



**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

**FOCUS** ON VALUE  
**CREATE** THE FUTURE  
WITH **WISDOM**



Interim Report **2023**

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# Corporate Information

## BOARD OF DIRECTORS

### Non-executive Director

Mr. Hu Pingsheng (*Chairman*)

### Executive Directors

Mr. Cai Junzheng (*Chief Executive Officer*)

Ms. Zeng Yanxia (Retired on 10 May 2023)

Ms. Zhang Chunjuan

### Independent Non-executive Directors

Ms. Hong Ying

Mr. Tian Li

Mr. Qin Shuo

## BOARD COMMITTEES

### Audit Committee

Ms. Hong Ying (*Chairlady*)

Mr. Hu Pingsheng

Mr. Tian Li

### Remuneration Committee

Mr. Tian Li (*Chairman*)

Mr. Hu Pingsheng

Mr. Qin Shuo

### Nomination Committee

Mr. Hu Pingsheng (*Chairman*)

Mr. Tian Li

Mr. Qin Shuo

## COMPANY SECRETARY

Ms. Tsang Wing Man

## AUTHORISED REPRESENTATIVES

Ms. Zhang Chunjuan

Ms. Tsang Wing Man

## AUDITOR

KPMG

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

## REGISTERED OFFICE

PO Box 1350

Windward 3, Regatta Office Park

Grand Cayman KY1-1108

Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

32/F, Infinitus Plaza

199 Des Voeux Road Central

Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## CAYMAN ISLANDS SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited

Third 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

The Hongkong and Shanghai Banking Corporation Limited

Standard Chartered Bank (Hong Kong) Limited

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

Nanyang Commercial Bank, Limited

China Zheshang Bank Co., 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 2023 together with the comparative figures as follows:

	Notes	For the six months ended 30 June	
		2023 HK\$ Unaudited	2022 HK\$ Unaudited
Commission and fee income	3	95,510,693	100,560,756
Interest revenue	3	46,076,263	18,595,371
Net trading and investment income	3	109,749,041	(25,960,784)
Total revenue	3	251,335,997	93,195,343
Other income	3	91,378,729	25,168,023
Finance costs		(106,064,274)	(79,161,928)
Commission and fee expenses		(24,627,198)	(19,703,701)
Staff costs	5	(71,318,719)	(80,873,385)
Other operating expenses		(69,496,980)	(78,355,198)
Impairment losses on financial assets	5	1,113,516	(44,720,352)
Other gains or losses	5	2,572,188	(14,452,492)
Profit/(loss) before taxation	5	74,893,259	(198,903,690)
Taxation	6	(12,699,278)	558,267
Profit/(loss) for the period attributable to:		62,193,981	(198,345,423)
– Holder of ordinary shares of the Company		62,193,981	(198,345,423)
– Holder of other equity instruments of the Company		–	–
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
– Equity instruments designated at fair value through other comprehensive income			
– Changes in fair value		19,735,892	(7,825,451)
Item that may be reclassified subsequently to profit or loss:			
– Debt investments at fair value through other comprehensive income			
– Changes in fair value		3,184,100	–
Other comprehensive income for the period, net of tax		22,919,992	(7,825,451)
Total comprehensive income for the period attributable to:		85,113,973	(206,170,874)
– Holder of ordinary shares of the Company		85,113,973	(206,170,874)
– Holder of other equity instruments of the Company		–	–
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic (expressed in HK\$)	8	0.0155	(0.0496)

The notes on pages 8 to 31 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
<b>Non-current assets</b>			
Property and equipment		<b>30,916,540</b>	33,462,873
Intangible assets		<b>12,079,043</b>	11,726,329
Financial assets at fair value through profit or loss	9	<b>19,605,897</b>	24,726,511
Debt investments at amortised cost	11	<b>230,725,727</b>	214,953,954
Reverse repurchase agreements		–	92,947,167
Statutory deposits		<b>17,319,232</b>	17,395,812
Deferred tax assets		<b>124,268,672</b>	133,464,944
Deposits, other receivables and prepayments		<b>7,770,246</b>	14,858,045
		<b>442,685,357</b>	543,535,635
<b>Current assets</b>			
Accounts receivable	12	<b>1,264,879,172</b>	1,167,456,618
Reverse repurchase agreements		<b>90,314,245</b>	–
Financial assets at fair value through profit or loss	9	<b>4,668,832,046</b>	2,818,655,977
Financial assets at fair value through other comprehensive income	10	<b>3,544,952,684</b>	2,174,690,074
Statutory deposits		<b>13,758,385</b>	16,785,992
Deposits, other receivables and prepayments		<b>87,605,395</b>	169,308,298
Tax receivable		<b>3,361,882</b>	3,707,080
Bank balances – trust accounts		<b>2,813,608,131</b>	2,874,093,301
Bank balances – general accounts and cash		<b>2,068,536,811</b>	2,703,948,516
		<b>14,555,848,751</b>	11,928,645,856
<b>Current liabilities</b>			
Accounts payable	14	<b>3,405,733,526</b>	3,150,506,807
Accruals and other payables		<b>28,299,968</b>	32,034,528
Amount due to a fellow subsidiary		<b>2,397,213</b>	1,316,280
Contract liabilities		<b>5,001,476</b>	5,356,160
Tax payable		<b>3,853,172</b>	695,364
Financial liabilities at fair value through profit or loss	13	<b>45,673,629</b>	50,926,422
Repurchase agreements		<b>2,498,514,675</b>	1,958,527,621
Bank borrowings	15	<b>1,752,973,134</b>	1,000,907,152
Bonds	16	<b>2,092,005,538</b>	–
Lease liabilities		<b>8,024,346</b>	16,305,095
Other liabilities		<b>160,035,128</b>	180,720,209
		<b>10,002,511,805</b>	6,397,295,638
<b>Net current assets</b>		<b>4,553,336,946</b>	5,531,350,218



# Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
<b>Non-current liabilities</b>			
Repurchase agreements		<b>902,944,128</b>	–
Bonds	16	–	2,079,992,337
Deferred tax liabilities		<b>15,814</b>	15,814
Lease liabilities		<b>13,070,686</b>	–
		<b>916,030,628</b>	2,080,008,151
<b>Net assets</b>		<b>4,079,991,675</b>	3,994,877,702
<b>Equity</b>			
Share capital	17	<b>400,000,000</b>	400,000,000
Share premium		<b>3,379,895,424</b>	3,379,895,424
Accumulated loss		<b>(1,081,508,330)</b>	(1,144,119,533)
Other reserve		<b>11,577,844</b>	11,577,844
Capital reserve		<b>442,441,821</b>	442,441,821
Fair value reserve		<b>(72,415,084)</b>	(94,917,854)
Equity attributable to holders of the ordinary shares		<b>3,079,991,675</b>	2,994,877,702
Equity attributable to holders of other equity instruments		<b>1,000,000,000</b>	1,000,000,000
<b>Total equity</b>		<b>4,079,991,675</b>	3,994,877,702

The notes on pages 8 to 31 form part of this interim financial report.



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Equity attributable to holders of ordinary shares								Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Fair value reserve HK\$	Accumulated loss HK\$	Total HK\$	Other equity instruments HK\$	
	At 1 January 2023 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(94,917,854)	(1,144,119,533)	2,994,877,702	
Profit for the period	-	-	-	-	-	62,193,981	62,193,981	-	62,193,981
Other comprehensive income for the period	-	-	-	-	22,919,992	-	22,919,992	-	22,919,992
Total comprehensive income for the period	-	-	-	-	22,919,992	62,193,981	85,113,973	-	85,113,973
Transfer of fair value reserve to accumulated loss	-	-	-	-	(417,222)	417,222	-	-	-
At 30 June 2023 (unaudited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(72,415,084)	(1,081,508,330)	3,079,991,675	1,000,000,000	4,079,991,675

For the six months ended 30 June 2022

	Equity attributable to holders of ordinary shares								Total equity HK\$
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Other reserve HK\$	Fair value reserve HK\$	Accumulated loss HK\$	Total HK\$	Other equity instruments HK\$	
	At 1 January 2022 (audited)	400,000,000	3,379,895,424	442,441,821	11,577,844	-	(846,717,117)	3,387,197,972	
Loss for the period	-	-	-	-	-	(198,345,423)	(198,345,423)	-	(198,345,423)
Other comprehensive income for the period	-	-	-	-	(7,825,451)	-	(7,825,451)	-	(7,825,451)
Total comprehensive income for the period	-	-	-	-	(7,825,451)	(198,345,423)	(206,170,874)	-	(206,170,874)
At 30 June 2022 (unaudited)	400,000,000	3,379,895,424	442,441,821	11,577,844	(7,825,451)	(1,045,062,540)	3,181,027,098	1,000,000,000	4,181,027,098

The notes on pages 8 to 31 form part of this interim financial report.



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>12,299,366</b>	(862,795,844)
<b>INVESTING ACTIVITIES</b>		
Dividends and interest received from investments	63,759,891	–
Purchase of property and equipment	(365,500)	(4,424,707)
Purchase of intangible assets	(3,519,352)	(97,068)
Purchase of financial assets at fair value through other comprehensive income	(1,408,238,357)	–
Proceeds from disposal of financial assets at fair value through other comprehensive income	73,216,781	–
Purchase of debt investments at amortised cost	(14,280,494)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,289,427,031)</b>	(4,521,775)
<b>FINANCING ACTIVITIES</b>		
Interest paid	(75,095,331)	(55,092,067)
Bank borrowings raised	3,730,000,000	750,000,000
Repayments of bank borrowings	(2,980,000,000)	(780,000,000)
Loan from the immediate holding company	–	14,691,000
Capital element of lease rentals paid	(13,962,454)	(18,160,549)
Interest element of lease rentals paid	(345,425)	(909,099)
Withdrawals from third-party unitholders/shareholders of consolidated investment funds	(18,880,830)	(22,670,779)
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>641,715,960</b>	(112,141,494)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(635,411,705)</b>	(979,459,113)
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE PERIOD</b>	<b>2,703,948,516</b>	5,458,957,080
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE PERIOD</b>	<b>2,068,536,811</b>	4,479,497,967
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS REPRESENTED BY</b>		
Bank balances — general accounts and cash	2,068,536,811	4,479,497,967
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES INCLUDE:</b>		
Interest received	153,929,949	112,368,113
Dividend received	1,499,397	3,016,727

The notes on pages 8 to 31 form part of this interim financial report.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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, margin financing services, corporate finance services, asset management services and financial products and investments. Its immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited (“Industrial Securities (Hong Kong)”). Industrial Securities Co., Ltd. (“Industrial Securities”), a company incorporated in the People’s Republic of China (the “PRC”), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

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

### (a) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 21 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2023

## 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 2022, except for the adoption of the following new and revised HKFRSs for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HKFRS 17	<i>Insurance contracts</i>
Amendments to HKAS 8	<i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>
Amendments to HKAS 12	<i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>
Amendments to HKAS 12	<i>Income taxes: International tax reform – Pillar Two model rules</i>

The adoption of the new and revised HKFRSs does not have a significant impact on the interim condensed consolidated financial statements of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

### Revenue

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
<b>Commission and fee income</b>		
Brokerage:		
Commission and fee income from securities brokerage	55,292,504	59,509,764
Commission and fee income from futures and options brokerage	4,163,554	8,588,753
Insurance brokerage commission income	4,408,381	328,855
	<b>63,864,439</b>	68,427,372
Corporate finance:		
Commission income on placing, underwriting and sub-underwriting	16,929,369	18,263,646
– Debt securities	1,000	–
– Equity securities	360,000	513,035
Corporate advisory fee income	3,335,128	1,650,000
Sponsor fee income	3,368,102	–
Arrangement fee income		
	<b>23,993,599</b>	20,426,681
Asset management:		
Asset management fee income	6,620,655	10,899,703
Investment advisory fee income	1,032,000	807,000
	<b>7,652,655</b>	11,706,703
	<b>95,510,693</b>	100,560,756
<b>Interest revenue</b>		
Financial products and investments:		
Interest income from reverse repurchase agreements	3,016,788	2,954,976
Interest income from debt investments at fair value through other comprehensive income	23,019,362	–
Interest income from debt investments at amortised cost	4,531,131	18,602
	<b>30,567,281</b>	2,973,578
Margin financing:		
Interest income from margin financing	15,508,982	15,621,793
	<b>46,076,263</b>	18,595,371

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 3. REVENUE AND OTHER INCOME (Continued)

### Revenue (Continued)

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
<b>Net trading and investment income</b>		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	114,500,960	117,646,737
Dividend income from financial assets at fair value through profit or loss	1,499,397	3,199,257
Net loss on financial assets at fair value through profit or loss	(81,578,609)	(298,346,026)
Interest income from derivatives	–	3,195,879
Net gain on derivatives	13,894,436	105,123,366
Net gain on financial liabilities at fair value through profit or loss	4,466,884	39,661,758
Dividend income from equity instruments designated at fair value through other comprehensive income	56,965,973	3,558,245
	<b>109,749,041</b>	(25,960,784)
<b>Total revenue</b>	<b>251,335,997</b>	93,195,343

Timing of revenue recognition for commission and fee income from customers

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
A point in time	82,705,752	85,857,836
Over time	12,804,941	14,702,920
	<b>95,510,693</b>	100,560,756

### Other income

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Interest income from financial institutions	89,870,331	23,611,015
Sundry income	1,508,398	1,557,008
	<b>91,378,729</b>	25,168,023

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 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;

Margin financing – provision of margin financing services 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;

Financial products and investments – proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products; and

Others – other business in addition to the above, including head office operations and investment holding platforms, and management of general working capital.

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 2023 (unaudited)

	Brokerage	Margin financing	Corporate finance	Assets management	Financial products and investments	Others	Eliminations	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment revenue and result</b>								
Commission and fee income	63,864,439	-	23,993,599	7,652,655	-	-	-	95,510,693
Interest revenue	-	15,508,982	-	-	30,567,281	-	-	46,076,263
Net trading and investment income	-	-	-	-	109,749,041	-	-	109,749,041
Inter-segment revenue	19,689	-	-	4,146,273	-	-	(4,165,962)	-
Segment revenue	63,884,128	15,508,982	23,993,599	11,798,928	140,316,322	-	(4,165,962)	251,335,997
Revenue presented in the condensed consolidated statement of profit or loss and other comprehensive income								251,335,997
Segment results	67,891,984	(19,673,488)	278,229	(7,143,174)	7,732,520	25,807,188	-	74,893,259
Profit before taxation presented in the condensed consolidated statement of profit or loss and other comprehensive income								74,893,259

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 4. SEGMENT REPORTING (Continued)

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 5. PROFIT/(LOSS) BEFORE TAXATION

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' remuneration)	<b>71,318,719</b>	80,873,385
Salaries and bonuses	<b>69,346,503</b>	78,907,515
Contribution to the Mandatory Provident Fund Scheme	<b>1,643,848</b>	1,670,415
Other staff costs	<b>328,368</b>	295,455
Legal and professional fee	<b>2,318,091</b>	2,394,291
Amortisation of intangible assets	<b>3,166,638</b>	2,329,417
Depreciation	<b>21,664,224</b>	25,264,911
Owned property and equipment	<b>7,658,848</b>	7,491,495
Right-of-use assets	<b>14,005,376</b>	17,773,416
Maintenance fee	<b>8,907,152</b>	6,915,612
Impairment losses on financial assets	<b>(1,113,516)</b>	44,720,352
Secured margin loans	<b>(1,527,029)</b>	44,712,242
Debt investments at amortised cost	<b>(36,147)</b>	8,110
Debt investments at fair value through other comprehensive income	<b>449,660</b>	–
Other gains or losses	<b>(2,572,188)</b>	14,452,492
Exchange (gain)/loss	<b>(767,937)</b>	22,257,270
Other gain	<b>(1,804,251)</b>	(7,831,518)
Loss on disposal of property and equipment	<b>–</b>	26,740

## 6. TAXATION

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Hong Kong Profits Tax:		
Current period	<b>3,513,007</b>	2,280
(Over)/under provision in prior year	<b>(10,001)</b>	3,983,621
	<b>3,503,006</b>	3,985,901
Deferred tax:		
Current period	<b>9,196,272</b>	(4,544,168)
	<b>12,699,278</b>	(558,267)

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 6. TAXATION *(Continued)*

The provision for Hong Kong Profits Tax is calculated by applying the annual effective tax rate of 16.5% (2022: 16.5%) to the estimated assessable profit for the six months ended 30 June 2023, 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 2022.

## 7. DIVIDENDS

No dividend in respect of the year ended 31 December 2022 and 2021 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 2023 and 2022.

## 8. EARNINGS/(LOSS) PER SHARE

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

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Earnings/(loss) (HK\$)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share:		
Profit/(loss) for the period attributable to ordinary equity holders of the Company	<b>62,193,981</b>	(198,345,423)
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 2023 (unaudited) and 30 June 2022 (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 2023

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

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Equity securities		
– Listed in Hong Kong	<b>78,953,590</b>	69,167,656
– Listed outside Hong Kong	<b>75,550,150</b>	79,573,379
Debt securities		
– Listed in Hong Kong	<b>1,870,546,229</b>	1,211,859,039
– Listed outside Hong Kong	<b>621,501,020</b>	303,677,030
– Unlisted	<b>1,843,157,355</b>	1,074,514,177
Funds		
– Unlisted	<b>198,729,599</b>	104,591,207
	<b>4,688,437,943</b>	2,843,382,488
Analysed as		
Current	<b>4,668,832,046</b>	2,818,655,977
Non-current	<b>19,605,897</b>	24,726,511
	<b>4,688,437,943</b>	2,843,382,488

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

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

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Equity instruments designated at FVTOCI ( <i>note</i> )		
– Listed in Hong Kong	<b>1,559,337,784</b>	1,327,673,412
– Listed outside Hong Kong	<b>368,894,661</b>	338,116,526
– Unlisted	<b>100,663,442</b>	70,099,153
Debt securities		
– Listed in Hong Kong	<b>1,037,272,808</b>	328,628,528
– Listed outside Hong Kong	<b>455,349,629</b>	86,577,179
– Unlisted	<b>23,434,360</b>	23,595,276
	<b>3,544,952,684</b>	2,174,690,074
Analysed as		
Current	<b>3,544,952,684</b>	2,174,690,074
Non-current	–	–
	<b>3,544,952,684</b>	2,174,690,074

*Note:* The Group has designated those equity instruments at fair value through other comprehensive income (“FVTOCI”) as these investments are not held for trading purpose.

## 11. DEBT INVESTMENTS AT AMORTISED COST

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Debt securities		
– Listed in Hong Kong	<b>230,789,001</b>	215,053,375
Less: impairment allowance	<b>(63,274)</b>	(99,421)
	<b>230,725,727</b>	214,953,954
Analysed as		
Current	–	–
Non-current	<b>230,725,727</b>	214,953,954
	<b>230,725,727</b>	214,953,954

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 12. ACCOUNTS RECEIVABLE

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	<b>1,382,442,957</b>	1,448,473,422
Less: impairment allowance	<b>(908,593,687)</b>	(916,853,993)
	<b>473,849,270</b>	531,619,429
Clearing houses	<b>87,097,337</b>	213,420,226
Cash clients	<b>85,017,274</b>	61,431,806
Brokers	<b>59,820,376</b>	79,431,836
Less: impairment allowance	<b>(1,261,939)</b>	(1,261,939)
	<b>230,673,048</b>	353,021,929
	<b>704,522,318</b>	884,641,358
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	<b>21,750,038</b>	61,254,257
Brokers	<b>46,382,324</b>	122,845,799
	<b>68,132,362</b>	184,100,056
Accounts receivable arising from the business of corporate finance	<b>6,737,105</b>	4,101,017
Accounts receivable arising from the business of asset management	<b>7,489,273</b>	10,443,983
Less: impairment allowance	<b>(606,643)</b>	(606,643)
	<b>6,882,630</b>	9,837,340
Accounts receivable arising from the business of financial products and investments:		
Brokers	<b>478,604,757</b>	84,776,847
	<b>1,264,879,172</b>	1,167,456,618

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 12. ACCOUNTS RECEIVABLE *(Continued)*

### Secured margin loans

As at 30 June 2023 and 31 December 2022, 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 2023

## 12. ACCOUNTS RECEIVABLE (Continued)

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

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

#### Corporate finance clients

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Less than 31 days	<b>540,054</b>	390,636
31–60 days	<b>391,910</b>	233,120
61–90 days	<b>2,342,126</b>	–
91–180 days	<b>2,589,445</b>	1,559,134
Over 180 days	<b>873,570</b>	1,918,127
	<b>6,737,105</b>	4,101,017

#### Asset management clients

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Less than 31 days	<b>1,295,300</b>	1,538,636
31–60 days	<b>784,195</b>	1,217,741
61–90 days	<b>407,460</b>	1,168,779
91–180 days	<b>1,606,149</b>	1,815,548
Over 180 days	<b>3,396,169</b>	4,703,279
	<b>7,489,273</b>	10,443,983

During the six months ended 30 June 2023 and the year ended 31 December 2022, 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 2023

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

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
<b>Held for trading</b>		
Short position in listed debt securities	<b>21,297,173</b>	20,479,079
<b>Designated at fair value through profit or loss</b>		
Unlisted issued structured products	<b>24,376,456</b>	30,447,343
	<b>45,673,629</b>	50,926,422
Analysed as:		
Current	<b>45,673,629</b>	50,926,422
Non-current	–	–
	<b>45,673,629</b>	50,926,422

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 14. ACCOUNTS PAYABLE

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Accounts payable arising from the business of dealing in securities:		
Clearing house	<b>50,493,700</b>	–
Brokers	<b>1,102,180</b>	8,895,331
Clients	<b>2,632,324,682</b>	2,809,820,292
	<b>2,683,920,562</b>	2,818,715,623
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	<b>365,153,762</b>	331,791,184
Accounts payable arising from the business of financial products and investments:		
Brokers	<b>356,659,202</b>	–
	<b>3,405,733,526</b>	3,150,506,807

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 2023

## 14. ACCOUNTS PAYABLE *(Continued)*

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

The Group has accounts payable arising from the business of dealing in securities of HK\$57,745,434 due to the immediate holding company as at 30 June 2023 (31 December 2022: HK\$77,557,769).

## 15. BANK BORROWINGS

	<b>As at 30 June 2023 HK\$ Unaudited</b>	As at 31 December 2022 HK\$ Audited
Variable rate borrowings	<b>1,752,973,134</b>	1,000,907,152
Repayable within one year and contain a repayable on demand clause	<b>1,752,973,134</b>	1,000,907,152
Repayable within a period of more than one year but not exceeding two years	-	-
	<b>1,752,973,134</b>	1,000,907,152

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 2023 was Hong Kong Interbank Offered Rate ("HIBOR") +0.8% to HIBOR+0.9% (31 December 2022: HIBOR+0.8% to HIBOR+1.2%).

At 30 June 2023, HK\$1,750,000,000 (net of the bank charge) (31 December 2022: HK\$1,000,000,000) had been drawn by the Group under the aggregated banking facilities of HK\$7,437,000,000 (31 December 2022: HK\$8,316,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK\$3,100,000,000 as at 30 June 2023 (31 December 2022: HK\$3,387,000,000). Out of which HK\$1,300,000,000 had been drawn as at 30 June 2023 (31 December 2022: HK\$1,000,000,000).

No bank borrowings were secured by charges over client's pledged securities as at 30 June 2023 and 31 December 2022.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 16. BONDS

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

During the year ended 31 December 2022, the Company repurchased the Corporate Bonds with an aggregate principal amount of US\$35,000,000 in the open market. Such repurchased Corporate Bonds were cancelled subsequently in accordance with their respective terms and conditions. The remaining principal amount of US\$265,000,000 of the Corporate Bonds will mature in February 2024.

## 17. 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 2022, 31 December 2022, 1 January 2023 and 30 June 2023	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	4,000,000,000	400,000,000

## 18. OTHER EQUITY INSTRUMENT

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

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 19. 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 2022.

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

### Fair value measurement of financial instruments

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

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

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

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

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 30 June 2023 and 31 December 2022.

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. 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 2023 HK\$ Unaudited	31 December 2022 HK\$ Audited		
<b>1) Financial assets at fair value through profit or loss</b>				
Equity securities				
– Traded on stock exchanges	<b>154,503,740</b>	148,741,035	Level 1	Quoted price in active markets
Debt securities				
– Traded on stock exchanges and unlisted	<b>3,191,658,291</b>	1,880,086,381	Level 2	Quoted from brokers or market makers
– Unlisted	<b>429,913,314</b>	–	Level 2	Recent transaction price
– Unlisted	<b>713,632,999</b>	709,963,865	Level 3	Fair value of collaterals <i>(note a)</i>
Funds				
– Unlisted public	<b>96,499,415</b>	43,327,885	Level 1	Quoted price in active market
– Unlisted private	<b>82,624,287</b>	36,536,811	Level 2	Observable quoted price of underlying investment in active market
– Unlisted private	<b>19,605,897</b>	24,726,511	Level 3	Direct market comparison approach with NAV of fund provided by external counterparty <i>(note b)</i>
	<b>4,688,437,943</b>	2,843,382,488		

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 19. 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 2023 HK\$ Unaudited	31 December 2022 HK\$ Audited		
<b>2) Financial assets at fair value through other comprehensive income</b>				
Equity instruments designated at FVTOCI				
– Traded on stock exchanges and unlisted	<b>2,028,895,887</b>	1,735,889,091	Level 2	Quoted from brokers or market makers
Debt securities at FVTOCI				
– Traded on stock exchanges and unlisted	<b>1,516,056,797</b>	438,800,983	Level 2	Quoted from brokers or market makers
	<b>3,544,952,684</b>	2,174,690,074		
<b>3) Financial liabilities held for trading</b>				
Short position in listed debt securities	<b>21,297,173</b>	20,479,079	Level 2	Quoted from brokers or market makers
	<b>21,297,173</b>	20,479,079		
<b>4) Financial liabilities designated at fair value through profit or loss</b>				
Unlisted structured products (with the underlying investment related to unlisted fund)	<b>24,376,456</b>	30,447,343	Level 2	Observable quoted price of underlying investments in active market
	<b>24,376,456</b>	30,447,343		



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 19. 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 inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals.
- (b) 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.

There were no transfers between Level 1 and 2 during the six months ended 30 June 2023 and 2022.

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

	2023		2022	
	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	–	<b>734,690,376</b>	(1,066,372)	743,969,178
Total (loss)/gains in profit or loss	–	<b>(1,451,480)</b>	(143,245)	25,788,140
As at 30 June	–	<b>733,238,896</b>	(1,209,617)	769,757,318

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 19. FINANCIAL INSTRUMENTS (Continued)

### Derivative financial instruments

	Notional Amount		Fair Value			
			Assets		Liabilities	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
2023	2022	2023	2022	2023	2022	
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	
Index futures	46,902,850	–	1,298,500	–	–	–
Foreign currency exchange futures	293,640,986	346,460,760	6,224,004	–	–	(1,672,719)
Interest rate futures	431,101,000	350,905,500	–	933,615	(2,255,013)	–
<b>Total</b>	<b>771,644,836</b>	<b>697,366,260</b>	<b>7,522,504</b>	<b>933,615</b>	<b>(2,255,013)</b>	<b>(1,672,719)</b>
Less: Settlement			(7,522,504)	(933,615)	2,255,013	1,672,719
<b>Net position</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures traded through China Industrial Securities International Futures Limited, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 30 June 2023 and 31 December 2022.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

## 20. 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 2023 and 2022 was as follows:

	For the six months ended 30 June	
	2023 HK\$ Unaudited	2022 HK\$ Unaudited
Salary and short-term benefits	16,670,332	27,248,522
Post-employment benefits	91,500	96,000

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

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

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

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

During the six months ended 30 June 2023, the Company paid a consultancy service fee of HK\$7,765,455 (2022: HK\$16,460,505) under the service agreements.

# Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2023

## 21. 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/shareholders in consolidated investment funds that are subject to the actions of third-party unit holders/shareholders.

For the six months ended 30 June 2023, gain from changes in interests held by third-party unit holders/shareholders of HK\$1,804,251 (2022: HK\$7,831,518) in consolidated structured entities are included as other gain 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\$160,035,128 (31 December 2022: HK\$180,720,209) as at 30 June 2023 are included in other liabilities in the condensed consolidated statement of financial position.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2023.



# Management Discussion and Analysis

## HONG KONG CAPITAL MARKET REVIEW

The Hang Seng Index closed at 18,916 as at the end of June 2023, representing a decrease of 4.37% as compared with the end of 2022. In the primary market, the total amount of funds raised in the first half of 2023 was HK\$74.4 billion, representing a decrease of 35.3% as compared with the corresponding period in 2022, of which HK\$17.8 billion was raised from IPOs, representing a decrease of 9.9% as compared with the corresponding period in 2022. A total of 33 companies went public in the first half of 2023, representing a year-on-year increase of 22%. In the secondary market, the average daily turnover of securities in the first half of 2023 was HK\$115.5 billion, representing a year-on-year decrease of 16.4%. As at the end of June 2023, the total market cap of Hong Kong's securities market was HK\$33.9 trillion, representing a decrease of 5.04% as compared with the end of 2022.

In the first half of 2023, major countries or regions around the world have essentially emerged from the COVID-19 pandemic. However, with the banking crisis in Europe and the United States, the uncertainty of the geopolitical situation and the lagged effects of the tightening monetary policy of the world's central banks, the global economic and financial situation remains severe. Although affected by global market sentiment, Hong Kong is still a bridge and window between the Mainland China and overseas capital markets, with the number of Mainland China enterprises listed in Hong Kong and their total financing amount still accounting for a significant proportion. HKEx launched the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme in June 2023, which will help consolidate Hong Kong's position as the offshore RMB centre and further enhance Hong Kong's competitiveness as an international financial centre.

## RESULTS AND OVERVIEW OF THE COMPANY

For the six months ended 30 June 2023, the Group recorded operating revenue of HK\$251.34 million (2022: HK\$93.20 million), and net profit of HK\$62.19 million (2022: net loss of HK\$198.35 million), representing an increase of HK\$260.54 million. The turnaround from loss to profit was mainly due to the growth in revenue from the Group's core business of corporate finance, financial products and investments. At the same time, the increasingly enhanced internal management capabilities and prudent risk management has continuously improved the assets quality of the Group and thus effectively reduced the Group's costs.

On 31 May 2023, the Group was officially included in the MSCI Hong Kong Micro Cap Index.

For the six months ended 30 June 2023, the Group's operating revenue from brokerage services, corporate finance services, asset management services, margin financing services, financial products and investments saw a decrease of 6.68%, an increase of 17.43%, a decrease of 34.67%, a decrease of 0.70% and an increase of 710.35% 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) margin financing; and (v) financial products and investments.

### Brokerage

For the six months ended 30 June 2023, the Group's commission and fee income from the brokerage services amounted to HK\$63.86 million (2022: HK\$68.43 million), representing a year-on-year decrease of 6.68%, mainly due to lower market trading volume as investors were reluctant to trade due to the fluctuation and decline in Hong Kong stock indexes. As at the end of June 2023, the number of securities brokerage customers of the Group was 43,053, representing an increase of 0.1% as compared with the beginning of the year, and the market value of Hong Kong shares under its custody at HKSCC was HK\$24.8 billion, ranking 33rd among 576 securities companies. In addition, benefiting from the full resumption of normal travel between Mainland China and Hong Kong, the Group's income from insurance brokerage business for the six months ended 30 June 2023 increased by 1,241% year-on-year, achieving a significant growth. During the year, it won the Bloomberg Businessweek Wealth Management Platform Outstanding Award.



# Management Discussion and Analysis

## Corporate finance

For the six months ended 30 June 2023, the Group's revenue from corporate finance business amounted to HK\$23.99 million (2022: HK\$20.43 million), representing a year-on-year increase of 17.43%.

Among this revenue, commission income from placing, underwriting and sub-underwriting of debt securities amounted to HK\$16.93 million (2022: HK\$18.26 million), representing a year-on-year decrease of 7.28%; arrangement fee income for the first half of 2023 amounted to HK\$3.37 million (no arrangement fee income was recorded in the first half of 2022). For the six months ended 30 June 2023, against the backdrop of rising US dollar interest rates and increasingly fierce market competition, the Group as an underwriter has completed the underwriting of offshore bonds of approximately US\$7,579 million in total, ranking 3rd among Chinese securities brokers in Hong Kong in the Bloomberg China Offshore Bond Ranking. During the year, it won the Bloomberg Businessweek Bond Excellence Award and the Junding Award for China Securities Industry Overseas Investment Bank.

For the six months ended 30 June 2023, the Group's sponsor fee income amounted to HK\$3.34 million (2022: HK\$1.65 million), representing a year-on-year increase of 102.42%; and corporate finance advisory fee income was HK\$0.36 million (2022: HK\$0.51 million), representing a year-on-year decrease of 29.41%. For the six months ended 30 June 2023, the total equity financing amount of the Group, including stock underwriting, was US\$1.24 million, ranking 18th among Chinese securities brokers in Hong Kong. It won the Hong Kong Commercial Daily's Investment Banking Service Award for Financial Institution Services during the year.

## Asset management

For the six months ended 30 June 2023, the Group's revenue from asset management business amounted to HK\$7.65 million (2022: HK\$11.71 million), representing a year-on-year decrease of 34.67%, mainly due to the decrease in the average monthly net value of funds year-on-year as a result of the decline in the Hong Kong stock market and the redemption by certain investors to stop loss. As at the end of June 2023, the Group had assets under management of HK\$6,288 million and 15 active fund products. It won the Hong Kong Commercial Daily's Asset Management Innovation Award for Financial Institution Services during the year.

## Margin financing

For the six months ended 30 June 2023, the Group's revenue from margin financing business amounted to HK\$15.51 million (2022: HK\$15.62 million), representing a year-on-year decrease of 0.70%, mainly due to the further decline in the size of secured margin loans as the Group further optimised its customer structure and reduced the scale of low-quality margin financing.

## Financial products and investments

For the six months ended 30 June 2023, the Group's profit from financial products and investments amounted to HK\$140.32 million (2022: loss of HK\$22.99 million), representing a year-on-year increase of 710.35%. In the first half of 2023, under the influence of various factors such as inflation expectations in the United States and banking crisis in Europe and the United States, interest rate hike expectations also changed multiple times, and U.S. bond yields were mainly volatile with wide fluctuations. As such, the Group adopted conservative and prudent investment strategies. It invested mainly in investment grade bonds, maintained medium-and-short-term exposure, made dynamic adjustments based on market changes, and kept close track of credit standing of each business segment to strictly control default risk.



# Management Discussion and Analysis

## FINANCIAL POSITION

As at 30 June 2023, the total assets of the Group increased by 20.26% to HK\$14,998.53 million (31 December 2022: HK\$12,472.18 million).

As at 30 June 2023, the total liabilities of the Group increased by 28.80% to HK\$10,918.54 million (31 December 2022: HK\$8,477.30 million).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the net current assets of the Group decreased by 17.68% to HK\$4,553.34 million (31 December 2022: HK\$5,531.35 million). As at 30 June 2023, 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 1.46 times (31 December 2022: 1.86 times).

For the six months ended 30 June 2023, the net cash outflow of the Group was HK\$635.41 million (31 December 2022: outflow of HK\$2,755.01 million), and the bank balance of the Group as at 30 June 2023 was HK\$2,068.54 million (31 December 2022: HK\$2,703.95 million).

As at 30 June 2023, the total bank borrowings of the Group increased by 75.14% to HK\$1,752.97 million (31 December 2022: HK\$1,000.91 million).

As at 30 June 2023, the Group had outstanding bonds of HK\$2,092.01 million (31 December 2022: HK\$2,079.99 million). As at 30 June 2023, the gearing ratio of the Group (defined as the sum of repurchase agreements, bank borrowings and outstanding bonds divided by total equity) increased by 51.5% to 177.6% (31 December 2022: 126.1%).

Total equity attributable to holders of ordinary shares of the Company amounted to HK\$3,079.99 million as at 30 June 2023 (31 December 2022: HK\$2,994.88 million).

## FUTURE PLAN

Looking ahead to the second half of 2023, the Group will focus on the theme of “Strong Development”, uphold the general principle of development, emphasize steady progress and results, strengthen the foundation of sustainable business development, further enhance the capacity of its fee-based business, and continue to improve its profitability. Firstly, it will deepen the transformation of wealth management business and optimise the framework of wealth management business. Secondly, it will strengthen the marketing efforts of asset management business and further expand sales channels to realise the joint development of different business segments. Thirdly, it will make full use of its research capabilities to bring the market competitiveness of brokerage businesses to a higher level. Fourthly, for investment banking business, it will strive to maintain the growth momentum of the debt financing business and focus on participating in the issuance of high-quality projects to further improve the ranking of its underwriting business; for equity financing business, it will build up its reserve of high-quality projects. While striving to do its job in relevant sponsoring projects, it will broaden the scope of its financial advisory services, including mergers and acquisitions, opportunistic financing, privatisation, trading resumption, etc., in order to strengthen its performance. Fifthly, for self-owned fund investment business, it will adopt a prudent investment strategy, taking into account the balance between risk and return. Sixthly, it will improve the layout of structured financing business, strengthen relationships with institutions, deepen business innovations, and fully promote the launch of cross-border product investment business. Meanwhile, it will continue to improve its compliance and risk control management system, maintain a neutral and moderate risk preference, and stick to the bottom line of compliance and risk control to ensure high-quality sustainable development. It will optimise the allocation of human, financial and material resources, seek to reduce operating costs and improve the work efficiency and productivity of its staff, and further optimise the structure and quality of its talent pool. The Group is embarking on a new journey while focusing on development. The Group will continue to promote the high-quality development of Industrial Securities International in order to bring desirable positive returns for its shareholders.



# Management Discussion and Analysis

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS OR DISPOSALS 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 2023.

## **CHARGES ON GROUP ASSETS**

For the six months ended 30 June 2023, 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 2023, the Group had 220 full-time employees (30 June 2022: 208 full-time employees), including the Directors. Total remuneration for the six months ended 30 June 2023 was HK\$71.32 million (30 June 2022: HK\$80.87 million). The remuneration policy will be reviewed by the Group from time to time in accordance with market practice, and the bonus will be distributed with reference to individual performance appraisal, prevailing market condition and the financial performance of the Group. Other employee benefits include contributions to the mandatory provident fund scheme and medical care insurance etc.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities for the six months ended 30 June 2023 and up to the date of this report.

## **EVENTS AFTER THE REPORTING PERIOD**

As of 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, the risk management committee, risk management department, functional departments, and subsidiaries. The Board shall undertake the ultimate responsibility for comprehensive risk management, be responsible for the supervision and guidance over the risk management of the Company, approve the risk appetite of the Company, and control the overall risk of the Company within a reasonable range to ensure that the Company can effectively manage the risk control in business activities. The management shall lead and manage various risks in the course of business of the Company and promote the planning, construction and implementation of the comprehensive risk management system of the Company. The risk management committee under the management shall carry out the risk management work of the Company with the authorization of the management, be responsible for guiding, supervising and coordinating the implementation of the work related to risk management of the Company, provide advice on the improvement and updating of the organizational system, and promote the comprehensive risk management construction of the Company. Under the leadership of the chief risk officer, the risk management department shall organize and promote the comprehensive risk management work of the Company, organize to conduct identification, evaluation, monitoring, analysis and tests on the overall risk, aggregate risk faced in the course of operation and management of the Company and its changing trend, and put forward corresponding control measures and solutions.



# Management Discussion and Analysis

The Group has built three lines of defence for risk management, of which the first line of defence is effective self-control by functional departments and subsidiaries, the second line of defence is professional risk management by the risk management department before and during business operations, and the third line of defence is post-supervision and evaluation by the audit department. The design of the “three lines of defence” (三道防線) of risk management governance structure has effectively provided guarantees for the efficiency and effectiveness of risk management.

The Group has implemented the risk appetite, quota management and authorization management system, followed the business philosophy of “stable operation for sustainable development” (穩健經營、長遠發展) based on the neutral and prudent risk appetite determined by the Board, and adhered to the development idea of seeking progress while keeping performance stable, conducted precise identification, careful evaluation, dynamical monitoring and overall management on various risks, such as liquidity risk, market risk, credit risk, operational risk, reputation risk, and compliance and legal risk in a timely manner in the course of business of the Company to ensure that various risks exposed to the Group were controlled within a reasonable range that is measurable, controllable, acceptable and without spillover. The Group has endeavored to build a sound organizational structure, operational management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to realize the detectability, measurability, analysis and risk-response in risk management, facilitating the healthy development of the business of the Group in the long run and the achievement of strategic goals.

## Credit risk

The credit risk exposed to the Group refers to the risk of losses to the Group due to non-performance by the debtor or counterparty. The Group has established a risk management committee to review and monitor the implementation of credit risk management policies, and to update relevant risk management policies to adapt to changes. The Group has also set up an investment and financing business review committee, which is responsible for reviewing investment and financing projects and re-examining the policies relating to credit approval, transaction limits and credit limits. The Group has regularly re-examined the implementation of existing investment and financing projects and margin loans to assess the credit risk exposure, and has taken appropriate measures to mitigate risks.

The Group has closely monitored the risk limit indicators of credit business, adopted measures such as daily mark-to-market and timely warning, and established a public opinion information monitoring mechanism for debtors, collaterals and counterparties to effectively respond to sudden public events and formulate response plans in advance. It has conducted regular stress tests, taken appropriate measures to make up for or minimize losses to properly resolve risks if the possibility of non-performance of customers was foreseen, and earnestly conducted post-investment management. It made use of reasonable and supportable forward-looking information to conduct impairment measurement for financial assets on a regular basis and made timely provision for expected credit losses based on its business continuity and in accordance with the latest standards for financial instruments.

## Liquidity risk

The liquidity risk exposed to 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 liquidity requirement for ordinary business operation.

The Group has formulated liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risks, and maintained liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)).



# Management Discussion and Analysis

The Group has formulated a multi-level authorization mechanism and internal policies for managing and approving the use and allocation of capital. It has set up restrictions on authorization in respect of any commitments or capital outflows (such as procurement, investment and loans), and evaluated the impact of such transactions on capital adequacy.

The Group has met its financing needs primarily through obtaining bank loans from certain banks and issuing bonds, and constantly explored and expanded financing channels and methods. The Group has also adopted strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that the planning and management of liquidity in advance and that the Group satisfies the capital requirements stipulated by applicable laws.

## Market risk

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

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

The Group has set up market risk limit indicators, and regularly reviewed and adjusted market strategies to adapt to changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Group has formulated selection criteria for different bonds and other fixed-income products, prudently selected industries and enterprises, and followed up on and monitored macro-economic trends to optimize investment strategies.

## Operational risk

The operational risk exposed to the Group refers to the risk of losses to the Group caused by flawed or defective internal procedures, employees, information systems or external events. The main goal of the operational risk management of the Group is to promote a good operational risk management culture according to the regulatory requirements and the development strategy of the Company, establish and improve the operational risk management framework and system in line with the actual situation of the Company, and reduce the frequency and impact of operational risk events.

The Group has established an operational risk management structure consisting of the Board, management, the risk management committee, the risk management department and each functional department. The management of operational risk involves all departments and all employees, covering all business activities, business processes and operational procedures.

The Group has established a sound management mechanism and effective internal control procedures. Through operational risk policies, risk reporting mechanisms, operational risk limit indicators, risk control matrices, operational risk systems and risk warnings, the operational risk events will be identified, evaluated, monitored and followed up on before, during and after events. At the same time, through sharing the cases of operational risk and training, the overall operational risk awareness of the Group has been improved, the operational risk management has been strengthened, and the ability to respond to operational risk has been improved. The risk management department has regularly analyzed and evaluated operational risk events, continuously monitored the operational risk conditions of the Group and the trend of their changes, and regularly reported the implementation of relevant indicators. It also followed up on operational risk events to ensure that the operational risk losses of the Company are under control, and improved operational risk monitoring and management.



# Management Discussion and Analysis

The Group has set up a business continuity management mechanism, with contingency plans and business continuity plans combined with risk scenarios, business models, system settings and other important risk factors, and retained sufficient disaster recovery office facilities, regularly carried out business continuity exercises, comprehensively improved the Group's ability to respond to emergencies and operational interruptions to ensure smooth and orderly operation.

## **Compliance and legal risks**

The Group has proactively promoted the establishment of a stable and sound compliance and legal risk management framework, formulated relevant policies, processes and templates, kept a close eye on the prevailing laws and regulations relating to business operations, and made timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations, embedding compliance and internal control into its business process to ensure that the Company's business and operations comply with the laws and regulations as amended from time to time.

The legal and compliance department takes the lead in formulating the compliance management policies and procedures of the Group, providing compliance advice for various business plans and affairs, analyzing and exploring the compliance of business proposals, closely monitoring the compliance operation of the licensed businesses of the Group, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the legal and compliance department has taken the lead in organizing legal and compliance training for employees from time to time, carried out publicity for regulatory punishment cases and provided internal guidance about the latest regulatory updates.

The legal and compliance department of the Group is staffed with full-time legal personnel. Meanwhile, the Group has engaged four legal consultants who have cooperated with the Group throughout the years, and maintained close relationships with other external law firms. Through close cooperation with full-time legal personnel and external legal consultants or law firms, it is ensured that the Group can prevent and address various legal risks in a timely manner.

## **Reputation risk**

The reputation risk exposed to the Group refers to the risk of negative public views on the Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies caused by the operations, management and other behaviors or external events. The Group has a complete corporate governance structure and proactively promoted the construction of reputation risk management mechanism, proactively and effectively prevented reputation risk and addressed reputation risk events by upholding the principles of prevention first, proactiveness, and timely reporting, and conducted all-round and whole-process management over classification, identification, assessment, reporting, handling and evaluation of reputation risk occurred in the course of the operation and management, so as to minimize losses and negative impacts on the reputation and brand image of the Group. During the reporting period, the Group has further improved its reputation risk management system, maintained an overall stable public views, and has not experienced any major reputation risk event.



## Other Information

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 30 June 2023, 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 executive of the Company (the "Chief Executive") 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>
Hu Pingsheng	Beneficial owner	7,204,858	0.18%

Save as disclosed above, as at 30 June 2023, none of the Directors or Chief Executive 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 Executive are aware, as at 30 June 2023, the following persons/corporations (other than a Director or the Chief Executive) 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	2,219,827,644	55.5%
Industrial Securities Co., Ltd.* (Note 1)	Interest of controlled corporation	2,219,827,644	55.5%
Harvest Capital Management Co., Ltd (Note 2)	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd. (Note 2)	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd. (Note 2)	Interest of controlled corporation	293,232,000	7.33%
Hao Kang Financial Holdings (Group) Limited	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan (Note 3)	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying (Note 4)	Interest of spouse	205,853,089	5.15%

Notes:

- Industrial Securities Co., Ltd.\* holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities Co., Ltd.\* is deemed or taken to be interested in all the Shares held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.
- China Credit Trust Co., Ltd holds 40% of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75% of the entire issued share capital of Harvest Capital Management Co., Ltd. Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all the Shares held by Harvest Capital Management Co., Ltd for the purposes of the SFO.
- Chen Jiaquan holds 70% of the total issued share capital of Apex Trade Holdings Limited and is the sole director of Hao Kang Financial Holdings (Group) Limited and therefore is deemed or taken to be interested in all the Shares held by Apex Trade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.
- Yang Zhiying is the spouse of Chen Jiaquan. Under the SFO, Yang Zhiying is deemed, or is taken to be, interested in all the Shares in which Chen Jiaquan is interested.

\* For identification purpose only



## Other Information

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons, other than the Directors and the Chief Executive 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 2023.

### 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 2023.

### 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 2022 annual report of the Company are set out below:

Director	Details of Change
Zhang Chunjuan	Appointed as a chief executive officer of CISI Holding Pte. Ltd. on 10 August 2023
Cai Junzheng	Appointed as a director and the chairman of the board of directors of CISI Holding Pte. Ltd. on 18 April 2023 and 23 May 2023, respectively
Hong Ying	Retired as an independent director of Hangzhou Wanshili Silk Culture Co., Ltd.* (杭州萬事利絲綢文化股份有限公司) on 19 May 2023  Appointed as a founder member and a director of China Independent Non-Executive Director Association Limited on 27 July 2023

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

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



## Other Information

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

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

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

On 21 October 2022, the Company as borrower entered into a facility letter (the “Facility Letter”) with a bank as lender (the “Lender”) to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$300,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to maintain directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 25 April 2023, the Company as borrower entered into a supplemental facility letter (the “Supplemental Facility Letter”) with a bank as lender (the “Lender”) to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$50,000,000 (or its equivalent in HKD) to the Company. As a condition of the Supplemental Facility Letter, it shall be an event of default if Industrial Securities ceases to legally and beneficially own (either directly or indirectly) not less than 51% of the issued share capital of the Company and ceases to maintain the management control over the Company.



## Other Information

On 11 May 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$20,000,000 (or its equivalent in HKD or RMB) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to directly or indirectly own at least 51% of the issued share capital of the Company.

On 17 May 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$500,000,000 (or its equivalent in USD) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to directly or indirectly own at least 51% of the issued share capital of the Company.

On 23 May 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$300,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to hold directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 13 June 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender") to renew the facility, pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to US\$30,000,000 (or its equivalent in HKD) to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to own directly or indirectly not less than 51% of the issued share capital of the Company and maintain the absolute management control over the Company.

On 28 June 2023, the Company as borrower entered into a facility letter (the "Facility Letter") with a bank as lender (the "Lender"), pursuant to which the Lender has agreed to make available an uncommitted revolving loan facility in an aggregate amount of up to HK\$100,000,000 to the Company. As a condition of the Facility Letter, it shall be an event of default if Industrial Securities ceases to be the single largest shareholder of the Company and hold not less than 51% of the issued share capital of the Company.

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



# Other Information

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2023.

## **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 2023.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has been established with written terms of reference in compliance with the Listing Rules and code provisions under the CG Code. The Audit Committee currently comprises a non-executive Director and two independent non-executive Directors, namely Mr. Hu Pingsheng, Ms. Hong Ying and Mr. Tian Li. The chairlady of the Audit Committee is Ms. Hong Ying.

The Group's unaudited condensed consolidated results for the six months ended 30 June 2023 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.