



2020

Third Quarterly Report

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

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 nine months period ended 30 September 2020 together with the comparative unaudited figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months period ended 30 September 2020

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	15,560	7,950	48,646	22,718
Other income	5	751	1	1,509	5
		16,311	7,951	50,155	22,723
Staff costs		(2,754)	(2,804)	(7,938)	(8,583)
Administrative expenses		(2,898)	(2,980)	(9,912)	(8,713)
Finance costs		—	—	(75)	(38)
Profit before taxation		10,659	2,167	32,230	5,389
Income tax	6	(960)	(938)	(3,390)	(2,450)
Profit for the period attributable to owners of the Company		9,699	1,229	28,840	2,939
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to owners of the Company		9,699	1,229	28,840	2,939
Earnings per share					
Basic and diluted	8	2.25 cents	0.28 cents	6.68 cents	0.68 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2020

	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 2020 (audited)	4,320	138,016	8	171,477	313,821
Profit and total comprehensive income for the period	—	—	—	28,840	28,840
At 30 September 2020 (unaudited)	4,320	138,016	8	200,317	342,661

For the nine months period ended 30 September 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	—	—	—	2,939	2,939
At 30 September 2019 (unaudited)	4,320	138,016	8	170,243	312,587

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months period ended 30 September 2020

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, 31/F, China Merchants Tower, Shun Tak Centre, Nos.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 2019 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 2020. 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 period ended 30 September 2020 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 nine months period ended 30 September 2020

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 four 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 employee's loan, sundry income, listing expenses 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 nine months period ended 30 September 2020 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	7,345	14,874	2,994	23,433	48,646
Reportable segment profit	4,639	9,393	1,891	14,798	30,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months period ended 30 September 2020

3. SEGMENT REPORTING (Continued)

a) Segment revenue and results (Continued)

The segment revenue and results for the three months period ended 30 September 2020 are as follows:

	Brokerage HK\$'000 (unaudited)	Underwriting and placing HK\$'000 (unaudited)	Margin financing HK\$'000 (unaudited)	Money lending HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Reportable segment revenue					
Revenue from external clients	2,552	3,603	1,078	8,327	15,560
Reportable segment profit	1,624	2,303	686	5,295	9,908

The segment revenue and results for the nine months period ended 30 September 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	1,771	—	2,783	18,164	22,718
Reportable segment profit	420	—	660	4,304	5,384

The segment revenue and results for the three months period ended 30 September 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	602	—	918	6,430	7,950
Reportable segment profit	164	—	250	1,752	2,166

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 nine months period ended 30 September 2020 and 2019 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 nine months period ended 30 September 2020

4. REVENUE

Revenue represents commission from brokerage services, commission from underwriting and placing services (net of sub-underwriting commission), interest income from margin financing services and interest income from money lending services. An analysis of the Group's turnover is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Commission from brokerage services	2,552	602	7,345	1,771
Commission from underwriting and placing services	3,603	—	14,874	—
Interest income from margin financing services	1,078	918	2,994	2,783
Interest income from money lending services	8,327	6,430	23,433	18,164
	15,560	7,950	48,646	22,718

5. OTHER INCOME AND OTHER NET INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest income on — bank deposits	—	—	—	1
Total interest income on financial assets not at fair value through profit or loss	—	—	—	1
Sundry income	751	1	1,509	4
	751	1	1,509	5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months period ended 30 September 2020

6. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax Provision for the period	960	938	3,390	2,450

The provision for Hong Kong Profits tax for 2020 is calculated at 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance (2019: 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance) of estimated assessable profits for the period.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: Nil).

8. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 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	9,699	1,229	28,840	2,939
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 basis earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.



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 nine months of 2020, due to the completion of a number of placing transactions and service income from provision of brokerage and margin financing related services, the Group's total revenue was increased by approximately HK\$25.9 million or 1.1 times compared with relevant period in 2019. In particular, the commission from provision of underwriting and placing services was HK\$14.9 million in the first nine months of 2020.

For the interest income from money lending services, such income was HK\$23.4 million and was increased by approximately 5.3 million or 29.0% in the first nine months of 2020 compared with the corresponding period in 2019 due to higher amount of loan portfolio brought forward from 2019.

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. In addition, after obtaining Type 9 license granted by SFC, the Group is planning to start providing relevant services to customers to expand the income channels and customer base to maximise the shareholders' returns.

MANAGEMENT DISCUSSION AND ANALYSIS

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 nine months of 2020 was approximately HK\$48.6 million (2019: HK\$22.7 million) which represented an increase of approximately HK\$25.9 million or 1.1 times compared with 2019. Such increase was attributable to the commission income from provision of underwriting and placing services by HK\$14.9 million and service income of HK\$5.7 million through provision of brokerage and margin financing related services.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Commission from brokerage services	2,552	602	7,345	1,771
Commission from underwriting and placing services	3,603	—	14,874	—
Interest income from margin financing services	1,078	918	2,994	2,783
Interest income from money lending services	8,327	6,430	23,433	18,164
	15,560	7,950	48,646	22,718

As at 30 September 2020, the Group had 619 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2019: 772 active securities accounts).

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

The total staff costs for the first nine months of 2020 was approximately HK\$7.9 million (2019: HK\$8.6 million) which represented a decrease of approximately HK\$0.6 million or 7.5% compared with 2019. The decrease was mainly attributable to saving of bonus paid to staff in 2020 compared with 2019.

	2020 HK\$'000	2019 HK\$'000
Commission paid to staff	217	191
Directors' emoluments and staff salaries, bonus and allowances	7,299	7,993
Other staff costs including MPF and insurance	422	399
	7,938	8,583

Administrative expenses

The total administrative expenses for the first nine months of 2020 was approximately HK\$9.9 million (2019: HK\$8.7 million) which represented an increase of approximately HK\$1.2 million or 13.8% compared with 2019. Such increase was mainly due to the increase in legal and professional fees paid for handling listing status letters issued to the Group and commission expenses.

Income tax expenses

The income tax expense for the first nine months of 2020 was approximately HK\$3.4 million (2019: HK\$2.5 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\$28.8 million for the first nine months of 2020 (2019: HK\$2.9 million). Such change was mainly due to the increase of revenue by HK\$25.9 million as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the first nine months of 2020, the Group financed its operations by cash flow from operating activities. As at 30 September 2020, the Group had net current assets of approximately HK\$294.9 million (31 December 2019: HK\$279.6 million), including cash and bank balances of approximately HK\$5.7 million (31 December 2019: HK\$21.5 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 14.3 times as at 30 September 2020 (31 December 2019: 10.8 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 September 2020 compared to 31 December 2019.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$342.7 million as at 30 September 2020 (31 December 2019: HK\$313.8 million).



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

Total remuneration for the first nine months of 2020 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK\$7.5 million (2019: HK\$8.2 million). Such decrease was mainly due to the decrease in saving of bonus paid to staff 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 September 2020 (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the first nine months of 2020 and up to the date of results announcement and quarterly report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and quarterly report issuance of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the period ended 30 September 2020.



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 September 2020, none of the Directors and chief executives of the Company (the “Chief Executives”) had any interests or short positions in the ordinary shares of the Company (“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 September 2020, 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 (“Scheme”) enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (“Eligible Participant”) as incentives or rewards for their contributions to the Group. The Scheme was conditionally adopted by the Company 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 is 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.

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



OTHER INFORMATION

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 nine months ended 30 September 2020 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 nine months ended 30 September 2020 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) of the Company and/or its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 September 2020, 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 nine months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2020, 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 nine months ended 30 September 2020, 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 engagements, two independent non-executive Directors was unable to attend annual general meeting of the Company held on 23 June 2020.

UPDATE ON LISTING STATUS

The Company received a letter dated 20 December 2019 from the Stock Exchange to the effect that the Stock Exchange had decided to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules and proceed with cancellation of the Company’s listing under Rule 9.14 of the GEM Listing Rules on the view of that the Company has not shown to have sufficient level of operations and assets that could enable it to carry out viable and sustainable business as required by Rule 17.26 of the GEM Listing Rules (“Decision”). Under Rules 4.06(1) of the GEM Listing Rules, the Company filed an application for a review by the GEM Listing Committee in relation to the Decision on 3 January 2020. The review hearing of the Decision by the GEM Listing Committee took place on 10 March 2020. On 18 March 2020, the Company received a fax from the GEM Listing Committee that they had decided to uphold the Decision (“GEM Listing Committee Decision”).

Under Rule 4.06(2) of the GEM Listing Rules, the Company filed an application for a review by the GEM Listing Review Committee in relation to the GEM Listing Committee Decision on 26 March 2020. The review hearing of the GEM Listing Committee Decision by the GEM Listing Review Committee took place on 10 July 2020. On 29 July 2020, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the GEM Listing Committee Decision to suspend trading in the Shares under Rule 9.04(3) of the GEM Listing Rules (“GEM Listing Review Committee Decision”). According to the said letter, the GEM Listing Review Committee considered that if the Company achieves or exceeds the revenue of HK\$57.29 million and the net profits before taxation of HK\$29.83 million as indicated in its profit forecast for the financial year ended 31 December 2020 through sustainable operations with no disposal of material assets, this will be reasonably strong evidence of re-compliance with Rule 17.26 of the GEM Listing Rules by the Company which should then not warrant a suspension of trading.



OTHER INFORMATION

On 4 August 2020, the Company received a letter from the Stock Exchange setting out the resumption guidance of demonstrating its compliance with Rule 17.26 of the GEM Listing Rules for the resumption of trading in the Shares.

In view of the GEM Listing Review Committee Decision, the Company is required to re-comply with Rule 17.26 of the GEM Listing Rules and it will have a remedial period of 12 months to re-comply with Rule 17.26 of the GEM Listing Rules. If the Company fails to do so by the expiry of the 12-month period (i.e. 29 July 2021), the Stock Exchange may proceed with cancellation of the Company's listing.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 30 July 2020 and will remain suspended until further notice.

For details, please refer to the announcements of the Company dated 23 December 2019, 3 January 2020, 18 March 2020, 26 March 2020, 29 July 2020, 5 August 2020 and 29 October 2020.

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. All members of the Audit Committee are appointed by the Board.

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 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).

The Audit Committee had reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2020 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, 10 November 2020

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.