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ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED
東方滙財證券國際控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8001)

UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Orient Securities International Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

** For identification purpose only*

UNAUDITED ANNUAL RESULTS

As disclosed in the announcement of the Company dated 17 March 2022 and for the reasons further explained in the section headed “Review of Unaudited Annual Results”, the auditing process of the annual results of the Group has not been completed. In addition, the annual results for the year have not been agreed by the Company’s auditor as required under Rule 18.49 of the GEM Listing Rules due to delay in the audit procedures resulting from the outbreak of the COVID-19. The unaudited annual results for the year have been agreed and reviewed by the audit committee of the Company.

The Board is pleased to present the unaudited consolidated results of the Group for the year ended 31 December 2021 together with the comparative audited figures for the year ended 31 December 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
		Unaudited	Audited
Revenue	5	45,703	59,292
Other income	6	4	1,539
Employee costs		(9,340)	(10,946)
Administrative expenses		(10,444)	(12,882)
Other operating expenses		(3,524)	(15,604)
Finance costs	7	(155)	(257)
Profit before income tax	8	22,244	21,142
Income tax expense	9	(5,270)	(4,282)
Profit for the year, attributable to owners of the Company		16,974	16,860
Other comprehensive income for the year		—	—
Total comprehensive income for the year, attributable to owners of the Company		16,974	16,860
Earnings per share for profit attributable to owners of the Company for the year	11		
— Basic and diluted (HK cents)		3.93	3.90

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000 Unaudited	2020 HK\$'000 Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		4,721	2,312
Other assets		430	430
Loan and interest receivables		18,637	32,467
Deposits		2,043	1,100
Deferred tax assets		334	429
		26,165	36,738
Current assets			
Trade receivables	12	27,109	32,875
Loan and interest receivables		307,466	264,710
Prepayments, deposits and other receivables		2,827	4,507
Trust bank balances held on behalf of clients		15,535	12,975
Cash and cash equivalents		1,803	2,218
		354,740	317,285
Current liabilities			
Trade payables	13	15,598	12,930
Accruals and other payables		1,223	1,444
Debentures		1,000	—
Lease liabilities		3,147	2,458
Tax payables		10,685	5,510
		31,653	22,342
Net current assets		323,087	294,943
Total assets less current liabilities		349,252	331,681
Non-current liabilities			
Debentures		—	1,000
Lease liabilities		1,597	—
		1,597	1,000
Net assets		347,655	330,681
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,320	4,320
Reserves		343,335	326,361
Total equity		347,655	330,681

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Equity attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Retained profits* HK\$'000	
At 1 January 2020 (audited)	4,320	138,016	8	171,477	313,821
Profit for the year	—	—	—	16,860	16,860
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the year	—	—	—	16,860	16,860
At 31 December 2020 and 1 January 2021 (audited)	4,320	138,016	8	188,337	330,681
Profit for the year (unaudited)	—	—	—	16,974	16,974
Other comprehensive income (unaudited)	—	—	—	—	—
Total comprehensive income for the year	—	—	—	16,974	16,974
At 31 December 2021 (unaudited)	4,320	138,016	8	205,311	347,655

* These reserve accounts comprise the consolidated reserves of HK\$343,335,000 (unaudited) (2020: HK\$326,361,000) (audited) in the unaudited consolidated statement of financial position.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. BASIS OF PRESENTATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Orient Securities International Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 January 2014. The address of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Rooms 3101 & 3117-3118, 31st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred as the “Group”) are principally engaged in the provision of:

- brokerage services
- underwriting and placing services
- securities, initial public offering financing services
- money lending services
- investment holding

There were no significant changes in operations during the year.

The functional currency of the Company is Hong Kong dollars (“HK\$”) and the unaudited consolidated financial statements are presented in HK\$ as the Group’s management believes HK\$ is the appropriate presentation currency for the users of the unaudited consolidated financial statements.

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 New and amendments to HKFRSs that are mandatory effective for the current year

The Group has adopted the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for the first time in the current period.

Amendments to HKAS 39, HKFRS 4,
HKFRS 7, HKFRS 9 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.1 New and amendments to HKFRSs that are mandatory effective for the current year (Continued)

None of these new and amended HKFRSs has a material impact in the Group’s results and financial position for the current and prior period.

2.2 New and amendments to HKFRSs in issue but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply those changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRS 3	References to Conceptual Framework ²
2021 Amendments to HKFRS 16	COVID-19 — Related Rent Concessions beyond 30 June 2021 ¹
Annual Improvements to HKFRS Standards 2018-2020: Amendments to HKFRS 9	Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities ²
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The key amendments to HKAS 1 include (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies; (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two additional examples on the application of materiality to accounting policy disclosures.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 12, Recognition of Deferred Tax Related to Assets and Liabilities arising from a Transaction

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

2021 Amendments to HKFRS 16, COVID-19 — Related Rent Concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively.

Annual Improvements to HKFRS Standards 2018-2020: Amendments to HKFRS 9 — Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities

HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.

The directors of the Company have performed an assessment on these new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group’s consolidated financial statements in subsequent years.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

4. OPERATING SEGMENTS

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage services
Underwriting and placing	—	Provision of underwriting and placing services
Margin financing	—	Provision of securities and initial public offering financing services
Money lending	—	Provision of money lending services

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets with the exception of deferred tax assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax payable and debentures.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies described. Segment profit/(loss) represents the profit earned by each segment without allocation of sundry income and income tax expense.

4. OPERATING SEGMENTS *(Continued)*

Segment revenue, results and capital expenditure for the year ended 31 December 2021 and the segment assets and liabilities as at 31 December 2021 are as follows:

2021	Brokerage <i>HK\$'000</i> Unaudited	Underwriting and placing <i>HK\$'000</i> Unaudited	Margin financing <i>HK\$'000</i> Unaudited	Money lending <i>HK\$'000</i> Unaudited	Total <i>HK\$'000</i> Unaudited
Reportable segment revenue from external clients	<u>1,672</u>	<u>2,129</u>	<u>7,786</u>	<u>34,116</u>	<u>45,703</u>
Reportable segment (loss)/profit	<u>(2,781)</u>	<u>(908)</u>	<u>(7,032)</u>	<u>32,961</u>	<u>22,240</u>
Interest income on bank deposits	—	—	—	—	—
Government grant	—	—	—	—	—
Depreciation of property, plant and equipment	—	—	—	—	—
Depreciation of right-of-use assets	(1,845)	(369)	(1,475)	(197)	(3,886)
Provision for trade receivables	(513)	—	(3,586)	—	(4,099)
Reversal of provision for loan and interest receivables	—	—	—	575	575
Reportable segment assets	<u>25,832</u>	<u>266</u>	<u>27,109</u>	<u>327,364</u>	<u>380,571</u>
Additions to non-current segment assets	3,147	630	2,518	—	6,295
Reportable segment liabilities	<u>3,587</u>	<u>475</u>	<u>17,496</u>	<u>7</u>	<u>21,565</u>

4. OPERATING SEGMENTS (Continued)

Segment revenue, results and capital expenditure for the year ended 31 December 2020 and the segment assets and liabilities as at 31 December 2020 were as follows:

2020	Brokerage HK\$ '000 Audited	Underwriting and placing HK\$ '000 Audited	Margin financing HK\$ '000 Audited	Money lending HK\$ '000 Audited	Total HK\$ '000 Audited
Reportable segment revenue from external clients	4,709	15,206	7,168	32,209	59,292
Reportable segment (loss)/profit	(1,164)	6,035	(10,875)	27,011	21,007
Interest income on bank deposits	1	—	—	—	1
Government grant	199	643	304	257	1,403
Depreciation of property, plant and equipment	(168)	(34)	(134)	—	(336)
Depreciation of right-of-use assets	(2,116)	(423)	(1,692)	(787)	(5,018)
Provision for trade receivables	(892)	—	(12,112)	—	(13,004)
Provision for loan and interest receivables	—	—	—	(2,600)	(2,600)
Reportable segment assets	24,805	212	29,236	299,341	353,594
Additions to non-current segment assets	—	—	—	—	—
Reportable segment liabilities	11,370	225	4,962	275	16,832

4. OPERATING SEGMENTS *(Continued)*

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Reportable segment profit	22,240	21,007
Other income	4	135
	<hr/>	<hr/>
Consolidated profit before income tax	22,244	21,142
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment assets	380,571	353,594
Deferred tax assets	334	429
	<hr/>	<hr/>
Consolidated total assets	380,905	354,023
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	21,565	16,832
Tax payables	10,685	5,510
Debentures	1,000	1,000
	<hr/>	<hr/>
Consolidated total liabilities	33,250	23,342
	<hr/> <hr/>	<hr/> <hr/>

All activities of the Group are carried out in Hong Kong and all its revenue for the years ended 31 December 2021 and 2020 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

5. REVENUE

The Group's revenue represents:

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Revenue recognised under HKFRS 9		
— Interest income from margin financing services	7,786	7,168
— Interest income from money lending services	34,116	32,209
	<hr/>	<hr/>
Revenue recognised at a point in time under HKFRS 15		
— Commission income from brokerage services	1,672	2,159
— Underwriting and placement income	2,129	15,206
— Service income	—	2,550
	<hr/>	<hr/>
	45,703	59,292
	<hr/> <hr/>	<hr/> <hr/>

6. OTHER INCOME

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Interest income on bank deposits	—	1
Government grant	—	1,403
Sundry income	4	135
	<hr/>	<hr/>
	4	1,539
	<hr/> <hr/>	<hr/> <hr/>

7. FINANCE COSTS

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Interest expenses on lease liabilities	80	182
Interest expenses on debentures	75	75
	<hr/>	<hr/>
	155	257
	<hr/> <hr/>	<hr/> <hr/>

8. PROFIT BEFORE INCOME TAX

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Profit before income tax is arrived at after charging:		
Auditor's remuneration	600	600
Depreciation charge:		
— property, plant and equipment	—	336
— right-of-use assets	3,886	5,018
Provision for trade receivables	4,099	13,004
(Reversal) of provision/Provision for loan and interest receivables	<u>(575)</u>	<u>2,600</u>

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Current tax — Hong Kong Profits Tax		
— Current year	5,175	4,711
Deferred tax charge/(credit)	<u>95</u>	<u>(429)</u>
Total income tax expense	<u>5,270</u>	<u>4,282</u>

10. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2021 is based on the following data:

	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Profit attributable to owners of the Company	<u>16,974</u>	<u>16,860</u>
	Weighted average number of ordinary shares	
	2021 Unaudited	2020 Audited
For purpose of basic and diluted earnings per share	<u>432,000,000</u>	<u>432,000,000</u>

Diluted earnings per share equals to basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2021 and 2020.

12. TRADE RECEIVABLES

	<i>Notes</i>	2021 <i>HK\$'000</i> Unaudited	2020 <i>HK\$'000</i> Audited
Trade receivables arising from the business of dealing in securities:			
— Cash clients	<i>(a), (b)</i>	4,040	4,531
— Margin finance loans	<i>(a), (d)</i>	48,186	49,486
— Clearing house	<i>(a), (b)</i>	<u>124</u>	<u>—</u>
Trade receivables, gross		52,350	54,017
Less: provision on trade receivables	<i>(c), (e)</i>	<u>(25,241)</u>	<u>(21,142)</u>
Trade receivables, net		<u>27,109</u>	<u>32,875</u>

12. TRADE RECEIVABLES (Continued)

Notes:

- (a) These balances are required to be settled on the settlement dates of their respective transactions (normally one or two business days after the respective trade dates). The trade receivables from cash clients bear interest at commercial rates (normally at HK\$ Prime Rate plus a spread).

These are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed, as in the opinion of the directors of the Company, this analysis does not give additional value in view of the nature of business of securities margin financing. As at 31 December 2021, total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK\$37,137,000 (2020: HK\$52,969,000). The collaterals held can be replugged and can be sold at the Group's discretion to settle any outstanding amounts due from margin clients. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall.

- (b) Trade receivables arising from cash clients and clearing house, if any, with the following ageing analysis, presented based on the trade date which is the revenue recognition date, as at the end of the reporting period:

	2021	2020
	HK\$'000	HK\$'000
	Unaudited	Audited
Current	4,164	4,531

13. TRADE PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Audited
Trade payables arising from the business of dealing in securities:		
— Cash clients	9,382	8,725
— Margin clients	6,118	4,062
— Clients' deposits	98	121
— Clearing house	—	22
	<u>15,598</u>	<u>12,930</u>

Notes:

- (a) The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date. Trade payables to clients bear variable interest at commercial rates.
- (b) Trade payables included HK\$15,535,000 as at 31 December 2021 (2020: HK\$12,975,000) payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed. Included in above as at 31 December 2021 were an amount due to a director of the Company of HK\$1,656,000 (2020: HK\$44,000).
- (c) No ageing analysis in respect of trade payables attributable to dealings in securities transactions is disclosed as, in the opinion of the directors, this analysis does not give additional value in view of the nature of business of dealing in securities.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is an integrated financial service provider licensed to (i) conduct Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) and (ii) money lending business, through its subsidiaries.

Over the years, the Group aims to establish an integrated platform for providing a wide range of financial services to its clients. During the year under review, the principal activities of the Group mainly include (a) placing and underwriting services; (b) securities dealing and brokerage services; and (c) secured debt financing services. During the year, the total revenue of the Group decreased from approximately HK\$59.2 million for the year ended 31 December 2020 to approximately HK\$45.7 million for the year ended 31 December 2021, representing a decrease of approximately 22.9%. The decrease in revenue was mainly attributable to the decrease in revenue from placing and underwriting services as a result of the COVID-19 pandemic (“COVID-19”) delayed the progress of most originally planned initial public offerings (“IPOs”) projects and fund-raising exercise. Meanwhile, due to an effective cost control implemented by the Group’s management, the Group secured a stable profit for the year attributable to owners of the Company of approximately HK\$17.0 million for the year ended 31 December 2021, representing a slight increase of approximately 0.80% as compared to the corresponding year.

The Directors considered that the ongoing COVID-19 continued to impact the industry performance over the review period. The Hang Seng Index has been kept underperformed since the first quarter of 2020 and was plunged to a six-year low by dropping below 20,000 recently. Such declining index level implies the inactive trading activities of the capital market due to pessimistic business sentiment, hindering the development of the financial services industry in Hong Kong. In addition, the total fund raised by IPOs for the year 2021 has been significantly decreased by 17.82%, while the number of newly listed companies in the Stock Exchange for the year 2021 has also been decreased by 36.36% as compared to the year 2020. The drop in fundraising activities also implies that the outbreak of COVID-19 has reduced the investors’ motivation to subscribe for securities of new issuers in the Hong Kong’s capital market as they tend to be more prudent in such volatile environment. After certain review of the financial market, the Directors are of the view that the aforementioned external factors are beyond the Group’s control and therefore its financial performance is susceptible to fluctuation as a result.

PROSPECTS

Looking forward, the business and operation environments of the Group will remain challenging. Having considered that the economic disruption caused by COVID-19 is devastating, it is anticipated that the economic instability will continue with uncertainty over the Hong Kong economic growth and the overall market is expected to be volatile.

Despite the abovementioned factors which are beyond the Group's control, it is the intention of the Directors to further expand its existing business by way of organic growth and/or through investment or cooperation with strategic market participants. In light of this, the management of the Group has been kept focused on leveraging its strengths of long development history in the financial sector to capture further investment opportunities in other financial related services business, which include but is not limited to the Type 6 (advising on corporate finance) and the Type 9 (asset management) regulated activities under the SFO, so as to diversify and broaden its revenue base in order to enhance the Group's financial performance and generate value to its shareholders.

The Group will continue to strengthen its market position and remain vigilant to challenges in the future and will closely monitor the COVID-19 and proactively respond to its impact on the Group's financial position and operating results.

FINANCIAL OVERVIEW

Revenue

The Group's revenue is mainly generated from (i) commission income from the brokerage services; (ii) commission income from the underwriting and placing services; (iii) interest income from the financing services, (iv) interest income from the money lending services and (v) service income from provision of brokerage-related services.

The total revenue for 2021 was approximately HK\$45.7 million (2020: HK\$59.3 million) which represented a decrease of approximately HK\$13.6 million or 22.9% compared with 2020. Such decrease was mainly attributable to the decrease in service income from provision of underwriting and placing services by HK\$13.1 million.

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

The Group's revenue represents:

	2021	2020
	HK\$'000	HK\$'000
Revenue recognised under HKFRS 9		
— Interest income from margin financing services	7,786	7,168
— Interest income from money lending services	34,116	32,209
	<hr/>	<hr/>
Revenue recognised at a point in time under HKFRS 15		
— Commission income from brokerage services	1,672	2,159
— Underwriting and placement income	2,129	15,206
— Service income	—	2,550
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	45,703	59,292
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2021, the Group had 634 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2020: 662 active securities accounts).

Staff costs

The total staff costs for 2021 was approximately HK\$9.3 million (2020: HK\$10.9 million). The drop was mainly due to saving of staff salaries through natural staff resignations and reversal of provision of unused annual leave.

	2021	2020
	HK\$'000	HK\$'000
Commission paid to staff	260	409
Directors' emoluments and staff salaries, bonus and allowances	8,830	9,795
Other staff costs including MPF and insurance	250	742
	<hr/>	<hr/>
	9,340	10,946
	<hr/> <hr/>	<hr/> <hr/>

Administrative expenses

The total administrative expenses for 2021 was approximately HK\$10.4 million (2020: HK\$12.9 million). Such decrease was due to aggregation of various expenses variances, in particular of saving of rental expenses.

Income tax expenses

The income tax expense for 2021 was approximately HK\$5.3 million (2020: HK\$4.3 million) and such increase was due to the increase of assessable profits under Hong Kong Profits Tax.

Profit for the year

The Group recorded a net profit attributable to owners of the Company of approximately HK\$17.0 million for 2021 (2020: HK\$16.9 million), which was almost the same.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During 2021, the Group financed its operations by cash flow from operating activities. As at 31 December 2021, the Group had net current assets of approximately HK\$323.1 million (31 December 2020: HK\$294.9 million), including cash and bank balances of approximately HK\$1.8 million (31 December 2020: HK\$2.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 11.2 times as at 31 December 2021 (31 December 2020: 14.2 times). The change was relatively small. The gearing ratio of the Group, being total interest-bearing debt (excluding trade payables) to total equity, was 0.003 times (31 December 2020: 0.003 times).

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$347.7 million as at 31 December 2021 (31 December 2020: HK\$330.7 million).

EMPLOYEE INFORMATION

Total remuneration for 2021 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK\$9.1 million (2020: HK\$10.2 million). It was relatively stable. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 31 December 2021 (2020: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in 2021 and up to the date of results announcement of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the year ended 31 December 2021.

PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 December 2021 and up to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the CG Code, save for the deviation from code provision C.1.6 as explained below and the deviation from code provision C.2.1 as mentioned in the section headed "Chairman and Chief Executive Officer" in this report.

Pursuant to C.1.6 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable engagements, two executive Directors and two independent non-executive Directors was unable to attend annual general meeting of the Company held on 26 May 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “Required standard of Dealing”). Having made specific enquiries of all the Directors, each of them has confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2021. No incident of non-compliance was noted by the Company during the year.

AUDIT COMMITTEE

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

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

The Audit Committee has met its responsibilities to review the Group’s quarterly reports for the three months and nine months ended 31 March 2021 and 30 September 2021 respectively, interim report for the six months ended 30 June 2021 and the Group’s audited annual results for the year ended 31 December 2021 and provided advice and comments thereon. The Audit Committee also made recommendations to the Board and the management of the Company in respect of the Group’s financial reporting and internal control procedures.

The Audit Committee held 5 meetings during the year ended 31 December 2021.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company has appointed Messrs. BDO Limited (the “Auditors”) as its external auditor to conduct an audit on the consolidated financial statements of the Group for the year ended 31 December 2021.

In view of the latest situation of the novel coronavirus disease in Hong Kong, the Auditors of the Company had not been able to perform verification work on the loan receivables balances and their related recoverability assessment due to the various COVID-19 measures and restrictions. Based on this, the Auditors are exploring alternative procedures with the Company for such purposes. The unaudited annual results contained herein have not been agreed with the Company’s Auditors as required under Rule 18.49 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited due to delay in the audit procedures resulting from the outbreak of the COVID-19 coronavirus in the People’s Republic of China and Hong Kong. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results of the Company for the year ended 31 December 2021 have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S) AND DELAY IN DESPATCH OF THE ANNUAL REPORT

Following the completion of the auditing process, it is expected that the publication of the audited annual results for the year ended 31 December 2021 and the publication and despatch of the annual report for the year ended 31 December 2021 will be delayed to a date falling on or before 29 April 2022. The Company will issue further announcement(s) in relation to i) the audited results for the year ended 31 December 2021 as agreed by the Company’s Auditors and the material differences (if any) as compared with the unaudited annual results contained herein; ii) the proposed date on which the forthcoming annual general meeting of the Company will be held; and iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders’ eligibility to attend the vote at the forthcoming annual general meeting. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

PUBLICATION OF UNAUDITED ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This unaudited annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkgem.com>) and the Company (<http://www.orientsec.com>). Any further announcement(s) relating to the annual results will also be published on the above websites in due course. The annual report of the Company for the year ended 31 December 2021 containing all the information as required by the GEM Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Orient Securities International Holdings Limited
Lee Nga Ching
Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Directors are Mr. Lam Shu Chung and Ms. Lee Nga Ching and the independent non-executive Directors are Mr. Siu Kin Wai, Mr. Tang Chung Wai and Ms. Chan Man Yi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company’s website at www.orientsec.com.hk.