



兴证国际

INDUSTRIAL SECURITIES INTERNATIONAL

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

2021

INTERIM REPORT



# Contents

Corporate Information	2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Financial Position	4
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Statement of Cash Flows	7
Notes to the Condensed Consolidated Financial Statements	8
Management Discussion and Analysis	34
Other Information	41

# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Director

Mr. Huang Yilin (*Chairman*)

### Executive Directors

Mr. Li Baochen (*Chief Executive Officer*)

Mr. Wang Xiang

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. Huang Yilin

Mr. Tian Li

### Remuneration Committee

Mr. Tian Li (*Chairman*)

Mr. Huang Yilin

Mr. Qin Shuo

### Nomination Committee

Mr. Huang Yilin (*Chairman*)

Mr. Tian Li

Mr. Qin Shuo

## COMPANY SECRETARY

Ms. Tsang Wing Man (appointed on 10 March 2021)

## AUTHORISED REPRESENTATIVES

Ms. Zhang Chunjuan

Mr. Wang Xiang (appointed on 18 February 2021 and resigned on 10 March 2021)

Ms. Tsang Wing Man (appointed on 10 March 2021)

## 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 SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

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.xyzq.com.hk](http://www.xyzq.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 2021 together with the comparative figures as follows:

	Note	For the six months ended 30 June	
		2021 HK\$ Unaudited	2020 HK\$ Unaudited
Commission and fee income from customers	3	151,048,768	177,879,148
Interest revenue	3	73,719,676	99,064,775
Net investment income and gains or losses	3	200,981,728	128,977,720
Total revenue	3	425,750,172	405,921,643
Other income	3	10,635,200	79,062,057
Share of result of a joint venture		(7,418,150)	8,078,154
Finance costs		(113,837,802)	(317,055,110)
Commission and fee expenses		(45,066,273)	(24,246,961)
Staff costs	5	(92,955,332)	(79,198,981)
Other operating expenses		(80,314,006)	(81,879,601)
Impairment losses on financial assets	5	(48,710,991)	(293,124,787)
Other gains or losses	5	14,322,874	(22,057,759)
Profit/(loss) before taxation	5	62,405,692	(324,501,345)
Taxation	6	(8,574,432)	38,660,100
Profit/(loss) for the period		53,831,260	(285,841,245)
Total comprehensive income for the period attributable to owners of the Company		53,831,260	(285,841,245)
Earnings/(loss) per share			
Basic (expressed in HK\$)	8	0.0135	(0.0715)

The notes on pages 8 to 33 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

	<i>Note</i>	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
<b>Non-current assets</b>			
Property and equipment		<b>78,259,859</b>	97,076,576
Intangible assets		<b>9,595,261</b>	11,724,831
Interest in a joint venture		<b>28,768,055</b>	36,186,205
Financial assets at fair value through profit or loss	9	–	51,235,662
Reverse repurchase agreements		<b>86,970,240</b>	90,799,345
Statutory deposits		<b>19,702,111</b>	26,919,725
Deferred tax assets		<b>123,933,491</b>	124,540,847
Deposits, other receivables, prepayments and other assets		<b>16,655,281</b>	16,820,086
		<b>363,884,298</b>	455,303,277
<b>Current assets</b>			
Accounts receivable	10	<b>6,347,443,645</b>	3,481,413,395
Reverse repurchase agreements		<b>161,697,853</b>	398,139,045
Financial assets at fair value through profit or loss	9	<b>6,463,483,331</b>	7,965,083,925
Statutory deposits		<b>31,007,936</b>	24,096,174
Deposits, other receivables, prepayments and other assets		<b>137,047,529</b>	332,617,739
Tax receivable		<b>7,618,062</b>	6,160,483
Bank balances – trust accounts		<b>5,333,030,803</b>	3,314,652,509
Bank balances – general accounts and cash		<b>4,154,195,135</b>	2,286,224,348
		<b>22,635,524,294</b>	17,808,387,618
<b>Current liabilities</b>			
Accounts payable	12	<b>6,783,596,657</b>	4,012,906,529
Accruals and other payables		<b>115,117,335</b>	172,261,819
Amount due to a fellow subsidiary		<b>1,947,897</b>	1,351,510
Contract liabilities		<b>1,663,970</b>	426,924
Tax payable		<b>2,407,952</b>	5,949,647
Financial liabilities at fair value through profit or loss	11	<b>102,359,401</b>	151,539,955
Repurchase agreements		<b>2,544,761,601</b>	3,235,028,200
Bank borrowings	13	<b>3,920,233,891</b>	3,823,475,258
Other borrowings	14	<b>168,320,174</b>	766,958,032
Notes	15	–	69,769,800
Lease liabilities		<b>37,325,638</b>	35,251,162
Other liabilities		<b>255,365,163</b>	301,753,853
		<b>13,933,099,679</b>	12,576,672,689
<b>Net current assets</b>		<b>8,702,424,615</b>	5,231,714,929

# Condensed Consolidated Statement of Financial Position

	<i>Note</i>	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
<b>Non-current liabilities</b>			
Bonds	16	<b>2,341,150,134</b>	–
Deferred tax liabilities		<b>20,843</b>	22,429
Amount due to the immediate holding company	17	<b>2,290,734,000</b>	2,286,899,000
Lease liabilities		<b>33,468,343</b>	52,992,444
		<b>4,665,373,320</b>	2,339,913,873
<b>Net assets</b>			
		<b>4,400,935,593</b>	3,347,104,333
<b>Capital and reserves</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>(832,979,496)</b>	(886,810,756)
Other reserve		<b>11,577,844</b>	11,577,844
Capital reserve		<b>442,441,821</b>	442,441,821
Other equity instrument	19	<b>1,000,000,000</b>	–
<b>Equity attributable to owners of the Company</b>			
		<b>4,400,935,593</b>	3,347,104,333

The notes on pages 8 to 33 form part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Equity attributable to owners of the Company							Other equity instrument HK\$	Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Accumulated loss HK\$	Total reserves HK\$			
	At 1 January 2021 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(886,810,756)	3,347,104,333		
Profit and total comprehensive income for the period	-	-	-	-	53,831,260	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)	3,400,935,593	1,000,000,000	4,400,935,593	

For the six months ended 30 June 2020

	Equity attributable to owners of the Company						Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Accumulated loss HK\$		
	At 1 January 2020 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(394,273,173)	
Loss and total comprehensive income for the period	-	-	-	-	(285,841,245)	(285,841,245)	
At 30 June 2020 (unaudited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(680,114,418)	3,553,800,671	

The notes on pages 8 to 33 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	For the six months ended 30 June	
		2021 HK\$ Unaudited	2020 HK\$ Unaudited
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(692,946,987)</b>	(104,129,975)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,104,024)	(3,927,088)
Purchase of intangible assets		(482,489)	(35,053,287)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(1,586,513)</b>	(38,980,375)
<b>FINANCING ACTIVITIES</b>			
Interest paid		(116,402,907)	(259,198,373)
Bank borrowings raised		44,694,144,990	15,838,000,148
Repayments of bank borrowings		(44,594,144,990)	(19,702,000,148)
Other borrowings raised		–	1,697,397,516
Repayments of other borrowings		(598,444,639)	(175,133,131)
Redemption of a note		(69,769,800)	(31,148,400)
Issuance of Perpetual Securities	19	1,000,000,000	–
Issuance of bonds	16	2,325,870,000	–
Loan from the immediate holding company		–	2,297,194,500
Capital element of lease rentals paid		(17,449,625)	(19,055,659)
Interest element of lease rentals paid		(1,620,022)	(722,262)
Contribution from third-party unitholders/shareholders of consolidated investment funds		97,640,732	26,259,565
Withdrawals from third-party unitholders/shareholders of consolidated investment funds		(157,319,452)	(47,189,042)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>2,562,504,287</b>	(375,595,286)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,867,970,787</b>	(518,705,636)
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD</b>		<b>2,286,224,348</b>	5,359,950,333
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD</b>		<b>4,154,195,135</b>	4,841,244,697
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY</b>			
Bank balances — general accounts and cash		4,154,195,135	4,841,244,697
<b>NET CASH USED IN OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		181,735,906	415,179,169
Dividend received		4,128,522	11,403,920

The notes on pages 8 to 33 form part of this interim financial report.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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)"). China 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 20 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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").

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### (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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### **Interest Rate Benchmark Reform – Phase 2: Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

### Revenue

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
<b>Commission and fee income from customers</b>		
Brokerage:		
Commission and fee income from securities brokerage	<b>109,457,746</b>	72,565,014
Commission and fee income from futures and options brokerage	<b>10,915,267</b>	10,385,147
Insurance brokerage commission income	<b>1,030,034</b>	1,014,503
	<b>121,403,047</b>	83,964,664
Corporate finance:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	<b>10,815,154</b>	20,821,576
– Equity securities	<b>1,893,919</b>	5,767,303
Corporate advisory fee income	<b>1,324,560</b>	1,765,962
Sponsor fee income	<b>1,027,258</b>	6,500,000
Arrangement fee income	<b>1,008,559</b>	49,064,104
	<b>16,069,450</b>	83,918,945
Asset management:		
Asset management fee income	<b>11,164,825</b>	7,536,139
Investment advisory fee income	<b>2,411,446</b>	2,459,400
	<b>13,576,271</b>	9,995,539
	<b>151,048,768</b>	177,879,148
<b>Interest revenue</b>		
Loans and financing:		
Interest income from margin financing	<b>65,418,803</b>	78,896,657
	<b>65,418,803</b>	78,896,657
Financial products and investments:		
Interest income from reverse repurchase agreements	<b>8,300,873</b>	20,168,118
	<b>73,719,676</b>	99,064,775

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 3. REVENUE AND OTHER INCOME (Continued)

### Revenue (Continued)

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
<b>Net investment income and gains or losses</b>		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	144,896,933	242,108,219
Dividend income from financial assets at fair value through profit or loss	3,769,655	11,403,920
Net realised gain/(loss) on financial assets at fair value through profit or loss	60,497,432	(29,316,433)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	52,852,225	(49,628,133)
Interest income from derivatives	4,874,117	3,207,193
Net realised gain/(loss) on derivatives	360,638	(40,898,571)
Net unrealised gain/(loss) on derivatives	5,045,392	(935,074)
Net realised loss on financial liabilities at fair value through profit or loss	(27,146,814)	–
Net unrealised loss on financial liabilities at fair value through profit or loss	(44,167,850)	(6,963,401)
	<b>200,981,728</b>	128,977,720
	<b>425,750,172</b>	405,921,643

Timing of revenue recognition for commission and fee income from customers

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
A point in time	134,779,358	157,156,595
Over time	16,269,410	20,722,553
	<b>151,048,768</b>	177,879,148

### Other income

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
Interest income from financial institutions	8,533,151	70,798,982
Sundry income	2,102,049	8,263,075
	<b>10,635,200</b>	79,062,057

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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.

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

	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>							
Revenue from external customers	121,403,047	65,418,803	16,069,450	13,576,271	8,300,873	-	224,768,444
Net gains on financial products and investments	-	-	-	-	200,981,728	-	200,981,728
Inter-segment revenue	140,306	-	-	10,297,446	-	(10,437,752)	-
Segment revenue and net gains on financial products and investments	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							425,750,172
Segment results	62,843,137	(44,330,148)	(9,014,216)	7,468,602	86,078,266	-	103,045,641
Unallocated expenses							(40,639,949)
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							62,405,692

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 4. SEGMENT REPORTING (Continued)

### For the six months ended 30 June 2020 (unaudited)

	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>							
Revenue from external customers	83,964,664	78,896,657	83,918,945	9,995,539	20,168,118	–	276,943,923
Net gains on financial products and investments	–	–	–	–	128,977,720	–	128,977,720
Inter-segment revenue	809,484	–	–	10,039,795	–	(10,849,279)	–
Segment revenue and net gains on financial products and investments	84,774,148	78,896,657	83,918,945	20,035,334	149,145,838	(10,849,279)	405,921,643
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income							405,921,643
Segment results	34,016,213	(273,640,828)	59,511,794	4,580,914	(95,133,290)	–	(270,665,197)
Unallocated expenses							(53,836,148)
Loss before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income							(324,501,345)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 5. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	<b>92,955,332</b>	79,198,981
Salaries and bonuses	<b>91,195,281</b>	77,165,019
Contribution to the Mandatory Provident Fund Scheme	<b>1,556,820</b>	1,745,062
Other staff costs	<b>203,231</b>	288,900
Legal and professional fee	<b>3,056,951</b>	9,229,884
Amortisation of intangible assets	<b>2,612,059</b>	1,402,923
Depreciation		
Owned property and equipment	<b>2,147,325</b>	5,940,474
Right-of-use assets	<b>17,773,416</b>	16,151,146
Maintenance fee	<b>14,818,337</b>	13,336,341
Impairment losses on financial assets		
Secured margin loans	<b>48,710,991</b>	293,124,787
Other gains or losses	<b>(14,322,874)</b>	22,057,759
Exchange (gain)/loss	<b>(27,612,904)</b>	25,006,735
Other loss/(gain)	<b>13,290,030</b>	(2,948,976)

## 6. TAXATION

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
Hong Kong Profits Tax:		
Current period	<b>957,225</b>	401,044
Under provision in prior year	<b>7,011,437</b>	-
	<b>7,968,662</b>	401,044
Deferred tax:		
Current period	<b>605,770</b>	(39,061,144)
	<b>8,574,432</b>	(38,660,100)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 6. TAXATION *(Continued)*

The provision for Hong Kong Profits Tax is calculated by applying the annual effective tax rate of 16.5% (2020: 16.5%) to the estimated assessable profit for the six months ended 30 June 2021, 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 2020.

## 7. DIVIDENDS

No dividend in respect of the year ended 31 December 2020 and 2019 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 2021 and 2020.

## 8. EARNINGS/(LOSS) PER SHARE

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

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
Earnings/(loss) (HK\$)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share:		
Profit/(loss) for the period attributable to owners of the Company	<b>53,831,260</b>	(285,841,245)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>4,000,000,000</b>	4,000,000,000

For each of the six months ended 30 June 2021 (unaudited) and 30 June 2020 (unaudited), there were no potential ordinary shares in issue, thus no diluted earnings/(loss) per share is presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Equity securities		
– Listed in Hong Kong	<b>206,055,321</b>	124,351,852
– Listed outside Hong Kong	<b>105,440,036</b>	200,123,632
– Unlisted	<b>45,546,836</b>	82,391,034
Debt securities		
– Listed in Hong Kong	<b>2,865,579,257</b>	4,384,119,985
– Listed outside Hong Kong	<b>709,766,826</b>	937,408,369
– Unlisted	<b>1,630,530,514</b>	1,399,740,028
Funds		
– Unlisted	<b>116,764,666</b>	101,334,311
Convertible bonds		
– Unlisted	<b>783,799,875</b>	785,125,589
Forward contract	–	1,724,787
	<b>6,463,483,331</b>	8,016,319,587
Analysed as		
Current	<b>6,463,483,331</b>	7,965,083,925
Non-current	–	51,235,662
	<b>6,463,483,331</b>	8,016,319,587

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 10. ACCOUNTS RECEIVABLE

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	<b>2,235,797,509</b>	2,765,621,831
Less: impairment allowance	<b>(789,510,708)</b>	(740,912,592)
	<b>1,446,286,801</b>	2,024,709,239
Clearing houses	<b>148,548,222</b>	609,551,677
Cash clients	<b>132,899,710</b>	117,777,671
Brokers	<b>101,392,863</b>	42,646,443
Clients for subscription of new shares in initial public offering	<b>3,528,125,001</b>	274,018,530
Less: impairment allowance	<b>(329,249)</b>	(329,249)
	<b>3,910,636,547</b>	1,043,665,072
	<b>5,356,923,348</b>	3,068,374,311
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	<b>56,748,494</b>	18,610,148
Brokers	<b>218,142,176</b>	281,876,004
Less: impairment allowance	<b>(88,000)</b>	(88,000)
	<b>274,802,670</b>	300,398,152
Accounts receivable arising from the business of corporate finance	<b>4,495,693</b>	4,424,533
Accounts receivable arising from the business of asset management	<b>13,060,155</b>	5,961,061
Less: impairment allowance	<b>(1,938,178)</b>	(1,938,178)
	<b>11,121,977</b>	4,022,883
Accounts receivable arising from the business of financial products and investments:		
Brokers	<b>700,099,957</b>	104,193,516
	<b>6,347,443,645</b>	3,481,413,395

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 10. ACCOUNTS RECEIVABLE *(Continued)*

### Secured margin loans

As at 30 June 2021 and 31 December 2020, 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 2021

## 10. 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 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Less than 31 days	<b>2,349,694</b>	422,502
31–60 days	<b>1,025,395</b>	1,124,069
61–90 days	<b>194</b>	1,627,962
91–180 days	<b>33,282</b>	1,250,000
Over 180 days	<b>1,087,128</b>	–
	<b>4,495,693</b>	4,424,533

#### Asset management clients

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Less than 31 days	<b>1,621,833</b>	1,941,120
31–60 days	<b>3,221,820</b>	671,293
61–90 days	<b>2,745,250</b>	544,145
91–180 days	<b>2,618,951</b>	953,008
Over 180 days	<b>2,852,301</b>	1,851,495
	<b>13,060,155</b>	5,961,061

During the six months ended 30 June 2021 and the year ended 31 December 2020, 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 2021

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

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
<b>Held for trading</b>		
Short position in listed equity securities	<b>13,050,000</b>	13,620,000
Credit derivatives	<b>1,945,801</b>	2,608,596
	<b>14,995,801</b>	16,228,596
<b>Designated at fair value through profit or loss</b>		
Unlisted issued structured products	<b>87,363,600</b>	135,311,359
	<b>87,363,600</b>	151,539,955
Analysed as:		
Current	<b>102,359,401</b>	151,539,955
Non-current	-	-
	<b>102,359,401</b>	151,539,955

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 12. ACCOUNTS PAYABLE

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	<b>119,234,273</b>	33,721,689
Brokers	<b>163,527,511</b>	7,282,756
Clients	<b>5,049,095,574</b>	3,437,314,808
	<b>5,331,857,358</b>	3,478,319,253
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	<b>524,440,917</b>	534,574,034
Accounts payable arising from the business of financial products and investments:		
Brokers	<b>927,298,382</b>	13,242
	<b>6,783,596,657</b>	4,012,906,529

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 2021

## 12. 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.

For secured margin loans from brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at the prevailing market interest rate. Only the amounts in excess of the required margin deposits are repayable on demand.

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 2021 (31 December 2020: HK\$78,718,717).

## 13. BANK BORROWINGS

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Variable rate borrowings, repayable within one year and contain a repayable on demand clause	<b>3,920,233,891</b>	3,823,475,258

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 2021 ranged from Hong Kong Interbank Offered Rate ("HIBOR") +1.3% to HIBOR+2.4% (31 December 2020: HIBOR+1.3% to HIBOR+2.4%).

At 30 June 2021, HK\$3,920,000,000 (31 December 2020: HK\$3,820,000,000) had been drawn by the Group under the aggregated banking facilities of HK\$8,227,500,000 (31 December 2020: HK\$8,940,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK\$5,000,000,000 as at 30 June 2021 (31 December 2020: HK\$5,000,000,000). Out of which HK\$1,020,000,000 had been drawn as at 30 June 2021 (31 December 2020: HK\$3,220,000,000).

No bank borrowings were secured by charges over client's pledged securities as at 30 June 2021 and 31 December 2020.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 14. OTHER BORROWINGS

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Fixed rate ranged from 1.15% to 3.20% (31 December 2020: 1.15% to 3.20%)	<b>168,320,174</b>	766,958,032

The other borrowings were repayable within one year (31 December 2020: one to two years) and contain a repayable on demand clause. As at 30 June 2021, client securities amounting to HK\$125,175,024 (31 December 2020: HK\$120,159,100) and financial assets at fair value through profit or loss amounting to HK\$278,096,140 (31 December 2020: 1,115,652,535) have been pledged to other borrowings.

## 15. NOTES

In 2020, the Company's wholly owned subsidiary issued guaranteed notes with a fixed rate of 1.3% per annum and one year maturity which were guaranteed by the Company. The guaranteed notes were repaid in 2021.

## 16. BONDS

In February 2021, the Company issued US\$300 million (equivalent to HK\$2,325,870,000) corporate bonds with fixed interest rate of 2% per annum with 3 years maturity which is guaranteed by Industrial Securities.

## 17. AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

	<b>As at 30 June 2021 HK\$ Unaudited</b>	As at 31 December 2020 HK\$ Audited
Amount due to the immediate holding company	<b>2,290,734,000</b>	2,286,899,000

In January 2020, the Group borrowed USD295,000,000 (equivalent to HK\$2,297,194,500) from the immediate holding company, Industrial Securities (Hong Kong).

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2020, 31 December 2020, 1 January 2021 and 30 June 2021	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	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") with an initial distribution rate of 1.58% per annum. Distributions are paid annually in arrears and the first distribution date is 16 June 2022. The Company may, at its sole discretion, elect to defer, in whole or in part, any distribution. The Perpetual Securities have no fixed redemption date and may be redeemed in whole or in part at any time at the sole discretion of the Company on giving prior notice to the holder of the Perpetual Securities, in accordance with the terms and conditions stated in the subscription agreement. The first reset date of distribution rate is 16 June 2024. The Perpetual Securities constitute direct, unconditional, unsecured and subordinated obligations of the Company and are classified as other equity instruments and recorded as equity in the condensed consolidated statement of financial position.

## 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 2020.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20. FINANCIAL INSTRUMENTS *(Continued)*

### 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 2021 and 31 December 2020.

### 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.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2021 HK\$ Unaudited	31 December 2020 HK\$ Audited		
<b>1) Financial assets at fair value through profit or loss</b>				
Equity securities				
– Traded on stock exchanges	<b>311,495,357</b>	324,475,484	Level 1	Quoted price in active markets

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021 HK\$ Unaudited	31 December 2020 HK\$ Audited		
<b>1) Financial assets at fair value through profit or loss (Continued)</b>				
– Unlisted	<b>45,546,836</b>	82,391,034	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 (note a)
Debt securities (note b)				
– Traded on stock exchanges and unlisted	<b>5,205,876,597</b>	6,671,046,403	Level 2	Quoted from brokers or market makers
– Unlisted	-	50,221,979	Level 2	Recent transaction price

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021 HK\$ Unaudited	31 December 2020 HK\$ Audited		
<b>1) Financial assets at fair value through profit or loss</b> <i>(Continued)</i>				
Convertible bonds				
– Unlisted	<b>783,799,875</b>	–	Level 2	Quoted from brokers or market makers or last tradable price
– Unlisted	–	785,125,589	Level 2	Recent transaction price
Funds				
– Unlisted	<b>104,836,320</b>	–	Level 2	Observable quoted price of underlying investments in active market
– Unlisted	<b>11,928,346</b>	6,898,649	Level 3	NAV of fund ( <i>note c</i> )
– Unlisted	–	94,435,662	Level 2	Recent transaction price
Forward contract (with the underlying investment related to unlisted fund)	–	1,724,787	Level 2	Discounted cash flow model applying recent transaction price
	<b>6,463,483,331</b>	8,016,319,587		

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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 2021 HK\$ Unaudited	31 December 2020 HK\$ Audited		
<b>2) Financial liabilities held for trading</b>				
Short position in listed equity securities	<b>13,050,000</b>	13,620,000	Level 1	Quoted price in active market
Credit derivative	<b>1,945,801</b>	2,608,596	Level 3	Credit spread <i>(note d)</i>
	<b>14,995,801</b>	16,228,596		
<b>3) Financial liabilities designated at fair value through profit or loss</b>				
Unlisted structured products (with the underlying investment related to listed securities)	<b>87,363,600</b>	–	Level 2	Observable quoted price of underlying investments in active market
Unlisted structured product (with the underlying investment related to unlisted debt security)	–	135,311,359	Level 2	Observable quoted price of underlying investment from market makers
	<b>87,363,600</b>	135,311,359		

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 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:

- (a) 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.
- (b) The unobservable inputs are the future cash flow and discount rate. Due to limitation of public information, management has exercised significant judgement in determining the future cash flow and discount rate. The directors of the Company considered that the relationship of future cash flow to the fair value of such investment is in positive relationship that the higher the future cash flow adopted in the valuation assessment, the higher the fair value would be resulted. The directors of the Company considered that the relationship of the discount rate 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.
- (c) 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.
- (d) 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 2021 and 2020.

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

	2021		2020	
	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	(2,608,596)	89,289,683	(8,460,016)	310,414,419
Total gains/(loss) in profit or loss	662,795	(31,814,501)	1,610,235	(45,203,718)
As at 30 June	(1,945,801)	57,475,182	(6,849,781)	265,210,701

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 20. FINANCIAL INSTRUMENTS (Continued)

### Derivative financial instruments

	Notional Amount		Fair Value			
			Assets		Liabilities	
	As at 30 June 2021 HK\$ Unaudited	As at 31 December 2020 HK\$ Audited	As at 30 June 2021 HK\$ Unaudited	As at 31 December 2020 HK\$ Audited	As at 30 June 2021 HK\$ Unaudited	As at 31 December 2020 HK\$ Audited
Foreign currency exchange futures	<b>390,514,206</b>	233,180,105	<b>1,919,922</b>	–	–	2,070,595
Interest rate futures	<b>562,977,000</b>	213,185,500	<b>1,156,954</b>	454,230	<b>1,246,679</b>	–
<b>Total</b>	<b>953,491,206</b>	446,365,605	<b>3,076,876</b>	454,230	<b>1,246,679</b>	2,070,595
Less: Settlement			<b>(3,076,876)</b>	(454,230)	<b>(1,246,679)</b>	(2,070,595)
Net position			–	–	–	–

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 2021 and 31 December 2020.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 21. ACQUISITION OF A CONSOLIDATED STRUCTURED ENTITY

In May 2021, the Group acquired approximately 100% of issued units of CISI Pioneer Selection Fund SP for a consideration of HK\$85,000,000.

	HK\$
<b>Consideration transferred</b>	
Cash	85,000,000
<b>Assets acquired at the date of acquisition</b>	
Cash and cash equivalent	85,000,000
<b>Net assets acquired at the date of acquisition attributable to the Group</b>	
Net assets acquired at the date of acquisition	85,000,000
Proportion of the Group's interest	100%
Net assets acquired at the date of acquisition attributable to the Group	85,000,000
<b>Net cash flow on acquisition of a consolidated structured entity</b>	
Cash and cash equivalent balances acquired	85,000,000
Less: consideration paid in cash	(85,000,000)
	-

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

## 22. 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 2021 and 2020 was as follows:

	For the six months ended 30 June	
	2021 HK\$ Unaudited	2020 HK\$ Unaudited
Salary and short-term benefits	24,142,616	14,173,461
Post-employment benefits	93,000	63,000

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

Pursuant to service agreement entered into between the Company and Industrial Securities (Shenzhen), dated 27 September 2016 (the "Service Agreement"), Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%. On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"), pursuant to which the Company required broader services from Industrial Securities (Shenzhen) including provision of services and support to the Group's clients in core regions in the PRC, brand establishment and promotion and provision of cross-border information technology support. During the six months ended 30 June 2021, the Company paid a consultancy service fee of HK\$16,603,925 (2020: HK\$7,748,904) under the 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.

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

In January 2020, the Group borrowed USD295,000,000 (equivalent to HK\$2,297,194,500) 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 2021 was HK\$33,196,038 (30 June 2020: HK\$33,230,115).

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

### (d) Outstanding balances with related parties:

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount	Maximum amount outstanding	Carrying amount	Maximum amount outstanding
	HK\$	HK\$	HK\$	HK\$
	Unaudited	Unaudited	Audited	Audited
Amount due to the immediate holding company – Industrial Securities (Hong Kong)	2,290,734,000	2,293,861,000	2,286,899,000	2,299,849,500

Amount due to the immediate holding company is unsecured, repayable in 2022 and bears interest at a rate of 2.9% per annum.

## 23. 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 2021, loss from changes in interests held by third-party unit holders/shareholders of HK\$13,290,030 (2020: gain of HK\$2,948,946) 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\$255,365,163 (31 December 2020: HK\$301,753,853) as at 30 June 2021 are included in other liabilities in the condensed consolidated statement of financial position.

# Management Discussion and Analysis

## HONG KONG CAPITAL MARKET REVIEW

As of the end of June 2021, the Hang Seng Index closed at 28,828, edging up by 5.86% from the end of 2020. In the primary market, the total amount of proceeds raised in the first half of 2021 reached HK\$482.5 billion, an increase of 107.69% from the corresponding period in 2020, of which HK\$210.4 billion was raised from IPOs, representing an increase of 126.64% from the same period of 2020. A total of 46 companies went public in the first half of 2021, a year-on-year decrease of 28.13%. In the secondary market, the average daily turnover of securities in the first half of 2021 was HK\$188.2 billion, a year-on-year increase of 60.08%. As of the end of June 2021, capitalization of the Hong Kong securities market totaled HK\$52.84 trillion, an increase of 11.19% from the end of 2020.

During the first half of 2021, amid recovering consumer sentiment following China's effective control over COVID-19 pandemic, and ample liquidity thanks to quantitative easing measures adopted in Hong Kong and surrounding markets, coupled with new regulatory updates in the domestic market, including enhanced efforts to crack down on misconducts in the A share market, the Hong Kong capital market appealed to more Chinese enterprises and funds, and witnessed a drastic rebound from the depression recorded in 2020. In terms of overseas business presence, Chinese brokers continue to draw upon their advantages to further strengthen competitiveness in the Hong Kong market.

## RESULTS AND OVERVIEW OF THE COMPANY

For the six months ended 30 June 2021, the Group recorded operating revenue of HK\$425.75 million (2020: HK\$405.92 million), and net profit of HK\$53.83 million, representing a turnaround from loss to profit of HK\$339.67 million. For the six months ended 30 June 2021, average return on equity of the Group amounted to 1.39%, a year-on-year increase of 9.12 percentage points. The Group achieved profitability primarily attributable to the increase in revenue from proprietary business and brokerage business and the decrease in provision for expected credit losses of accounts receivable arising from margin loans.

For the six months ended 30 June 2021, the Group's operating revenue from brokerage services, corporate finance services, asset management services, loans and financing services, financial products and investments saw an increase of 44.59%, a decrease of 80.85%, an increase of 35.82%, a decrease of 17.08% and an increase of 40.32% 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 2021, the Group recorded commission and fee income from brokerage services of HK\$121.40 million (2020: HK\$83.96 million), representing a year-on-year increase of 44.59%. We continued to cement the foundation and market competitiveness of the brokerage business, and achieved progress in the transformation and innovation of the wealth management business. As at the end of June 2021, the number of securities brokerage customers was 42,334, an increase of 16.62% from the beginning of the year. For the six months ended 30 June 2021, the overall turnover was HK\$104,768 million, a year-on-year increase of 22.40%. In particular, the trading volume of Hong Kong stocks recorded a year-on-year increase of 65%, which was above the market average of 60%. According to the Stock Exchange (second quarter of 2021), the Group ranked 67th among 604 active exchange participants, moving up 1 place from 2020.

# Management Discussion and Analysis

## Corporate finance

For the six months ended 30 June 2021, the Group recorded income from corporate finance business of HK\$16.07 million (2020: HK\$83.92 million), representing a year-on-year decrease of 80.85%.

Specifically, commission income on placing, underwriting and sub-underwriting of debt securities amounted to HK\$10.82 million (2020: HK\$20.82 million), representing a year-on-year decrease of 48.06%; and arrangement fee amounted to HK\$1.01 million (2020: HK\$49.06 million), representing a year-on-year decrease of 97.94%. The decrease in income was due to the decline in underwriting fee as a result of intensified industry competition and efforts made by the Group to adjust and optimize business structure by raising the barrier for undertaking new projects and take the initiative to reduce high-yielding property projects. Nevertheless, market competitiveness of the Company's bond undertaking business was boosted and its project quality and mix was further improved. According to Bloomberg data, for the six months ended 30 June 2021, the Group underwrote US\$554.59 million of USD bonds in total in the capacity above JBR, ranking eighth among Chinese brokers, two places up from the previous year.

Commission income on placing, underwriting and sub-underwriting of equity securities amounted to HK\$1.89 million (2020: HK\$5.77 million), representing a year-on-year decrease of 67.16%, primarily due to the fact that certain listing sponsoring business suffered a delay as a result of the COVID-19 pandemic, resulting in a corresponding delay in revenue recognition during the period. However, the overall market awareness of equity investment banking business was enhanced. For the six months ended 30 June 2021, the total equity financing amount of the Group (including share underwriting) was US\$247.69 million, ranking seventh among Chinese brokers, up by eight places from the previous year.

## Asset management

For the six months ended 30 June 2021, the Group recorded income from asset management business of HK\$13.58 million (2020: HK\$10.00 million), representing a year-on-year increase of 35.82%. As at the end of June 2021, the Group's assets under management (AUM) amounted to HK\$9,334 million, representing an increase of 27.73% from the beginning of the year. Among them, China Core Asset Fund, the Group's first public fund, had an AUM of HK\$445 million as at the end of June 2021, an increase of 20.51% from the beginning of the year, and had been approved for Mainland-Hong Kong Mutual Recognition of Funds on 30 April 2021.

## Loans and financing

In the first half of 2021, the Group continued to optimise its customer structure and scaled down margin financing, resulting in a further decline in the amount of secured margin loans. For the six months ended 30 June 2021, the Group's revenue from loans and financing business was HK\$65.42 million (2020: HK\$78.90 million), representing a year-on-year decrease of 17.08%.

## Financial products and investments

For the six months ended 30 June 2021, the Group's recorded revenue from financial products and investments increased by 40.32% year-on-year to HK\$209.28 million (2020: HK\$149.15 million). Given the turbulent global market at a high level and volatile pandemic in the first half of 2021, the Group adopted conservative and prudent investment strategies to proactively reduce risky positions and maintain short-term exposure, took the initiative to make dynamic adjustments based on market changes, and kept close track of credit standing of each business segment to strictly control default risk. Benefited from such policies, the Group secured sound investment gains from financial products and investment business in the first half of 2021.

# Management Discussion and Analysis

## FINANCIAL POSITION

As at 30 June 2021, the total assets of the Group increased by 25.93% to HK\$22,999.41 million (31 December 2020: HK\$18,263.69 million).

As at 30 June 2021, the total liabilities of the Group increased by 24.68% to HK\$18,598.47 million (31 December 2020: HK\$14,916.59 million).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

As at 30 June 2021, the net current assets of the Group increased by 66.34% to HK\$8,702.42 million (31 December 2020: HK\$5,231.71 million). As at 30 June 2021, 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 1.62 times (31 December 2020: 1.42 times).

For the six months ended 30 June 2021, the net cash inflow of the Group was HK\$1,867.97 million (31 December 2020: outflow of HK\$3,073.73 million). As at 30 June 2021, the bank balance of the Group was HK\$4,154.20 million (31 December 2020: HK\$2,286.22 million).

As at 30 June 2021, the Group's bank and other borrowings in aggregate decreased by 10.93% to HK\$4,088.55 million (31 December 2020: HK\$4,590.43 million).

In February 2021, the Group issued US\$300,000,000 three-year guaranteed bonds and the net proceeds raised were used to repay short-term revolving bank loans. In addition, in June 2021, the Group issued HK\$1,000,000,000 subordinated perpetual securities and the net proceeds raised were used to repay bank loans. As at 30 June 2021, the Group did not have any outstanding notes (31 December 2020: HK\$69.77 million). As at 30 June 2021, the Group had outstanding bonds of HK\$2,341.15 million (31 December 2020: nil) and shareholder loans of HK\$2,290.73 million (31 December 2020: HK\$2,286.90 million). As at 30 June 2021, the gearing ratio of the Group (defined as the sum of bank borrowings, other borrowings, outstanding notes and bonds, and shareholder loan divided by total equity) decreased by 0.10 to 1.98 (31 December 2020: 2.08).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to HK\$4,400.94 million as at 30 June 2021 (31 December 2020: HK\$3,347.10 million). Such increase was due to profit accumulation and the recognition of HK\$1,000,000,000 subordinated perpetual securities issued by the Group in the first half of 2021 as equity.

## FUTURE PLAN

Looking into the second half of 2021, global economic outlook is still subject to uncertainties. Although ongoing popularity of COVID-19 vaccination stimulated people's sentiment, mutant strain aroused concerns. Facing multiple challenges and opportunities in the differentiation of the current economy recovery process, the contest between the two major powers of the United States and China, and more-than-expected inflation in the United States, the Group will continue to make every effort to promote business development on the basis of strictly maintaining a neutral and prudent risk appetite and conducting standardized internal control. We will optimize business structure, consolidate the foundation of fee-based services and prudently develop capital-consuming business; strengthen liquidity management, forge a strong and well-established financial base, keep improving compliance risk control system, establish internal control long-term effective mechanism; and meanwhile continue to upgrade and optimize the talent team and bolster cultural construction to build a good culture for the win-win development of employees and the Company.

# Management Discussion and Analysis

In the future, we will continue to unite as one to work hard, fulfil our responsibilities and dedicate ourselves to creating and boosting value for the shareholders and society, upholding the mission of the times, and pursuing excellence, with a view to bringing satisfactory returns to all shareholders.

## **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 2021.

## **CHARGES ON GROUP ASSETS**

For the six months ended 30 June 2021, 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 2021, the Group had 204 full-time employees (30 June 2020: 219 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2021 was HK\$92.96 million (30 June 2020: HK\$79.20 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 2021 and as of 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 organizational structure consisting of the Board, management members, the risk management committee, risk management department, each functional department and subsidiaries, and identified three lines of defense for risk management, namely, effective self-control by each functional department and subsidiaries serves as the first line of defense, professional risk management by the risk management department before and during business operations serves as the second line of defense, and post-supervision and evaluation by the audit department serves as the third line of defense. The design of the "three lines of defense" risk management governance structure effectively guarantees the efficiency and effectiveness of risk management.

# Management Discussion and Analysis

The Group implemented the risk appetite and quota management system, 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 identify and evaluate potential risks related to credit, liquidity, market and operation in a timely manner, and ensure that various risks exposed to the Group were controlled within a reasonable range that is measurable, controllable and acceptable. The Group endeavored to build a sound organizational structure, operable management system, reliable information system and professional talent team, so as to realize the detectability, measurability, analysis and risk-response in risk management.

## 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 risk management policies for credit business, 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.

The Group has formulated policies on, among other things, credit risk management, credit facilities approval, collateral management and concentration management, and continuously reviewed and revised relevant policies according to regulatory and market changes. The Group implemented the hierarchical authorization and approval mechanism regarding credit business, prudently set the credit limit for each customer, regularly re-examined the unrecovered margin loans to assess the credit risk exposure, and took 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, conducts regular stress tests, and takes appropriate measures to make up for or minimize losses and properly resolve risks when it foresees that customers may fail to fulfill 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, fulfill 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 risks, 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 authorization mechanism and internal policies for managing and approving the use and allocation of capital. It sets authorization 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.

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.

# Management Discussion and Analysis

## Market risk

The market risk of the Group refers to the risk of potential losses incurred to the Group due to adverse changes in market variables, including but not limited to interest rates, exchange rates, equity prices and commodity prices.

The Group has formulated policies and procedures to monitor and control market risks 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 the relevant market risks, and formulate management and mitigation measures for such risks.

The Group will formulate and review market risk limit indicators, and regularly check and adjust market strategies to cope with changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group formulates selection criteria for different bonds and other fixed-income products, restricts investment in industries and enterprises with overcapacity and negative reports, and tracks and monitors macro-economic trends and investment concentration to optimize investment strategies. The Group diversifies its fixed-income investment portfolio, limits the investment scale of a single product, customer or investment type, and keeps abreast with the changes in the issuer's operation, credit rating and solvency.

Meanwhile, the Group also evaluates the spread level, relative investment value, relative income, yield curve, major risks, liquidity and profitability of different types of bonds, and controls the investment period of bonds. It timely monitors investment, including trading positions, unrealized gains and losses, risk exposure and trading activities, and sets a stop loss mechanism. In response to market or customer changes, the Group regularly or irregularly conducts risk assessment and verification, and disposes of potential risky businesses in a timely manner.

## 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 management of operation risks covers all departments and personnel, and penetrates into various business activities, processes and operation stages. The Group has in place an operation risk policy and reporting mechanism, as well as an operation risk quota. The Risk Management Department regularly analyzes and evaluates operation risks, continuously monitors the status and changes of the Group's operation risks, regularly reports the implementation of indicators, and follows up operational risks to improve monitoring and management of operation risks.

# 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 models, 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 the Company's 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 defense for compliance management. In particular, the Compliance Management 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 businesses, 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 Compliance Management Department will take the lead in organizing legal and compliance trainings for employees from time to time and providing internal guidance for the latest regulatory updates.

The Compliance Management 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 to ensure that the Group is able 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 behaviors or external events.

The Group proactively promoted the construction of reputation risk management mechanism, effectively prevented and addressed reputation risks, and conducted all-round and whole-process management over classification, identification, assessment, reporting, handling and evaluation of reputation risks arising from the operation and management process, so as to minimize losses and negative impacts on the reputation and brand image of the Group. During the reporting period, the Group further improved its reputation risk management system, maintained an overall stable public views, and did not experience major reputation risks.

# 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 2021, 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	Beneficial owner	2,264,384	0.06%
Wang Xiang	Beneficial owner	8,131,197	0.20%
Zeng Yanxia	Beneficial owner	7,204,858	0.18%

Save as disclosed above, as at 30 June 2021, 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 2021, 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%
China 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:

1. China Industrial Securities Co., Ltd.\* holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, China 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.
2. 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.
3. 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.
4. 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 2021, 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 2021.

## 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 2021.

## 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 2020 annual report of the Company are set out below:

Director	Details of Change
Li Baochen	The monthly remuneration has been revised to HK\$250,000 with effect from 1 January 2021
Zhang Chunjuan	The monthly remuneration has been revised to HK\$171,000 with effect from 1 January 2021

## 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 China Industrial Securities Co., Ltd.\* ("China 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 China 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 China 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

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

## **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 2021.

## **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 2021 except for the following deviation:

Mr. Cho Ka Wai resigned as the company secretary of the Company on 24 October 2020. The Company has identified and a suitable candidate, Ms. Tsang Wing Man, to fill the vacancy of company secretary on 10 March 2021.

## **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. Huang Yilin, 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 2021 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.