

東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8001



ORIENT

Interim Report  
**2014**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months period ended 30 June 2014 together with the comparative unaudited figures for the corresponding period in 2013.

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

For the three months and six months period ended 30 June 2014

	Note	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
TURNOVER	4	4,482	5,390	12,527	12,274
Other revenue and other net income	5	14	19	39	23
		4,496	5,409	12,566	12,297
Staff costs		(2,060)	(1,359)	(3,694)	(2,877)
Administrative expenses		(2,107)	(1,252)	(3,791)	(2,955)
Finance costs	6	—	—	(56)	(50)
PROFIT FROM OPERATION		329	2,798	5,025	6,415
Listing expenses		—	(438)	(3,901)	(1,085)
PROFIT BEFORE TAXATION	7	329	2,360	1,124	5,330
Income tax	8	(69)	(500)	(814)	(1,100)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		260	1,860	310	4,230
Other comprehensive income for the period		—	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		260	1,860	310	4,230
EARNINGS PER SHARE					
Basic and diluted	10	0.09 cents	0.83 cents	0.11 cents	1.88 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	137	107
Other assets	12	700	1,257
		837	1,364
<b>CURRENT ASSETS</b>			
Trade receivables	13	85,307	106,337
Prepayments, deposits and other receivables		1,927	5,057
Bank balances held on behalf of clients		76,835	61,916
Cash and cash equivalents		86,674	40,474
		250,743	213,784
<b>CURRENT LIABILITIES</b>			
Trade payables	14	77,381	79,145
Other payables and accruals		203	1,347
Current tax payable		2,118	1,990
		79,702	82,482
<b>NET CURRENT ASSETS</b>		171,041	131,302
<b>NET ASSETS</b>		171,878	132,666
<b>CAPITAL AND RESERVES</b>			
Share capital	15	3,000	—
Reserves		168,878	132,666
<b>TOTAL EQUITY</b>		171,878	132,666

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2014

	Attributable to equity shareholders of the Company				
	Share capital HK\$'000	Share Premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	—	—	8	132,658	132,666
Issuance of new shares by way of placing	3,000	44,250	—	—	47,250
Share issue expenses	—	(6,098)	—	—	(6,098)
Capitalisation issue	—	(2,250)	—	—	(2,250)
Profit and total comprehensive income for the period	—	—	—	310	310
At 30 June 2014 (unaudited)	3,000	35,902	8	132,968	171,878

For the six months period ended 30 June 2013

	Attributable to equity shareholders of the Company			
	Share capital HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	—	8	119,868	119,876
Profit and total comprehensive income for the period	—	—	4,230	4,230
At 30 June 2013 (unaudited)	—	8	124,098	124,106

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2014

	<b>Six months ended</b>	
	<b>30 June</b>	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Net cash generated from operating activities</b>	1,273	63,717
<b>Net cash (used in) investing activities</b>	(73)	—
<b>Net cash generated from/(used in) financing activities</b>	45,000	(12,000)
<b>Net increase in cash and cash equivalents</b>	46,200	51,717
<b>Cash and cash equivalents as at the beginning of the period</b>	40,474	43,061
<b>Cash and cash equivalents as at the end of the period</b>	86,674	94,778

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

## 1. GENERAL

Orient Securities International Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2014. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Rooms 2801-2804, 28th Floor, Dah Sing Financial Centre, No. 108 Gloucester Road, Wanchai, Hong Kong. The principal activities of its subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/operation	Attributable equity interest held by the Company		Issued and fully paid-up capital	Principal activities	Legal form
		Directly	Indirectly			
Capital Business International Limited ("Capital Business")	British Virgin Islands/Hong Kong 26 March 1996	100%	—	1,000 ordinary shares of US\$1 each	Investment holding	Private limited liability company
Orient Securities Holdings Limited	Hong Kong/ Hong Kong 2 June 1999	—	100%	18,832 ordinary shares of HK\$1 each	Investment holding	Private limited liability company
Orient Securities Limited ("Orient Securities")	Hong Kong/ Hong Kong 11 June 1999	—	100%	20,000,000 ordinary shares of HK\$1 each	Provision of brokerage service, underwriting and placing service and securities and initial public offering financing service	Private limited liability company

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2014. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### a) *Business combinations*

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

The unaudited condensed consolidated financial statements include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

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

#### b) *Basis of preparation of the unaudited condensed consolidated financial statements*

The unaudited condensed consolidated financial statements for the three months and six months period ended 30 June 2014 comprises the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unaudited condensed consolidated financial statements is presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 3. SEGMENT REVENUE

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage service
Underwriting and placing	—	Provision of underwriting and placing service
Financing	—	Provision of securities and initial public offering financing service

#### a) Segment revenue and results

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

Segment profit represents the profit earned by each segment without allocation of interest income on bank deposits and employee's loan, sundry income, listing expenses and income tax expenses.

The segment revenue and results for the six months period ended 30 June 2014 are as follows:

	Brokerage HK\$'000 (unaudited)	Financing HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue				
Revenue from external clients	6,576	3,825	2,126	12,527
Reportable segment profit	2,617	1,522	847	4,986

The segment revenue and results for the three months period ended 30 June 2014 are as follows:

	Brokerage HK\$'000 (unaudited)	Financing HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue				
Revenue from external clients	2,620	1,677	185	4,482
Reportable segment profit	184	118	13	315

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

**3. SEGMENT REPORTING** (Continued)**a) Segment revenue and results** (Continued)

The segment revenue and results for the six months period ended 30 June 2013 are as follows:

	<b>Brokerage</b> HK\$'000 (unaudited)	<b>Financing</b> HK\$'000 (unaudited)	<b>Underwriting and placing</b> HK\$'000 (unaudited)	<b>Total</b> HK\$'000 (unaudited)
Reportable segment revenue				
Revenue from external clients	4,330	3,490	4,454	12,274
Reportable segment profit	2,254	1,818	2,320	6,392

The segment revenue and results for the three months period ended 30 June 2013 are as follows:

	<b>Brokerage</b> HK\$'000 (unaudited)	<b>Financing</b> HK\$'000 (unaudited)	<b>Underwriting and placing</b> HK\$'000 (unaudited)	<b>Total</b> HK\$'000 (unaudited)
Reportable segment revenue				
Revenue from external clients	1,870	1,659	1,861	5,390
Reportable segment profit	964	855	960	2,779

**b) Information about geographical areas**

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the three months and six months period ended 30 June 2014 and 2013 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

**4. TURNOVER**

Turnover represents commission from brokerage service, commission from underwriting and placing service (net of sub-underwriting commission) and interest income from securities and initial public offering financing service. An analysis of the Group's turnover is as follows:

	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2014</b> HK\$'000 (unaudited)	<b>2013</b> HK\$'000 (unaudited)	<b>2014</b> HK\$'000 (unaudited)	<b>2013</b> HK\$'000 (unaudited)
Commission from brokerage service	2,620	1,870	6,576	4,330
Commission from underwriting and placing service	185	1,861	2,126	4,454
Interest income from securities and initial public offering financing service	1,677	1,659	3,825	3,490
	<b>4,482</b>	<b>5,390</b>	<b>12,527</b>	<b>12,274</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 5. OTHER REVENUE AND OTHER NET INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest income on				
— bank deposits	11	5	13	6
— employee's loan	3	4	6	7
Total interest income on financial assets not at fair value through profit or loss	14	9	19	13
Sundry income	—	10	20	10
	14	19	39	23

### 6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Facility arrangement fee	—	—	56	50

### 7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Staff costs and Directors' emoluments	2,060	1,359	3,694	2,877
Amortisation for intangible assets	—	—	—	13
Impairment losses on trade receivables	—	—	—	40
Depreciation for property, plant and equipment	23	15	43	40
Operating lease charges in respect of office premises	749	472	1,498	944

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

## 8. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	69	500	814	1,100
	69	500	814	1,100

The provision for Hong Kong Profits tax for 2014 is calculated at 16.5% (2013: 16.5%) of estimated assessable profits for the period.

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months period ended 30 June 2014 (2013: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity shareholders of the Company is based on the following data:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Earnings:</b>				
Earnings for the purposes of basic and diluted earnings per share:				
Profit for the period attributable to equity shareholders of the Company	260	1,860	310	4,230
<b>Number of shares:</b>				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	300,000,000	225,000,000	294,198,895	225,000,000

The calculation of the weighted average number of shares outstanding during the six months ended 30 June 2014 has been adjusted for the effect of the placing of 75,000,000 new shares on 15 January 2014.

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 11. PROPERTY PLANT AND EQUIPMENT

During the six months period ended 30 June 2014, the Group has additions of plant and equipment of approximately HK\$73,000 (six months period ended 30 June 2013: Nil).

### 12. OTHER ASSETS

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Statutory and other deposits	700	1,257

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest-bearing.

### 13. TRADE RECEIVABLES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade receivables arising from the business of dealing in securities and equity option:		
— Cash clients	2,551	2,007
— Clearing house	—	21,373
— Margin finance loans	82,756	83,357
	85,307	106,737
Less: Allowance for doubtful debts	—	(400)
	85,307	106,337

The settlement terms of trade receivables from cash clients and clearing house are two days after trade date.

Margin finance loans are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

**13. TRADE RECEIVABLES** *(Continued)***a) Ageing analysis**

The trade receivables arising from cash clients and clearing house (net of allowance for doubtful debts) with the following ageing analysis, presented based on the trade date which approximates revenue recognition date, as at the end of the reporting period:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current	2,549	22,000
Less than 1 month past due	—	1,376
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	2	4
Amounts past due	2	1,380
	2,551	23,380

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

**b) Impairment of trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movement in the allowance for doubtful debts:

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
At 1 January 2014/ 1 January 2013	400	—
Impairment loss recognised	—	400
Uncollectible amounts written off	(400)	—
At 30 June 2014/ 31 December 2013	—	400

Included in the allowance for doubtful debts in 2013 are individually impaired trade receivables with an aggregate gross balance of approximately HK\$400,000 as at 31 December 2013, due to the default or delinquency in interest or principal payments. The Group has a policy for allowance of doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and management's judgement including the current credit worthiness, collaterals and the past collection history of each client.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 14. TRADE PAYABLES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade payables arising from the business of dealing in securities and equity option:		
— Cash clients	37,193	43,662
— Margin clients	37,721	35,398
— Clients' deposits	85	85
— Clearing house	2,382	—
	77,381	79,145

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date.

Trade payables to margin and cash clients bear variable interest at commercial rates, and repayable on demand subsequent to two days after trade date.

No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of dealing in securities.

The trade payables included HK\$76,835,000 as at 30 June 2014 (2013: HK\$61,916,000) payable to clients and clearing house in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

The fair values of the trade payables as at the end of the reporting period approximate the corresponding carrying amounts.

### 15. SHARE CAPITAL

	Number of Shares	HK\$
<b>Authorised:</b>		
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014 ordinary shares of HK\$0.01 each	20,000,000,000	200,000,000
<b>Issued and fully paid:</b>		
At 1 January 2013, 31 December 2013 and 1 January 2014 ordinary shares of HK\$0.01 each	10,000	100
Issued of shares by capitalisation of share premium	224,990,000	2,249,900
Issue of shares by placing	75,000,000	750,000
At 30 June 2014	300,000,000	3,000,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

## 16. RELATED PARTY TRANSACTIONS

a) *Key management personnel remuneration*

Remuneration for key management personnel of the Group are as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Fees	—	—	—	—
Salaries, allowances and benefits in kind	568	189	1,155	398
Contributions to retirement benefits scheme	16	9	33	19
	584	198	1,188	417

b) *Other related party transactions*

In addition to the information disclosed elsewhere in the financial statements, the Group has entered into the following related party transactions during the period:

Relationship		Nature of transactions	Note	30 June 2014 Paid/ (received) HK\$'000 (unaudited)	30 June 2013 Paid/ (received) HK\$'000 (unaudited)
Lam Shu Chung	Director of the Company	Brokerage commission income received	(ii)	(15)	—
Fung Yuk Chun, Emily	Director of the Company	Brokerage commission income received	(ii)	(2)	(7)
		Interest income received from securities and initial public offering financings	(i)	—	(1)



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

### 16. RELATED PARTY TRANSACTIONS (Continued)

#### b) Other related party transactions (Continued)

	Relationship	Nature of transactions	Note	30 June 2014 Paid/ (received) HK\$'000 (unaudited)	30 June 2013 Paid/ (received) HK\$'000 (unaudited)
Chu Sung Hei	Director of the Company	Brokerage commission income received	(ii)	(54)	(108)
		Interest income received from securities and initial public offering financings	(i)	(4)	—
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	Brokerage commission income received	(ii)	(2)	—
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	Brokerage commission income received	(ii)	(16)	(5)

Note:

- i) The interest income was calculated at variable rate which ranged from 8.25% to 11.25%.
- ii) The commission income was calculated at staff rates which ranged from 0.025% to 0.1% (subject to minimum charge up to HK\$100).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2014

**16. RELATED PARTY TRANSACTIONS** (Continued)

- c) In addition to the information disclosed elsewhere in the financial statements, the Group had balances due from/(to) related parties included in trade receivables and trade payables as at the end of the reporting period as follows:

	Relationship	Nature of account	30 June 2014 Trade receivables/ (payables) HK\$'000 (unaudited)	31 December 2013 Trade receivables/ (payables) HK\$'000 (audited)
Lam Shu Chung	Director of the Company	— Margin account	(13,521)	—
Fung Yuk Chun, Emily	Director of the Company	— Margin account — Cash account	(79) (176)	(119) (130)
Chu Sung Hei	Director of the Company	— Margin account	338	—
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	— Margin account	—	(1)
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	— Cash account	(373)	(74)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) brokerage service; (ii) underwriting and placing service; and (iii) financing service.

The Group was successfully listed on GEM on 15 January 2014. The proceeds received have strengthened the Group's cash flow and the Group was focusing on developing existing business services by utilizing own networks and new opportunities from Shanghai-Hong Kong Stock Connect program, a securities trading and clearing links programme to be developed by Hong Kong Exchanges and Clearing Limited (HKEx), Shanghai Stock Exchange (SSE) and China Securities Depository and Clearing Corporation Limited, aiming to achieve a breakthrough in mutual market access between the Mainland and Hong Kong, with mutual order-routing connectivity and related technical infrastructure to enable investors of their respective market to trade designated equity securities listed in the other's market.

It is generally expected that the interest rate will get raised in second half of 2014 or first half of 2015. When it comes true, it will have a positive effect to the Group's interest income from securities financing services. But at the same time, the business activities of various industries may slow down and the demand on brokerage services and underwriting and placing services may decrease. The management of the Group will get prepared on a potential keen competition business environment in order to maximise the shareholders' returns by grasping each opportunities and explore new market.

## FINANCIAL REVIEW

### Revenue

	For the six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Commission income from the brokerage service	6,576	4,330
Commission income from the underwriting and placing service	2,126	4,454
Interest income from the financing service	3,825	3,490
<b>Total</b>	<b>12,527</b>	<b>12,274</b>

The Group's revenue is mainly generated from (i) commission income from brokerage service; (ii) commission income from underwriting and placing service; and (iii) interest income from financing service.

The total revenue for the first half of 2014 was approximately HK\$12.5 million (2013: HK\$12.3 million) which represents a HK\$0.3 million or 2.1% growth. Such growth was attributable to the increase in commission income from brokerage service by HK\$2.2 million and interest income from financing services by HK\$0.3 million, which offset the drop of commission income from underwriting and placing service by HK\$2.3 million.

As at 30 June 2014, the Group had 819 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2013: 772 active securities accounts).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the first six months ended 30 June 2014, the Group had undertaken 12 placing and underwriting transactions as compared to 9 transactions for the same period in 2013. The scale of placing and underwriting transactions carried out during the corresponding period in 2013 were relatively large such that despite the number of transaction was higher in 2014, the commission income from underwriting and placing service during the first six months ended 30 June 2014 was lower than the corresponding period in 2013.

While interest rates charged by the Group to customers remained at similar level, our funds available for financing service has increased following the completion of the placing in January 2014 which in turn enabled us to deploy to fund our financing service.

As stated in the section headed "Recent development" and "Risk factors" in the prospectus of the Company dated 31 December 2013 ("Prospectus"), the financial performance as well as revenue mix of the Group may continue to change depending on the stock market environment. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income to market fund raising activities the number of underwriting and placing exercises the Group can be involved in and/or the size of fund the customers intended to raise. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result.

### *Profit for the period*

The drop of profit was mainly attributable to the Group incurred approximately HK\$3.9 million listing expenses. In addition, both the staff cost and the administrative expenses for the first six months have increased by approximately HK\$0.8 million and HK\$0.8 million respectively as compared to the corresponding period in 2013. If the listing expense of approximately HK\$3.9 million was added back to profit before taxation of the Group for the six months ended 30 June 2014, the Group's adjusted profit before taxation would have been HK\$5.0 million, representing a 21.7% drop of the adjusted profit before taxation of the Group for the corresponding period in 2013. Increase in staff cost was mainly attributable to the brokerage sharing arrangement and was in line with the Group's increase in commission income from brokerage service, and increase in administrative expenses was mainly attributable to increase in compliance cost upon listing.

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

During the six months ended 30 June 2014, the Group financed its operations by cash flow from operating activities and proceeds from listing. As at 30 June 2014, the Group had net current assets of approximately HK\$171.0 million (2013: HK\$131.3 million), including cash of approximately HK\$86.7 million (2013: HK\$40.5 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 3.1 times as at 30 June 2014 (2013: 2.6 times). The increase in current ratio was mainly attributable to the increase in receivables from clearing house and increase in cash and cash equivalents as at 30 June 2014.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$171.9 million as at 30 June 2014 (2013: HK\$132.7 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

As stated in the section headed “Use of proceeds” in the Prospectus, the net proceeds amounting to approximately HK\$38.1 million from the Listing after deducting the relevant listing expenses were planned to be used for (i) expanding the Company’s financing services of approximately HK\$37.0 million; and (ii) general working capital of the Group of approximately HK\$1.1 million.

For the period from 15 January 2014 (i.e. the listing date) to 30 June 2014, the net proceeds of HK\$37.0 million has been granted to customers under the Group’s financing services.

### EMPLOYEE INFORMATION

Total remuneration for the six months ended 30 June 2014 (including directors’ emoluments and commission paid to staff and directors excluding MPF contributions) was approximately HK\$3.5 million (2013: HK\$2.8 million). Such increase was mainly due to the increase in directors’ emoluments (effective from the date of listing on 15 January 2014) and staff salaries.

## OTHER INFORMATION

### DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 17.50A(1) OF THE GEM LISTING RULES

During the six months ended 30 June 2014, the updated information on Directors discloseable under rule 17.50A(1) of the GEM Listing Rules is as follow:

- Choy Sze Chung Jojo, the independent non-executive Director, was appointed as an independent non-executive director of Luye Pharma Group Limited (stock code: 2186) on 19 June 2014. The shares of Luye Pharma Group Limited have been listed on the Main Board of the Stock Exchange on 9 July 2014.

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company (the “**Chief Executives**”) in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer set out in rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) were as follows:

#### *Long position in ordinary shares of HK\$0.01 each of the Company*

Name of Directors	Capacity/ Nature of interests	Number of share held	Approximate percentage of issued share capital (Note 2)
Mr. Lam Shu Chung (Note 1)	Interest of a controlled corporation	225,000,000	75%

Notes:

1. 225,000,000 shares are registered in the name of Time Era Limited, which is owned as to 75% by Mr. Lam Shu Chung (“Mr. Lam”). Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.
2. The percentage is calculated on the basis of 300,000,000 shares of the Company in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the Directors or the Chief Executives had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Required Standard of Dealings.

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interests and short positions of the persons or corporations (other than the Directors and the Chief Executives) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/ Nature of interests	Number of share held	Approximate percentage of issued share capital (Note 3)
Time Era Limited (Note 1)	Beneficial interest	225,000,000	75%
Ms. Choi Hing Lin Lori (Note 2)	Family interest	225,000,000	75%

Notes:

1. Time Era Limited is owned as to 75% by Mr. Lam and as to 25% by the other parties. Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.
2. Ms. Choi Hing Lin Lori is the spouse of Mr. Lam. Under the SFO, Ms. Choi Hing Lin Lori is deemed, or taken to be interested in all the shares in which Mr. Lam is interested.
3. The percentage is calculated on the basis of 300,000,000 shares of the Company in issue as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, there was no person or corporation (other than the Directors and the Chief Executives) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

### OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

### SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme remains valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

## OTHER INFORMATION

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing 10% of the total number of issued share of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK\$ 1.00 to the Company as consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price to be determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

### RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the six months ended 30 June 2014 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

### COMPETING INTERESTS

As at 30 June 2014, none of the Directors, the substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### COMPLIANCE ADVISER'S INTERESTS

As at 30 June 2014, neither Altus Capital Limited, the compliance adviser of the Company, nor any of its directors, employees or associates had any interests in the securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to rule 6A.32 of GEM Listing Rules.



## OTHER INFORMATION

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. The Company had made specific enquiries of all the Directors and the Directors have confirmed they had complied with the Required Standard of Dealings throughout the six months ended 30 June 2014.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the six months ended 30 June 2014, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provisions A.2.1 as explained below:

Pursuant to A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Lam Shu Chung is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

### AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo and Mr. See Lee Seng Reason. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

## OTHER INFORMATION

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2014 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

By order of the Board  
**Orient Securities International Holdings Limited**  
**Lam Shu Chung**  
*Chairman and Executive Director*

Hong Kong, 13 August 2014

*As at the date of this report, the executive Directors are Mr. Lam Shu Chung, Ms. Fung Yuk Chun Emily, Mr. Chu Sung Hei; the non-executive Director is Mr. Lum Pak Sum, and the independent non-executive Directors are Mr. Choy Sze Chung Jojo, Mr. Lee Siu Leung and Mr. See Lee Seng Reason.*