



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

2019 Interim Report

CHARACTERISTICS OF THE GEM (“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 2019 together with the comparative unaudited figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months period ended 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	7,648	7,795	14,768	15,064
Other income	5	4	1	4	1
		7,652	7,796	14,772	15,065
Staff costs		(2,832)	(3,440)	(5,779)	(6,975)
Administrative expenses		(2,739)	(3,174)	(5,733)	(6,504)
Finance costs		(38)	—	(38)	—
Profit before taxation	6	2,043	1,182	3,222	1,586
Income tax	7	(894)	(622)	(1,512)	(970)
Profit for the period attributable to owners of the company		1,149	560	1,710	616
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to owners of the company		1,149	560	1,710	616
Earnings per share					
Basic and diluted	9	0.27 cents	0.13 cents	0.40 cents	0.14 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	734	1,337
Other assets	11	480	525
Loan and interest receivables	12	25,200	9,424
Deposits		1,100	1,100
		27,514	12,386
CURRENT ASSETS			
Trade receivables	13	39,145	74,863
Loan and interest receivables	12	201,591	200,958
Prepayments, deposits and other receivables		4,104	2,398
Trust bank balances held on behalf of clients		31,519	36,151
Cash and cash equivalents		47,727	42,631
		324,086	357,225
CURRENT LIABILITIES			
Trade payables	14	37,061	57,085
Accruals and other payables		893	1,878
Tax payables		1,288	—
		39,242	58,963
NET CURRENT ASSETS			
		284,844	298,262
Total assets less current liabilities			
		312,358	310,648
Non-current liabilities			
Debentures		1,000	1,000
NET ASSETS			
		311,358	309,648
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	4,320	4,320
Reserves		307,038	305,328
TOTAL EQUITY			
		311,358	309,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2019

	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 2019 (audited)	4,320	138,016	8	167,304	309,648
Profit and total comprehensive income for the period	—	—	—	1,710	1,710
At 30 June 2019 (unaudited)	4,320	138,016	8	169,014	311,358

For the six months period ended 30 June 2018

	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 2018 (audited)	4,320	138,016	8	172,825	315,169
Profit and total comprehensive income for the period	—	—	—	616	616
At 30 June 2018 (unaudited)	4,320	138,016	8	173,441	315,785

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	5,134	(26,015)
Net cash (used in) investing activities	—	(3)
Net cash (used in) financing activities	(38)	(62)
Net increase/(decrease) in cash and cash equivalents	5,096	(26,080)
Cash and cash equivalents as at the beginning of the period	42,631	68,895
Cash and cash equivalents as at the end of the period	47,727	42,815

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

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 GEM (“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 2018 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 2019. 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 2019 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 2019

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 2019 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	1,169	—	1,865	11,734	14,768
Reportable segment profit	255	—	406	2,557	3,218

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

3. SEGMENT REPORTING *(Continued)*

a) *Segment revenue and results (Continued)*

The segment revenue and results for the three months period ended 30 June 2019 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	640	—	899	6,109	7,648
Reportable segment profit	170	—	240	1,629	2,039

The segment revenue and results for the six months period ended 30 June 2018 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	3,024	—	2,636	9,404	15,064
Reportable segment profit	318	—	277	990	1,585

The segment revenue and results for the three months period ended 30 June 2018 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	1,396	—	1,364	5,035	7,795
Reportable segment profit	211	—	207	763	1,181

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 2019 and 2018 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 2019

4. REVENUE

The Group's revenue represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Commission from brokerage services	640	1,396	1,169	3,024
Commission from underwriting and placing services	—	—	—	—
Interest income from margin financing services	899	1,364	1,865	2,636
Interest income from money lending services	6,109	5,035	11,734	9,404
	7,648	7,795	14,768	15,064

5. OTHER INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Interest income on — bank deposits	1	1	1	1
Total interest income on financial assets not at fair value through profit or loss	1	1	1	1
Sundry income	3	—	3	—
	4	1	4	1

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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Staff costs and Directors' emoluments including commission paid to staff and other staff costs	2,832	3,440	5,779	6,975
Depreciation for property, plant and equipment	302	215	603	444
Operating lease charges in respect of office premises	1,177	1,309	2,353	2,618

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

7. INCOME TAX

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	894	622	1,512	970
	894	622	1,512	970

The provision for Hong Kong Profits tax for 2019 is calculated at 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance (2018: 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance) 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 2019 (2018: 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	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 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	1,149	560	1,710	616
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	432,000,000	432,000,000	432,000,000	432,000,000

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 2019

10. PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 June 2019, the Group has no addition of plant and equipment (31 December 2018: HK\$1,132,000).

11. OTHER ASSETS

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Statutory and other deposits	480	525

Statutory and other deposits represent deposits placed with various exchanges and clearing houses. These balances do not bear interest.

12. LOAN RECEIVABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
<i>Money lending services</i>		
Gross loan and interest receivables	226,841	210,432
Less: Provision on loan and interest receivables	(50)	(50)
	226,791	210,382
Less: Portion due within one year included under current assets	201,591	(200,958)
Non-current portion included under non-current assets	25,200	9,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

13. TRADE RECEIVABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade receivables arising from the business of dealing in securities and equity option:		
— Cash clients	1,392	697
— Margin finance loans	40,319	59,266
— Clearing house	3,251	20,717
Trade receivables, gross	44,962	80,680
Less: provision on trade receivables	(5,817)	(5,817)
Trade receivables, net	39,145	74,863

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 is the revenue recognition date, as at the end of the reporting period:

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Current	4,643	21,414

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

14. TRADE PAYABLES

	30 June 2019 HK\$'000 (unaudited)	31 December 2018 HK\$'000 (audited)
Trade payables arising from the business of dealing in securities and equity option:		
— Cash clients	32,385	54,720
— Margin clients	4,502	1,967
— Clients' deposits	174	398
	37,061	57,085

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\$31,519,000 as at 30 June 2019 (2018: HK\$36,151,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months period ended 30 June 2019

15. SHARE CAPITAL

	Number of Shares	HK\$
Authorised:		
At 31 December 2018, and 30 June 2019 ordinary shares of HK\$0.01 each	20,000,000,000	200,000,000
Issued and fully paid:		
At 31 December 2018, and 30 June 2019 ordinary shares of HK\$0.01 each	432,000,000	4,320,000

16. CREDIT FACILITIES

a) At 30 June 2019 and 31 December 2018, 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 2018: 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 2019 and 31 December 2018, 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 2019 and 31 December 2018, 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 six months of 2019, due to the decreased trading volume from securities clients and related interest income from margin financing services, the Group recorded an decrease in commission income from brokerage services by 61.3% and interest income from margin financing services by 29.2% in the first six months of 2019 compared with the corresponding period in 2018.

For the interest income from money lending services, such income was increased by approximately 24.8% in the first six months of 2019 compared with the corresponding period in 2018 due to higher amount of loan portfolio brought forward from 2018.

The commission income from brokerage services relates to the turnover of the Hongkong securities market, demand from our clients and competitions from other securities companies; the number of underwriting and placing exercises the Group can be involved in and/or the size of fund the customers intended to raise and interest income from margin financing services will be subject to customers' investment and financing needs. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result. The Group will continue to keep an eye on opportunities available and participate in such transactions if they are profitable under the Group's risk management framework.

The Group and the management have been working hard and through various channels to develop the business. At the same time, the Group is positioned to divert currently available resources to the money lending business with a view to maximize the returns to shareholders with manageable risk exposure.

Going forward, the Group intends to provide new financial services to existing customer base and potential customers by studying market demands, resources available within the Group. The Group has successfully applied an additional license regulated by SFC which the Group is able to provide financial assets management services. The Group will commence provision of relevant services when time comes.

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 six months of 2019 was approximately HK\$14.8 million (2018: HK\$15.1 million) which represented a decrease of approximately HK\$0.3 million or 2.0% compared with 2018. Such drop was attributable to the decrease in commission income from the brokerage services by approximately HK\$1.8 million and interest income from margin financing services by approximately HK\$0.7 million respectively. At the same time, the interest income from money lending services was increased by approximately HK\$2.3 million which partly offset the effect of decreased income from other services.

MANAGEMENT DISCUSSION AND ANALYSIS

The reasons of decrease and increase in income from various services were mentioned above under the Business Review and Outlook section.

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Commission from brokerage services	640	1,396	1,169	3,024
Commission from underwriting and placing services	—	—	—	—
Interest income from margin financing services	899	1,364	1,865	2,636
Interest income from money lending services	6,109	5,035	11,734	9,404
	7,648	7,795	14,768	15,064

As at 30 June 2019, the Group had 785 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2018: 802 active securities accounts).

Staff costs

The total staff costs for the first six months of 2019 was approximately HK\$5.8 million (2018: HK\$7.0 million) which represented a decrease of approximately HK\$1.2 million or 17.1% compared with 2018. The decrease was mainly attributable to the decrease in commission paid to staff which was in line with the decrease in commission income from the brokerage services, in addition to decrease in directors' and staff salaries payments.

	2019 HK\$'000	2018 HK\$'000
Commission paid to staff	135	798
Directors' emoluments and staff salaries, bonus and allowances	5,365	5,891
Other staff costs including MPF and insurance	279	286
	5,779	6,975

Administrative expenses

The total administrative expenses for the first six months of 2019 was approximately HK\$5.7 million (2018: HK\$6.5 million) which represented a decrease of approximately HK\$0.8 million or 11.9% compared with 2018. Such drop was mainly due to the decrease in event expenses which had approximately HK\$0.8 million recognized in the corresponding period in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

The income tax expense for the first six months of 2019 was approximately HK\$1.5 million (2018: HK\$1.0 million) and such increase was due to the increase of assessable profits under Hong Kong Profits Tax.

Profit for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$1.7 million for the first six months of 2019 (2018: HK\$0.6 million). Such change was mainly due to the saving of administrative expenses and staff costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the first six months of 2019, the Group financed its operations by cash flow from operating activities. As at 30 June 2019, the Group had net current assets of approximately HK\$284.8 million (31 December 2018: HK\$298.3 million), including cash and bank balances of approximately HK\$47.7 million (31 December 2018: HK\$42.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 8.3 times as at 30 June 2019 (31 December 2018: 6.1 times). The increase in the current ratio was mainly attributable to the lower balances of trade payables to cash and margin clients as at 30 June 2019 compared to 31 December 2018.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$311.4 million as at 30 June 2019 (31 December 2018: HK\$309.6 million).

EMPLOYEE INFORMATION

Total remuneration for the first six months of 2019 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK\$5.5 million (2018: HK\$6.7 million). Such decrease was mainly due to the decrease in commission paid to staff and directors' and staff salaries 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.

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 2019 (2018: 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.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the first six months of 2019 and up to the date of results announcement and interim report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

On 29 July 2019, the Company entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 86,400,000 new shares at the placing price of HK\$0.257.

For details of the placing agreement, please refer to the relevant announcement dated 29 July 2019.

Saved for the above, up to the date of results announcement and interim report issuance of the Company, there was no other 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 2019.

OTHER INFORMATION

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 2019, 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”).

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

As at 30 June 2019, 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, there was no person or corporation who had any interests and short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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.

OTHER INFORMATION

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.

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 2019 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 2019 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 2019, 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 2019.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, 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 2019, 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.

The Company currently has no chairman or CEO. 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 chairman or 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. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Company will, at the appropriate time, arrange for the election of the new chairman of the Board.

- 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 overseas engagements, an independent non-executive Director was unable to attend annual general meeting of the Company held on 24 May 2019.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Siu Kin Wai. The other members are Mr. Tang Chung Wai and Ms. Chan Man Yi.

The primary duty of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, to approve their remuneration and terms of engagement, to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards, to review the financial statements and material advice in respect of financial reporting, to oversee financial reporting system, the internal control and risk management systems of the Group and to monitor continuing connected transactions (if any). 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 2019 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, 12 August 2019

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. Siu Kin Wai, Mr. Tang Chung Wai and Ms. Chan Man Yi.