



**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 : 6058

Interim Report  
**2022**



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# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Director

Mr. Hu Pingsheng (*Chairman*) (Appointed on 29 July 2022)

Mr. Huang Yilin (*Chairman*) (Resigned on 29 July 2022)

### Executive Directors

Mr. Li Baochen (*Chief Executive Officer*)

Mr. Wang Xiang (Resigned on 11 March 2022)

Ms. Zeng Yanxia

Ms. Zhang Chunjuan

### Independent Non-executive Directors

Ms. Hong Ying

Mr. Tian Li

Mr. Qin Shuo

## BOARD COMMITTEES

### Audit Committee

Ms. Hong Ying (*Chairlady*)

Mr. Hu Pingsheng (Appointed on 29 July 2022)

Mr. Huang Yilin (Resigned on 29 July 2022)

Mr. Tian Li

### Remuneration Committee

Mr. Tian Li (*Chairman*)

Mr. Hu Pingsheng (Appointed on 29 July 2022)

Mr. Huang Yilin (Resigned on 29 July 2022)

Mr. Qin Shuo

### Nomination Committee

Mr. Hu Pingsheng (*Chairman*) (Appointed on 29 July 2022)

Mr. Huang Yilin (*Chairman*) (Resigned on 29 July 2022)

Mr. Tian Li

Mr. Qin Shuo

## COMPANY SECRETARY

Ms. Tsang Wing Man

## AUTHORISED REPRESENTATIVES

Ms. Zhang Chunjuan

Ms. Tsang Wing Man

## AUDITOR

KPMG

*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*

## REGISTERED OFFICE

PO Box 1350

Windward 3, Regatta Office Park

Grand Cayman KY1-1108

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F, Infinitus Plaza

199 Des Voeux Road Central

Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## CAYMAN ISLANDS SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited

Second Floor

Century Yard

Cricket Square, P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Industrial Bank Co., Ltd., Hong Kong Branch

CMB Wing Lung Bank Limited

Shanghai Pudong Development Bank Co., Ltd.,

Hong Kong Branch

China Everbright Bank Co., Ltd., Hong Kong Branch

Chiyu Banking Corporation Limited

China Minsheng Bank Corp., Ltd., Hong Kong Branch

## WEBSITE

[www.xyqz.com.hk](http://www.xyqz.com.hk)

## STOCK CODE

6058

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The board of directors (the "Board") of China Industrial Securities International Financial Group Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2022 together with the comparative figures as follows:

	Notes	For the six months ended 30 June	
		2022 HK\$ Unaudited	2021 HK\$ Unaudited
Commission and fee income	3	<b>100,560,756</b>	151,048,768
Interest revenue	3	<b>18,595,371</b>	73,719,676
Net trading and investment income	3	<b>(25,960,784)</b>	200,981,728
Total revenue	3	<b>93,195,343</b>	425,750,172
Other income	3	<b>25,168,023</b>	10,635,200
Share of result of a joint venture		–	(7,418,150)
Finance costs		<b>(79,161,928)</b>	(113,837,802)
Commission and fee expenses		<b>(19,703,701)</b>	(45,066,273)
Staff costs	5	<b>(80,873,385)</b>	(92,955,332)
Other operating expenses		<b>(78,355,198)</b>	(80,314,006)
Impairment losses on financial assets	5	<b>(44,720,352)</b>	(48,710,991)
Other gains or losses	5	<b>(14,452,492)</b>	14,322,874
(Loss)/profit before taxation	5	<b>(198,903,690)</b>	62,405,692
Taxation	6	<b>558,267</b>	(8,574,432)
(Loss)/profit for the period		<b>(198,345,423)</b>	53,831,260
Other comprehensive income for the period, net of tax Items that will not be reclassified to profit or loss:			
– Equity investments on fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		<b>(7,825,451)</b>	–
Other comprehensive income for the period		<b>(7,825,451)</b>	–
Total comprehensive income for the period		<b>(206,170,874)</b>	53,831,260
(Loss)/profit for the period attributable to:		<b>(198,345,423)</b>	53,831,260
– Holder of ordinary shares of the Company		<b>(198,345,423)</b>	53,831,260
– Holder of other equity instruments of the Company		–	–
Total comprehensive income for the period attributable to:		<b>(206,170,874)</b>	53,831,260
– Holder of ordinary shares of the Company		<b>(206,170,874)</b>	53,831,260
– Holder of other equity instruments of the Company		–	–
(Loss)/earnings per share attributable to ordinary equity holders of the Company Basic (expressed in HK\$)	8	<b>(0.0496)</b>	0.0135

The notes on pages 8 to 30 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
<b>Non-current assets</b>			
Property and equipment		<b>55,135,437</b>	76,002,382
Intangible assets		<b>5,426,541</b>	7,658,890
Interest in a joint venture		–	16,125,931
Financial assets at fair value through profit or loss	9	<b>12,897,137</b>	16,615,824
Debt investment at amortised cost	11	<b>23,563,313</b>	–
Reverse repurchase agreements		<b>89,751,622</b>	90,036,076
Statutory deposits		<b>16,907,778</b>	19,063,234
Deferred tax assets		<b>126,135,961</b>	121,593,827
Deposits, other receivables, prepayments and other assets		<b>14,824,718</b>	14,946,898
		<b>344,642,507</b>	362,043,062
<b>Current assets</b>			
Accounts receivable	12	<b>2,051,743,599</b>	1,518,484,994
Reverse repurchase agreements		–	120,712,083
Financial assets at fair value through profit or loss	9	<b>5,971,219,547</b>	4,892,256,938
Financial assets at fair value through other comprehensive income	10	<b>717,492,509</b>	–
Statutory deposits		<b>16,796,887</b>	30,463,929
Deposits, other receivables, prepayments and other assets		<b>207,639,125</b>	139,002,439
Tax receivable		<b>3,919,498</b>	4,464,870
Bank balances – trust accounts		<b>3,273,270,120</b>	4,268,417,736
Bank balances – general accounts and cash		<b>4,479,497,967</b>	5,458,957,080
		<b>16,721,579,252</b>	16,432,760,069
<b>Current liabilities</b>			
Accounts payable	14	<b>4,392,317,701</b>	4,786,178,972
Accruals and other payables		<b>47,686,941</b>	101,672,982
Amount due to a fellow subsidiary		<b>2,231,087</b>	4,560,326
Amount due to the immediate holding company	17	<b>2,315,543,500</b>	2,300,852,500
Contract liabilities		<b>6,130,240</b>	5,049,632
Tax payable		<b>858,560</b>	252,291
Financial liabilities at fair value through profit or loss	13	<b>46,564,617</b>	65,396,077
Repurchase agreements		<b>2,956,207,389</b>	1,970,119,726
Bank borrowings	15	<b>500,044,808</b>	530,146,916
Lease liabilities		<b>32,658,945</b>	37,325,638
Other liabilities		<b>213,991,271</b>	238,046,664
		<b>10,514,235,059</b>	10,039,601,724
<b>Net current assets</b>		<b>6,207,344,193</b>	6,393,158,345

# Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
<b>Non-current liabilities</b>			
Bonds	16	<b>2,368,769,919</b>	2,352,317,863
Deferred tax liabilities		<b>16,733</b>	18,767
Lease liabilities		<b>2,172,950</b>	15,666,805
		<b>2,370,959,602</b>	2,368,003,435
<b>Net assets</b>			
		<b>4,181,027,098</b>	4,387,197,972
<b>Equity</b>			
Share capital	18	<b>400,000,000</b>	400,000,000
Share premium		<b>3,379,895,424</b>	3,379,895,424
Accumulated loss		<b>(1,045,062,540)</b>	(846,717,117)
Other reserve		<b>11,577,844</b>	11,577,844
Capital reserve		<b>442,441,821</b>	442,441,821
Fair value reserve		<b>(7,825,451)</b>	–
Equity attributable to holders of the ordinary shares		<b>3,181,027,098</b>	3,387,197,972
Equity attributable to holders of other equity instruments		<b>1,000,000,000</b>	1,000,000,000
<b>Total equity</b>			
		<b>4,181,027,098</b>	4,387,197,972

The notes on pages 8 to 30 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Equity attributable to owners of the Company							Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Fair value reserve HK\$	Accumulated loss HK\$	Other equity instrument HK\$	
	At 1 January 2022 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	-	(846,717,117)	
Loss for the period	-	-	-	-	-	(198,345,423)	-	(198,345,423)
Other comprehensive income for the period	-	-	-	-	(7,825,451)	-	-	(7,825,451)
At 30 June 2022 (unaudited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(7,825,451)	(1,045,062,540)	1,000,000,000	4,181,027,098

For the six months ended 30 June 2021

	Equity attributable to owners of the Company							Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Fair value reserve HK\$	Accumulated loss HK\$	Other equity instrument HK\$	
	At 1 January 2021 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	-	(886,810,756)	
Profit and total comprehensive income for the period	-	-	-	-	-	53,831,260	-	53,831,260
Issue of perpetual securities (note 19)	-	-	-	-	-	-	1,000,000,000	1,000,000,000
At 30 June 2021 (unaudited)	400,000,000	3,379,895,424	442,441,821	11,577,844	-	(832,979,496)	1,000,000,000	4,400,935,593

The notes on pages 8 to 30 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$ Unaudited	2021 HK\$ Unaudited
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(862,795,844)</b>	(692,946,987)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(4,424,707)</b>	(1,104,024)
Purchase of intangible assets		<b>(97,068)</b>	(482,489)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(4,521,775)</b>	(1,586,513)
<b>FINANCING ACTIVITIES</b>			
Interest paid		<b>(55,092,067)</b>	(116,402,907)
Bank borrowings raised		<b>750,000,000</b>	44,694,144,990
Repayments of bank borrowings		<b>(780,000,000)</b>	(44,594,144,990)
Repayments of other borrowings		–	(598,444,639)
Redemption of a note		–	(69,769,800)
Issuance of Perpetual Securities	19	–	1,000,000,000
Issuance of bonds	16	–	2,325,870,000
Loan from the immediate holding company		<b>14,691,000</b>	–
Capital element of lease rentals paid		<b>(18,160,549)</b>	(17,449,625)
Interest element of lease rentals paid		<b>(909,099)</b>	(1,620,022)
Contribution from third-party unitholders/shareholders of consolidated investment funds		–	97,640,732
Withdrawals from third-party unitholders/shareholders of consolidated investment funds		<b>(22,670,779)</b>	(157,319,452)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>		<b>(112,141,494)</b>	2,562,504,287
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(979,459,113)</b>	1,867,970,787
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD</b>		<b>5,458,957,080</b>	2,286,224,348
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD</b>		<b>4,479,497,967</b>	4,154,195,135
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY</b>			
Bank balances — general accounts and cash		<b>4,479,497,967</b>	4,154,195,135
<b>NET CASH USED IN OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		<b>112,368,113</b>	181,735,906
Dividend received		<b>3,016,727</b>	4,128,522

The notes on pages 8 to 30 form part of this interim financial report.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 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 of Hong Kong Limited (the "Stock Exchange") since 20 October 2016. On 3 January 2019, the Company has successfully transferred the shares listed on GEM of the Stock Exchange to the Main Board of the Stock Exchange. The address of the Company's registered office is PO Box 1350, Windward 3, Regatta Office Park, 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, corporate finance services, asset management services and financial products and investments. Its immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited ("Industrial Securities (Hong Kong)"). Industrial Securities Co., Ltd. ("Industrial Securities"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

### (a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2(b).

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### (b) Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

### Revenue

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
<b>Commission and fee income</b>		
Brokerage:		
Commission and fee income from securities brokerage	59,509,764	109,457,746
Commission and fee income from futures and options brokerage	8,588,753	10,915,267
Insurance brokerage commission income	328,855	1,030,034
	<b>68,427,372</b>	121,403,047
Corporate finance:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	18,263,646	10,815,154
– Equity securities	–	1,893,919
Corporate advisory fee income	513,035	1,324,560
Sponsor fee income	1,650,000	1,027,258
Arrangement fee income	–	1,008,559
	<b>20,426,681</b>	16,069,450
Asset management:		
Asset management fee income	10,899,703	11,164,825
Investment advisory fee income	807,000	2,411,446
	<b>11,706,703</b>	13,576,271
	<b>100,560,756</b>	151,048,768
<b>Interest revenue</b>		
Financial products and investments:		
Interest income from reverse repurchase agreements	2,954,976	8,300,873
Interest income from debt investment at amortised cost	18,602	–
	<b>2,973,578</b>	8,300,873
Loans and financing:		
Interest income from margin financing	15,621,793	65,418,803
	<b>18,595,371</b>	73,719,676

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 3. REVENUE AND OTHER INCOME (Continued)

### Revenue (Continued)

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
<b>Net trading and investment income</b>		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	117,646,737	144,896,933
Dividend income from financial assets at fair value through profit or loss	3,199,257	3,769,655
Net (loss)/gain on financial assets at fair value through profit or loss	(298,346,026)	113,349,657
Interest income from derivatives	3,195,879	4,874,117
Net gain on derivatives	105,123,366	5,406,030
Net gain/(loss) on financial liabilities at fair value through profit or loss	39,661,758	(71,314,664)
Interest income from financial assets at fair value through other comprehensive income	3,558,245	-
	<b>(25,960,784)</b>	200,981,728
<b>Total revenue</b>	<b>93,195,343</b>	425,750,172

Timing of revenue recognition for commission and fee income from customers

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
A point in time	85,857,836	134,779,358
Over time	14,702,920	16,269,410
	<b>100,560,756</b>	151,048,768

### Other income

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
Interest income from financial institutions	23,611,015	8,533,151
Sundry income	1,557,008	2,102,049
	<b>25,168,023</b>	10,635,200

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 4. SEGMENT REPORTING

Information reported to the Board of the Company, 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 Group’s reportable and operating segments under HKFRS 8 are as follows:

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

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

Corporate finance – provision of corporate advisory, sponsor, placing and underwriting services of debt and equity securities and structured products arrangement services;

Asset management – provision of fund management, discretionary account management and investment advisory services; and

Financial products and investments – proprietary trading and investment of funds, 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. During the current period, the Group has regrouped the segment revenue by different nature of revenue consistent with the analysis of revenue presented in note 3 and reallocated them to different segment. Comparative information on segment revenue has been restated to conform the current year’s presentation.

### For the six months ended 30 June 2022 (unaudited)

	Brokerage HK\$	Loans and financing HK\$	Corporate finance HK\$	Assets management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Commission and fee income	68,427,372	-	20,426,681	11,706,703	-	-	100,560,756
Interest revenue	-	15,621,793	-	-	2,973,578	-	18,595,371
Net trading and investment income	-	-	-	-	(25,960,784)	-	(25,960,784)
Inter-segment revenue	179,421	-	-	4,499,275	-	(4,678,696)	-
Segment revenue	68,606,793	15,621,793	20,426,681	16,205,978	(22,987,206)	(4,678,696)	93,195,343
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							93,195,343
Segment results	(2,428,973)	(51,317,320)	(5,797,781)	(3,623,681)	(118,312,023)	-	(181,479,778)
Unallocated expenses							(17,423,912)
Loss before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							(198,903,690)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 4. SEGMENT REPORTING (Continued)

### For the six months ended 30 June 2021 (unaudited) (restated)

	Brokerage HK\$	Loans and financing HK\$	Corporate finance HK\$	Asset management HK\$	Financial products and investments HK\$	Eliminations HK\$	Consolidated HK\$
<b>Segment revenue and result</b>							
Commission and fee income	121,403,047	–	16,069,450	13,576,271	–	–	151,048,768
Interest revenue	–	65,418,813	–	–	8,300,873	–	73,719,676
Net trading and investment income	–	–	–	–	200,981,728	–	200,981,728
Inter-segment revenue	140,306	–	–	10,297,446	–	(10,437,752)	–
Segment revenue	121,543,353	65,418,803	16,069,450	23,873,717	209,282,601	(10,437,752)	425,750,172
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>425,750,172</u>
Segment results	62,843,137	(44,330,148)	(9,014,216)	7,468,602	86,078,266	–	103,045,641
Unallocated expenses							<u>(40,639,949)</u>
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							<u>62,405,692</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 5. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	<b>80,873,385</b>	92,955,332
Salaries and bonuses	<b>78,907,515</b>	91,195,281
Contribution to the Mandatory Provident Fund Scheme	<b>1,670,415</b>	1,556,820
Other staff costs	<b>295,455</b>	203,231
Legal and professional fee	<b>2,394,291</b>	3,056,951
Amortisation of intangible assets	<b>2,329,417</b>	2,612,059
Depreciation		
Owned property and equipment	<b>7,491,495</b>	2,147,325
Right-of-use assets	<b>17,773,416</b>	17,773,416
Maintenance fee	<b>6,915,612</b>	14,818,337
Impairment losses on financial assets		
Secured margin loans	<b>44,712,242</b>	48,710,991
Debt investment at amortised cost	<b>8,110</b>	–
Other gains or losses	<b>14,452,492</b>	(14,322,874)
Exchange loss/(gain)	<b>22,257,270</b>	(27,612,904)
Other (gain)/loss	<b>(7,831,518)</b>	13,290,030
Loss on disposal of property and equipment	<b>26,740</b>	–

## 6. TAXATION

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
Hong Kong Profits Tax:		
Current period	<b>2,280</b>	957,225
Under provision in prior year	<b>3,983,621</b>	7,011,437
	<b>3,985,901</b>	7,968,662
Deferred tax:		
Current period	<b>(4,544,168)</b>	605,770
	<b>(558,267)</b>	8,574,432

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 6. TAXATION *(Continued)*

The provision for Hong Kong Profits Tax is calculated by applying the annual effective tax rate of 16.5% (2021: 16.5%) to the estimated assessable profit for the six months ended 30 June 2022, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

## 7. DIVIDENDS

No dividend in respect of the year ended 31 December 2021 and 2020 respectively were declared and paid to the owners of the Company.

The Board did not declare the payment of interim dividend for the six months ended 30 June 2022 and 2021.

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
(Loss)/earnings (HK\$)		
(Loss)/earnings for the purpose of basic (loss)/earnings per share:		
(Loss)/profit for the period attributable to ordinary equity holders of the Company	<b>(198,345,423)</b>	53,831,260
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>4,000,000,000</b>	4,000,000,000

For each of the six months ended 30 June 2022 (unaudited) and 30 June 2021 (unaudited), there were no potential ordinary shares in issue, thus no diluted (loss)/earnings per share is presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Equity securities		
– Listed in Hong Kong	<b>94,140,383</b>	145,926,586
– Listed outside Hong Kong	<b>98,362,526</b>	100,116,954
– Unlisted	<b>25,560,523</b>	25,398,354
Debt securities		
– Listed in Hong Kong	<b>3,712,321,582</b>	2,826,566,690
– Listed outside Hong Kong	<b>751,960,724</b>	594,941,990
– Unlisted	<b>1,196,319,011</b>	1,015,414,392
Funds		
– Unlisted	<b>105,451,935</b>	200,507,796
	<b>5,984,116,684</b>	4,908,872,762
Analysed as		
Current	<b>5,971,219,547</b>	4,892,256,938
Non-current	<b>12,897,137</b>	16,615,824
	<b>5,984,116,684</b>	4,908,872,762



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Equity securities designated at FVTOCI		
– Listed in Hong Kong	<b>609,682,177</b>	–
– Listed outside Hong Kong	<b>107,810,332</b>	–
	<b>717,492,509</b>	–
Analysed as		
Current	<b>717,492,509</b>	–
Non current	–	–
	<b>717,492,509</b>	–

The Group has designated the above equity securities at fair value through other comprehensive income ("FVTOCI") as these equity investments are not held for trading purpose.

## 11. DEBT INVESTMENT AT AMORTISED COST

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Debt securities		
– Listed in Hong Kong	<b>23,571,423</b>	–
Less: impairment allowance	<b>(8,110)</b>	–
	<b>23,563,313</b>	–
Analysed as		
Current	–	–
Non current	<b>23,563,313</b>	–
	<b>23,563,313</b>	–

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 12. ACCOUNTS RECEIVABLE

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	<b>1,475,256,530</b>	1,641,156,797
Less: impairment allowance	<b>(879,779,801)</b>	(835,067,558)
	<b>595,476,729</b>	806,089,239
Clearing houses	<b>262,433,257</b>	199,656,455
Cash clients	<b>261,323,213</b>	109,270,792
Brokers	<b>33,931,453</b>	32,704,349
Clients for subscription of new shares in IPO	<b>138,633</b>	–
Less: impairment allowance	<b>(332,591)</b>	(332,591)
	<b>557,493,965</b>	341,299,005
	<b>1,152,970,694</b>	1,147,388,244
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	<b>83,993,956</b>	28,718,585
Brokers	<b>130,084,121</b>	154,488,402
	<b>214,078,077</b>	183,206,987
Accounts receivable arising from the business of corporate finance	<b>14,581,077</b>	6,930,769
Accounts receivable arising from the business of asset management	<b>8,917,195</b>	17,902,189
Less: impairment allowance	<b>(1,493,961)</b>	(1,493,961)
	<b>7,423,234</b>	16,408,228
Accounts receivable arising from the business of financial products and investments:		
Brokers	<b>662,690,517</b>	164,550,766
	<b>2,051,743,599</b>	1,518,484,994

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 12. ACCOUNTS RECEIVABLE *(Continued)*

### Secured margin loans

As at 30 June 2022 and 31 December 2021, the secured margin loans are repayable on demand subsequent to settlement date.

### Accounts receivable (except for secured margin loans)

Except for secured margin loans, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The normal settlement terms of accounts receivable arising from the business of dealing in futures and options contracts are one day after trade date.

In respect of accounts receivable arising from the business of dealing in future and options contracts, under the settlement arrangement with HKFE Clearing Corporation Limited ("HKCC"), all open positions held at HKCC are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivable with HKCC. In accordance with the agreement with the brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Normal settlement terms of accounts receivable arising from the business of corporate finance and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided.

Normal settlement terms of accounts receivable arising from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date.

In view of the nature of business of dealing in securities, futures and options contracts and financial products and investments, no aging analysis on those accounts receivable is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 12. ACCOUNTS RECEIVABLE (Continued)

### Accounts receivable (except for secured margin loans) (Continued)

The following is an aging analysis of gross accounts receivable arising from the business of corporate finance and asset management based on date of invoice at the reporting date:

#### Corporate finance clients

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Less than 31 days	<b>4,270,263</b>	3,427,483
31–60 days	<b>93,760</b>	2,788,715
61–90 days	<b>245,526</b>	313,985
91–180 days	<b>7,105,918</b>	400,586
Over 180 days	<b>2,865,610</b>	–
	<b>14,581,077</b>	6,930,769

#### Asset management clients

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Less than 31 days	<b>2,608,219</b>	4,183,563
31–60 days	<b>1,062,885</b>	2,206,800
61–90 days	<b>1,029,802</b>	2,257,808
91–180 days	<b>612,528</b>	2,546,737
Over 180 days	<b>3,603,761</b>	6,707,281
	<b>8,917,195</b>	17,902,189

During the six months ended 30 June 2022 and the year ended 31 December 2021, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
<b>Held for trading</b>		
Short position in listed equity securities	<b>11,115,000</b>	11,010,000
Credit derivatives	<b>1,209,617</b>	1,066,372
	<b>12,324,617</b>	12,076,372
<b>Designated at fair value through profit or loss</b>		
Unlisted issued structured products	<b>34,240,000</b>	53,319,705
	<b>46,564,617</b>	65,396,077
Analysed as:		
Current	<b>46,564,617</b>	65,396,077
Non-current	-	-
	<b>46,564,617</b>	65,396,077

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 14. ACCOUNTS PAYABLE

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	<b>154,530,116</b>	26,217,445
Brokers	<b>2,552,458</b>	6,534,819
Clients	<b>3,032,126,423</b>	4,340,712,723
	<b>3,189,208,997</b>	4,373,464,987
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	<b>479,916,046</b>	408,089,583
Accounts payable arising from the business of financial products and investments:		
Brokers	<b>723,192,658</b>	4,624,402
	<b>4,392,317,701</b>	4,786,178,972

In respect of accounts payable arising from the business of dealing in securities, accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally two trading days after the trade date or at specific terms agreed with clearing house. The majority of the accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral stipulated are repayable on demand.

Accounts payable to brokerage clients (except certain balances arising from trades pending settlement) mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

In respect of accounts payable arising from the business of dealing in futures and options contracts, settlement arrangements with clients follow the same settlement mechanism with HKCC or brokers and profits or losses arising from mark-to-market settlement arrangement are included in accounts payables with clients. Accounts payable to clients arising from the business of dealing in futures and option contract are non-interest bearing.

The normal settlement terms of accounts payable arising from the business of dealing in securities for cash clients are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of the business.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 14. ACCOUNTS PAYABLE *(Continued)*

In respect of accounts payable arising from the business of financial products and investments, accounts payable to brokers represent trades pending settlement which are normally determined in accordance with the agreed terms and which are normally two to five days after the trade date.

The Group has accounts payable arising from the business of dealing in securities of HK\$78,718,717 due to the immediate holding company as at 30 June 2022 (31 December 2021: HK\$78,718,717).

## 15. BANK BORROWINGS

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Variable rate borrowings	<b>500,044,808</b>	530,146,916
Repayable within one year and contain a repayable on demand clause	<b>500,044,808</b>	530,146,916
Repayable within a period of more than one year but not exceeding two years	–	–
	<b>500,044,808</b>	530,146,916

The bank borrowings consist of loans borrowed by the Group from banks to facilitate investment and general working capital.

The interest rate of the Group's bank borrowings as at 30 June 2022 was Hong Kong Interbank Offered Rate ("HIBOR") +2.4% (31 December 2021: HIBOR+1.75% to HIBOR+2.4%).

At 30 June 2022, HK\$500,000,000 (31 December 2021: HK\$530,000,000) had been drawn by the Group under the aggregated banking facilities of HK\$7,911,500,000 (31 December 2021: HK\$7,415,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK\$3,387,500,000 as at 30 June 2022 (31 December 2021: HK\$3,700,000,000). Out of which HK\$500,000,000 had been drawn as at 30 June 2022 (31 December 2021: HK\$530,000,000).

No bank borrowings were secured by charges over client's pledged securities as at 30 June 2022 and 31 December 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 16. BONDS

In February 2021, the Company issued US\$300,000,000 corporate bonds with fixed interest rate of 2% per annum with a three-year maturity which is guaranteed by the Company's controlling shareholder.

## 17. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

	<b>As at 30 June 2022 HK\$ Unaudited</b>	As at 31 December 2021 HK\$ Audited
Amount due to the immediate holding company	<b>2,315,543,500</b>	2,300,852,500

The loan from the immediate holding company is unsecured, repayable in 2022 and bears interest at a rate of 2.9% per annum.

## 18. SHARE CAPITAL

Details of the share capital are as follows:

	<b>Number of ordinary shares of HK\$0.10 each</b>	<b>Share capital HK\$</b>
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	4,000,000,000	400,000,000

## 19. OTHER EQUITY INSTRUMENT

On 16 June 2021, the Company issued HK\$1,000,000,000 subordinated perpetual securities (the "Perpetual Securities") to Industrial Securities (Hong Kong) with an initial distribution rate of 1.58% per annum. There is no maturity date for the Perpetual Securities. The Company has the sole and absolute discretion to defer any distributions. The Perpetual Securities constitute direct, unconditional, unsecured and subordinated obligations of the Company and are classified as equity instruments and recorded as equity in the condensed consolidated statement of financial position.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 20. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures related to the unaudited condensed consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

There has been no change in the risk management policies during the current period.

### Fair value measurement of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs are unobservable inputs for the asset or liability.

### Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 30 June 2022 and 31 December 2021.

### Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following tables give information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 20. FINANCIAL INSTRUMENTS (Continued)

### Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 HK\$ Unaudited	31 December 2021 HK\$ Audited		
<b>1) Financial assets at fair value through profit or loss</b>				
Equity securities				
– Traded on stock exchanges	<b>192,502,909</b>	246,043,540	Level 1	Quoted price in active markets
– Unlisted	<b>25,560,523</b>	25,398,354	Level 3	Market approach based on the Comparable Companies Method with the Price to Earnings and EV/ EBITDA multiple of the comparable companies, with significant unobservable input of the discount rate for lack of marketability to the estimated equity value of the unlisted equity investment ( <i>note a</i> )
Debt securities				
– Traded on stock exchanges and unlisted	<b>4,691,863,142</b>	3,734,968,072	Level 2	Quoted from brokers or market makers
– Unlisted	<b>237,438,517</b>	–	Level 2	Recent transaction price
– Unlisted	<b>731,299,658</b>	701,955,000	Level 3	Fair value of collaterals ( <i>note b</i> )
Funds				
– Unlisted public	<b>51,466,798</b>	119,908,326	Level 1	Quoted price in active market
– Unlisted private	<b>41,088,000</b>	63,983,646	Level 2	Observable quoted price of underlying investment in active market
– Unlisted private	<b>12,897,137</b>	16,615,824	Level 3	NAV of fund provided by external counterparty ( <i>note c</i> )
	<b>5,984,116,684</b>	4,908,872,762		

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 20. FINANCIAL INSTRUMENTS *(Continued)*

**Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis** *(Continued)*

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 HK\$ Unaudited	31 December 2021 HK\$ Audited		
<b>2) Financial assets at fair value through other comprehensive income</b>				
Equity securities				
– Traded on stock exchanges	<b>717,492,509</b>	–	Level 2	Quoted from brokers or market makers
	<b>717,492,509</b>	–		
<b>3) Financial liabilities held for trading</b>				
Short position in listed equity securities	<b>11,115,000</b>	11,010,000	Level 1	Quoted price in active market
Credit derivative	<b>1,209,617</b>	1,066,372	Level 3	Credit spread ( <i>note d</i> )
	<b>12,324,617</b>	12,076,372		
<b>4) Financial liabilities designated at fair value through profit or loss</b>				
Unlisted structured products (with the underlying investment related to unlisted fund)	<b>34,240,000</b>	53,319,705	Level 2	Observable quoted price of underlying investments in active market
	<b>34,240,000</b>	53,319,705		

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 20. FINANCIAL INSTRUMENTS (Continued)

### Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

- The unobservable input is the discount rate for lack of marketability with reference to the prices of listed securities when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.
- The unobservable inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals.
- The directors of the Company determined that the reported net asset value of the unlisted investment fund represents the fair value of the fund. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in positive relationship that the higher the reported net asset value adopted in the valuation assessment, the higher the fair value would be resulted.
- The unobservable input is the spread of the credit derivative with reference to the price of the underlying reference obligation and the spread is provided by the external counterparty, when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the spread adopted in the valuation assessment, the lower the fair value would be resulted.

There were no transfers between Level 1 and 2 during the six months ended 30 June 2022 and 2021.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2022		2021	
	Financial liabilities at fair value through profit or loss HK\$	Financial assets at fair value through profit or loss HK\$	Financial liabilities at fair value through profit or loss HK\$	Financial assets at fair value through profit or loss HK\$
As at 1 January	(1,066,372)	743,969,178	(2,608,596)	89,289,683
Total gains/(loss) in profit or loss	(143,245)	25,788,140	662,795	(31,814,501)
As at 30 June	(1,209,617)	769,757,318	(1,945,801)	57,475,182

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 20. FINANCIAL INSTRUMENTS (Continued)

### Derivative financial instruments

	Notional Amount		Fair Value			
			Assets		Liabilities	
	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited	As at 30 June 2022 HK\$ Unaudited	As at 31 December 2021 HK\$ Audited
Foreign currency exchange futures	476,900,758	436,269,569	1,393,622	389,203	-	-
Interest rate futures	1,020,409,000	682,456,250	-	-	(7,321,179)	(4,635,375)
<b>Total</b>	<b>1,497,309,758</b>	<b>1,118,725,819</b>	<b>1,393,622</b>	<b>389,203</b>	<b>(7,321,179)</b>	<b>(4,635,375)</b>
Less: Settlement			(1,393,622)	(389,203)	7,321,179	4,635,375
<b>Net position</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures traded through China Industrial Securities International Futures Limited, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 30 June 2022 and 31 December 2021.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 21. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the unaudited condensed consolidated financial statements, the Group had the following material transactions with related parties.

### (a) Compensation of key management personnel

The remuneration of key management during the six months ended 30 June 2022 and 2021 was as follows:

	For the six months ended 30 June	
	2022 HK\$ Unaudited	2021 HK\$ Unaudited
Salary and short-term benefits	27,248,522	24,142,616
Post-employment benefits	96,000	93,000

### (b) Consultancy services from a fellow subsidiary

On 27 September 2016, the Company and Industrial Securities (Shenzhen) Company Limited ("Industrial Securities (Shenzhen)") entered into a service agreement (the "Service Agreement"). On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"). Details of the Service Agreement and the Supplemental Service Agreement are set out in section headed "Connected Transactions" in the Prospectus and in the announcement dated 3 April 2018 respectively.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement 2021"), pursuant to which, Industrial Securities (Shenzhen) will provide the new services to the Group: (i) logistics management services to the Group, including but not limited to provision of client visits, answering customer service calls, and financial settlement services; (ii) information consultancy services (excluding licensing information consultancy services), including but not limited to the provision of consultancy services on economic information and delivery and consultancy services on business information; (iii) corporate management services, including but not limited to personnel training services; (iv) software development services; and (v) information technology consultancy services, including but not limited to the provision of cross-border information technology support.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) renewed the Service Agreement (as amended by the Supplement Service Agreement 2021) (the "Renewal Service Agreement") for a further term of three years from 1 January 2022 to 31 December 2024. Details of the Supplemental Service Agreement 2021 and the Renewal Service Agreement are set out in the announcement dated 3 November 2021 of the Company.

During the six months ended 30 June 2022, the Company paid a consultancy service fee of HK\$16,460,505 (2021: HK\$16,603,925) under the service agreements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 21. RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Significant related party transactions during the reporting period are as follows:

In January 2020, the Group borrowed US\$295,000,000 from the immediate holding company, Industrial Securities (Hong Kong). The loan is unsecured, repayable in 2022 and bears interest at a rate of 2.9% per annum. The interest expenses on the loan for the six months ended 30 June 2022 was HK\$33,461,955 (30 June 2021: HK\$33,196,038).

As disclosed in note 19, the Company issued HK\$1,000,000,000 subordinated perpetual securities on 16 June 2021. The Perpetual Securities were subscribed by the immediate holding company, Industrial Securities (Hong Kong).

## 22. INTEREST IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal.

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

For the six months ended 30 June 2022, loss from changes in interests held by third-party unit holders/shareholders of HK\$7,831,518 (2021: loss of HK\$13,290,030) in consolidated structured entities are included as other gain/loss within other gains or losses in the condensed consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK\$213,991,271 (31 December 2021: HK\$238,046,664) as at 30 June 2022 are included in other liabilities in the condensed consolidated statement of financial position.

## 23. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2022.

# Management Discussion and Analysis

## HONG KONG CAPITAL MARKET REVIEW

The Hang Seng Index closed at 21,859 as at the end of June 2022, decreased by 6.57% as compared with the end of 2021. In the primary market, the total amount of funds raised in the first half of 2022 was HK\$114.0 billion, decreased by 76.6% as compared with the corresponding period in 2021, of which HK\$19.7 billion were raised from IPOs, representing a decrease of 90.7% as compared with the corresponding period in 2021. A total of 27 companies went public in the first half of 2022, decreased by 41.3% year-on-year. In the secondary market, the average daily turnover of securities in the first half of 2022 was HK\$138.3 billion, decreased by 26.52% year-on-year. As at the end of June 2022, the total market cap of Hong Kong's securities market was HK\$39.06 trillion, decreased by 7.82% as compared with the end of 2021.

In the first half of 2022, the global capital markets, especially that of Hong Kong, were hard hit by the twists and turns of the fifth wave of the COVID-19 pandemic in Hong Kong, US Federal Reserve's aggressive rate hikes and shrinking of its balance sheet, escalating conflicts between Russia and Ukraine as well as geopolitical and economic uncertainties. Although the primary and secondary capital markets in Hong Kong plummeted due to the impact of global market sentiment, Hong Kong remained a bridge and window between domestic and overseas capital markets as the number of Mainland companies listed in Hong Kong and the total fundraising amount of continued to account for a significant share. With the continuous optimization of the listing regime of the Hong Kong Stock Exchange, seeking a list in Hong Kong has gradually become the first choice for many China concept stocks. Favourable factors like Hong Kong Stock Exchange's stable launch of the SPAC listing mechanism, the continuous expansion of the stock connect, China's national policies and the further construction of the Guangdong-Hong Kong-Macao Greater Bay Area will continue to enhance the competitiveness of Hong Kong as an international financial hub.

## RESULTS AND OVERVIEW OF THE COMPANY

For the six months ended 30 June 2022, the Group recorded an operating revenue of HK\$93.20 million (2021: HK\$425.75 million) and net loss of HK\$198.35 million (2021: profit of HK\$53.83 million), mainly due to loss incurred from changes in fair value of equity and bond investments resulting from adverse factors including tightened monetary policies across the globe, geopolitics and the COVID-19 pandemic; year-on-year decrease in revenue from underwriting business due to the cyclicity of equity investment banking projects; and expected credit losses of accounts receivable arising from the Group's margin loans for the six months ended 30 June 2022.

For the six months ended 30 June 2022, the Group's operating revenue from brokerage services, corporate finance services, asset management services, loans and financing services, financial products and investments saw a decrease of 43.63%, an increase of 27.13%, a decrease of 13.77%, a decrease of 76.12% and a decrease of 110.99% year-on-year, respectively.

## BUSINESS REVIEW OF THE COMPANY

The Group's operating revenue derives from (i) brokerage; (ii) corporate finance; (iii) asset management; (iv) loans and financing; and (v) financial products and investments.

### Brokerage

For the six months ended 30 June 2022, the Group's commission and fee income from the brokerage services amounted to HK\$68.43 million (2021: HK\$121.40 million), decreased by 43.63% year-on-year, mainly due to a low level of investment activities as investors were reluctant to trade and mostly adopted a wait-and-see approach given the fluctuating decline of stock and futures market indexes across the globe. As at the end of June 2022, the number of securities brokerage customers of the Group was 42,801, increased by 0.15% as compared with at the beginning of the year, the market value of Hong Kong shares custody in the HKSCC was HK\$33.3 billion, making the Company rank 29th among 614 securities companies, up 2 places from the end of 2021.



# Management Discussion and Analysis

## Corporate finance

For the six months ended 30 June 2022, the Group's revenue from corporate finance business amounted to HK\$20.43 million (2021: HK\$16.07 million), increased by 27.13% year-on-year.

Among this revenue, commission income from placing, underwriting and sub-underwriting of debt securities amounted to HK\$18.26 million (2021: HK\$10.82 million), increased by 68.76% year-on-year. In the first half of 2022, the offshore bonds of Chinese-funded companies began to contract overall as they came under pressure in terms of interest and policy, yet the Group was still able to record growth in both commission income and underwriting amount of the bond underwriting business, make advance planning for innovative product types, continue to push forward business innovation and explore ways to overtake challenges in the current cycle. According to Bloomberg data, for the six months ended 30 June 2022, the Group as the underwriter has completed the total underwriting amount of offshore bonds of US\$786.47 million in total, making itself rank No. 8 among Chinese brokers, unchanged from the same period of the previous year.

For the six months ended 30 June 2022, the Group's sponsor fee income amounted to HK\$1.65 million (2021: HK\$1.03 million) and corporate advisory fee income was HK\$0.51 million (2021: HK\$1.32 million). No commission income from placing, underwriting and sub-underwriting of equity securities was recorded (2021: HK\$1.89 million), primarily due to a delay in income recognition as a result of the delay in the progress of relevant projects due to the COVID-19 pandemic.

## Asset management

For the six months ended 30 June 2022, the Group's income from asset management business amounted to HK\$11.71 million (2021: HK\$13.58 million), decreased by 13.77% year-on-year. As at the end of June 2022, the Group's assets under management amounted to HK\$7,295 million. Among them, China Core Asset Fund, the Group's first overseas public fund that was granted the qualification of Mainland-Hong Kong Mutual Recognition of Funds, had assets under management of HK\$548 million as at the end of the period.

## Loans and financing

In the first half of 2022, the Group continued to optimize its customer composition and scaled down low-quality margin financing, so that there was a further decline in the amount of secured margin loans. For the six months ended 30 June 2022, the Group's revenue from loans and financing business was HK\$15.62 million (2021: HK\$65.42 million), decreased by 76.12% year-on-year.

## Financial products and investments

For the six months ended 30 June 2022, the Group's losses from financial products and investments amounted to HK\$22.99 million (2021: profit of HK\$209.28 million), decreased by 110.99% year-on-year. In the first half of 2022, the bond prices were subject to downside pressure as US decided to raise interest rates and shrink its balance sheet, and the inflation expectation remained high. Moreover, the market was repeated disturbed by various factors like the COVID-19 pandemic and geopolitical risks, exacerbating price volatility in the secondary market. The Group adopted a conservative and prudent investment strategy by continuously reducing the size of investments in entities with relatively weak credit qualifications to avoid credit risks; by proactively and dynamically adjusting the position composition in line with market changes; and by closely keeping track of credit risk standing of each segment to keep the default risk of the investees under stringent control, thus enabling the Company to reap an investment yield that generally outperformed others in the terms of comparable market indexes.

# Management Discussion and Analysis

## FINANCIAL POSITION

As at 30 June 2022, the total assets of the Group increased by 1.62% to HK\$17,066.22 million (31 December 2021: HK\$16,794.80 million).

As at 30 June 2022, the total liabilities of the Group increased by 3.85% to HK\$12,885.19 million (31 December 2021: HK\$12,407.61 million).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 30 June 2022, the net current assets of the Group decreased by 2.91% to HK\$6,207.34 million (31 December 2021: HK\$6,393.16 million). As at 30 June 2022, the current ratio of the Group (defined as current assets divided by current liabilities as at the end of the respective financial year/period) was 1.59 times (31 December 2021: 1.64 times).

For the six months ended 30 June 2022, the net cash outflow of the Group was HK\$979.46 million (31 December 2021: inflow of HK\$3,172.73 million). As at 30 June 2022, the bank balance of the Group was HK\$4,479.50 million (31 December 2021: HK\$5,458.96 million).

As at 30 June 2022, the Group's bank and other borrowings in aggregate decreased by 5.68% to HK\$500.04 million (31 December 2021: HK\$530.15 million), and the Group had outstanding bonds of HK\$2,368.77 million (31 December 2021: HK\$2,352.32 million) and shareholder loans of HK\$2,315.54 million (31 December 2021: HK\$2,300.85 million). As at 30 June 2022, the gearing ratio of the Group (defined as the sum of bank borrowings, other borrowings, notes outstanding and bonds, and shareholder loans divided by total equity) increased by 4.95% to 1.240 (31 December 2021: 1.181).

Total equity attributable to shareholders of ordinary shares of the Group amounted to HK\$3,181.03 million as at 30 June 2022 (31 December 2021: HK\$3,387.2 million).

## FUTURE PLAN

Looking forward to the second half of 2022, as the global economy will continue to be subject to considerable uncertainties and the ongoing impact of geopolitics, developed countries will face the rising risk of stagflation, monetary policies will be tightened at an accelerated pace, while emerging markets will be exposed to the potential risk of a debt crisis outbreak. As the Group sees it will be difficult for the global economy to pick up, it will continue with a neutral yet prudent risk appetite, hold steadfast to the bottom line of compliance and risk control, and proceed with the high-quality and sustainable development of its various businesses. Firstly, we will continue to strengthen our fee-based business capabilities, step up the empowerment of fintech, expedite innovation and transformation of our great wealth management business, expand our strength in research, and take the market competitiveness of our large institutional business to a new height. Secondly, we will continue to apply a prudent investment strategy, cautiously develop the capital-intensive business, and improve capital return while vigorously keeping risks under control. Thirdly, we will closely follow development and changes in the capital market, explore more new business segments and make plans for these, and increase the income and profit sources of the Company. Fourthly, we will continue to optimise the mechanism for allocating human, financial and material resources, improve the Company's compliance risk control management system, strengthen the build-up of information systems, improve the quality and efficiency of business and management in a bid to achieve business goals. As 2022 marks the 25th anniversary of Hong Kong's reunification with the motherland, the Group will continue to apply the new development concepts that feature innovation, coordination, greenness, openness and sharing, seize new business opportunities and build a new development pattern on the back of Hong Kong's status as an international financial hub. We will also hold fast to the systematic thinking with a global perspective as well as quality and efficient development, proactively undertake our corporate social responsibility and inject vitality into the vigorous development of Hong Kong's capital market to contribute to the inclusive development of the Hong Kong society.

# Management Discussion and Analysis

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There were no significant investments nor material acquisitions or disposals of subsidiaries and associated companies by the Group for the six months ended 30 June 2022.

## **CHARGES ON GROUP ASSETS**

For the six months ended 30 June 2022, the Group's assets pledged were mainly debt securities pledged as collaterals for repurchase agreements and other borrowings.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2022, the Group had 208 full-time employees (30 June 2021: 204 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2022 was HK\$80.87 million (30 June 2021: HK\$92.96 million). The Group will review its remuneration policy from time to time in accordance with market practice, while the bonus will be distributed with reference to individual performance appraisal, prevailing market condition, and the Group's financial performance. Other employee benefits include contributions to the Mandatory Provident Fund Scheme, medical care insurance etc.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities for the six months ended 30 June 2022 and up to the date of this report.

## **EVENTS AFTER THE REPORTING PERIOD**

Up to the date of this report, the Board was not aware of any significant events related to the business or financial performance of the Group after the reporting period.

## **RISK MANAGEMENT**

### **Risk management framework and mechanism**

The Group has established a comprehensive risk management institutional structure consisting of the Board, management members, Risk Management Committee, Risk Management Department, each functional department, and subsidiaries. The Board assumes the ultimate responsibility for comprehensive risk management in supervising and guiding our risk management, approving risk appetite and controlling overall risk within a reasonable range to ensure that we can implement effective management in risk control for our business activities. The management steers the management of various risks in our operations and promotes the planning, establishment and implementation of its comprehensive risk management system. The Risk Management Committee under the management carries out our risk management efforts within the scope of authority granted by the management. It is responsible for guiding, supervising and coordinating the launching and implementation of our efforts related to risk management, putting forward advice for perfecting and improving its structures and systems to push forward its comprehensive risk management. Led by the Chief Risk Management Officer, the Risk Management Department arranges and promotes our efforts in comprehensive risk management, makes arrangements for the identification, evaluation, monitoring, analysis and testing of the overall risk and total risk and their changing trends faced by us in our operations and management, and puts forward corresponding control measures and response solutions.

# Management Discussion and Analysis

The Group has also established three lines of defence for risk management, namely, effective self-control by each functional department and subsidiaries serves as the first line of defence, professional risk management by the Risk Management Department before and during business operations serves as the second line of defence, and post-supervision and evaluation by the Audit Department serves as the third line of defence. The design of the “three lines of defence” risk management governance structure effectively guarantees the efficiency and effectiveness of risk management.

In addition, the Group has implemented risk appetite, authority management and quota management systems, upheld the business philosophy of stable operation for sustainability based on the neutral and prudent risk appetite determined by the Board, and focused on the development concept of advancing amid stability to accurately identify, prudently evaluate, dynamically monitor, timely respond to and manage during the whole process various risks in our operations, including liquidity, market, credit, operation, reputation, compliance and legal risks in a timely manner and ensure that various risks exposed to the Group can be controlled within a reasonable range that is measurable, controllable and acceptable without spilling over. The Group has made every effort to build a sound institutional structure, operable management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to achieve detectability, measurability, analysis and risk-response in risk management and facilitate its sound business development in the long run and achievement of strategic goals.

## Credit risk

The credit risk of the Group refers to the potential losses resulting from the failure of a debtor or counterparty to perform its obligations under a contract. The Group has established a Risk Management Committee to review and monitor the implementation of credit risk management policies and update relevant risk management policies to cope with changes. The Group has also in place an Investment and Financing Business Review Committee, which is responsible for reviewing and re-examining the policies, transaction limits and credit limits related to credit approval, regularly re-examining existing margin loans to assess the credit risk exposure and taking appropriate measures to mitigate risks.

The Group closely monitors the credit business risk limit indicators, adopts measures such as daily mark-to-market and timely warning. It has established a mechanism for monitoring public sentiment information related to debtors, collaterals and counterparties to effectively handle emergencies and formulate response solutions in advance. It also conducts regular stress tests and takes appropriate measures to make up for or reduce losses and properly resolve risks when it foresees that customers may fail to perform their obligations.

## Liquidity risk

The liquidity risk of the Group refers to the risk of failure to obtain sufficient capital at reasonable cost in time to repay debts which are falling due, perform other payment obligations and meet the capital demand for routine business operation.

The Group has established liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risk, and maintain liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Hong Kong Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)). The Group has set up a multi-level authority mechanism and internal policies for managing and approving the use and allocation of capital. It sets authority restrictions on all of the commitments or capital outflows (such as procurement, investment and loans), and evaluates the impact of such transactions on capital adequacy.

# Management Discussion and Analysis

The Group meets its financing needs primarily through obtaining bank loans from a number of banks and issuing bonds, and constantly explores and expands financing channels and methods. The Group also adopts strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that liquidity planning and management is prepared in advance and that the Group meets the capital requirements stipulated by applicable laws.

## Market risk

The market risk of the Group refers to the risk of potential losses incurred to the Group due to adverse changes in exchange rates, interest rates and prices of financial assets, etc.

The Group has formulated policies and procedures to monitor and control market risk arising from business development. Prior to engaging in any new transaction or launching any new business, each business segment of the Group will arrange staff with professional qualifications and industry experience to discuss and evaluate various market risks and formulate management and mitigation measures for such risks.

The Group has market risk limit indicators in place, and regularly checks and adjusts market strategies to cope with changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group has formulated selection criteria for different bonds and other fixed-income products, prudently selects industries and enterprises, and tracks and monitors macro-economic trends to enhance investment strategies.

## Operation risk

The operation risk of the Group refers to the risk of losses arising from imperfect or defective internal procedures, employees, information systems or external events. The Group's operation risk management mainly aims at promoting a sound operation risk management culture, establishing an operation risk management framework and system tailored for the Company and lowering the frequency and impact of occurrence of operation risk events in accordance with regulatory requirements and our development strategies.

The Group has established an operation risk management framework consisting of the Board, operation management members, Risk Management Committee, Risk Management Department and other departments. Management of operation risk covers all departments and personnel, and penetrates into various business activities, processes and operation stages.

The Group monitors operation risk events through its operation risk policy, risk reporting mechanism, indicators for operation risk limits and risk warnings, etc. It raises the Group's overall awareness of operation risk and steps up operation risk management through sharing cases of operation risk and training, etc. The Risk Management Department regularly conducts analysis on and evaluates operation risk, continuously monitors the status and changes of the Group's operation risk, regularly reports the implementation of indicators, and follows up operational risk to ensure that our loss from operation risk is under control and improve monitoring and management of operation risk.

The Group has established a business continuity management mechanism to enhance its practical ability in responding to emergencies and operation interruptions and ensure its stable and orderly operation.

# Management Discussion and Analysis

## Compliance and legal risks

The Group proactively promotes the establishment of a stable and sound compliance and legal risk management framework, formulates relevant policies, processes and templates, keeps a close eye on the prevailing laws and regulations relating to business operations, and makes timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations to ensure that our business and operations comply with the laws and regulations amended from time to time.

The Group has set up a compliance management structure and established three lines of defence for compliance management. In particular, the Legal and Compliance Department takes the lead in formulating the Group's compliance management policies and procedures, providing compliance advice for various business plans and affairs, closely monitoring the compliance operation of the Group's licensed business activities, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the Legal and Compliance Department will take the lead in conducting legal and compliance training activities for employees from time to time and providing internal guidance for the latest regulatory updates.

The Legal and Compliance Department of the Group is assisted by full-time legal personnel. Meanwhile, the Group has engaged three legal consultants who have cooperated with the Group throughout the years and maintains close relations with other external law firms. Maintaining close ties with full-time legal personnel and external legal consultants or law firms ensures the Group to prevent and address various legal risks in a timely manner.

## Reputation risk

The reputation risk of the Group refers to the risk of public negative views on the Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies due to the Groups' operations, management and other acts or external events. The Group has a sound corporate governance structure, proactively promotes the establishment of a reputation risk management mechanism, adheres to the principles of putting prevention first and reporting in a positive, proactive and timely manner, effectively prevents and addresses reputation risk and conducted all-round and whole-process management over the classification, identification, assessment, reporting, handling and evaluation of reputation risk arising from the operation and management process, so as to reduce losses and negative impact on the reputation and brand image of the Group. During the reporting period, the Group further improved its reputation risk management system, maintained stable public views overall, and did not experience any major reputation risk.

# 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 30 June 2022, 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 the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

### **Long Position in Ordinary Shares of HK\$0.1 each of the Company**

<b>Name of Director</b>	<b>Capacity/Nature</b>	<b>No. of Shares held</b>	<b>Approximate percentage</b>
Huang Yilin (Resigned on 29 July 2022)	Beneficial owner	2,264,384	0.06%
Zeng Yanxia	Beneficial owner	7,204,858	0.18%

Save as disclosed above, as at 30 June 2022, 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 the Model Code, 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 30 June 2022, the following persons/corporations (other than a Director or the Chief Executives) 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 were as follows:

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
Industrial Securities (Hong Kong) Financial Holdings Limited	Beneficial owner	2,077,337,644	51.93%
Industrial Securities Co., Ltd.* (Note 1)	Interest of controlled corporation	2,077,337,644	51.93%
Harvest Capital Management Co., Ltd (Note 2)	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd. (Note 2)	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd. (Note 2)	Interest of controlled corporation	293,232,000	7.33%
Hao Kang Financial Holdings (Group) Limited	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan (Note 3)	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying (Note 4)	Interest of spouse	205,853,089	5.15%

Notes:

- 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 the Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.
- 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 the Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.
- Chen Jiaquan holds 70% of the total issued share capital of Apex Trade 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 Apex Trade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.
- 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.

\* For identification purpose only



# Other Information

Save as disclosed above, as at 30 June 2022, the Company has not been notified by any persons, other than the Directors and the Chief Executives who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were 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 six months ended 30 June 2022.

## 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 or the controlling shareholders of the Company nor their respective close associates as defined in the Listing Rules had any interest in business that competed or might compete with business of the Group during the six months ended 30 June 2022.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2021 annual report of the Company are set out below:

Director	Details of Change
Hong Ying	The annual remuneration has been revised to HK\$300,000 with effect from 27 July 2022
Tian Li	The annual remuneration has been revised to HK\$300,000 with effect from 27 July 2022
Qin Shuo	The annual remuneration has been revised to HK\$270,000 with effect from 27 July 2022

## CONTINUING DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

On 27 October 2020, the Company as borrower entered into a supplemental facility letter (the "Supplemental Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of up to HK\$500,000,000 (or its equivalent in USD). As a condition of the Supplemental Facility Letter, it shall be an event of default if Industrial Securities Co., Ltd.\* ("Industrial Securities") ceases to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company.

On 31 December 2020, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of up to HK\$800,000,000. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to remain as the single largest shareholder of the Company.

On 31 December 2020, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of up to HK\$200,000,000. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to beneficially own (directly or indirectly) at least 51% of the issued share capital of the Company and ceases to maintain the absolute management control over the Company.

\* For identification purpose only

## Other Information

On 22 October 2021, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender to renew an uncommitted revolving loan facility in an aggregate amount of up to HK\$2,000,000,000. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own and maintain (directly or indirectly) at least 51% of the issued share capital of the Company and ceases to maintain control over the Company.

On 28 December 2021, the Company and China Industrial Securities International Brokerage Limited ("CISI Brokerage"), a direct wholly owned subsidiary of the Company, as borrower, entered into a facility letter (the Facility Letter A") with a bank as lender, pursuant to which the lender has agreed to make available an uncommitted short-term loan facility in an aggregate amount of up to HK\$900,000,000 to the Company and CISI Brokerage. As a condition of the Facility Letter A, it shall be an event of default if Industrial Securities ceases to beneficially own (either directly or indirectly) at least 51% of the issued share capital of the Company and CISI Brokerage.

On 28 December 2021, CISI Brokerage as borrower entered into a short-term loan for initial public offering financing facility letter (the "Facility Letter B") with a bank as lender, pursuant to which the maximum amount will be determined by the lender at sole absolute discretion on or before each loan advance to the Company. As a condition of the Facility Letter B, it shall be an event of default if Industrial Securities ceases to beneficially own (either directly or indirectly) at least 51% of the issued share capital of the Company and CISI Brokerage.

On 28 December 2021, the Company as borrower entered into a facility letter (the "Facility Letter C") with a bank as lender, pursuant to which the lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$50,000,000 (or its equivalent in HKD) to the Company. As a condition of the Facility Letter C, it shall be an event of default if Industrial Securities ceases to legally and beneficially own (either directly or indirectly) at least 51% of the issued share capital of the Company and ceases to maintain the management control over the Company.

On 1 April 2022, the Company as borrower entered into a facility letter (the "Facility Letter A") with a bank as lender, pursuant to which the lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$20,000,000 (or its equivalent in HKD or RMB) to the Company. As a condition of the Facility Letter A, it shall be an event of default if Industrial Securities ceases to own (either directly or indirectly) at least 51% of the issued share capital of the Company.

On 1 April 2022, the Company as borrower entered into a facility letter (the "Facility Letter B") with a bank as lender to supersede the previous facility letter dated 20 January 2021 and its supplementary facility letter, pursuant to which the lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$50,000,000 (or its equivalent in HKD or RMB or other currencies acceptable to the lender) to the Company. As a condition of the Facility Letter B, it shall be an event of default if Industrial Securities ceases to own (either directly or indirectly) not less than 51% of the issued share capital of the Company.

On 12 May 2022, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an offshore revolving loan facility in an aggregate amount of up to US\$50,000,000 (or its equivalent in HKD). As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain (directly or indirectly) control over the Company.

As at the date of this report, the above specific performance obligations imposed on Industrial Securities under the aforesaid facility letters continued to exist.

# Other Information

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2022.

## **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 14 to the Listing Rules during the six months ended 30 June 2022.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference in compliance with the Listing Rules and code provisions under the CG Code. The Audit Committee currently comprises a non-executive Director and two independent non-executive Directors, namely Mr. Hu Pingsheng, 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 six months ended 30 June 2022 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 Listing Rules and other applicable legal requirements and that adequate disclosures have been made.