



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



First Quarterly Report 2017

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 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 ended 31 March 2017 together with the comparative unaudited figures for the corresponding periods in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

		Three months ended 31 March	
	Note	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Revenue	4	154,319,093	79,766,999
Other income	4	3,409,851	957,221
Finance costs	5	(31,309,971)	(12,965,744)
Commission and fee expenses	6	(15,708,771)	(12,586,570)
Staff costs	7	(43,761,772)	(25,322,229)
Other operating expenses		(24,169,498)	(21,658,267)
Listing expenses		–	(2,871,675)
Other gains or losses		28,272,870	2,258,976
Profit before taxation		71,051,802	7,578,711
Taxation	9	(20,879,497)	(1,782,237)
Profit for the period		50,172,305	5,796,474
Other comprehensive income			
<i>Item reclassified subsequently to profit or loss:</i>			
Changes in fair value of available-for-sale investments		11,616,522	–
Disposal of available-for-sale investments		27,764,306	–
Total comprehensive income for the period attributable to owners of the Company		89,553,133	5,796,474
Earnings per share			
Basic	10	0.0125	0.0114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Equity attributable to owners of the Company					(Accumulated losses) Retained earnings	Total equity
	Share capital	Share premium	Capital reserve	Investments revaluation reserve	Other reserve		
	HK\$	HK\$	HK\$	HK\$	HK\$		
At 1 January 2017	400,000,000	3,379,895,424	442,441,821	(38,104,605)	11,577,844	98,514,317	4,294,324,801
Profit for the period	-	-	-	-	-	50,172,305	50,172,305
Other comprehensive income for the period	-	-	-	39,380,828	-	-	39,380,828
Total comprehensive income for the period	-	-	-	39,380,828	-	50,172,305	89,553,133
At 31 March 2017 (unaudited)	400,000,000	3,379,895,424	442,441,821	1,276,223	11,577,844	148,686,622	4,383,877,934

For the three months ended 31 March 2016

	Equity attributable to owners of the Company					(Accumulated losses) Retained earnings	Total equity
	Share capital	Share premium	Capital reserve	Investments revaluation reserve	Other reserve		
	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	-	-	-	-	1,000,340	-	3,158,443
Issue of shares for acquisition of the Combined Business pursuant to the Group Reorganisation	48,999,000	-	(48,999,000)	-	-	-	-
Profit for the period	-	-	-	-	-	5,796,474	5,796,474
Total comprehensive income for the period	-	-	-	-	-	5,796,474	5,796,474
At 31 March 2016 (unaudited)	49,000,000	-	442,441,821	-	9,419,741	3,191,237	504,052,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

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 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 ended 31 March 2017 comprise the Company and its subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

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 ended 31 March 2017

3. SEGMENT REPORTING (CONTINUED)

Asset management – provision of fund management, discretionary account management (previously named wealth management) and investment advisory services;

Proprietary trading – trading of debt and equity securities, fixed income, derivatives and other financial products.

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

For the three months ended 31 March 2017 (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	32,333,377	72,171,395	11,251,359	2,974,505	-	-	118,730,636
Net gains on proprietary trading	-	-	-	-	35,588,457	-	35,588,457
Inter-segment revenue	314,545	-	-	-	-	(314,545)	-
Segment revenue and net gains on proprietary trading	32,647,922	72,171,395	11,251,359	2,974,505	35,588,457	(314,545)	154,319,093
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							154,319,093
Segment results	11,193,860	45,503,473	6,275,547	(376,051)	17,313,093	-	79,909,922
Unallocated expenses							(8,858,120)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							71,051,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

3. SEGMENT REPORTING (CONTINUED)

For the three months ended 31 March 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	23,915,615	52,932,543	1,420,000	1,498,841	-	-	79,766,999
Inter-segment revenue	-	-	186,750	-	-	(186,750)	-
Segment revenue	23,915,615	52,932,543	1,606,750	1,498,841	-	(186,750)	79,766,999
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							79,766,999
Segment result	2,825,720	21,567,975	(1,331,589)	(422,435)	-	-	22,639,671
Unallocated expenses							(15,060,960)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							7,578,711

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
(a) Brokerage:		
Commission and fee income from securities brokerage	27,282,752	17,519,367
Commission and fee income from futures and options brokerage	4,419,474	5,784,648
Insurance brokerage commission income	631,151	611,600
	32,333,377	23,915,615
(b) Loans and financing:		
Interest income from margin financing	70,953,354	47,800,427
Interest income from money lending activities	1,218,041	5,132,116
	72,171,395	52,932,543
(c) Investment banking:		
Commission on placing, underwriting and sub-underwriting	9,601,359	420,000
Financial advisory fee income	150,000	–
Sponsor fee income	1,500,000	1,000,000
	11,251,359	1,420,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

4. REVENUE AND OTHER INCOME (CONTINUED)

Revenue (Continued)

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
(d) Asset management:		
Asset management fee income	2,244,945	1,036,499
Investment advisory fee income	729,560	462,342
	2,974,505	1,498,841
(e) Proprietary trading:		
Interest income from financial assets at fair value through profit or loss	55,990,534	–
Net realised gain on financial assets at fair value through profit or loss	22,486,802	–
Net unrealised loss on financial assets at fair value through profit or loss	(40,799,930)	–
Interest income from financial assets at available-for-sale investments	31,928,224	–
Net realised loss on financial assets at available-for-sale investments	(27,764,306)	–
Net realised loss on derivatives	(2,876,046)	–
Net unrealised loss on derivatives	(3,316,821)	–
Net unrealised loss on financial liabilities at fair value through profit or loss	(60,000)	–
	35,588,457	–
	154,319,093	79,766,999

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

4. REVENUE AND OTHER INCOME (CONTINUED)

Other income

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Interest income from financial institutions	3,360,953	886,738
Sundry income	48,898	70,483
	3,409,851	957,221

5. FINANCE COSTS

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Interest on bank borrowings and overdrafts	26,182,179	12,929,044
Interest on secured margin loans from broker	3,449,786	–
Interest on other borrowings	1,609,251	–
Interest on clients' account	41,203	36,700
Others	27,552	–
	31,309,971	12,965,744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2017

6. COMMISSION AND FEE EXPENSES

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Sales commission paid to account executives	11,371,096	7,071,169
Commission and fee paid to brokers	2,825,974	3,286,938
Others <i>(note)</i>	1,511,701	2,228,463
	15,708,771	12,586,570

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

7. STAFF COSTS

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Amount paid and payable to directors and employees comprise:		
Salaries, commission and bonuses	42,866,836	24,537,550
Contribution to MPF Scheme	522,519	401,559
Other staff costs	372,417	383,120
	43,761,772	25,322,229

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 ended 31 March 2017

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (31 March 2016: Nil).

9. TAXATION

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Hong Kong Profits Tax:		
– current period	20,879,497	2,208,467
– over provision in prior period	–	(124,958)
	20,879,497	2,083,509
Deferred tax:		
Current period	–	(301,272)
	20,879,497	1,782,237

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 ended 31 March 2017

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 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Earnings (HK\$)		
Earnings for the purpose of basic earnings per share:		
Profit for the period attributable to owners of the Company	50,172,305	5,796,474
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	4,000,000,000	509,383,471

For each of the three months ended 31 March 2017 (unaudited) and 31 March 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 the first quarter of 2017, the active atmosphere of Hong Kong's securities market drove trading volume to increase. The market was dull in January, recording a daily transaction volume of HK\$57.23 billion, which increased substantially by 42.6% to HK\$81.61 billion in February. The figure continued to go up 0.6% to HK\$82.14 billion in March. As a result, the average daily transaction volume was HK\$74.33 billion for the first quarter, representing a growth of 2.3% as compared with HK\$72.68 billion in the corresponding period last year. There were 40 newly listed companies on the Hong Kong Stock Exchange in the first quarter, up 100.0% from 20 companies in the same period last year (including listed companies transferred from the Growth Enterprise Market to the Main Board).

Benefiting from the overall positive atmosphere of Hong Kong's securities market during the first quarter of 2017, as well as the capital strength of the Group which was greatly enhanced by its listing on the Growth Enterprise Market in October 2016, the Group's businesses outperformed the same period in 2016. For the period ended 31 March 2017, the Group recorded a total operating revenue of HK\$154,319,093, representing an increase of approximately 93.5% from HK\$79,766,999 in the same period last year. Profit after taxation was HK\$50,172,305, representing a growth of approximately 765.6% as compared to HK\$5,796,474 in the same period last year. As at 31 March 2017, the Group's total assets were HK\$13,534,706,622, representing an increase of approximately 150.9% from HK\$5,394,419,125 for the same period in 2016, and the Group's net assets were HK\$4,383,877,934, representing a growth of approximately 769.7% from HK\$504,052,799 for the same period in 2016.

For the three months ended 31 March 2017, proprietary trading income, commission and fee income from brokerage services (including insurance brokerage service), and interest income from loans and financing services accounted for 23.1%, 21.0% and 46.8% of the total operating revenue of the Group respectively. This suggests the Group have been diversifying its source of business revenue.

The Group will strive to maintain good momentum of development and adopt prudent risk management. In order to enhance shareholders' return, it will also set up business teams and provide trainings to push forward development at all fronts, thereby reaching the goal of diversification so to reduce the effect of external factors such as local and global economic environment and fluctuation of interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

	For the three months ended 31 March	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Commission and fee income from brokerage services (note)	32,333,377	23,915,615
Interest income from loans and financing services	72,171,395	52,932,543
Commission and advisory fee from investment banking services	11,251,359	1,420,000
Management fee and advisory fee from asset management services	2,974,505	1,498,841
Proprietary trading income	35,588,457	-
	154,319,093	79,766,999

Note: Such services include securities, futures and options, and insurance brokerage service

Benefiting from the overall positive atmosphere of Hong Kong's securities market during the first quarter of 2017, as well as the capital strength of the Group which was greatly enhanced by its listing on the Growth Enterprise Market in October 2016, the Group's businesses outperformed the same period in 2016. For the period ended 31 March 2017, the Group's operating revenue increased by HK\$74,552,094 or 93.5% from the same period in 2016, while its profit after taxation increased by HK\$44,375,831 or 765.6% as compared to the same period last year.

The increase of operating revenue was attributable to the growth of all businesses. Of which, commission and advisory fee from investment banking services recorded a year-on-year growth of HK\$9,831,359 or 692.3%, management fee and advisory fee from asset management services increased by HK\$1,475,664 or 98.5%, commission and fee income from brokerage services increased by HK\$8,417,762 or 35.2%, interest income from loans and financing services increased by HK\$19,238,852 or 36.3% and the new proprietary trading business recorded income of HK\$35,588,457. Up to 31 March 2017, the Group also successfully rolled out the bond issuance business and completed five bond issuance projects as the underwriter.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

During the three months ended 31 March 2017, the Group recorded a total comprehensive income attributable to owners of the Company of HK\$89,553,133 (2016: HK\$5,796,474) representing a growth of HK83,756,659 or 14.4 times. Such growth was due to the increase in operating revenue, and other gains and gains from disposal of available-for-sale investments recorded during the period, as well as changes in fair value of available-for-sale investments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the three months ended 31 March 2017, the Group financed its operations by cash flows from business operation and financing activities. As at 31 March 2017, the Group had net current assets of HK\$1,478,979,038 (31 March 2016: HK\$479,270,252), including bank balances of HK\$1,991,496,995 (31 March 2016: HK\$235,447,271). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.2 times as at 31 March 2017 (31 March 2016: 1.1 times).

As at 31 March 2017, the Group had borrowings of HK\$5,283,433,034 (31 March 2016: HK\$2,389,454,855).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to HK\$4,383,877,934 as at 31 March 2017 (31 March 2016: HK\$504,052,799).

EMPLOYEE INFORMATION

As at 31 March 2017, the Group had 141 full-time employees (31 March 2016: 129 full-time employees), including the Directors. Total remuneration for the three months ended 31 March 2017 was HK\$43,761,772 (2016: HK\$25,322,229). Such increase was mainly due to the increase in staff salaries and bonus as a result of reorganization of staff structure and increase in headcount.

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 three months ended 31 March 2017.

FOREIGN EXCHANGE RISKS

The Group's exposure to foreign exchange risks is primarily related to transactions denominated in a currency other than Hong Kong dollars. The proprietary trading business primarily comprises bond and other fixed income product investment denominated in US dollars. The Group does not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD.

CONTINGENT LIABILITIES

The Group did not have any material contingent liability in the three months ended 31 March 2017 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 reporting period.

OTHER INFORMATION

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

As at 31 March 2017, 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\$0.1 each of the Company

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage
Lan Rong	Beneficiary of a trust	9,263,389	0.23%
Zhuang Yuanfang	Beneficiary of a trust	8,131,197	0.20%
Huang Jinguang	Beneficiary of a trust	9,263,389	0.23%
Wang Xiang	Beneficiary of a trust	8,131,197	0.20%
Zeng Yanxia	Beneficiary of a trust	7,204,858	0.18%

Save as disclosed above, as at 31 March 2017, none of the Directors or Chief Executives 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

So far as the Directors and the Chief Executives are aware, as at 31 March 2017, the following persons/corporations (other than a Director or the chief executives 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%
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%

OTHER INFORMATION

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.
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*

OTHER INFORMATION

Save as disclosed above, as at 31 March 2017, none of the substantial or significant shareholders of the Company or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section headed “Directors’ and chief executives’ 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.

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 three months ended 31 March 2017.

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 three months ended 31 March 2017.

COMPLIANCE ADVISER’S INTERESTS

As at 31 March 2017, 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).

OTHER INFORMATION

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 three months ended 31 March 2017.

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 three months ended 31 March 2017.

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 three months ended 31 March 2017 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 May 2017

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.