

ORIENT

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

2017

Interim Report

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2017 together with the comparative unaudited figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months period ended 30 June 2017

	Note	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	6,823	5,892	13,127	10,597
Other income	5	353	9	434	9
		7,176	5,901	13,561	10,606
Staff costs		(2,814)	(2,599)	(5,851)	(5,135)
Administrative expenses		(3,537)	(2,719)	(6,400)	(4,619)
Profit before taxation	6	825	583	1,310	852
Income tax	7	(730)	(528)	(1,230)	(838)
Profit for the period attributable to owners of the company		95	55	80	14
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to owners of the company		95	55	80	14
Earnings per share Basic and diluted	9	0.01 cents	0.01 cents	0.01 cents	0.01 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,684	1,935
Other assets	11	600	550
Loan and interest receivables	12	26,619	31,622
Deposits		1,312	1,312
		30,215	35,419
CURRENT ASSETS			
Trade receivables	13	79,089	59,390
Loan and interest receivables	12	157,989	118,029
Prepayments, deposits and other receivables		5,676	2,028
Trust bank balances held on behalf of clients		51,012	40,579
Cash and cash equivalents		55,503	75,179
		349,269	295,205
CURRENT LIABILITIES			
Trade payables	14	58,554	41,459
Accruals and other payables		1,604	2,328
Tax payables		2,723	2,174
		62,881	45,961
		286,388	249,244
NET CURRENT ASSETS			
		316,603	284,663
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	4,320	3,780
Reserves		312,283	280,883
		316,603	284,663
TOTAL EQUITY			
		316,603	284,663

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2017

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2017 (audited)	3,780	107,651	8	173,224	284,663
Issuance of share by placing	540	31,320	—	—	31,860
Profit and total comprehensive income for the period	—	—	—	80	80
At 30 June 2017 (unaudited)	4,320	138,971	8	173,304	316,603

For the six months period ended 30 June 2016

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share Premium HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2016 (audited)	3,600	93,514	8	176,693	273,815
Profit and total comprehensive income for the period	—	—	—	14	14
At 30 June 2016 (unaudited)	3,600	93,514	8	176,707	273,829

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash (used in) operating activities	(50,340)	(110,666)
Net cash (used in) investing activities	(240)	(503)
Net cash generated from financing activities	30,904	—
Net (decrease) in cash and cash equivalents	(19,676)	(111,169)
Cash and cash equivalents as at the beginning of the period	75,179	180,299
Cash and cash equivalents as at the end of the period	55,503	69,130



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

1. GENERAL INFORMATION

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 were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 January 2014. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Rooms 3101 & 3117-3118, 31st Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (together the “Group”) are principally engaged in the provision of:

- brokerage services
- underwriting and placing services
- securities, initial public offering financing services
- money lending services
- investment holding

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 2016 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 2017. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements for the three months and six months period ended 30 June 2017 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 (“HK\$”), rounded to the nearest thousand except for otherwise indicated. The Company’s functional and the Group’s presentation currency are both HK\$.

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 2017

3. SEGMENT REPORTING

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 services
Underwriting and placing	—	Provision of underwriting and placing services
Margin financing	—	Provision of securities and initial public offering financing services
Money lending	—	Provision of money lending services

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets. Segment liabilities include all current liabilities with the exception of current tax payable.

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.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income on bank deposits, sundry income and income tax expense.

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, sundry income, and income tax expenses.

The segment revenue and results for the six months period ended 30 June 2017 are as follows:

	Brokerage HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Margin financing HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue					
Revenue from external clients	1,764	—	2,500	8,863	13,127
Reportable segment profit	118	—	167	591	876

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

3. SEGMENT REPORTING *(Continued)*

a) *Segment revenue and results (Continued)*

The segment revenue and results for the three months period ended 30 June 2017 are as follows:

	Brokerage HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Margin financing HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue					
Revenue from external clients	804	—	1,293	4,726	6,823
Reportable segment profit	56	—	89	327	472

The segment revenue and results for the six months period ended 30 June 2016 are as follows:

	Brokerage HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Margin financing HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue					
Revenue from external clients	2,919	21	1,748	5,909	10,597
Reportable segment profit	232	1	140	470	843

The segment revenue and results for the three months period ended 30 June 2016 are as follows:

	Brokerage HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Margin financing HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue					
Revenue from external clients	1,425	—	791	3,676	5,892
Reportable segment profit	139	—	77	358	574

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 2017 and 2016 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

4. REVENUE

The Group's revenue represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission from brokerage services	804	1,425	1,764	2,919
Commission from underwriting and placing services	—	—	—	21
Interest income from margin financing services	1,293	791	2,500	1,748
Interest income from money lending services	4,726	3,676	8,863	5,909
	6,823	5,892	13,127	10,597

5. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income on — bank deposits	3	9	3	9
Total interest income on financial assets not at fair value through profit or loss	3	9	3	9
Sundry income	431	—	431	—
	434	9	434	9

6. 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Staff costs and Directors' emoluments	2,745	2,599	5,497	5,135
Depreciation for property, plant and equipment	135	74	386	120
Operating lease charges in respect of office premises	909	923	2,219	1,672

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

7. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	730	528	1,230	838
	730	528	1,230	838

The provision for Hong Kong Profits tax for 2017 is calculated at 16.5% (2016: 16.5%) of estimated assessable profits for the period.

8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months period ended 30 June 2017 (2016: Nil).

9. 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings:				
Earnings for the purposes of basic and diluted earnings per share:				
Profit for the period attributable to owners of the Company	95	55	80	14
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	406,285,714	360,000,000	397,988,950	360,000,000

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 2017

10. PROPERTY PLANT AND EQUIPMENT

During the six months period ended 30 June 2017, the Group has additions of plant and equipment of approximately HK\$240,000 (six months period ended 30 June 2016: HK\$503,000).

11. OTHER ASSETS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Statutory and other deposits	600	550

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

12. LOAN RECEIVABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
<i>Money lending services</i>		
Gross loan receivables	184,608	149,651
Less: Portion due within one year included under current assets	157,989	118,209
Non-current portion included under non-current assets	26,619	31,622

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

13. TRADE RECEIVABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade receivables arising from the business of dealing in securities and equity option:		
— Cash clients	2,386	185
— Clearing house	7,403	—
— Margin finance loans	69,300	59,205
	79,089	59,390

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.

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 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current	9,789	185
Less than 1 month past due	—	—
1 to 3 months past due	—	—
More than 3 months but less than 12 months past due	—	—
Amounts past due	—	—
	9,789	185

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

13. TRADE RECEIVABLES *(Continued)*

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.

14. TRADE PAYABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade payables arising from the business of dealing in securities and equity option:		
— Cash clients	34,263	25,414
— Clearing house	—	5,025
— Margin clients	24,241	10,970
— Clients' deposits	50	50
	58,554	41,459

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\$51,012,000 as at 30 June 2017 (2016: HK\$38,905,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2017

15. SHARE CAPITAL

	Number of Shares	HK\$
Authorised:		
At 31 December 2016, and 30 June 2017 ordinary shares of HK\$0.01 each	20,000,000,000	200,000,000
Issued and fully paid:		
At 31 December 2016	378,000,000	3,780,000
At 30 June 2017 ordinary shares of HK\$0.01 each	432,000,000	4,320,000

16. CREDIT FACILITIES

a) At 30 June 2017 and 31 December 2016, Orient Securities had the following banking facilities with Chong Hing Bank Limited:

- bank overdraft facility to the extent of HK\$20,000,000 (31 December 2016: HK\$20,000,000). Interest is charged at prime lending rate as quoted by Chong Hing Bank Limited per annum. The bank overdraft facility is subject to repayable on demand clause.

At 30 June 2017 and 31 December 2016, the banking facilities were secured by the following:

- corporate guarantee to the extent of HK\$20,000,000 executed by the Company.

b) As at 30 June 2017 and 31 December 2016, the Group had not utilised any of the above credit facilities, and no listed securities owned by the margin clients of the Group were pledged.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) brokerage services; (ii) underwriting and placing services; (iii) margin financing services; and (iv) money lending services. During the first half of 2017, the Group recorded an almost-doubled interest income from money lending services, which was in line with the Group and the management's business plan as mentioned in previously issued annual report in 2016 and quarterly report in 2017. And the commission income from brokerage services and underwriting and placing services remained relatively quiet compared with years before 2016.

The Group expects that the revenue mix in 2017 will be similar to 2016, the portion of interest income from money lending services will be increasing whereas commission income from brokerage services and underwriting and placing services will be decreasing as the performance from this business segment is still relatively rely on the factors which are uncertain, including Hongkong and global economic environment, interest rate movement and the turnover of the Hongkong securities market. Brokerage income will continue to be directly correlated with the overall stock market trading volume while underwriting and placing income correlates 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.

Going forward, the Group planned to hold events to promote our services to customers with different background in order to maximize the return to our shareholders.

FINANCIAL REVIEW

Revenue

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

The total revenue for the first half of 2017 was approximately HK\$13.1 million (2016: HK\$10.6 million) which represents a HK\$2.5 million or 23.9% increase compared to the corresponding period in 2016. Such increase was mainly attributable to an increase of approximately HK\$3.0 million in interest income from the money lending services which compensate the decrease of commission income from brokerage services of approximately HK\$1.2 million. The decrease in commission income from the brokerage services was due to drop of demand of securities trading by our customers.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Commission from brokerage services	804	1,425	1,764	2,919
Commission from underwriting and placing services	—	—	—	21
Interest income from margin financing services	1,293	791	2,500	1,748
Interest income from money lending services	4,726	3,676	8,863	5,909
	6,823	5,892	13,127	10,597

As at 30 June 2017, the Group had 796 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2016: 861 active securities accounts).

Staff costs

The total staff costs for the first half of 2017 was approximately HK\$5.9 million (2016: HK\$5.1 million) and represented an increase of approximately HK\$0.8 million or 13.9% compared with the correspondence period in 2016.

The increase was mainly attributable to the increase in staff salaries, bonus and allowances which was due to increase in number of staff to support the operations and money lending business as well as securities business.

	2017 HK\$'000	2016 HK\$'000
Commission paid to staff	—	388
Directors' emoluments and staff salaries, bonus and allowances	5,497	4,498
Other staff costs including MPF and insurance	354	249
	5,851	5,135

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

The total administrative expenses for the first half of 2017 was approximately HK\$6.4 million (2016: HK\$4.6 million) and represented an increase of approximately HK\$1.8 million or 38.6% compared with 2016. Such increase was mainly due to increase of advertising and marketing expenses for the purpose of promoting our Group's services providing to attract new customers for money lending and securities trading businesses.

	2017 HK\$'000	2016 HK\$'000
Rent and rates and management fee for office	2,219	1,989
Legal and professional fees, listing and compliance fees of the Company	557	770
Advertising and event expenses	1,566	—
Other office expenses excluding staff costs	2,058	1,860
Total	6,400	4,619

Income tax expenses

The income tax expense for the first half of 2017 was approximately HK\$1.2 million (2016: HK\$0.8 million) and such increase was consistent with the increase in profits assessable under Hong Kong Profits tax.

Profit for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$0.08 million for the first half of 2017 (2016: HK\$0.01 million). Such change was mainly due to the increase in total revenue of HK\$2.5 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the first half of 2017, the Group financed its operations by cash flow from operating activities. As at 30 June 2017, the Group had net current assets of approximately HK\$286.4 million (31 December 2016: HK\$249.2 million), including cash of approximately HK\$55.5 million (31 December 2016: HK\$75.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 5.6 times as at 30 June 2017 (31 December 2016: 6.4 times). The decrease in the current ratio was mainly attributable to the increase in balances from trade payables of margin clients and cash clients in securities trading services.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$316.6 million as at 30 June 2017 (31 December 2016: HK\$284.7 million).

EMPLOYEE INFORMATION

Total remuneration for the first half of 2017 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions) was approximately HK\$5.5 million (2016: HK\$4.9 million). Such increase was mainly due to the increase in staff salaries, bonus and allowances as mentioned under the Staff Costs section above. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.



MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 30 June 2017 (2016: Nil).

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the first half of 2017 and up to the date of results announcement and interim report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and interim report issuance of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the period ended 30 June 2017.

USE OF PROCEEDS

Among the net proceeds of approximately HK\$30.9 million from the placing transactions conducted in February 2017 and June 2017, up to the latest practicable date for the purpose of this report, HK\$0.9 million has been used as general working capital of the Group, comprising (i) approximately HK\$0.7 million as Directors' remuneration and staff salaries payment, and (ii) approximately HK\$0.2 million as compliance and professional fee and general expenses. In addition, as disclosed in 2017 first quarterly report, HK\$10.0 million was lent to a wholly-owned subsidiary for conducting money lending business in which HK\$5.8 million was lent out to clients. The remaining HK\$4.2 million is kept in the subsidiary's bank account. The remaining balance of HK\$20.0 million was kept in the Company's interest bearing bank account. The Directors do not intend to change the intended usage of the proceed as announced in the relevant announcements.

OTHER INFORMATION

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

The updated information on Directors discloseable under rule 17.50A(1) of the GEM Listing Rules are as follows:

- Ms. Cheung Yu Xuan has been appointed as an executive director of the Company with effect from 16 June 2017;
- Mr. Lam Shu Chung (“Mr. Lam”) has resigned as (i) the chairman of the Board of the Company but remains as an executive director of the Company; (ii) one of the authorised representatives of the Company (“Authorised Representative”) (for the purpose of the GEM Listing Rules); and (iii) the authorised representative of the Company (“Process Agent”) (for the purpose of accepting service of process and notices on behalf of the Company in Hong Kong under the Hong Kong Companies Ordinance) with effect from 30 June 2017;
- Ms. Lee Nga Ching, an existing executive director of the Company, has been appointed as an Authorised Representative and the Process Agent with effect from 30 June 2017;
- Ms. Tse Ka Pui Jessica has resigned as a non-executive director of the Company with effect from 30 June 2017;
- Mr. Lee Siu Leung has resigned as an independent non-executive director of the Company and chairman and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company with effect from 30 June 2017.

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 2017, none of the Directors and chief executives of the Company (the “Chief Executives”) had any interest or short position 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 as referred to in rule 5.46 of the GEM Listing Rules (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 2017, 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	Beneficial interest	20,032,000	4.64%
Mr. Guo Jinkun (Note 1)	Interest of controlled corporation	20,032,000	4.64%
Ms. Shen Rongfang (Note 2)	Family interest	20,032,000	4.64%

Notes:

1. 20,032,000 Shares are owned by Time Era Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Guo Jinkun ("Mr. Guo"). Therefore, Mr. Guo is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Guo.
2. Ms. Sheng Rongfang is the spouse of Mr. Guo. Under the SFO, Ms. Sheng Rongfang is deemed, or taken to be interested in all the shares in which Mr. Guo is interested.
3. The percentage is calculated on the basis of 432,000,000 shares of the Company in issue as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, 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.

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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 will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing approximately 6.94% of the issued share capital 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 by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price 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. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. 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.



OTHER INFORMATION

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of the Company in any 12-month period up to and including the offer date shall not exceed 1% of the total number of shares in issue for the time being. Any further grant of options in excess of this limit is subject to shareholder's approval in general meeting.

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 under the paragraphs headed "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" and "SHARE OPTION SCHEME" in this report, at no time during the six months ended 30 June 2017 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 2017 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 2017, 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.

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 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2017, 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 2017, 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 and A.6.7 as explained below:

- Pursuant to A.2.1 of the CG Code, the roles of chairman and chief executive ("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 ("Mr. Lam") is the chairman of the Board throughout the six months ended 30 June 2017 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.

Mr. Lam has resigned as the chairman of the Board with effect from 30 June 2017 but remains as executive director of the Company. The Company will arrange for the election of the new chairman of the Board as soon as practicable in order to fill up the vacancy left due to Mr. Lam's resignation of the chairman.

- Pursuant to A.6.7 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company.

Due to other unavoidable engagements, one independent non-executive Director was unable to attend annual general meeting of the Company held on 19 May 2017.



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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. Throughout the six months ended 30 June 2017, the Audit Committee comprised three independent non-executive Directors and was chaired by Mr. Lee Siu Leung (“Mr. Lee”) up to 30 June 2017 when Mr. Lee resigned as an independent non-executive director of the Company and chairman and a member of the Audit Committee. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi. Following the resignation of Mr. Lee on 30 June 2017, the Company has two independent non-executive directors and two Audit Committee members, the number of which fell below three as required under Rule 5.05(1) and 5.28 of the GEM Listing Rules. The Board will appoint an appropriate person to fill the vacancy and a new chairman of the Audit Committee as soon as possible in order to comply with the requirements of the GEM Listing Rules. The primary duty of the Audit Committee is to review and supervise the Company’s financial reporting process, the internal control and risk management systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2017 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
Lee Nga Ching
Executive Director

Hong Kong, 11 August 2017

As at the date of this report, the executive Directors are Mr. Lam Shu Chung, Ms. Lee Nga Ching and Ms. Cheung Yu Xuan and the independent non-executive Directors are Mr. Tang Chung Wai and Ms. Chan Man Yi.