

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED
東方滙財證券國際控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8001)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR
THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

** For identification purpose only*

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months period ended 30 September 2019 together with the comparative unaudited figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months period ended 30 September 2019

		Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	7,950	7,402	22,718	22,466
Other income	5	1	3	5	4
		<u>7,951</u>	<u>7,405</u>	<u>22,723</u>	<u>22,470</u>
Staff costs		(2,804)	(3,255)	(8,583)	(10,230)
Administrative expenses		(2,980)	(2,968)	(8,713)	(9,472)
Finance costs		<u>—</u>	<u>—</u>	<u>(38)</u>	<u>—</u>
Profit before taxation		2,167	1,182	5,389	2,768
Income tax	6	<u>(938)</u>	<u>(900)</u>	<u>(2,450)</u>	<u>(1,870)</u>
Profit for the period attributable to owners of the Company		1,229	282	2,939	898
Other comprehensive income for the period		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the period attributable to owners of the Company		<u>1,229</u>	<u>282</u>	<u>2,939</u>	<u>898</u>
Earnings per share					
Basic and diluted	8	<u>0.28 cents</u>	<u>0.07 cents</u>	<u>0.68 cents</u>	<u>0.21 cents</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2019

	Attributable to owners of the Company				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 1 January 2019 (audited)	4,320	138,016	8	167,304	309,648
Profit and total comprehensive income for the period	—	—	—	2,939	2,939
At 30 September 2019 (unaudited)	<u>4,320</u>	<u>138,016</u>	<u>8</u>	<u>170,243</u>	<u>312,587</u>

For the nine months period ended 30 September 2018

	Attributable to owners of the Company				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 1 January 2018 (audited)	4,320	138,016	8	172,825	315,169
Profit and total comprehensive income for the period	—	—	—	898	898
At 30 September 2018 (unaudited)	<u>4,320</u>	<u>138,016</u>	<u>8</u>	<u>173,723</u>	<u>316,067</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months period ended 30 September 2019

1. GENERAL INFORMATION

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

The Company and its subsidiaries (together the “Group”) are principally engaged in the provision of:

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 January 2019. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements for the three months and nine months period ended 30 September 2019 comprises the Company and its subsidiaries.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The unaudited condensed consolidated financial statements is presented in Hong Kong dollars (“HK\$”), rounded to the nearest thousand except for otherwise indicated. The Company’s functional and the Group’s presentation currency are both HK\$.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3. SEGMENT REPORTING

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

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

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

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

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

3. SEGMENT REPORTING (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of interest income on employee's loan, sundry income, listing expenses and income tax expense.

a) Segment revenue and results

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

Segment profit represents the profit earned by each segment without allocation of interest income on bank deposits, sundry income, and income tax expenses.

The segment revenue and results for the nine months period ended 30 September 2019 are as follows:

	Brokerage <i>HK\$'000</i> (unaudited)	Underwriting and placing <i>HK\$'000</i> (unaudited)	Margin financing <i>HK\$'000</i> (unaudited)	Money lending <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Reportable segment revenue					
Revenue from external clients	1,771	—	2,783	18,164	22,718
Reportable segment profit	420	—	660	4,304	5,384

The segment revenue and results for the three months period ended 30 September 2019 are as follows:

	Brokerage <i>HK\$'000</i> (unaudited)	Underwriting and placing <i>HK\$'000</i> (unaudited)	Margin financing <i>HK\$'000</i> (unaudited)	Money lending <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Reportable segment revenue					
Revenue from external clients	602	—	918	6,430	7,950
Reportable segment profit	164	—	250	1,752	2,166

3. SEGMENT REPORTING (Continued)

a) Segment revenue and results (Continued)

The segment revenue and results for the nine months period ended 30 September 2018 are as follows:

	Brokerage	Underwriting and placing	Margin financing	Money lending	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue					
Revenue from external clients	3,691	—	4,012	14,763	22,466
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment profit	454	—	494	1,816	2,764
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The segment revenue and results for the three months period ended 30 September 2018 are as follows:

	Brokerage	Underwriting and placing	Margin financing	Money lending	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue					
Revenue from external clients	667	—	1,376	5,359	7,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment profit	106	—	219	854	1,179
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

b) Information about geographical areas

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the three months and nine months period ended 30 September 2019 and 2018 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

4. REVENUE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Commission from brokerage services	602	667	1,771	3,691
Commission from underwriting and placing services	—	—	—	—
Interest income from margin financing services	918	1,376	2,783	4,012
Interest income from money lending services	6,430	5,359	18,164	14,763
	<u>7,950</u>	<u>7,402</u>	<u>22,718</u>	<u>22,466</u>

5. OTHER INCOME AND OTHER NET INCOME

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income on — bank deposits	—	—	1	1
Total interest income on financial assets not at fair value through profit or loss	—	—	1	1
Sundry income	1	3	4	3
	<u>1</u>	<u>3</u>	<u>5</u>	<u>4</u>

6. INCOME TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax				
Provision for the period	938	900	2,450	1,870

The provision for Hong Kong Profits tax for 2019 is calculated at 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance (2018: 8.25% of the first HK\$2,000,000 and 16.5% of the remaining balance) of estimated assessable profits for the period.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the nine months ended 30 September 2019 (2018: Nil).

8. EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Earnings for the purposes of basic and diluted earnings per share:				
Profit for the period attributable to owners of the Company	1,229	282	2,939	898
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	432,000,000	432,000,000	432,000,000	432,000,000

Diluted earnings per share equals to basis earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of (i) brokerage services (“Brokerage Services”); (ii) underwriting and placing services (“Underwriting and Placing Services”); (iii) margin financing services (“Margin Financing Services”); and (iv) money lending services (“Money Lending Services”).

During the first nine months of 2019, the Group record a total income of approximately HK\$22.7 million, representing an increase of approximately HK\$0.2 million as compared to the corresponding period in 2018.

For the Brokerage Service and the Margin Financing Services, during the nine months of 2019, due to the decreased number of active securities clients, the related trading volume from such securities clients has been decreased. Based on this, the commission income generated from Brokerage Services was decreased by HK\$1.9 million or 52.0% as compared to that of the corresponding period in 2018. On the other hand, the interest income derived from the Margin Financing Services has been adversely affected and was decreased by HK\$1.2 million or 30.6% as compared to that of the corresponding period in 2018.

For the Underwriting and Placing Services, the performance of the Group’s placing and underwriting services was severely deteriorated and generated no income during the 9 months ended 30 September 2019. The Board advised that it was mainly due to (i) insufficient liquid capital of the Group to participant in sizable underwriting exercise; (ii) restriction of the financial resource requirement under the Securities and Futures Ordinance; (iii) intense competition of Category C brokers faced by the Group; and (iv) volatile market conditions during the year 2019.

For the interest income from the Money Lending Services, such income was increased by approximately HK\$3.4 million in the first nine months of 2019 compared with the corresponding period in 2018. The Board advised that such increase was mainly attributable to higher amount of loan portfolio brought forward from 2018 and new loan portfolio granted during the period.

The Board advised that the Brokerage Services relates to (i) the turnover of the Hong Kong securities market; (ii) demand from our clients and competitions from other securities companies; (iii) the number of underwriting and placing exercises the Group can be involved in and/or (iv) the size of fund the customers intended to raise; and (v) the decline of the market share of Category C Hong Kong Stock Exchange participants during the year 2019. While the interest income generated from Margin Financing Services will be subject to customers' investment and financing needs. Such external factors are beyond the Group's control and the Group's financial performance is susceptible to fluctuation as a result. The Group will continue to keep an eye on opportunities available and participate in such transactions if they are profitable under the Group's risk management framework.

Further, the Company plans to adopt a more capital-driven approach to provide clients with liquidity for meeting their needs and increase the focus on the development of capital-based intermediary business starting in fixed-income business. To tap into the growing financing needs as well as enlarge the customer base of institutional clients who have strong demand for both financing and other financial services that the Group is offering such as brokerage services, thereby creating more cross-selling opportunity, the Group intends to further its loan and financing capability. To achieve this, the Group increases its liquid capital through conducting fund-raising exercise (including but not limited to share placement, rights issue and/or bank loan financing) and apply the net proceeds from such fund-raising exercise to fund future capital requirement for developing its loans and financing business. It is expected that the potential enlarged capital of the Group could help to develop its Money Lending Services, the Margin Financing Services and the Brokerage Services which lead to a positive impact on the Group's financial performance.

The Group and the management have been working hard and through various channels to develop the business. At the same time, the Group is positioned to divert currently available resources to the money lending business with a view to maximize the returns to shareholders with manageable risk exposure.

Going forward, the Group intends to provide new financial services to existing customer base and potential customers by studying market demands and manage the resources available within the Group by (i) recruiting more authorized employees to procure and solicit new clients and provide customer services to clients; (ii) offering more diverse products such as global stocks and fixed income products to clients; and (iii) upgrading the information technology systems to improve clients' experience. Further, the Group plans to gradually transform itself from a conventional securities brokerage firm to an integrated service provider for client wealth management. To achieve this, the Group has successfully applied an additional license regulated by SFC which the Group is able to provide financial assets management services. The Group will commence provision of relevant services when time comes. In addition, to tie with market practice, the Group has started charging securities account administration fee on annual basis to reflect the work performed by the Group on compliance matters on behalf of clients. Such revenue will be reflected in the annual result of the Group and expected not less than HK\$1.6 million.

FINANCIAL REVIEW

Revenue

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

The total revenue for the first nine months of 2019 was approximately HK\$22.7 million (2018: HK\$22.5 million) which represented an increase of approximately HK\$0.2 million or 1.1% compared with 2018. Such increase was attributable to the increase in the interest income from Money Lending Services by approximately HK\$3.4 million which offset the effect of decreased income from Brokerage Services and Margin Financing Services by HK\$1.9 million and HK\$1.2 million respectively.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Commission from brokerage services	602	667	1,771	3,691
Commission from underwriting and placing services	—	—	—	—
Interest income from margin financing services	918	1,376	2,783	4,012
Interest income from money lending services	6,430	5,359	18,164	14,763
	7,950	7,402	22,718	22,466

As at 30 September 2019, the Group had 772 active securities accounts as reported pursuant to Securities and Futures (Financial Resources) Rules (Cap 571N) (2018: 804 active securities accounts).

Staff costs

The total staff costs for the first nine months of 2019 was approximately HK\$8.6 million (2018: HK\$10.2 million) which represented a decrease of approximately HK\$1.6 million or 16.1% compared with 2018. The decrease was mainly attributable to the decrease in commission paid to staff which was in line with the decrease in commission income from the brokerage services, in addition to decrease in directors' and staff salaries payments.

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commission paid to staff	191	955
Directors' emoluments and staff salaries, bonus and allowances	7,993	8,802
Other staff costs including MPF and insurance	399	473
	8,583	10,230

Administrative expenses

The total administrative expenses for the first nine months of 2019 was approximately HK\$8.7 million (2018: HK\$9.5 million) which represented a decrease of approximately HK\$0.8 million or 8.0% compared with 2018. Such drop was mainly due to the decrease in event expenses which had approximately HK\$0.8 million recognized in the corresponding period in 2018.

Income tax expenses

The income tax expense for the first nine months of 2019 was approximately HK\$2.5 million (2018: HK\$1.9 million) and such increase was due to the increase of assessable profits under Hong Kong Profits Tax.

Profit for the period

The Group recorded a net profit attributable to owners of the Company of approximately HK\$2.9 million for the first nine months of 2019 (2018: HK\$0.9 million). Such change was mainly due to the saving of administrative expenses and staff costs.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the first nine months of 2019, the Group financed its operations by cash flow from operating activities. As at 30 September 2019, the Group had net current assets of approximately HK\$302.3 million (31 December 2018: HK\$298.3 million), including cash and bank balances of approximately HK\$27.8 million (31 December 2018: HK\$42.6 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 6.6 times as at 30 September 2019 (31 December 2018: 6.1 times). The increase in the current ratio was mainly attributable to the lower balances of trade payables to cash and margin clients as at 30 September 2019 compared to 31 December 2018.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK\$312.6 million as at 30 September 2019 (31 December 2018: HK\$309.6 million).

EMPLOYEE INFORMATION

Total remuneration for the first nine months of 2019 (including directors' emoluments and commission paid to staff and directors excluding MPF contributions and other employee costs) was approximately HK\$8.2 million (2018: HK\$9.8 million). Such decrease was mainly due to the decrease in commission paid to staff and directors' and staff salaries as mentioned under the Staff costs section above. The Group's remuneration policies are formulated on the basis of performance, qualifications and experience of individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong as at 30 September 2019 (2018: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in the first nine months of 2019 and up to the date of results announcement and quarterly report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

Up to the date of results announcement and quarterly report issuance of the Company, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the period ended 30 September 2019.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2019, none of the Directors and chief executives of the Company (the “Chief Executives”) had any interests or short positions in the ordinary shares of the Company (“Shares”), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules (the “Required Standard of Dealings”).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2019, so far as is known to the Directors and the Chief Executives and based on the public records filed on the website of the Stock Exchange and records kept by the Company, there was no person or corporation who had any interests and short positions in the Shares or underlying Shares as recorded in the register of interests required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short position in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the “Eligible Participant”) as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the “Scheme”) on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

As at the date of this announcement, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing approximately 6.94% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the “Option”), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the “Trading Day”); (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date. The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date.

The Company may at any time refresh such limit, subject to the shareholders’ approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of the Company in any 12-month period up to and including the offer date shall not exceed 1% of the total number of shares in issue for the time being. Any further grant of options in excess of this limit is subject to shareholder’s approval in general meeting.

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

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraphs headed “INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION” and “SHARE OPTION SCHEME” in this announcement, at no time during the nine months ended 30 September 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

Save as disclosed above, at no time during the nine months ended 30 September 2019 had the Directors and the Chief Executives (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the Shares (or warrants or debentures, if applicable) and its associated corporations (within the meaning of the SFO).

COMPETING INTERESTS

As at 30 September 2019, none of the Directors, the substantial Shareholders and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. The Company had made specific enquiries of all the Directors and the Directors have confirmed they had complied with the Required Standard of Dealings throughout the nine months ended 30 September 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 15 to the GEM Listing Rules (the "CG Code").

Throughout the nine months ended 30 September 2019, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code, save for the deviation from the code provisions A.2.1 and A.6.7 as explained below:

- Pursuant to A.2.1 of the CG Code, the roles of chairman and chief executive ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The Company currently has no chairman or CEO. The daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no chairman or CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment.

The Company will, at the appropriate time, arrange for the election of the new chairman of the Board.

- Pursuant to A.6.7 of CG Code, the independent non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders of the Company.

Due to other unavoidable overseas engagements, an independent non-executive Director was unable to attend annual general meeting of the Company held on 24 May 2019.

AUDIT COMMITTEE

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

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

The Audit Committee had reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2019 and is of the opinion that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 8 November 2019

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the Company's website at www.orientsec.com.hk.