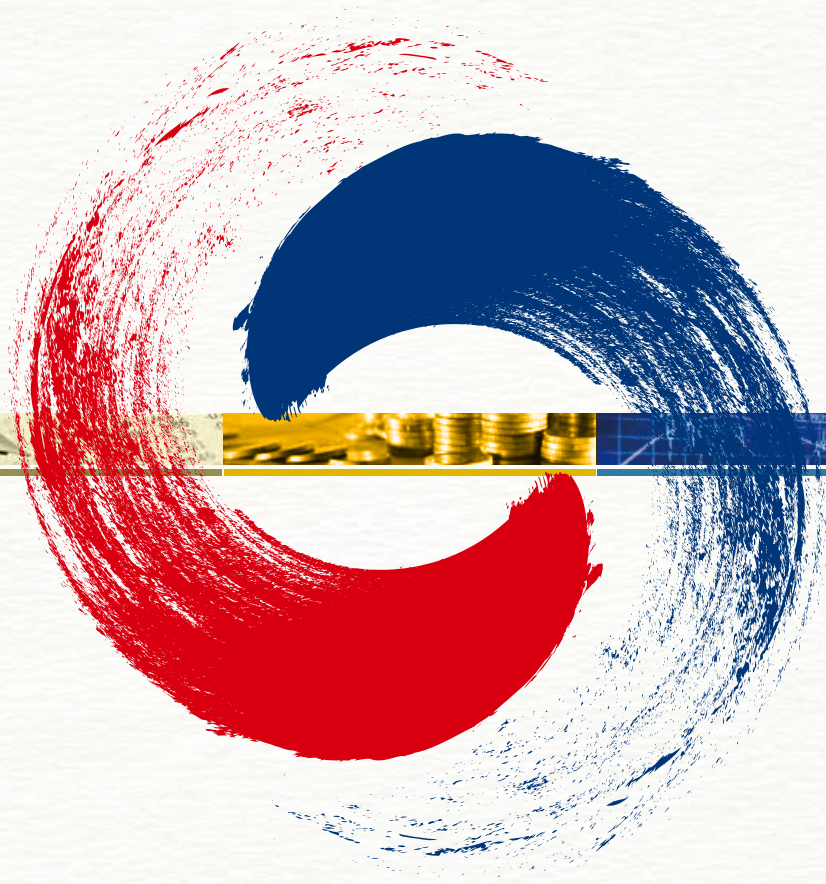




興證國際金融集團有限公司
China Industrial Securities International Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8407



THIRD QUARTERLY REPORT
2016

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 China Industrial Securities International Financial Group 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 announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Revenue	4	175,386,093	84,473,664	344,202,029	256,170,409
Other income	4	1,873,669	1,295,481	4,901,999	2,521,231
Finance costs	5	(19,410,332)	(11,686,923)	(46,289,023)	(33,582,055)
Commission and fee expenses	6	(9,769,403)	(15,999,852)	(31,949,828)	(50,041,257)
Staff costs	7	(43,456,218)	(25,001,917)	(96,116,163)	(72,940,441)
Other operating expenses		(23,157,297)	(23,437,946)	(66,233,734)	(69,056,904)
Listing expenses		(6,972,721)	-	(14,010,447)	-
Other gains or losses		1,273,662	699,381	594,190	(6,088,656)
Profit before taxation		75,767,453	10,341,888	95,099,023	26,982,327
Taxation	9	(13,315,176)	(110,575)	(18,394,871)	318,013
Profit for the period		62,452,277	10,231,313	76,704,152	27,300,340
Other comprehensive (expense) income					
<i>Item reclassified subsequently to profit or loss:</i>					
Exchange differences on translating financial statements of foreign operation		-	(1,253,929)	-	(410,289)
Changes in fair value of available-for-sale investments		10,757,406	-	23,192,052	-
Disposal of available-for-sale investments		(26,850,295)	-	(26,870,961)	-
<i>Item reclassified to profit or loss:</i>					
Reclassification of exchange differences on translating financial statements of foreign operation upon partially redemption of a wholly owned investment fund		-	-	-	16,430,945
Total comprehensive income for the period attributable to owners of the Company		46,359,388	8,977,384	73,025,243	43,320,996
Earnings per share					
Basic	10	0.0208	0.0201	0.0394	0.0536

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Equity attributable to owners of the Company						(Accumulated losses) Retained earnings	Total equity
	Share capital	Share premium	Capital reserve	Other reserve	Revaluation reserve	Exchange reserve		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2016	1,000	-	491,440,821	8,419,401	-	-	(2,605,237)	497,255,985
Deemed capital contribution from Industrial Securities (Hong Kong) Financial Holdings Limited	-	-	-	3,158,443	-	-	-	3,158,443
Issue of shares for acquisition of the Combined Business pursuant to the Group Reorganisation	48,999,000	-	(48,999,000)	-	-	-	-	-
Issuance of new shares	239,584,158	2,180,215,837	-	-	-	-	-	2,419,799,955
Profit for the period	-	-	-	-	-	-	76,704,152	76,704,152
Other comprehensive income for the period	-	-	-	-	(3,678,909)	-	-	(3,678,909)
Total comprehensive income for the period	-	-	-	-	(3,678,909)	-	76,704,152	73,025,243
At 30 September 2016 (unaudited)	288,584,158	2,180,215,837	442,441,821	11,577,844	(3,678,909)	-	74,098,915	2,993,239,666

For the nine months ended 30 September 2015

	Equity attributable to owners of the Company						(Accumulated losses) Retained earnings	Total equity
	Share capital	Share premium	Capital reserve	Other reserve	Revaluation reserve	Exchange reserve		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2015	-	-	-	492,230,760	-	(18,443,580)	(53,109,270)	420,677,910
Deemed capital contribution from Industrial Securities (Hong Kong)	-	-	-	3,782,643	-	-	-	3,782,643
Profit for the period	-	-	-	-	-	-	27,300,340	27,300,340
Other comprehensive income for the period	-	-	-	-	-	16,020,656	-	16,020,656
Total comprehensive income for the period	-	-	-	-	-	16,020,656	27,300,340	43,320,996
At 30 September 2015 (unaudited)	-	-	-	496,013,403	-	(2,422,924)	(25,808,930)	467,781,549



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

1. GENERAL

The Company was incorporated in the Cayman Islands on 21 July 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the GEM of the Stock Exchange since 20 October 2016. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the provision of brokerage services, loans and financing services, investment banking, asset management services and proprietary trading.

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 Ordinance. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 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 2016. 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 nine months ended 30 September 2016 comprise the Company and its subsidiaries.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

3. SEGMENT REPORTING

Information reported to the Board, 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 principal activities of the reportable and operating segments under HKFRS 8 are as follows:

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

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

Investment banking – provision of financial advisory, sponsor, placing and underwriting services;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

3. SEGMENT REPORTING (CONTINUED)

Assets management – provision of fund management, wealth management and investment advisory services;

Proprietary trading – trading of debt and equity securities.

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 nine months ended 30 September 2016 (unaudited)

	Brokerage	Loans and financing	Investment banking	Assets management	Proprietary trading	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue and result							
Revenue from external customers	74,178,846	160,175,985	5,717,366	5,803,750	-	-	245,875,947
Net gains on financial assets at FVTPL and AFS	-	-	-	-	98,326,082	-	98,326,082
Inter-segment revenue	185,739	-	1,972,314	-	-	(2,158,053)	-
Segment revenue and net gains on financial assets at FVTPL and AFS	74,364,585	160,175,985	7,689,680	5,803,750	98,326,082	(2,158,053)	344,202,029
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							344,202,029
Segment result	12,108,311	74,176,697	(630,862)	(267,894)	51,523,384		136,909,636
Unallocated expenses							(41,810,613)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							95,099,023

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

3. SEGMENT REPORTING (CONTINUED)

For the nine months ended 30 September 2015 (unaudited)

	Brokerage	Loans and financing	Investment banking	Assets management	Proprietary trading	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue and result							
Revenue from external customers	131,153,411	80,568,092	9,646,476	5,356,957	-	-	226,724,936
Net gains on financial assets at FVTPL and AFS	-	-	-	-	29,445,473	-	29,445,473
Inter-segment revenue	-	-	-	5,520,569	-	(5,520,569)	-
Segment revenue and net gains on financial assets at FVTPL and AFS	131,153,411	80,568,092	9,646,476	10,877,526	29,445,473	(5,520,569)	256,170,409
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							256,170,409
Segment result	51,377,529	23,509,693	3,592,107	5,739,088	(3,591,934)		80,626,483
Unallocated expenses							(53,644,156)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							26,982,327

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

3. SEGMENT REPORTING (CONTINUED)

For the three months ended 30 September 2016 (unaudited)

	Brokerage	Loans and financing	Investment banking	Assets management	Proprietary trading	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue and result							
Revenue from external customers	26,946,737	57,046,429	669,580	2,772,802	-	-	87,435,548
Net gains on financial assets at FVTPL and AFS	-	-	-	-	87,950,545	-	87,950,545
Inter-segment revenue	168,954	-	1,052,814	-	-	(1,221,768)	-
Segment revenue and net gains on financial assets at FVTPL and AFS	27,115,691	57,046,429	1,722,394	2,772,802	87,950,545	(1,221,768)	175,386,093
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							175,386,093
Segment result	6,554,409	30,087,616	(1,774,715)	514,673	51,219,975		86,601,958
Unallocated expenses							(10,834,505)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							75,767,453

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

3. SEGMENT REPORTING (CONTINUED)

For the three months ended 30 September 2015 (unaudited)

	Brokerage	Loans and financing	Investment banking	Assets management	Proprietary trading	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue and result							
Revenue from external customers	39,685,624	39,212,289	3,417,039	1,655,353	-	-	83,970,305
Net gains on financial assets at FVTPL and AFS	-	-	-	-	503,359	-	503,359
Inter-segment revenue	-	-	-	354,990	-	(354,990)	-
Segment revenue and net gains on financial assets at FVTPL and AFS	39,685,624	39,212,289	3,417,039	2,010,343	503,359	(354,990)	84,473,664
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>84,473,664</u>
Segment result	12,914,348	(1,093,416)	1,447,423	1,706,544	(2,107,011)		12,867,888
Unallocated expenses							<u>(2,526,000)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>10,341,888</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
(a) Brokerage:				
Commission and fee income from securities brokerage	21,828,592	25,513,587	57,426,462	83,063,475
Commission and fee income from futures and options brokerage	4,743,298	14,172,037	14,658,794	48,089,936
	26,571,890	39,685,624	72,085,256	131,153,411
(b) Loans and financing:				
Interest income from margin financing	52,689,748	34,055,112	145,471,318	66,399,741
Interest income from money lending activities	4,356,681	5,157,177	14,704,667	14,168,351
	57,046,429	39,212,289	160,175,985	80,568,092
(c) Investment banking:				
Commission on placing, underwriting and sub-underwriting	424,580	1,337,039	2,922,366	3,027,901
Financial advisory fee income	245,000	580,000	295,000	5,118,575
Sponsor fee income	–	1,500,000	2,500,000	1,500,000
	669,580	3,417,039	5,717,366	9,646,476

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

4. REVENUE AND OTHER INCOME (CONTINUED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
(d) Assets management:				
Assets management fee income	2,238,718	1,188,516	4,301,306	4,286,727
Investment advisory fee income	534,084	466,837	1,502,444	1,070,230
	2,772,802	1,655,353	5,803,750	5,356,957
(e) Wealth management:				
Insurance brokerage commission income	374,847	-	2,093,590	-
(f) Proprietary trading:				
Interest income from financial assets at fair value through profit or loss	1,162,612	167,333	1,481,272	12,902,976
Dividend income from financial assets at fair value through profit or loss	-	-	-	2,063,592
Net realised gain on financial assets at fair value through profit or loss	9,959,337	1,396,002	11,366,346	21,865,019
Less: unrealised gain recognised in prior year	-	-	-	(7,386,114)
Net unrealised gain on financial assets at fair value through profit or loss	166,136	(1,059,976)	227,127	-
Interest income from financial assets at available-for-sale investments	29,730,780	-	36,558,928	-
Net realised gain on financial assets at available-for-sale investments	46,931,680	-	48,692,409	-
	87,950,545	503,359	98,326,082	29,445,473
	175,386,093	84,473,664	344,202,029	256,170,409

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

4. REVENUE AND OTHER INCOME (CONTINUED)

Other income

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Interest income from financial institutions	1,427,658	1,211,047	3,947,533	2,120,489
Sundry income	446,011	84,434	954,466	400,742
	1,873,669	1,295,481	4,901,999	2,521,231

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Interest on bank borrowings and overdrafts	19,380,043	11,648,013	46,182,530	33,499,535
Interest on clients' account	30,287	38,385	106,303	81,994
Others	2	525	190	526
	19,410,332	11,686,923	46,289,023	33,582,055

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

6. COMMISSION AND FEE EXPENSES

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Sales commission paid to account executives	5,216,035	8,281,895	18,219,628	24,693,927
Commission and fee paid to brokers	2,696,133	5,950,743	8,726,758	19,535,088
Others (note)	1,857,235	1,767,214	5,003,442	5,812,242
	9,769,403	15,999,852	31,949,828	50,041,257

Note: Amount includes the custodian fees, scrip fee, clearing fee and other handling fee.

7. STAFF COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Amount paid and payable to directors and employees comprise:				
Salaries, commission and bonuses	43,009,850	24,544,787	94,442,895	71,402,358
Contribution to MPF Scheme	417,608	350,538	1,243,574	947,718
Other staff costs	28,760	106,592	429,694	590,365
	43,456,218	25,001,917	96,116,163	72,940,441

Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2016 (2015: Nil).

9. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Current tax:				
PRC Corporate Income Tax	–	22,039	–	195,303
Hong Kong Profits Tax	13,000,000	–	18,752,416	–
	13,000,000	22,039	18,752,416	195,303
(Over) underprovision in prior period:				
PRC Corporate Income Tax	–	68,847	–	(518,541)
Hong Kong Profits Tax	332,218	–	188,741	–
	332,218	68,847	188,741	(518,541)
	13,332,218	90,886	18,941,157	(323,238)
Deferred tax:				
Current period	(17,042)	19,689	(546,286)	5,225
	13,315,176	110,575	18,394,871	(318,013)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

9. TAXATION (CONTINUED)

According to Guoshuihan [2009] No. 47 issued by the State Administration of Taxation in the PRC on 23 January 2009 (“Circular 47”), Qualified Foreign Institutional Investors (“QFIs”) would be subject to a corporate income tax rate of 10% on their PRC-sourced dividends, bonus profits and interest. On 17 November 2014, the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission in the PRC, have jointly issued Caishui [2014] No. 79 (“Circular 79”), which temporarily exempts QFIs and RMB Qualified Foreign Institutional Investors (“RQFIs”) from capital gains derived from the trading of shares and other equity interest investments on or after 17 November 2014, and those capital gains derived prior to 17 November 2014 would be subject to Corporate Income Tax in accordance with the relevant laws in the PRC.

In respect of the uncertainty of the definition of equity investments in the PRC tax law, the management of the Group provided the Corporate Income Tax at a rate of 10% on the net realised and unrealised gain, and accrued interest on the PRC debt securities held by ISRFIF, a wholly owned investment fund of the Group, through the RQFI program, for the year ended 31 December 2014. Upon disposal of all debt securities held by ISRFIF and the completion of outbound repatriation of the monies held by ISRFIF after approval from relevant authorities in the PRC in 2015, the management of the Group considers that the uncertainty for the Corporate Income Tax on certain income derived by ISRFIF is significantly reduced, and the overprovision for PRC Corporate Income Tax is reversed in the year ended 31 December 2015.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits throughout the relevant periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended 30 September 2016

10. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Earnings (HK\$)				
Earnings for the purpose of basic earnings per share:				
Profit for the period attributable to owners of the Company	62,452,277	10,231,313	76,704,152	27,300,340
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share assuming that the capitalisation issue described in Appendix IV in the prospectus had been effective on 1 January 2014	3,000,000,000	509,383,471	1,945,578,404	509,383,471

For each of the three months and nine months ended 30 September 2015 (unaudited) and 30 September 2016 (unaudited), there were no potential ordinary shares in issue, thus no diluted earnings per share is presented.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In 2016, in a fluctuating market, the Group makes an effort to adapt to new challenges by ways of actively developing international strategy and has achieved a substantial growth in operating results in adversity. For the period ended 30 September 2016, the Group recorded a total revenue of HK\$344,202,029, an increase of approximately 34.4% as compared to HK\$256,170,409 in the corresponding period in 2015; a profit after tax of HK\$76,704,152 was recorded after deducting listing fees, an increase of approximately 181.0% as compared to HK\$27,300,304 in the corresponding period in 2015. As at 30 September 2016, the Group's total assets were HK\$9,563,158,770, an increase of approximately 86.8% as compared to HK\$5,120,100,770 in the corresponding period in 2015; net assets were HK\$2,993,239,666, an increase of approximately 539.9% as compared to HK\$467,781,549 in the same period in 2015.

The Group completed its pre-ipo investment on 26 April 2016 and was listed on GEM on 20 October 2016, thus substantially enhancing capital strength. At the same time, the Group also commenced to focus on readjusting business arrangements; on the basis of consolidating and developing its securities and futures brokerage and loans and financing businesses, the Group achieved a more reasonable and balanced income structure and source through accelerating the development of asset management business, promoting the development of corporate finance business and newly developing fixed income proprietary trading business.

During the first nine months of 2016, the Group was affected by the decline of the trading turnover and financing amount of the Hong Kong securities market, commission income from brokerage services and investment banking services decreased as compared to the same period last year. The Group and the management have been putting extra efforts in developing its business. The Group's results performance was affected by external factors such as Hong Kong and the global economic environment, changes in interest rates and the Hong Kong securities market. Such external factors are beyond the control of the Group. The Group will endeavor to promote comprehensive business to bring greater returns to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly income derived from (i) brokerage; (ii) loans and financing; (iii) investment banking; (iv) assets management; (v) wealth management; (vi) proprietary trading.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)	2016 HK\$ (unaudited)	2015 HK\$ (unaudited)
Brokerage	26,571,890	39,685,624	72,085,256	131,153,411
Loans and financing	57,046,429	39,212,289	160,175,985	80,568,092
Investment banking	669,580	3,417,039	5,717,366	9,646,476
Assets management	2,772,802	1,655,353	5,803,750	5,356,957
Wealth management	374,847	–	2,093,590	–
Proprietary trading	87,950,545	503,359	98,326,082	29,445,473
	175,386,093	84,473,664	344,202,029	256,170,409

Total turnover of the Group for the first nine months of 2016 was HK\$344,202,029 (2015: HK\$256,170,409) which represents an increase of HK\$88,031,620 or 34.4% growth compared with 2015. Such growth was mainly attributable to the increase in income of HK\$79,607,893 from loans and financing, and in addition to the increase in income of HK\$68,880,609 from proprietary trading, at the same time, commission income from brokerage service decreased by HK\$59,068,155. Interest rates charged by the Group to customers remained at similar level. The size of loans and interest income were increased due to the expansion of the margin business. The Group commenced fixed income business in the second quarter of 2016 and benefitted from the rapid increase in the size of investments, relevant revenue from investment also rapidly increased.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

During the nine months ended 30 September 2016, the Group recorded a net profit attributable to owners of the Company of HK\$76,704,152 (2015: HK\$27,300,340) representing a growth of HK\$49,403,812 or 1.8 times. Such growth was due to the increase in total turnover of HK\$88,031,620, which significantly outweighs the finance costs, commission and fee expenses, staff costs, listing expenses and administrative expenses, representing an increase of an aggregate of HK\$28,978,538 compared with the corresponding period in 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the nine months ended 30 September 2016, the Group financed its operations by cash flows from business operation and financing activities. As at 30 September 2016, the Group had net current assets of HK\$888,956,321 (30 September 2015: HK\$437,975,706), including cash of HK\$287,775,582 (30 September 2015: HK\$349,917,630). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.1 times as at 30 September 2016 (30 September 2015: 1.1 times). The ratio remains relatively the same.

As at 30 September 2016, the Group had bank borrowings of HK\$3,268,796,163 (30 September 2015: HK\$2,037,000,000).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to HK\$2,993,239,666 as at 30 September 2016 (2015: HK\$467,781,549).

EMPLOYEE INFORMATION

As at 30 September 2016, the Group had 123 full-time employees (30 September 2015: 106 full-time employees), including the Directors. Total remuneration for the nine months ended 30 September 2016 was HK\$96,116,163 (2015: HK\$72,940,441). Such increase was mainly due to the increase in staff salaries and bonus.



MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 30 September 2016.

FOREIGN EXCHANGE RISK

The Group's proprietary trading business was mainly USD denominated bond investment, and it has employed financial instruments for hedging exchange rate risk. Other than this, the turnover and operation costs of the Group were principally denominated in Hong Kong dollars, hence the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability in the nine months ended 30 September 2016 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, 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 nine months ended 30 September 2016.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2016, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As the Company was listed on GEM on 20 October 2016 (the "Listing Date"), as at the Listing Date, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company (the "Chief Executives") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

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

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage
Lan Rong	Beneficiary of a trust	9,000,000	0.23%
Zhuang Yuanfang	Beneficiary of a trust	7,900,000	0.20%
Huang Jinguang	Beneficiary of a trust	9,000,000	0.23%
Wang Xiang	Beneficiary of a trust	7,900,000	0.20%
Zeng Yanxia	Beneficiary of a trust	7,000,000	0.18%

Save as disclosed above, as at the Listing Date, none of the Directors or Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2016, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable.

So far as the Directors and the Chief Executives are aware, as at the Listing Date, the following persons/corporations (other than a Director or the chief executive of the Company) had interests or short positions in the Shares and the underlying Shares, which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
China Industrial Securities International Holdings Limited	Beneficial owner	2,053,281,644	51.33%
Industrial Securities (Hong Kong) Financial Holdings Limited (<i>Note 1</i>)	Interest of controlled corporation	2,053,281,644	51.33%
Industrial Securities Co., Ltd.* (<i>Note 2</i>)	Interest of controlled corporation	2,053,281,644	51.33%
Harvest Capital Management Co., Ltd (<i>Note 3</i>)	Beneficial owner	293,232,000	7.33%
Harvest Fund Management Co., Ltd. (<i>Note 3</i>)	Interest in Controlled Corporation	293,232,000	7.33%
China Credit Trust Co., Ltd. (<i>Note 3</i>)	Interest in Controlled Corporation	293,232,000	7.33%
Intelligence Creation International Limited (<i>Note 4</i>)	Settlor of a trust	287,988,473	7.20%

OTHER INFORMATION

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
Equity Trustee Limited (<i>Note 5</i>)	Trustee	287,988,473	7.20%
Intelligence Creation Value Limited (<i>Note 6</i>)	Beneficial owner	287,988,473	7.20%
Hao Kang Financial Holdings (Group) Limited	Beneficial owner	205,853,089	5.15%
ApexTrade Holdings Limited	Interest in controlled corporation	205,853,089	5.15%
Chen Jiaquan (<i>Note 7</i>)	Interest in controlled corporation	205,853,089	5.15%
Yang Zhiying (<i>Note 8</i>)	Interest of spouse	205,853,089	5.15%

Notes:

1. Industrial Securities (Hong Kong) Financial Holdings Limited holds the entire issued share capital of China Industrial Securities International Holdings Limited. Therefore, Industrial Securities (Hong Kong) Financial Holdings Limited is deemed or taken to be interested in all our Shares held by China Industrial Securities International Holdings Limited for the purposes of the SFO.
2. Industrial Securities Co., Ltd.* holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities Co., Ltd.* is deemed or taken to be interested in all our Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.
3. China Credit Trust Co., Ltd holds 40% of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75% of the entire issued share capital of Harvest Capital Management Co., Ltd. Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all our Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.



OTHER INFORMATION

4. Intelligence Creation International Limited is the settlor of Intelligence Creation Trust.
5. Equity Trustee Limited holds the entire issued share capital of Intelligence Creation Value Limited as the trustee of the Intelligence Creation Trust.
6. Intelligence Creation Value Limited holds the Shares issued and allotted pursuant to the Employee Share Participation which is the trust assets of the Intelligence Creation Trust. For further details of the Intelligence Creation Trust, please refer to the paragraph headed "History, Reorganisation and Group Structure – Employee Share Participation Scheme" in the prospectus of the Company dated 30 September 2016.
7. Chen Jiaquan holds 70% of the total issued share capital of ApexTrade Holdings Limited and is the sole director of Hao Kang Financial Holdings (Group) Limited and therefore is deemed or taken to be interested in all the Shares held by ApexTrade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.
8. Yang Zhiying is the spouse of Chen Jiaquan. Under the SFO, Yang Zhiying is deemed, or is taken to be, interested in all the Shares in which Chen Jiaquan is interested in.

* *For identification purpose only*

Save as disclosed above, as at the Listing Date, none of the substantial or significant shareholders of the Company or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.



OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this report.

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 nor the controlling shareholders of the Company or their respective close associates as defined in the GEM Listing Rules had any interest in business that competed or might compete with business of the Group during the period from the Listing Date to the date of this report.

COMPLIANCE ADVISER'S INTERESTS

As at the date of this report, save and except for the compliance adviser's agreement entered into between the Company and Haitong International Capital Limited (the "Compliance Adviser") dated 8 June 2016, neither the Compliance Adviser, nor any of its directors, employees or close 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).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company during the period from the Listing Date to the date of this report.



OTHER INFORMATION

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 15 to the GEM Listing Rules during the period from the Listing Date to the date of this report.

AUDIT COMMITTEE

The audit committee of the Company (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 comprises a non-executive Directors and two independent non-executive Directors, namely Ms. Zhuang Yuanfang, Ms. Hong Ying and Mr. Tian Li. The chairlady of the Audit Committee is Ms. Hong Ying.

The Group’s unaudited condensed consolidated results for the nine months ended 30 September 2016 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 GEM Listing Rules and other applicable requirement and that adequate disclosures have been made.

By Order of the Board

China Industrial Securities International Financial Group Limited

Lan Rong

Chairman

Hong Kong, 9 November 2016

As at the date of this report, the Board comprises two non-executive Directors, namely Mr. Lan Rong (Chairman) and Ms. Zhuang Yuanfang, three executive Directors, namely Mr. Huang Jinguang, Mr. Wang Xiang and Ms. Zeng Yanxia, and three independent non-executive Directors, namely Ms. Hong Ying, Mr. Tian Li and Mr. Qin Shuo.