different selection criteria for bonds and other fixed-income products, prudently selected industries and enterprises, and followed up and monitored macro-economic trends to optimise investment strategies.

Operational risk

The Group's exposure to operational risk refers to the risk of losses to the Group caused by imperfect or defective internal procedures, employees, information systems or external events. The main goal of the operational risk management of the Group is to promote a good operational risk management culture according to the regulatory requirements and the development strategy of the Company, establish and improve the operational risk management framework and system in line with the actual situation of the Company, and reduce the frequency and impact of operational risk events.

The Group has established an operational risk management structure consisting of the Board, management, the risk management committee, the risk management department and each functional department. The management of operational risk involves all departments and all employees, with penetration into various business activities, business processes and operational procedures.

The Group has established a sound management mechanism and effective internal control procedures. Through operational risk policies, risk reporting mechanisms, operational risk limit indicators, risk control matrices, operational risk systems and risk warnings, the operational risk events will be identified, evaluated, monitored and followed up before, during and after events. At the same time, through sharing the cases of operational risk and training, the overall operational risk awareness of the Group has been improved, the operational risk management has been strengthened, and the ability to respond on operational risk has been improved. The risk management department has regularly analysed and evaluated operational risk events, continuously monitored the operational risk conditions and its changing trend of the Group, and regularly reported the implementation of relevant indicators, and also followed up operational risk events to ensure that the operational risk losses of the Company are under control, and improved operational risk monitoring and management.

The Group has set up a business continuity management mechanism, in place with contingency plans and business continuity plans combined with risk scenarios, business models, system settings and other important risk factors, and retained sufficient disaster recovery office facilities, regularly carried out business continuity exercises, comprehensively improved the Group's ability to respond to emergencies and operational interruptions to ensure smooth and orderly operation.

Compliance and legal risks

The Group has proactively promoted the establishment of a stable and sound compliance and legal risk management framework, formulated relevant policies, processes and templates, kept a close eye on the prevailing laws and regulations relating to business operations, and made 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 the Company's business operations comply with the laws and regulations as amended from time to time.

The Group has set up a compliance management structure and established three lines of defence for compliance management, of which the legal and compliance department takes the lead in formulating the compliance management policies and procedures of the Group, providing compliance advice for various business plans and affairs, closely monitoring the compliance operation of the licensed businesses of the Group, 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 has taken the lead in organising legal and compliance trainings for employees from time to time and provided 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 five legal consultants who have cooperated with the Group throughout the years and maintained close relationships with other external law firms. Through close cooperation with full-time legal personnel and external legal advisers or law firms, the Group can prevent and address various legal risks in a timely manner.

Reputation risk

The Group's exposure to reputation risk refers to the risk of public negative views on the Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies caused by the operations, management and other behaviours or external events. With a complete corporate governance structure, the Group has proactively promoted the construction of reputation risk management mechanism, effectively prevented reputation risk and addressed reputation risk events by upholding the principles of prevention first, proactivity and swift response, and conducted all-rounded and whole-process management over classification, identification, assessment, reporting, handling and evaluation of reputation risk occurred in the course of the operation and management, so as to minimise losses and negative impacts on the reputation and brand image of the Group. During the reporting period, the Group has further improved its reputation risk management system, maintained an overall stable public sentiment, and has not experienced major reputation risk events.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY AND ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company and its subsidiaries during the six months ended 30 June 2025 (including sales of treasury shares (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"))).

During the six months ended 30 June 2025, the Company did not hold any treasury shares.

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 competed or might compete with business of the Group during the six months ended 30 June 2025.

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 as set out in Appendix C3 to the Listing Rules ("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 2025.

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 C1 to the Listing Rules during the six months ended 30 June 2025.

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. Xiong Bo, Mr. Chan Ho Wing and Mr. Tian Li. The chairman of the Audit Committee is Mr. Chan Ho Wing.

The Group's unaudited condensed consolidated results for the six months ended 30 June 2025 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

Xiong Bo

Chairman

Hong Kong, 18 August 2025

As at the date of this announcement, the Board comprises one non-executive Director, namely Mr. Xiong Bo (Chairman), one executive Director, namely Ms. Zhang Chunjuan, and three independent non-executive Directors, namely Mr. Chan Ho Wing, Mr. Tian Li and Ms. Du Li.