



Stock Code: 665.HK

# Leading with Integrity

Interim Report 2015



# Leading with Integrity

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Haitong International is a youthful Chinese financial institution led by a team of passionate and energetic professionals. We are never passive followers. We are pioneers with fingers kept on the pulse of the rapidly changing financial market. Truly client-focused, we are constantly hunting for opportunities to create value for our customers.

We boast unrivalled knowledge in serving the local market with an amicable and humble heart inherited from traditional Chinese culture, while globally we shatter geographical and cultural barriers to bridge markets between the East and the West.

Unlocking frontiers by providing unparalleled services with integrity, we create tremendous value for our clients by leading them through all the challenges in the financial industry.

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# Financial Highlights

## Results

	Six months ended		Percentage change Increase/(Decrease)
	30.6.2015	30.6.2014	
Revenue (HK\$'000)	<b>4,137,538</b>	1,077,357	284
Net Profit Attributable to Shareholders (HK\$'000)	<b>2,124,913</b>	351,719	504
Return on Shareholders' Funds (%) <sup>(Note 1)</sup>	<b>18.35</b>	7.05	–
<b>Per share</b>			
Basic Earnings Per Share (HK Cents)	<b>73.13</b>	15.43	374
Diluted Earnings Per Share (HK Cents)	<b>68.12</b>	14.60	367
Share Price			
– Highest (HK\$)	<b>8.89</b>	4.53	96
– Lowest (HK\$)	<b>6.68</b>	3.74	79

## Financial Position

	30.6.2015	31.12.2014	Percentage change Increase/(Decrease)
Shareholders' Funds (HK\$'000)	<b>21,326,486</b>	8,596,502	148
Total Assets (HK\$'000)	<b>80,312,271</b>	48,159,973	67
Leverage Ratio <sup>(Note 2)</sup>	<b>2.84</b>	3.96	–
Number of Shares in Issue <sup>(Note 3)</sup>	<b>5,099,373,433</b>	2,184,397,016	133
NAV Per Share (HK\$)	<b>4.18</b>	3.94	6

1. Computation of return on shareholders' funds is based on net profit attributable to shareholders divided by the weighted average shareholders' funds. The computation for the prior period is restated to conform to current interim period's presentation.
2. Leverage ratio = Total assets excluding accounts payable to clients and IPO loan/Shareholders' funds. Accounts payable to clients amounted to HK\$16,732.1 million as at 30 June 2015 (31 December 2014: HK\$14,144.9 million).
3. On 18 March 2015, the Company announced a rights issue on the basis of 1 rights share for every 1 existing share (the "Rights Issue") held by shareholders of the Company. The Rights Issue was completed on 22 May 2015 and 2,533,453,008 rights shares were issued on 26 May 2015. Moreover, certain equity rights conferred on convertible bond and share option holders were exercised during the year. Hence, the total number of shares of the Company was increased to 5,099,373,433 as at 30 June 2015.

# Management Discussion and Analysis

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In the first half of 2015, Haitong International sustained the solid revenue growth achieved over the last three years, with remarkable results spotted across all business lines. The Group posted operating revenue of HK\$4,138 million, representing a year-on-year increase of 284%. Net profit amounted to HK\$2,125 million, surging by 504% over the corresponding period of last year. Total assets and net assets aggregated HK\$80.3 billion and HK\$21.3 billion respectively, increasing by 67% and 148% as compared to the year ended 2014.

Against an entirely new competition landscape and market environment, Haitong International has steadfastly strived to transform itself into a comprehensive financial institution, with business development always geared towards the needs of clients. Backed by its ever-reinforcing risk management capability, the Group has made great efforts to develop a broad spectrum of bespoke financial services designed to cater for the specific needs of corporate, institutional, high net worth private and retail clients on investment, financing, trading and liquidity management fronts, with an aim of bolstering service standards across the board to build up core competitiveness to a greater extent, in turn supporting its solid revenue growth.

## **Focus on corporate finance and leveraged and acquisition finance businesses by offering corporate clients with a sweeping package of investment and financing solutions**

Since 2012, Haitong International has prioritised the investment banking business as the primary area of development. Continued efforts have been made to develop large investment banking businesses targeted specifically at corporate clients in need of various financing services in the capital market. After three years of development, Haitong International has now become one of the few Chinese financial institutions capable of playing a role in Hong Kong's large IPO deals, and has enjoyed high reputation in the market. Besides promoting its IPO financing business, Haitong International has also made great efforts to expand its refinancing business involving such activities as rights issue and placement. During the period, the Group completed a total of 21 projects, increasing by 500% when compared with the corresponding period of last year and raising an aggregate amount of over HK\$10 billion, allowing the Group to rank first among all Chinese financial institutions in Hong Kong in terms of the number of projects completed. On top of this, the Group has also posted brilliant results from debt offerings so far this year. The number of debt financing projects hitherto completed was more than three times the figure recorded for the corresponding period of last year. Also, the Group has made a groundbreaking move by assisting clients in completing an euro-denominated bond offering, indicating a new milestone of achieving full coverage over the mainstream debt financing platforms offering USD bonds, euro bonds and dim sum bonds, and also attesting to Haitong International's strong execution power in promoting the paralleled development of its equity and debt financing businesses.

To keep pace with business internationalisation of the Mainland enterprises, Haitong International has seized firmly the opportunities presented by the "One Belt, One Road" initiative by strengthening its leveraged and acquisition finance team, with business focus put on assisting Mainland enterprises with their cross-sector or cross-border acquisition projects. The Leveraged and Acquisition Finance Department is committed to serving corporate clients by funding their cross-border acquisition and merger deals, and to providing listed issuers with various kinds of financing solution, including those structured with bridging loans. This allows the Group to control financing risk to the greatest possible extent while taking part in clients' business growth.

## Management Discussion and Analysis (Continued)

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### The trinity of trading, sales and research functions paves way for transforming the Group into a one-stop sales and trading expert serving primarily institutional clients

Haitong International has been committed to setting up a sales and trading business platform primarily serving institutional clients, which is a common practice among modern financial institutions. To this end, the Group has continuously enhanced its sales and trading capability in the realms of, among others, securities, equity derivatives as well as fixed income, currency and commodities ("FICC"). As of the end of March 2015, Haitong International duly completed the acquisition of Ji Asia, indicative of another step closer to its goal of extending business reach to the entire world, with the Group's business network expanding further from Hong Kong and Singapore to New York, London and Tokyo. Following Ji Asia's integration into its research team, Haitong International has established a new cash equities division building on the foundation of the former equities research, sales trading and research sales functions to serve institutional clients with a broad spectrum of research reports and trade execution services.

As for equity derivatives business, Haitong International is one of the leading ETF market makers in the Hong Kong market offering liquidity support to altogether 23 ETFs, with its market making volume doubling that for the corresponding period of last year. The structured financial product line has tapped the China market boom and focused on providing clients with bespoke derivatives, in particular products associated with cross-border transactions and linked to Chinese assets, in order to satisfy clients' demand for cross-border investment in the Mainland market. Meanwhile, the securities borrowing and lending business line set up in the first half of the year for the sake of further perfecting the comprehensive investment banking structure has enabled the Group to serve institutional clients with a wider range of trading services, illustrating Haitong International's perseverance to deliver premium financial services which underpin its core competitiveness.

In terms of the FICC business, Haitong International has kept fuelling its market making business in the secondary market through financing and offering projects in the primary market. Taking products such as offshore Renminbi-denominated bonds and USD-denominated bonds from Chinese enterprises as the business focus, market making volume for the period increased by 116% over the corresponding period of last year. Since the beginning of 2015, the FICC market making business has turned increasingly balanced in terms of geographical coverage and product mix. The segment has made a groundbreaking move by providing market making services for non-Chinese investment and credit bonds in Asia, signalling its foray into the Southeast Asia region. As regards product mix, market making services have been expanded to cover convertible bonds as well. Looking forward, Haitong International's convertible bond trading platform will collaborate with the debt research team to further enhance the Group's capability in price-fixing and offering of convertible bonds. To date, Haitong International has become one of the major market makers for Chinese bonds in the Hong Kong market.

## **Ride the cross-border stock connect trend to fully cater for trading needs of retail clients**

In the first half of 2015, the Hong Kong stock market was buoyed by a raft of favourable policies. The benchmark Hang Seng Index repeatedly hit new highs and the southbound stock connect quota was once gobbled up for two days in a row. As the conduit of fund flows in the course of China's capital account liberalisation, Hong Kong is well positioned to attract abundant quality funds from its motherland. Against this backdrop, Haitong International recorded 158% growth in daily average trading volume of clients, far outpacing the growth of the general market thanks to the Group's established presence as the largest brokerage firm in the Hong Kong market by retail client base after many years of efforts, and to its unrivalled edge over industry peers in terms of clients' activity and loyalty. As for northbound trading, the Group's market share once exceeded 8%. To maintain its leading position, Haitong International successively launched marketing strategies tailored for its retail brokerage business in the first half of the year, including measures to flexibly adjust margin financing fees and to expand margin financing size via optimised fund use, as well as measures to encourage increased trading by clients in turn boosting the Group's market share. Moreover, the Group took part in virtually all the new share offerings conducted in the first half of the year and offered clients with margin financing loans at preferential rates to fund their new share subscriptions. The Group also streamlined its account opening procedures to speed up the relevant formalities without compromising compliance standards, thus significantly boosting the efficiency of account opening procedures. With the continuous increase in Mainland clients, Haitong International has made efforts to look deeper into the trading habits of these clients, in order to provide them with user-friendly services on all fronts, from website designs and statement arrangements to account operations, striving to offer the best possible user experience to clients.

## **Create an investment brand carrying Chinese features amid Renminbi globalisation to offer institutional, corporate and high net worth clients with premium asset management and wealth management services**

Since its establishment, the asset management segment of Haitong International has always put clients first and served with the highest integrity. Considering the unprecedented opportunities brought by the Renminbi internationalisation, Haitong International has been seeking to innovate its Renminbi products by riding the latest trends to proactively diversify and reshuffle its fund business on the strong foundation of all existing public funds, private funds, MPFs, alternative investment funds and discretionary account services, in order to get a piece of the pie from the Mutual Recognition of Funds initiative as part of China's capital account liberalisation.

## Management Discussion and Analysis (Continued)

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Haitong International's asset management business continued to register rapid growth and lucrative investment returns. According to Lipper, during the period, Haitong International's three MPF funds, namely Haitong Korea Fund, Haitong Hong Kong SAR Fund and Haitong Asia Pacific (Excluding HK) Fund all ranked No. 1 among their respective counterparts. Its Haitong Global RMB Fixed Income Fund ranked No. 2 among its counterparts, allowing Haitong International to maintain its leading market position in the areas of fund investment and fund management. Spurred by such outstanding investment returns, the segment has sustained the rapid growth in assets under management ("AUM"), with aggregate AUM as of the end of June expanded by 130% compared with the corresponding period of last year. During the same period, the asset management division of Haitong International was granted the "Best ETF Manager for Investor Education 2015" award and the "Best 10 Year Performance - Equity Fund (HK & China)" award by *Asia Asset Management*. Moreover, Haitong Global RMB Fixed Income Fund was named the "Outstanding Achiever" by *Benchmark Magazine*, once again illustrating the wide market recognition over Haitong International's outstanding performance. Proactive efforts have also been made to develop innovative products and to establish strategic tie-ups with overseas financial institutions for the sake of further diversifying the asset management product offerings of Haitong International.

### Sound capital base and IT system coupled with prudent risk management lay a firm foundation for future business development

In the first half of 2015, Haitong International completed a rights issue to earmark ample funds for the rapid rise of all business lines. The Group also applied debt financing tools in a flexible manner to expand further its balance sheet. In terms of both total assets and net assets, Haitong International has become a leading Chinese financial institution in the Hong Kong market. Nevertheless, the Group does not only seek to bring forward the development of its frontline units, it also realises the importance of middle and back office functions to the robust development of the entire group. During the period, the Group strengthened professional training provided to middle and back office staff and reinforced data processing capability to effectively ensure Haitong International's trading and settlement systems emerged unscathed and run smoothly throughout the day amid abrupt upsurges in trading volume of the Hong Kong stock market.

It is widely understood that further development of investment banking business cannot do without proper risk management. Haitong International also regards risk management capability as a powerful tool to safeguard future business development, a tool which shall require continuous sharpening and refinement. In response to the stock market turmoil since late June this year, Haitong International has stepped up monitoring and testing over the risk parameters gauging, among others, liquidity risk, credit risk and market risk, therefore effectively safeguarding the continued development of all business segments. The ample cash reserves in place have also helped maintain the Company's liquidity level, evidencing the fruitful results of the Group's prudent risk management approach. Nevertheless, Haitong International will not rest on its laurels and will keep reinforcing its risk management while seeking further business growth.



## Prospects

On 14 August 2015, the Hang Seng Indexes Company Limited announced the inclusion of Haitong International (665.HK) as one of the new constituents of the Hang Seng Composite LargeCap & MidCap Index with effect from 14 September 2015. Since then Haitong International will also be one of the investable stocks under the Shanghai-Hong Kong Stock Connect scheme, meaning investors in the Mainland China may directly invest in Haitong International via the stock connect scheme, in turn optimising both the stock liquidity and shareholding structure of Haitong International. In return, Haitong International will strive to reward shareholders and investors with sustainable earnings and a stable dividend policy over the long run.

In the second half of the year, we expect to see further deepening of the stock connect initiatives linking financial markets across the border, along with refinement of the existing Shanghai-Hong Kong Stock Connect programme. For the time being, the global securities markets represented by London and Singapore are proactively strengthening their cosy ties with the Mainland market and seeking to roll out various kinds of innovative Renminbi product. Fund flows from the Mainland China and the Renminbi theme may have profound implications on the global financial markets. In this context, Haitong International will be exposed to a bigger potential market as well as an increasingly diversified and differentiated competition landscape presenting both opportunities and challenges.

In light of the escalating competition among industry players for business differentiation, in particular the sudden rise of the internet finance fad, Haitong International will tap internet finance concepts to promote the idea of personalised services and enhance service standards within the Group, striving to offer clients with the best possible user experience gained from its increasingly differentiated and personalised financial services, in turn maintaining and sharpening the Group's competitive edges to bring it closer to the goal of creating a new modern financial institution characterised by internet finance concepts and client-driven servicing mindsets.

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
Revenue	6	4,137,538	1,077,357
Other income	6	3,608	3,636
		<u>4,141,146</u>	<u>1,080,993</u>
Employee benefits costs:			
Salaries and allowances, bonuses and pension scheme contributions	7	(704,004)	(240,555)
Commission to accounts executives	7	(241,622)	(100,538)
Depreciation	12	(13,566)	(18,524)
Other operating expenses		(183,254)	(166,276)
		<u>(1,142,446)</u>	<u>(525,893)</u>
Finance costs	7	(471,075)	(136,695)
Share of profit (loss) of investments accounted for using the equity method	11	18,406	(8,422)
<b>Profit before tax</b>	7	<b>2,546,031</b>	409,983
Income tax expense	8	(421,118)	(58,264)
<b>Profit for the period attributable to owners of the Company</b>		<b><u>2,124,913</u></b>	<u>351,719</u>
			(restated)
<b>Earnings per share attributable to owners of the Company</b>	9		
– Basic (HK cents per share)		<u>73.13</u>	15.43
– Diluted (HK cents per share)		<u>68.12</u>	14.60

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

For the six months ended 30 June 2015

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>2,124,913</b>	351,719
<b>Other comprehensive income (expense):</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedge	(12,003)	(1,414)
Changes in fair value of available-for-sale investments	119,573	(16,516)
Disposal of available-for-sale investments	(1,750)	–
Exchange differences on translating foreign operations arising during the period	8,058	–
<b>Other comprehensive income (expense) for the period</b>	<b>113,878</b>	(17,930)
Total comprehensive income for the period attributable to owners of the Company	<b>2,238,791</b>	333,789

# Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments accounted for using the equity method	11	3,119,474	2,585,166
Property and equipment	12	101,740	101,255
Goodwill	13	198,564	9,854
Other intangible assets		6,609	6,609
Other assets		262,287	151,653
Available-for-sale investments	14	1,705,272	471,083
Held-to-maturity investments	15	92,798	182,306
Other loans and advances	17	1,005,500	811,000
Deferred tax assets		7,080	6,030
		<b>6,499,324</b>	<b>4,324,956</b>
<b>Current assets</b>			
Advances to customers in margin financing	16	23,346,352	9,619,965
Other loans and advances	17	1,896,552	1,819,200
Accounts receivable	18	8,798,729	4,401,429
Prepayments, deposits and other receivables	19	544,093	277,293
Tax recoverable		84,533	72,317
Held-to-maturity investments	15	26,193	3,811
Derivative financial instruments	21	42,320	263,027
Financial assets at fair value through profit or loss	20	16,215,529	9,962,803
Financial assets designated at fair value through profit or loss	27	2,930,656	2,485,154
Financial assets held under resale agreements	36	1,276,749	24,765
Cash held on behalf of customers	24	14,394,143	11,668,936
Cash and cash equivalents		4,257,098	3,236,317
		<b>73,812,947</b>	<b>43,835,017</b>
<b>Total assets</b>		<b>80,312,271</b>	<b>48,159,973</b>

## Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2015

	Notes	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	29	509,937	218,440
Reserves		19,458,092	8,039,480
Proposed interim/final dividend	10	1,358,457	338,582
<b>Total equity</b>		<b>21,326,486</b>	8,596,502
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible bonds	28	139,186	1,781,445
Non-convertible bonds	28	9,922,886	4,580,804
Non-convertible notes	28	247,834	–
Deferred tax liabilities		12,700	12,026
Financial liabilities designated at fair value through profit or loss	27	620,000	620,000
		<b>10,942,606</b>	6,994,275
<b>Current liabilities</b>			
Accounts payable	25	17,535,436	15,630,644
Other payables and accruals		1,032,671	489,396
Other liabilities	23	152,719	105,795
Tax payable		640,456	222,184
Financial liabilities at fair value through profit or loss	26	1,818,499	326,072
Financial liabilities designated at fair value through profit or loss	27	2,193,588	1,645,886
Derivative financial instruments	21	36,781	217,793
Non-convertible notes	28	1,101,035	–
Loans and other borrowings	28	23,531,994	13,931,426
		<b>48,043,179</b>	32,569,196
<b>Total liabilities</b>		<b>58,985,785</b>	39,563,471
<b>Total equity and liabilities</b>		<b>80,312,271</b>	48,159,973
<b>Net current assets</b>		<b>25,769,768</b>	11,265,821
<b>Total assets less current liabilities</b>		<b>32,269,092</b>	15,590,777

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company													
	Share capital HK\$'000	Share premium account <sup>1</sup> HK\$'000	Share option reserve <sup>1</sup> HK\$'000	Shares held for employee share award scheme <sup>1 &amp; 2</sup> HK\$'000	Capital redemption reserve <sup>1</sup> HK\$'000	Contributed surplus <sup>1</sup> HK\$'000	Capital reserve <sup>1</sup> HK\$'000	Investment revaluation reserve <sup>1</sup> HK\$'000	Exchange reserve <sup>1</sup> HK\$'000	Hedging reserve <sup>1</sup> HK\$'000	Convertible bond reserve <sup>1</sup> HK\$'000	Proposed cash/scrip dividend HK\$'000	Retained profits <sup>1</sup> HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	218,440	5,877,167	13,209	-	5,102	21	40,383	30,624	(30)	(4,361)	67,133	338,582	2,010,232	8,596,502
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,124,913	2,124,913
Other comprehensive income (expense) for the period	-	-	-	-	-	-	-	117,823	8,058	(12,003)	-	-	-	113,878
Total comprehensive income (expense)	-	-	-	-	-	-	-	117,823	8,058	(12,003)	-	-	2,124,913	2,238,791
Shares issued under rights issue – note 29	253,345	8,568,445	-	-	-	-	-	-	-	-	-	-	-	8,821,790
Shares issued upon conversion of convertible bonds – note 29	36,218	1,679,049	-	-	-	-	-	-	-	(61,557)	-	-	-	1,653,710
Shares issued under share option scheme – note 29	1,934	83,759	-	-	-	-	-	-	-	-	-	-	-	85,693
Purchases of shares held under the share award scheme <sup>2</sup>	-	-	-	(70,000)	-	-	-	-	-	-	-	-	-	(70,000)
Share options lapsed	-	10,864	(10,864)	-	-	-	-	-	-	-	-	-	-	-
Proposed 2015 interim dividend – note 10	-	-	-	-	-	-	-	-	-	-	-	1,019,875	(1,019,875)	-
At 30 June 2015 (unaudited)	509,937	16,219,284	2,345	(70,000)	5,102	21	40,383	148,447	8,028	(16,364)	5,576	1,358,457	3,115,270	21,326,486
At 1 January 2014 (audited)	139,596	2,980,676	14,835	-	5,102	21	40,383	59,877	(30)	(4,953)	32,299	153,556	1,498,890	4,920,252
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	351,719	351,719
Other comprehensive expense for the period	-	-	-	-	-	-	-	(16,516)	-	(1,414)	-	-	-	(17,930)
Total comprehensive income (expense)	-	-	-	-	-	-	-	(16,516)	-	(1,414)	-	-	351,719	333,789
Shares issued under rights issue – note 29	69,798	2,573,521	-	-	-	-	-	-	-	-	-	-	-	2,643,319
Share options lapsed	-	1,283	(1,283)	-	-	-	-	-	-	-	-	-	-	-
2013 final dividend declared and settled in cash	-	-	-	-	-	-	-	-	-	-	-	(153,556)	-	(153,556)
Proposed 2014 interim dividend	-	-	-	-	-	-	-	-	-	-	-	167,515	(167,515)	-
At 30 June 2014 (unaudited)	209,394	5,555,480	13,552	-	5,102	21	40,383	43,361	(30)	(6,367)	32,299	167,515	1,683,094	7,743,804

1 These reserve accounts represent the unaudited consolidated reserves other than share capital and proposed cash/scrip dividend of approximately HK\$19,458 million (31 December 2014: approximately HK\$8,039 million) in the unaudited condensed consolidated statement of financial position.

2 During the six months ended 30 June 2015, the trustee of the share award scheme acquired 8,854,000 ordinary shares of the Company (30 June 2014: Nil) for the share award scheme, which was adopted by the board of directors of the Company (the "Board") on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK\$70 million. During the current interim period, no awarded shares were granted by the Company. Details of the share award scheme of the Company have been disclosed in the Group's annual financial statements for the year ended 31 December 2014 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended	
		30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Operating cash flows before movements in working capital		2,029,326	93,686
Increase in advances to customers in margin financing		(13,726,387)	(1,826,917)
(Increase) decrease in other loans and advances		(271,852)	697,278
Increase in accounts receivable		(4,216,441)	(5,054,338)
Increase in financial assets at fair value through profit or loss		(6,784,790)	(2,473,108)
Increase in financial assets designated at fair value through profit or loss		(445,502)	–
Increase in financial assets sold under repurchase agreements		1,430,329	370,864
Increase in financial assets held under resale agreements		(1,251,984)	–
(Increase) decrease in cash held on behalf of customers		(2,725,207)	2,793,708
Increase in financial liabilities at fair value through profit or loss		1,492,427	126,164
Increase (decrease) in accounts payable		1,897,977	(2,979,449)
Other operating cash flows		470,189	451,381
		<b>(22,101,915)</b>	<b>(7,800,731)</b>
Cash used in operations			
Interest received		619,407	442,588
Dividend received		37,370	1,771
Interest paid		(124,071)	(112,830)
Tax paid		(14,971)	(53,933)
		<b>(21,584,180)</b>	<b>(7,523,135)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from disposal of available-for-sale investments		9,625	124,718
Proceeds from redemption of held-to-maturity investments		66,996	397,614
Interest received from investment in debt securities		8,506	21,976
Purchases of property and equipment		(11,786)	(14,113)
Purchases of available-for-sale investments		(1,124,241)	(7,752)
Net cash outflow on acquisition of a subsidiary	30	(173,704)	–
Purchase of investments accounted for using equity method		(395,475)	–
Disposal of investments accounted for using equity method		537,572	–
Other investing cash flows		–	(6,199)
		<b>(1,082,507)</b>	<b>516,244</b>

## Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2015

	Notes	Six months ended	
		30.6.2015 HK\$'000 (unaudited)	30.6.2014 HK\$'000 (unaudited)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of non-convertible bonds		5,353,294	–
Proceeds from rights issue	29(a) & (b)	8,821,790	2,643,319
Proceeds from issuance of non-convertible notes		1,349,323	–
Proceeds from shares issued upon exercise of share options		85,693	–
Net proceeds for bank and other borrowings raised		8,170,239	5,338,218
Dividends paid to shareholders		–	(153,556)
Non-convertible bonds issuing cost paid		(20,120)	–
Non-convertible notes issuing cost paid		(2,751)	–
Purchase of shares held under the share award scheme		(70,000)	–
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>23,687,468</b>	<b>7,827,981</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,020,781</b>	<b>821,090</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>3,236,317</b>	<b>488,021</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>4,257,098</b>	<b>1,309,111</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents		4,257,098	1,309,111



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

## 1. General

Haitong International Securities Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the six months ended 30 June 2015, the Company and its subsidiaries (collectively named as the "Group") were involved in the following principal activities:

- securities, futures, options and bullion contracts brokerage
- the provision of nominee and custodian services
- the provision of corporate advisory, placing and underwriting services
- the provision of asset management services
- the provision of securities margin financing and leveraged and acquisition financing
- trading and market making activities
- structured products issuance
- investment

This unaudited condensed consolidated interim financial statements are presented in HK dollars ("HK\$"), unless otherwise stated.

## 2. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 3. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, financial assets and liabilities at and designated at fair value through profit or loss (including derivative financial instruments), which are measured at fair values.

Except as described below for the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing the unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2014.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 5. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

The Group's majority of revenue is related to activities conducted in Hong Kong. No single customer amounts to more than 10 percent of the Group's revenue.

During the second half of the year ended 31 December 2014, the reportable segments have been re-organised from 6 reportable segments to 7 reportable segments as stated and presented in the audited consolidated financial statements for the year ended 31 December 2014.

During the current interim period, the Group has re-allocated some business activities among certain existing reportable segments in order to better describe the respective activities and products in each segment. Furthermore, the reportable segment of "Investment Management" has been renamed as "Asset Management" in current interim period.

Comparative figures in prior interim period have been restated to conform to the current interim period's presentation.

The segments are managed separately as each segment engages in different activities. The Group's reportable segments are as follows:

- (a) the brokerage and margin financing segment engages in securities, futures, options and bullion contracts brokerage and dealing, provision of margin financing to customers, and provision of custodian and other services;
- (b) the corporate finance segment engages in provision of corporate advisory, placing and underwriting services;
- (c) the asset management segment engages in provision of fund management;
- (d) the leveraged and acquisition finance segment engages in the provision of financing solutions to corporate clients of the Company for their corporate actions and shareholder activities, including takeovers, mergers and acquisitions;
- (e) the fixed income, currency and commodities segment engages in trading and market making in debt securities, bullion contracts and leveraged foreign exchange trading;
- (f) the equity derivatives segment engages in trading and market making in equity securities and derivatives; and
- (g) the investment holdings segment comprises investment in funds and equity securities.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 5. Segment information (continued)

The following table presents revenue and profit (loss) for the Group's business segments.

For the six months ended 30 June 2015

	Brokerage and margin financing HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Leveraged and acquisition finance HK\$'000	Fixed income, currency and commodities HK\$'000	Equity derivatives HK\$'000	Investment holdings HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	1,168,489	396,350	43,865	235,248	478,694	974,987	839,905	4,137,538
Other income	-	1,198	-	-	-	-	2,410	3,608
<b>Segment results</b>	<b>584,508</b>	<b>262,688</b>	<b>29,058</b>	<b>180,601</b>	<b>335,172</b>	<b>633,957</b>	<b>501,641</b>	<b>2,527,625</b>
Share of profit of investments accounted for using the equity method								18,406
Income tax expense								(421,118)
<b>Profit for the period</b>								<b>2,124,913</b>
Depreciation	(9,716)	(567)	(9)	-	(683)	(1,390)	(1,201)	(13,566)
Finance costs	(125,826)	-	-	(45,851)	(22,306)	(124,348)	(152,744)	(471,075)

For the six months ended 30 June 2014 (restated)

	Brokerage and margin financing HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Leveraged and acquisition finance HK\$'000	Fixed income, currency and commodities HK\$'000	Equity derivatives HK\$'000	Investment holdings HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	530,358	130,531	24,236	242,603	129,688	(3,777)	23,718	1,077,357
Other income	-	156	-	-	-	-	3,480	3,636
<b>Segment results</b>	<b>114,337</b>	<b>70,142</b>	<b>9,031</b>	<b>170,115</b>	<b>59,825</b>	<b>(9,529)</b>	<b>4,484</b>	<b>418,405</b>
Share of loss of investments accounted for using the equity method								(8,422)
Income tax expense								(58,264)
<b>Profit for the period</b>								<b>351,719</b>
Depreciation	(16,911)	(395)	(9)	(734)	(392)	-	(83)	(18,524)
Finance costs	(65,897)	-	-	(43,884)	(9,700)	(5,180)	(12,034)	(136,695)

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 6. Revenue and other income

An analysis of revenue and other income is as follows:

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Revenue</b>		
Brokerage:		
Commission on securities brokerage	453,741	172,123
Commission on futures and options brokerage	96,092	57,748
Commission on bullion contracts brokerage	917	858
Commission on wealth management	13,312	36,797
Custodian and other service fees	30,166	8,164
Corporate finance:		
Commission on placing, underwriting and sub-underwriting	274,500	82,756
Consultancy and financial advisory fees	153,571	47,775
Placing and underwriting:		
– Net loss on financial assets at fair value through profit and loss	(31,721)	–
Asset management:		
Fund management and performance fees	43,865	24,236
Loans and financing activities:		
Interest income from leveraged and acquisition finance activities	235,248	242,603
Interest income from margin financing and other activities	574,261	254,668
Trading and market making:		
Fixed income, currency and commodities:		
– Interest income from debt securities	8,537	25,327
– Net gain on financial assets/liabilities at fair value through profit or loss	470,157	104,361
Equity derivatives:		
– Dividend income	27,933	1,761
– Net gain (loss) on financial assets/liabilities at fair value through profit or loss	947,054	(5,538)
Investment holdings:		
– Dividend income	9,437	10
– Net gain on financial assets/liabilities at fair value through profit or loss	830,468	23,708
	<b>4,137,538</b>	<b>1,077,357</b>
<b>Other income</b>		
Others	3,608	3,636
	<b>3,608</b>	<b>3,636</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 7. Profit before tax

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits costs (including directors' remuneration)		
Salaries, bonuses and allowances	699,190	236,342
Commission to accounts executives	241,622	100,538
Net pension scheme contributions	4,814	4,213
	<u>945,626</u>	<u>341,093</u>
Impairment loss on held-to-maturity investments (note 15)	–	33,500
Finance costs:		
– bank loans and overdrafts	218,736	124,638
– others (Note)	252,339	12,057
	<u>471,075</u>	<u>136,695</u>

Note: The amount mainly represents the finance costs of HK\$203 million (30 June 2014: HK\$Nil) for non-convertible bonds issued in the second half of the year ended 31 December 2014 and the current interim period.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 8. Income tax expense

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation		
– Hong Kong	420,556	60,225
– PRC and other jurisdictions	938	563
	<u>421,494</u>	<u>60,788</u>
Deferred tax		
– Current period	(376)	(2,524)
	<u>421,118</u>	<u>58,264</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior period.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

### 9. Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30.6.2015	30.6.2014
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	<u>2,124,913</u>	351,719
		(restated)
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (notes (a) and 29)	<u>2,905,623</u>	<u>2,279,319</u>
Basic earnings per share (HK cents per share)	<u>73.13</u>	15.43

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 9. Earnings per share (continued)

#### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

	Six months ended	
	30.6.2015 (unaudited)	30.6.2014 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	2,124,913	351,719
Effect of dilutive potential ordinary shares		
– Interest on convertible bonds (net of tax) (note (b)) (HK\$'000)	15,454	19,523
Earnings for the purpose of diluted earnings per share (HK\$'000)	<u>2,140,367</u>	<u>371,242</u>
		(restated)
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (notes (a) and 29)	2,905,623	2,279,319
Effect of dilutive potential ordinary shares:		
– Convertible bonds (in thousands) (note (b))	228,955	263,836
– Share options (in thousands) (note (c))	7,409	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	<u>3,141,987</u>	<u>2,543,155</u>
Diluted earnings per share (HK cents per share)	<u>68.12</u>	<u>14.60</u>



# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 9. Earnings per share (continued)

Notes:

- (a) During both current and prior six-month periods, the Group raised approximately HK\$8,822 million (net) and HK\$2,643 million (net) by way of rights issue on the basis of one rights share for every one and two existing shares held by shareholders of the Company at the price of HK\$3.5 and HK\$3.8 respectively, which represented a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from this rights issue has been included in the calculation of current period basic and diluted earnings per share and prior period basic and diluted earnings per share is adjusted in order to provide a comparable basis for the rights issue in current six months period.

- (b) On 18 July 2013 and 10 October 2013, the Company issued convertible bonds of HK\$776 million and HK\$232 million respectively, which have been combined legally and constitute a single series. On 4 November 2014, the Company further issued convertible bonds of HK\$1,164 million. Details of the convertible bonds issued by the Company are set out in note 28.

During the current period, parts of the convertible bonds issued by the Company in the prior years have been converted into ordinary shares of the Company as set out in note 28.

As at 30 June 2015, the convertible bonds issued in 2013 and 2014 that remain outstanding are convertible into ordinary shares of the Company at an adjusted conversion price of HK\$3.10 (2014: HK\$3.61) and HK\$5.17 (2014: HK\$6), respectively, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic earnings per share.

In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the year. The net profit is adjusted to eliminate the interest expense less the tax effect.

- (c) The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the period ended 30 June 2015 and with the adjustment for the share options lapsed or exercised during the period.

As the exercise price of the Company's share options was above the average share price of the Company during the period ended 30 June 2014, the share options have no effect on the dilutive potential ordinary shares for the period ended 30 June 2014.

## 10. Dividends

A final dividend of HK\$338,423,627 in respect of the year ended 31 December 2014 was paid in July 2015.

At a meeting of the Board held on 25 August 2015, the Board resolved to declare an interim dividend of HK20 cents per share in cash for the six months ended 30 June 2015 (six months ended 30 June 2014: interim dividend of HK8 cents per share in cash), to shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2015. Shareholders will be given the option to receive the interim dividend in new shares in lieu of cash. The interim dividend is expected to be paid on or about Tuesday, 27 October 2015.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 11. Investments accounted for using the equity method

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Associates:		
Cost of unlisted investment in associates	125,878	281,530
Share of post-acquisition profits and other comprehensive income, net of dividend received	1,004	29,073
	<u>126,882</u>	<u>310,603</u>
Joint ventures:		
Cost of unlisted investment in joint ventures	2,926,821	2,255,267
Share of post-acquisition profits and other comprehensive income, net of dividend received	65,771	19,296
	<u>2,992,592</u>	<u>2,274,563</u>
	<u>3,119,474</u>	<u>2,585,166</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 11. Investments accounted for using the equity method (continued)

Details of investments accounted for using equity method:

Name of entity	Country of incorporation	Class of share held	Interests held by the Group		Principal activities
			As at 30 June 2015	As at 31 December 2014	
<i>Joint venture</i>					
Haitong-AC Asian Special Opportunities Fund (note (a))	The Cayman Islands	Participating Management	42.04% 50%	43.6% 50%	Investment holding
New Bridge China Auto Caymans L.P. (note (b))	The Cayman Islands	Limited partnership	38.9%	38.9%	Investment holding
Harveston Asset Management Pte. Ltd	Singapore	Ordinary	50%	50%	Fund management
Haitong Special Opportunities Fund I S.P. (note (d))	The Cayman Islands	Non-participating Management	100% 50%	100% 100%	Investment holding
Haitong China Select Investment Fund S.P. (note (d))	The Cayman Islands	Non-participating Management	100% 50%	100% 100%	Investment holding
Haitong Multi-Tranche Investment Fund II S.P. (note (d))	The Cayman Islands	Non-participating (Class P)	67.25%	–	Investment holding
		Non-participating (Class R)	99.40%	–	
		Management	50%	–	
<i>Associate</i>					
Trinitus Asset Management Limited	Hong Kong	Ordinary	20%	20%	Investment management service
Haitong CSI300 Index ETF (note (c))	Hong Kong	Non-participating	17.5%	31.9%	Investment holding

Except for Haitong CSI300 Index ETF, both joint ventures and associates are unlisted entities without quoted market price available.

As at 30 June 2015, the fair value of the Group's interest in Haitong CSI300 Index ETF, which is listed on the Stock Exchange, was HK\$118 million (2014: HK\$303 million) based on the quoted market price available on the Stock Exchange, which is a level 1 input in terms of HKFRS 13.

All of these associates and joint ventures are accounted for using the equity method in these unaudited condensed consolidated financial statements. The directors consider the above joint ventures and associates are not significant to the Group's unaudited condensed consolidated financial position.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 11. Investments accounted for using the equity method *(continued)*

Notes:

- (a) As of 30 June 2015 and 31 December 2014, the Group held 20,000 units of participating shares, representing 42.04% (31 December 2014: 43.6%) interest in the Haitong-AC Asian Special Opportunities Fund (the "Fund"). The participating shares provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As of 30 June 2015 and 31 December 2014, the Group held 50% of the management shares in the Fund and the other 50% management shares are held by a third party. The management shareholders are empowered to make all the key financing and operating decisions in the Fund and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties.

As such, the interest of the Group in the Fund is classified as a joint venture. There is no unfilled capital commitment to the Fund. The current carrying amount of HK\$223 million (31 December 2014: 175 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) As of 30 June 2015, the Group held approximately 38.9% (31 December 2014: 38.9%) interests in New Bridge China Auto Caymans L.P. ("New Bridge") as a limited partner. The interests in New Bridge as a limited partner provide the Group with the share of returns and receive the distribution from New Bridge.

Pursuant to the limited partnership agreement of New Bridge, the business of New Bridge shall be carried on and managed by the general partner, which is a third party to the Group, with the restriction that all the key financing and operating decisions in New Bridge require unanimous consent of all limited partners and general partner. The arrangement of sharing of control in all key financing and operating decisions among the general partner and limited partners is contractually agreed by all parties. As such, the interest of the Group in New Bride is classified as joint venture.

There is no unfilled capital commitment to New Bridge. The current carrying amount of HK\$2,100 million (31 December 2014: HK\$2,100 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

At the same time of investing in New Bridge during the year ended 31 December 2014, the Group entered into a total return swap transaction with a gross notional amount of HK\$2,100 million (the "Equity Notional Amount") with an external third party, who initially paid cash of HK\$620 million (the "Initial Exchange Amount") to the Group. The total return swap transaction will be due and expired on 4 December 2017 (the "Maturity Date").

Upon maturity, if the fair value of the Group's interest in New Bridge and accumulated distribution from New Bridge during the contracted period of total return swap (the "Total Returns") are in excess of the Equity Notional Amount, the Group shall be obliged to pay such excess and return the Initial Exchange Amount paid by the counterparty, while if the Total Returns from New Bridge falls below the Equity Notional Amount, the counterparty shall be obliged to pay such shortfall to the Group up to HK\$1,480 million and the Initial Exchange Amount would be netted off against such shortfall payable before returning to the counterparty.

In return, the counterparty would pay interest on a semi-annual basis at the fixed interest rate of 9.9% per annum by reference to a principal amount of HK\$1,480 million to the Group until maturity date. Based on the swap contract, the Group has the right to settle the contract by cash or physical settlement with certain conditions fulfilled. The total return swap transaction has been recognized as and included in non-current portion of "financial liabilities designated at fair value through profit or loss" in the unaudited condensed consolidated financial statement as set out in note 27 and the details of disclosure for fair value measurement are set out in note 34.

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 11. Investments accounted for using the equity method *(continued)*

Notes: *(continued)*

- (c) As at 30 June 2015, the Group held 5,773,000 units (31 December 2014: 19,467,200 units), representing 17.5% (31 December 2014: 31.9%) interest in the Haitong CSI300 Index ETF (the "Fund ETF"). The units provide the Group with the share of returns from the Fund ETF but not any decision-making power nor any voting right in the daily operation. The daily operation of the Fund ETF is managed by the investment manager, which is a wholly owned subsidiary of the Company.

During the current period, the Group has disposed of its units holding in Fund ETF through the secondary market in Hong Kong with disposal gains of HK\$125 million and recorded in the unaudited condensed consolidated statement of profit or loss.

The directors consider that the Group does not have control over the Fund ETF throughout the current interim period based on the assessment criteria set out in note 22 but there is significant influence over the Fund ETF and it is therefore classified as an associate of the Group.

- (d) During the current period from 1 January 2015 to 28 June 2015, the directors assessed that the Group's interest in Haitong Special Opportunities Fund I S.P. ("SP1"), Haitong China Select Investment Fund S.P. ("SP3") and Haitong Multi-Tranche Investment Fund II S.P. ("SP6") are consolidated structured entities since the Group is a sole management shareholder of these funds, has control over these funds with significant exposure to variability of returns generated from non-participating shares.

On 29 June 2015, Hai Tong Asset Management (HK) Limited, a wholly owned subsidiary of the Company and sole management shareholder of SP1, SP3 and SP6, has entered an agreement to transfer 50% of management shares of SP1, SP3 and SP6 respectively with an external third party so as to introduce a long term strategic business partner to the Group to jointly manage the mentioned investment funds.

Pursuant to the agreement, the management shareholders for SP1, SP3 and SP6 are empowered to make all the key financing and operating decisions in the funds and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. The non-participating shares in SP1, SP3 and SP6 provide the Group with the share of returns from the Fund but not any decision-making power nor any voting right in daily operation of the Fund.

As such, the directors consider that the interest of the Group in the SP1, SP3 and SP6 are classified as a joint venture after 50% of management shares of SP1, SP3 and SP6 were transferred on 29 June 2015.

With the immediate effect of losing the control, the Group derecognises the assets and liabilities of SP1, SP3 and SP6 (former subsidiaries) from the unaudited condensed consolidated statement of financial position and the fair value for SP1, SP3 and SP6 of HK\$113 million, HK\$418 million and HK\$139 million are recognised as the cost on initial recognition of investments in joint ventures respectively. No gain or loss is derived from the loss of control by the above-mentioned transfer of management shares.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 12. Property and equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer hardware and equipment HK\$'000	Total HK\$'000
<b>30 June 2015 (unaudited)</b>					
At 1 January 2015					
Cost	3,092	53,004	42,711	403,126	501,933
Accumulated depreciation	(1,370)	(37,514)	(32,894)	(328,900)	(400,678)
Net carrying values	1,722	15,490	9,817	74,226	101,255
At 1 January 2015, net of accumulated depreciation	1,722	15,490	9,817	74,226	101,255
Arising from acquisition of a subsidiary (Note 30)	-	-	2,265	-	2,265
Additions	-	3,557	2,392	5,837	11,786
Depreciation	(39)	(2,755)	(2,146)	(8,626)	(13,566)
At 30 June 2015, net of accumulated depreciation	1,683	16,292	12,328	71,437	101,740
At 30 June 2015					
Cost	3,092	56,561	47,368	408,963	515,984
Accumulated depreciation	(1,409)	(40,269)	(35,040)	(337,526)	(414,244)
Net carrying values	1,683	16,292	12,328	71,437	101,740
<b>30 June 2014 (unaudited)</b>					
At 1 January 2014					
Cost	3,092	46,964	39,363	363,951	453,370
Accumulated depreciation	(1,293)	(33,614)	(30,176)	(272,981)	(338,064)
Net carrying values	1,799	13,350	9,187	90,970	115,306
At 1 January 2014, net of accumulated depreciation	1,799	13,350	9,187	90,970	115,306
Additions	-	4,753	2,687	6,673	14,113
Disposals	-	(223)	(105)	(132)	(460)
Depreciation	(38)	(1,960)	(1,484)	(15,042)	(18,524)
At 30 June 2014, net of accumulated depreciation	1,761	15,920	10,285	82,469	110,435
At 30 June 2014					
Cost	3,092	50,965	41,533	369,753	465,343
Accumulated depreciation	(1,331)	(35,045)	(31,248)	(287,284)	(354,908)
Net carrying values	1,761	15,920	10,285	82,469	110,435

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 12. Property and equipment (continued)

The Group's leasehold land and buildings included above are situated in Hong Kong and are held under the following lease terms:

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
At net carrying amount:		
Medium term leases	<u>1,683</u>	<u>1,722</u>

### 13. Goodwill

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Cost		
At the beginning of the period/year	9,854	9,854
Goodwill arising on acquisition (note 30)	<u>188,710</u>	<u>–</u>
	<u>198,564</u>	<u>9,854</u>

### 14. Available-for-sale investments

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Unlisted fund investments, at fair value:		
– in Hong Kong (note (a))	1,688,522	460,833
Unlisted equity investments, at fair value:		
– in Mainland China (note (b))	<u>16,750</u>	<u>10,250</u>
	<u>1,705,272</u>	<u>471,083</u>

Notes:

- (a) The Group invested in equity of unconsolidated investment funds. These investment funds mainly invest in listed securities and derivatives, with a primary objective to provide the investors with capital appreciation and investment income.

There is no unfilled capital commitment to the funds. The current carrying amount of HK\$1,689 million (31 December 2014: HK\$461 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) The balance represents the unlisted promoter foreign shares of Changmao Biochemical Engineering Company Limited ("Changmao"), a company whose H Shares listed on the Stock Exchange, and the unlisted promoter foreign shares are subject to certain restrictions on transfer. Upon obtaining the requisite approvals from, among other bodies, the China Securities Regulatory Commission and the Stock Exchange, the promoter foreign shares may be convertible into listed H shares of Changmao and shall thereafter carry the same rights and obligations of those listed H shares of Changmao.

Details of disclosure for fair value measurement are set out in note 34.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 15. Held-to-maturity investments

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Unlisted debt securities	118,991	186,117
Less: current portion	(26,193)	(3,811)
Non-current portion	<u>92,798</u>	<u>182,306</u>

The debt securities held by the Group are having contractual interest rate from 4.1% to 10.05% per annum (31 December 2014: 4.1% to 11.75% per annum) and with maturity period ranging from 2015 to 2018 (31 December 2014: ranging from 2015 to 2018).

As at 30 June 2015, the fair value of the held-to-maturity investments was approximately HK\$119,246,000 (31 December 2014: HK\$188,541,000). Details of disclosure for fair value measurements are set out in note 34.

During the prior period, there were significant deterioration in the issuers' creditworthiness of particular debt investments which were initially classified as held-to-maturity and these isolated events that were beyond the Group's control, were non-recurring and could not have been reasonably anticipated by the Group. The management assessed that there was objective evidence that an impairment loss on particular debt investments incurred individually. The amount of the loss was measured as the difference between the asset's carrying amount and the quoted market price of the particular debt investment. The carrying amount of the investments was reduced directly and the amount of loss has been recognised in unaudited condensed consolidated statement of profit or loss. Details of disclosure for impairment loss in the prior period are set out in note 7.

As a result of abovementioned isolated events for particular debt investments during the prior period, the management considered that it was no longer appropriate to classify those investments as held-to-maturity. The amount of HK\$51,191,000 had been re-classified to available-for-sale investment and remeasured at fair value in prior period. Subsequent to the reclassification to available-for-sale investment, these investments had been fully disposed of before the prior year end.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 16. Advances to customers in margin financing

	<b>30.6.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2014 HK\$'000 (audited)
Loans to margin clients	<b>23,353,313</b>	9,627,076
Less: Impairment allowance	<b>(6,961)</b>	(7,111)
	<b><u>23,346,352</u></b>	<u>9,619,965</u>

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The loans to margin clients are secured by the underlying pledged securities and interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good the shortfall.

As at 30 June 2015, advances to customers in margin financing of HK\$23,346 million (31 December 2014: HK\$9,620 million) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$119,451 million (31 December 2014: HK\$49,242 million).

The advances to customers in margin financing have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. There was no impaired debt for the six months ended 30 June 2015 and the year ended 31 December 2014.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 17. Other loans and advances

	<b>30.6.2015</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2014 HK\$'000 (audited)
Other loans and advances	<b>2,902,052</b>	2,630,200
Less: Non-current portion	<b>(1,005,500)</b>	(811,000)
Current portion	<b><u>1,896,552</u></b>	<u>1,819,200</u>

There is neither impaired nor overdue other loans and advances as of reporting date.

Majority of these other loans and advances are secured and/or backed by guarantee with contractual maturity within 2 years from the reporting date. Credit limits are set for borrowers and regular reviews on these other loans and advances are conducted by the risk management department and the risk management committee of the Group based on the latest status of these other loans and advances, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain tight control over its loans and advances in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 30 June 2015, these loans bear interest at Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% per annum or at a fixed rate of 4% to 11% per annum (31 December 2014: Hong Kong prime rate minus 1.5% to Hong Kong prime rate plus 7% per annum or at a fixed rate of 4% to 11% per annum).

Interest income derived from other loans and advances was recognised as "interest income from leveraged and acquisition finance activities" (note 6). The carrying value of the other loans and advances is approximate their fair value.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 18. Accounts receivable

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Accounts receivable from:		
– Clients	355,570	123,466
– Brokers, dealers and clearing house	5,320,904	3,351,970
– Clients for subscription of rights issue and new shares in IPO	2,908,951	872,798
– Others (note)	213,304	53,195
	<b>8,798,729</b>	4,401,429

Note: The amount represents the fees receivable from corporate finance, wealth management and asset management business.

There is no impaired accounts receivable as of the reporting dates for current period and prior year end. The following is an ageing analysis of the accounts receivable based on trade date at the reporting date:

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Between 0 and 3 months	8,766,172	4,359,117
Between 4 and 6 months	5,583	23,853
Between 7 and 12 months	8,671	6,728
Over 1 year	18,303	11,731
	<b>8,798,729</b>	4,401,429

Accounts receivable from clients, brokers, dealers and clearing house arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Accounts receivable from clients arising from financing of rights issue and IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2015, the settlement dates are in the range of 2 July 2015 to 7 July 2015.

Normal settlement terms of accounts receivable from advisory and wealth management, asset and fund management are determined in accordance with the contract terms, usually within one year after the service provided.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. As at 30 June 2015, overdue balances are approximately of HK\$2.2 million (31 December 2014: HK\$2.1 million) which are regularly monitored by management. The management ensures that the fair value of the listed equity securities belonged to client in which the Group holds as custodian are sufficient to cover the amount due to the Group.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 19. Prepayments, deposits and other receivables

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Prepayments, deposits and other debtors	<b>544,093</b>	277,293

Other receivables are non-interest bearing and are expected to be repayable within one year.

### 20. Financial assets at fair value through profit or loss

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>Held for trading</b>		
Listed equity investments, at fair value		
– in Hong Kong	2,190,060	938,454
– in overseas (including Mainland China)	700,745	547,280
Listed investment funds in Hong Kong, at fair value	1,594,158	533
Exchange traded funds in Hong Kong	294,615	428,781
Unlisted debt investments, at fair value		
– in Hong Kong	7,449,497	5,942,706
Unlisted investment funds, at fair value (note)	3,887,084	2,105,049
Certificated deposit	99,370	–
	<b>16,215,529</b>	9,962,803

Note: The Group invested in unconsolidated investment funds. These investment funds invests in including, but not limited to stocks, bonds, funds, notes, debentures, commodities, warrants, structured products, access products, forwards, futures, derivatives, options, swaps and currencies, with primary objectives to provide the investors with capital appreciation, investment income and for selling in the near future for profit.

There is no unfilled capital commitment to these unconsolidated investment funds. The current carrying amount of HK\$3,887 million (31 December 2014: HK\$2,105 million) in the condensed consolidated statement of financial position represents the Group's maximum exposure.

Details of disclosure for fair value measurement are set out in note 34.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 21. Derivative financial instruments

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>ASSETS</b>		
Swaps – held-for-trading	23,771	35,840
Equity linked notes – held-for-trading	–	31,383
Forward foreign currency exchange contracts – held-for-trading	18,549	195,536
Options listed in Hong Kong – held-for-trading	–	268
	<b>42,320</b>	<b>263,027</b>
<b>LIABILITIES</b>		
Swaps – cash flow hedges	16,825	4,595
Swaps – held-for-trading	2,273	7,428
Forward foreign currency exchange contracts – held-for-trading	17,683	205,770
	<b>36,781</b>	<b>217,793</b>

The notional principal amounts of the outstanding swap contracts held for cash flow hedging against the interest expenses from the bank borrowings as at 30 June 2015 and 31 December 2014 were both HK\$1,000 million. The profit or loss arising from ineffective portion of cash flow hedges is immaterial.

The maximum exposure to credit risk at the period end is the fair value of the derivative financial assets in the unaudited condensed consolidated statement of financial position.

### 22. Interests in unconsolidated investment funds

The Group invested in certain structured entities, including investment funds, partnership investments and private equity investment with primary objectives for capital appreciation, investment income and selling in the near future for profit. Pursuant to subscription agreement or equivalent documents, the beneficial interests held by the Group in these structured entities are in the form of participating shares or interests which primarily provide the Group with the share of returns from the structured entities but not any decision making power nor any voting right to involve in and control the daily operation.

These structured entities are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the structured entities.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 22. Interests in unconsolidated investment funds *(continued)*

Among those investment funds held by the Group where the Group directly or indirectly involves as investment manager, the Group regularly assesses and determines whether:

- the Group is acting as an agent or a principal in these investment funds;
- substantive removal rights held by other parties may remove the Group as an investment fund manager; and
- the investment interests held together with its remuneration from servicing and managing these structured entities create significant exposure to variability of returns in these investment funds.

In the opinion of the directors of the Company, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate these structured entities.

The Group classified its investment funds as available-for-sale investments, financial assets at fair value through profit or loss and financial assets designated at fair value through profit or loss as appropriate in notes 14, 20 and 27.

### 23. Interests in consolidated structured entities

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the asset management products 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/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/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

Interests held by third-party unit/shareholders of HK\$24 million (2014: HK\$5.6 million) shared in consolidated structured entities for the period are presented in the unaudited condensed consolidated statement of profit or loss and the accumulated interests held by third-party unit/shareholders as at 30 June 2015 are included in other liabilities in the unaudited condensed consolidated statements of financial position.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 24. Cash held on behalf of customers

The Group maintains segregated trust accounts with authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the unaudited condensed consolidated statement of financial position and recognised the corresponding accounts payable (note 25) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 25. Accounts payable

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Accounts payable to:		
– Clients	16,732,111	14,144,852
– Brokers, dealers and clearing house	724,950	973,033
– Others	78,375	512,759
	<b>17,535,436</b>	<b>15,630,644</b>

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 30 June 2015 (31 December 2014: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorized institutions of HK\$14,394,134,000 (31 December 2014: HK\$11,668,936,000), Hong Kong Futures Exchange Clearing Corporation Limited, Stock Exchange Options Clearing House and other futures dealers totalling HK\$1,226,023,000 (31 December 2014: HK\$824,204,000).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 26. Financial liabilities at fair value through profit or loss

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>Held for trading</b>		
Listed equity investments, at fair value		
– in Hong Kong (note)	525,115	292,145
– in overseas (including Mainland China) (note)	116,543	–
Unlisted bond investments, at fair value		
– in overseas (including Mainland China) (note)	1,176,841	33,927
	<b>1,818,499</b>	<b>326,072</b>

Note: The balance represents the fair value of equity and debt securities from short selling activities.

### 27. Financial assets/liabilities designated at fair value through profit or loss

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>Assets</b>		
Unlisted equity investment, at fair value (notes (a) & (b))		
– in overseas (including Mainland China)	311,805	608,901
Unlisted partnership investment, at fair value (notes (a) & (b))		
– in overseas (including Mainland China)	221,930	315,625
Unlisted debt investment, at fair value (note (b))		
– in overseas (including Mainland China)	130,000	14,777
Unlisted investment funds, at fair value (notes (a) & (b))	363,279	85,631
Unlisted structural products, at fair value (notes (a) & (b))	816,190	–
Listed equity investment, at fair value (note (b))		
– in Hong Kong	400,404	–
– in overseas (including Mainland China)	687,048	1,460,220
	<b>2,930,656</b>	<b>2,485,154</b>



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 27. Financial assets/liabilities designated at fair value through profit or loss (continued)

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>Liabilities</b>		
Issued structured products, at fair value (note (c))		
– Unlisted	2,813,588	2,265,886
Less: Non-current portion (note 11(b))	(620,000)	(620,000)
	<b>2,193,588</b>	<b>1,645,886</b>

Details of disclosure for fair value measurements are set out in note 34.

Notes:

- (a) As at 30 June 2015 and 31 December 2014, included in financial assets designated at fair value through profit or loss are the unlisted equity investments, unlisted partnership investments and unlisted investment funds which are managed by external third parties. The directors considered the Group did not have control based on the assessment criteria set out in note 22 or significant influence in these investments.

There is no unfilled capital commitment to these unlisted equity, partnership investments and unlisted investment funds. The current carrying amount of HK\$1,713 million (31 December 2014: HK\$1,010 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) Except for the unlisted debt investment of HK\$130 million which is acquired by the Group for trading and market making, these financial assets are primarily acquired by the Group which are driven by the issued structured products and become its underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in note (c) below.

These financial assets are designated at fair value as such instruments, as well as the financial instruments which they are hedging, are risk managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

- (c) As at 30 June 2015 and 31 December 2014, included in financial liabilities designated at fair value through profit or loss are the issued structured notes which arise from selling structured products generally in the form of notes or certificates with the underlying investments related to listed equity investments in active markets and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets designated at fair value through profit or loss or investments accounted for using equity method. These structured products are designated at fair value through profit or loss as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 28. Loans and other borrowings

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
<b>Non-current</b>		
Convertible bonds (notes (a))	139,186	1,781,445
Non-convertible bonds (note (b))	9,922,886	4,580,804
Non-convertible notes (note (c))	247,834	–
Total non-current borrowings	<u>10,309,906</u>	<u>6,362,249</u>
<b>Current</b>		
Non-convertible notes (note (c))	<u>1,101,035</u>	–
Secured borrowing		
– Bank loans (notes (d) and (f))	5,535,050	3,144,969
– Financial assets sold under repurchase agreements (note (e))	2,620,025	1,189,696
Unsecured borrowing		
– Bank loans (note (f))	14,842,047	8,074,149
– Other loans (note 32)	534,872	1,522,612
Total current borrowings	<u>23,531,994</u>	<u>13,931,426</u>
Total borrowings	<u>34,942,935</u>	<u>20,293,675</u>

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 28. Loans and other borrowings (continued)

Notes:

- (a) The Company has issued convertible bonds in principal amount of HK\$1,008 million and HK\$1,164 million in 2013 and 2014 respectively and these convertible bonds bear interest at a fixed rate of 1.25% per annum with a maturity period of 5 years respectively. The values of the liability component and the equity conversion component were determined at the issuance of the bonds.

As at 30 June 2015, the conversion prices of convertible bonds issued by the Company in 2013 and 2014 are adjusted to HK\$3.10 per share (31 December 2014: HK\$3.61 per share) and HK\$5.17 per share (31 December 2014: HK\$6 per share) after the rights issue announced on 18 March 2015 as set out in note 29(b) and determination of the right to the entitlement of the final dividend as resolved by the owners of the Company on 8 June 2015.

During the period ended 30 June 2015, convertible bonds issued by the Company in 2013 and 2014 with the principal amount of HK\$675 million (31 December 2014: HK\$325 million) and HK\$1,027 million (31 December 2014: Nil) were converted into ordinary shares of the Company. Details of the share capital movement are set out in note 29.

- (b) On 11 September 2014, the Group's wholly owned subsidiary Haitong International Finance 2014 Limited issued guaranteed bonds by the Company in principal amount of US\$600 million. Please refer to the Company's related announcement on 4 and 11 September 2014 as well as 2014 audited consolidated financial statements for details of the bond.

On 29 January 2015, the Group's wholly owned subsidiary Haitong International Finance 2015 Limited issued guaranteed bonds by the Company in principal amount of US\$700 million. Please refer to the Company's announcements on 22, 23 and 29 January 2015 for details of the bond.

- (c) As at 30 June 2015, the non-current portion and current portion of outstanding loan balances of HK\$248 million (31 December 2014: Nil) and HK\$1,101 million (31 December 2014: Nil) represent the unsecured and unguaranteed non-convertible notes issued by the Company in current interim period under the Company's Medium Term Note Programme (the "MTN Programme"). The non-convertible notes bear a fixed interest rate in the range of 3.8% to 4.5% per annum.
- (d) Bank loans of HK\$5,535 million (31 December 2014: HK\$3,145 million) are secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of HK\$15,693 million at fair value (31 December 2014: HK\$8,594 million).
- (e) The balance represents consideration received under the repurchase agreements. Details on the repurchase agreements are set out in note 35 of the unaudited condensed consolidated financial statements. The current portion of consideration under such arrangements is chargeable at a fixed interest rate in the range of 0.39% to 5.25% and LIBOR plus 1.4% to 1.8% per annum (31 December 2014: 0.28% to 4.05% and LIBOR plus 1.3% per annum).
- (f) All the Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.55% to HIBOR plus 2.75% per annum (31 December 2014: HIBOR plus 0.55% to HIBOR plus 2.75% per annum).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 29. Share capital

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Authorised:		
10,000,000,000 (31 December 2014: 4,500,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	450,000
Issued and fully paid:		
5,099,373,433 (31 December 2014: 2,184,397,016) ordinary shares of HK\$0.10 each	<u>509,937</u>	218,440

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2014	1,395,959,624	139,596
New shares issued under rights issue (note (a))	<u>697,979,812</u>	<u>69,798</u>
As at 30 June 2014	2,093,939,436	209,394
New shares issued under exercise of convertible bonds (note 28 (a))	89,855,580	8,986
New shares issued under exercise of share options	<u>602,000</u>	<u>60</u>
As at 31 December 2014 and 1 January 2015	2,184,397,016	218,440
New shares issued under rights issue (note (b))	2,533,453,008	253,345
New shares issued under exercise of convertible bonds (note 28 (a))	362,182,400	36,218
New shares issued under exercise of share options	<u>19,341,009</u>	<u>1,934</u>
As at 30 June 2015	<u>5,099,373,433</u>	<u>509,937</u>

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 29. Share capital (continued)

Notes:

- (a) On 23 April 2014, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares held by shareholders of the Company at the record date of 8 May 2014 at the discounted price of HK\$3.80 per share (the "Rights Issue II"). The Rights Issue II was subsequently completed on 30 May 2014 and 697,979,812 rights shares were issued on 3 June 2014. After deducting the expenses in connection with this Rights Issue II amounting to HK\$9 million, the net proceeds from issuance were HK\$2,643 million.

Details of the usage of the proceeds are set out in the consolidated financial statements of the Group for the year ended 31 December 2014.

- (b) On 18 March 2015, the Company announced a rights issue on the basis of 1 rights share for every 1 existing shares held by shareholders of the Company at the discounted price of HK\$3.50 per share (the "Rights Issue III"). The Rights Issue III was subsequently completed on 22 May 2015 and 2,533,453,008 rights shares were issued on 26 May 2015. After deducting the expenses in connection with this Rights Issue III amounting to HK\$45 million, the net proceeds from issuance were HK\$8,822 million.

For the period ended 30 June 2015, approximately 80% of the raised proceeds have been used to support the Group's brokerage and margin financing activities and the remainder of approximately 20% of the raised proceeds have been used to support the Group's general working capital.

During the six months ended 30 June 2015, the trustee acquired 8,854,000 ordinary shares (30 June 2014: Nil) of the Company for the share award scheme, which was adopted by the Board on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK\$70 million. During the current interim period, no awarded shares were granted by the Company. Details of the share award scheme of the Company have been disclosed in the Group's annual financial statements for the year ended 31 December 2014 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

## 30. Acquisition of a subsidiary

On 31 March 2015 (London time), the court in the United Kingdom has sanctioned the acquisition offered by Haitong International (BVI) Limited ("Haitong BVI"), a wholly owned subsidiary of the Company, to acquire 100% issued shares of Japaninvest Group plc ("Japaninvest") for consideration of ¥2,878,200,000 or equivalent to HK\$187,831,000. Japaninvest was a listed company in the Tokyo Stock Exchange and delisted with the effect from 26 March 2015 (Japan time) after the approval from the court in the United Kingdom and shareholders on 2 March 2015.

Japaninvest is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of investing clients. Japaninvest was acquired so as to extend the reach of its business network to international market and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities the Group.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 30. Acquisition of a subsidiary (continued)

#### Consideration transferred

	HK\$'000
Cash	187,831

Acquisition-related costs amounting to HK\$1.89 million have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the other operating expenses in the unaudited condensed consolidated statement of profit or loss.

#### Assets acquired and liabilities recognised at the date of acquisition (determined on a provision basis)

	HK\$'000
<b>Non-current assets</b>	
Property and equipment	2,265
Deferred tax assets	1,035
<b>Current assets</b>	
Accounts receivable	7,077
Prepayment and other receivables	9,028
Cash and cash equivalents	14,127
<b>Current liabilities</b>	
Accounts payable	(6,815)
Tax liabilities	(568)
Other payables	(753)
Accruals and deferred income	(26,275)
Net liabilities acquired at the date of acquisition	(879)

In the opinion of the directors of the Company, the fair values of the accounts and other receivables acquired (which principally comprised accounts receivable and other receivables) approximate the gross contractual amounts, the best estimate at acquisition date of the contractual cash flows of the receivables which are expected to be collected.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 30. Acquisition of a subsidiary (continued)

#### Goodwill arising on acquisition (determined on a provision basis)

	HK\$'000
Consideration transferred	187,831
Net identifiable liabilities acquired	<u>879</u>
Goodwill arising on acquisition	<u>188,710</u>

Goodwill arose in the acquisition of Japaninvest because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Japaninvest. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Up to the reporting date, the initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of the Group. Thus, the disclosures are presented by the management on a provisional basis in the condensed consolidated financial statements.

#### Net cash outflow on acquisition of a subsidiary

	HK\$'000
Consideration paid in cash	187,831
Less: cash and cash equivalent balances acquired	<u>(14,127)</u>
Net cash outflow on acquisition of a subsidiary attributable to the Group	<u>173,704</u>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 30. Acquisition of a subsidiary (continued)

#### Impact of acquisitions of Japaninvest on the results of the Group

Included in the profit for the interim period is HK\$2.8 million attributable to the additional business generated by Japaninvest. Revenue for the interim period includes HK\$25.2 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total revenue for the interim period would have been HK\$4,183 million, and profit for the interim period would have been HK\$2,124 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Japaninvest been acquired at the beginning of the current interim period, the directors have calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

### 31. Operating lease arrangements

The Group leases certain of its office properties and data centre under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years.

At 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Within one year	44,191	59,194
In the second to fifth years, inclusive	10,017	23,418
	<b>54,208</b>	82,612



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 32. Related party transactions

- (a) In addition to the transactions and balances detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:
- (i) During the current six month period ended 30 June 2015, the Group received a management fee of HK\$1,758,000 (six month ended 30 June 2014: HK\$1,101,000) on provision of discretionary account management services to Haitong International Holdings Limited, the immediate holding company of the Company. The fee is charged at 0.5% per annum (six month ended 30 June 2014: 0.5% per annum) on the net asset value of the underlying investment portfolio at the end of each month.
- (ii) During the prior six month period ended 30 June 2014, the Group obtained an unsecured loan from Haitong International Holdings Limited, the immediate holding company of the Company. As at 30 June 2015, the Company had outstanding balance of HK\$535 million (31 December 2014: HK\$1,523 million). The unsecured loan is chargeable at an interest rate of from HIBOR + 1.3963%, LIBOR + 1.25% and CNH Hong Kong Interbank Offered Rate Fixing ("CNBHIBOR") + 1.25% per annum (31 December 2014: HIBOR + 1.176% to HIBOR + 1.213%, LIBOR + 1.25% and CNBHIBOR + 1.25% per annum). Interest expense for such intercompany loan amounted to HK\$16,505,048 (six month ended 30 June 2014: HK\$9,883,208).
- (iii) During the current six month period ended 30 June 2015, the Group received an underwriting fee income of HK\$63 million (six month ended 30 June 2014: HK\$Nil) in relation to the provision of placement services for the new H shares issued by Haitong Securities Co., Ltd, the ultimate holding company of the Company.
- (b) Compensation of key management personnel of the Group:

	<b>Six months ended</b>	
	<b>30.6.2015</b>	30.6.2014
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Short term employee benefits	<b>13,569</b>	12,578
Post-employment benefits	<b>98</b>	77
Total compensation paid to key management personnel	<b>13,667</b>	12,655

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 33. Maturity profile of assets and liabilities

An analysis of the maturity profile of certain assets and liabilities of the Group analysed by the remaining period at the reporting date to the contractual maturity date is as follows:

	Repayable on demand or less than 3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
<b>30 June 2015</b>					
<b>Assets</b>					
Advances to customers in margin financing	23,346,352	–	–	–	23,346,352
Other loans and advances	–	1,896,552	1,005,500	–	2,902,052
Cash held on behalf of customers	14,394,143	–	–	–	14,394,143
Cash and cash equivalents	4,257,098	–	–	–	4,257,098
Financial assets held under resale agreement	1,276,749	–	–	–	1,276,749
Debt securities					
– Held-to-maturity	–	26,193	92,798	–	118,991
– Fair value through profit or loss	44,674	284,658	6,467,495	782,670	7,579,497
	<b>43,319,016</b>	<b>2,207,403</b>	<b>7,565,793</b>	<b>782,670</b>	<b>53,874,882</b>
<b>Liabilities</b>					
Accounts payable to clients excluding payables to brokers, dealers and clearing house	16,732,111	–	–	–	16,732,111
Loans and other borrowings	23,531,994	–	–	–	23,531,994
Convertible bonds issued	–	–	144,762	–	144,762
Non-convertible bonds issued	–	–	4,585,367	5,337,519	9,922,886
Non-convertible notes issued	–	1,101,035	247,834	–	1,348,869
	<b>40,264,105</b>	<b>1,101,035</b>	<b>4,977,963</b>	<b>5,337,519</b>	<b>51,680,622</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 33. Maturity profile of assets and liabilities (continued)

	Repayable on demand or less than 3 months HK\$'000	Over 3 months to 1 year HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
31 December 2014					
<b>Assets</b>					
Advances to customers in margin financing	9,619,965	–	–	–	9,619,965
Other loans and advances	–	1,819,200	811,000	–	2,630,200
Cash held on behalf of customers	11,668,936	–	–	–	11,668,936
Cash and cash equivalents	3,236,317	–	–	–	3,236,317
Financial assets held under resale agreement	24,765	–	–	–	24,765
Debt securities					
– Held-to-maturity	–	3,811	182,306	–	186,117
– Fair value through profit or loss	32,381	55,449	5,302,440	567,213	5,957,483
	<u>24,582,364</u>	<u>1,878,460</u>	<u>6,295,746</u>	<u>567,213</u>	<u>33,323,783</u>
<b>Liabilities</b>					
Accounts payable to clients excluding payables to brokers, dealers and clearing house	14,144,852	–	–	–	14,144,852
Loans and other borrowings	13,233,323	698,103	–	–	13,931,426
Convertible bonds issued	–	–	1,848,588	–	1,848,588
Non-convertible bonds issued	–	–	4,580,804	–	4,580,804
	<u>27,378,175</u>	<u>698,103</u>	<u>6,429,392</u>	<u>–</u>	<u>34,505,670</u>

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

## 34. Financial risk management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk (including cash flow interest rate risk and fair value interest rate risk), foreign exchange risk, credit risk, liquidity risk, and price 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 2014.

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

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 34. Financial risk management (continued)

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

An analysis of the Group's financial assets and liabilities measured at fair value as at 30 June 2015 and 31 December 2014 are as follows:

	Fair value as at 30 June 2015 HK\$'000 (unaudited)	Fair value as at 31 December 2014 HK\$'000 (audited)	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs
Recurring fair value measurements:				
Available-for-sale investments				
– Unlisted fund investments	1,688,522	460,833	Level 2	Note (a)
– in Hong Kong				
– Unlisted equity investments	16,750	10,250	Level 2	Note (b)
– in Mainland China				
Financial assets at fair value through profit or loss				
– Listed equity investments				
– in Hong Kong	2,190,060	938,454	Level 1	Note (d)
– in overseas (including Mainland China)	700,745	547,280	Level 1	Note (d)
– Listed investments funds in Hong Kong	1,594,158	533	Level 1	Note (d)
– Exchange traded funds in Hong Kong	294,615	428,781	Level 1	Note (d)
– Unlisted debt investments				
– in Hong Kong	7,449,497	5,942,706	Level 2	Note (c)
– Unlisted investment funds	3,887,084	2,105,049	Level 2	Note (a)
– Certificated deposit	99,370	–	Level 2	Note (k)

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 34. Financial risk management (continued)

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

	Fair value as at 30 June 2015 HK\$'000 (unaudited)	Fair value as at 31 December 2014 HK\$'000 (audited)	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs
Financial assets designated at fair value through profit or loss				
– Unlisted equity investments	311,805	608,901	Level 2	Note (h)
– in overseas (including Mainland China)				
– Unlisted partnership investments	221,930	315,625	Level 2	Note (h)
– in overseas (including Mainland China)				
– Unlisted structured products	816,190	–	Level 2	Note (h)
– Unlisted debt investments				
– in overseas (including Mainland China)	130,000	14,777	Level 2	Note (c)
– Unlisted investment funds	363,279	85,631	Level 2	Note (a)
– Listed equity investments				
– in Hong Kong	400,404	–	Level 1	Note (d)
– in overseas (including Mainland China)	687,048	1,460,220	Level 1	Note (d)
Derivatives financial instruments				
– Swap contracts	23,771	35,840	Level 2	Note (e)
– Equity linked note	–	31,383	Level 2	Note (f)
– Forward foreign currency exchange contracts	18,549	195,536	Level 2	Note (i)
– Listed options in Hong Kong	–	268	Level 1	Note (d)
	<u>20,893,777</u>	<u>13,182,067</u>		

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 34. Financial risk management (continued)

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

	Fair value as at 30 June 2015 HK\$'000 (unaudited)	Fair value as at 31 December 2014 HK\$'000 (audited)	Fair value hierarchy	Basis of fair value measurement/ valuation techniques and key inputs
Financial liabilities at fair value through profit or loss				
– Listed equity investments				
– in Hong Kong	525,115	292,145	Level 1	Note (d)
– in overseas (including Mainland China)	116,543	–	Level 1	Note (d)
– Unlisted bond investments	1,176,841	33,927	Level 2	Note (c)
– in overseas (including Mainland China)				
Financial liabilities designated at fair value through profit or loss				
– Structure notes (with the underlying investment related to listed equity investment)	2,080,930	1,545,851	Level 2	Note (g)
– Structure notes (with the underlying investment related to unlisted equity investments)	732,658	705,258	Level 2	Note (h)
– Structure notes (with the underlying investment related to unlisted debt investments)	–	14,777	Level 2	Note (j)
Derivative financial instruments				
– Swap contracts	19,098	12,023	Level 2	Note (e)
– Forward foreign currency exchange contracts	17,683	205,770	Level 2	Note (i)
	<u>4,668,868</u>	<u>2,809,751</u>		

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 34. Financial risk management *(continued)*

#### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(continued)*

Notes:

- (a) Dealing price of the investment funds derived from the net asset values of the investment funds with reference to observable quoted price of underlying investment portfolio in active markets.
- (b) Fair values for unlisted equity investments have been determined based on the market value of related listed equities issued by the same listed companies.
- (c) Fair value determined based on discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.
- (d) Quoted price in active markets.
- (e) Discounted cash flows. Future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.
- (f) The fair value of the equity linked note was determined with reference to the quoted price of the underlying listed equity investments.
- (g) The fair value was determined with reference to the underlying listed equity investments.
- (h) The fair value was determined with reference to the recent transaction price of the investments.
- (i) Discounted cash flows. Future cash flows are estimated based on forward exchange rate (from observable forward exchange rates at the end of the reporting period) and contract forwards rates, discounted at a rate that reflects the credit risk of various counterparties.
- (j) The fair value of the investment was determined with reference to dealing price of the underlying unlisted debt investment which is based on discounted cash flow that the future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter.
- (k) The fair value of certificated deposit was established based on applying the interest yield curves of different certificated deposit issued.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 34. Financial risk management (continued)

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

During the current six month period, there were no transfers of financial instruments between Level 1 and Level 2.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

As at 30 June 2015 and 31 December 2014, no non-financial assets or liabilities were carried at fair value.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values:

	30.6.2015		31.12.2014	
	Carrying amount HK\$'000 (unaudited)	Fair value HK\$'000 (unaudited)	Carrying amount HK\$'000 (audited)	Fair value HK\$'000 (audited)
Held-to-maturity				
debt investments (note i)	118,991	119,246	186,117	188,541
Convertible bonds (note ii)	139,186	245,749	1,781,445	2,401,824

These assets and liabilities are classified under Level 2 in the fair value hierarchy.

Notes:

- (i) The fair values are based on discounted cash flow. The future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter. The most significant input is the discount rate of the instruments.
- (ii) The fair values are based on the quoted price from the Singapore Exchange Securities Trading Limited.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 35. Financial assets sold under repurchase agreements

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Analysed by collateral type:		
Bonds	<u>2,620,025</u>	<u>1,189,696</u>
Analysed by market:		
Inter-bank market	<u>2,620,025</u>	<u>1,189,696</u>
Analysed for reporting purposes:		
Current	<u>2,620,025</u>	<u>1,189,696</u>

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 30 June 2015, the Group entered into repurchase agreements with financial institutions to sell bond investments recognised as financial assets at fair value through profit or loss with carrying amount of HK\$2,745,421,000 (31 December 2014: HK\$1,543,226,000) which subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

As at 30 June 2015, the consideration received for these repurchase agreement under current portion totalling HK\$2,620,025,000 (31 December 2014: HK\$1,189,696,000) were reported as "loans and other borrowings" as set out in note 28 in unaudited condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 36. Financial assets held under resale agreements

	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
Analysed by collateral type:		
Bonds	<u>1,276,749</u>	<u>24,765</u>
Analysed by market:		
Inter-bank market	<u>1,276,749</u>	<u>24,765</u>
Analysed for reporting purposes:		
Current	<u>1,276,749</u>	<u>24,765</u>

The financial assets (collateral by bonds) held under resale agreements are those resale agreements which the external investors entered into with the Group with a commitment to purchase the specified debt securities at a future date with an agreed price. The maturities of these resale agreements are all within one year.

As of 30 June 2015, the fair value of the bonds was HK\$1,177 million (31 December 2014: HK\$23.2 million).

### 37. Reclassification

Certain comparative figures have been reclassified or restated to conform to the current interim period presentation.

### 38. Approval of the interim financial statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 August 2015.

# Deloitte.

# 德勤

TO THE BOARD OF DIRECTORS OF  
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

## Introduction

We have reviewed the condensed consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 8 to 57, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

25 August 2015

## Other Information

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### Dividend and Closure of Register of Members

The board of directors of the Company (the "Board") has declared an interim dividend of HK20 cents per share (2014: HK8 cents) in cash, payable on or about Tuesday, 27 October 2015 to shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2015. Shareholders will be given the option to receive the interim dividend in new shares in lieu of cash.

The register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2015. Shares of the Company will be traded ex-dividend as from Friday, 11 September 2015.

## Other Information (Continued)

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### The Company

Name of directors	Class of shares	Personal interests	Family interests	Corporate interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital*
Jl Yuguang	Share options	–	–	–	872,505 (Note 1)	872,505	0.02
Li Jianguo	Ordinary shares	1,843,444 (Note 2)	–	–	–	1,843,444	0.04
LIN Yong	Ordinary shares	3,989,020 (Note 3)	–	–	–	3,989,020	0.08
POON Mo Yiu	Share options	–	–	–	2,094,009 (Note 4)	2,094,009	0.04
HUI Yee Wilson	Share options	–	–	–	3,554,089 (Note 5)	3,554,089	0.07
CHENG Chi Ming Brian	Share options	–	–	–	872,505 (Note 6)	872,505	0.02
TSUI Hing Chuen William	Ordinary shares/ share options	500,000 (Note 7)	–	–	145,320 (Note 8)	645,320	0.01
LAU Wai Piu	Share options	–	–	–	872,505 (Note 9)	872,505	0.02

\* On 18 March 2015, the Company announced a rights issue on the basis of 1 rights share for every 1 existing share (the "Rights Issue") held by shareholders of the Company (the "Shareholders"). The Rights Issue was approved by the Shareholders on 21 April 2015 and was completed on 22 May 2015. 2,533,453,008 rights shares were issued on 26 May 2015. Together with the issue of 381,523,409 ordinary shares during the six months ended 30 June 2015 pursuant to (i) exercise of conversion rights in accordance with the terms and conditions of the convertible bonds due 2018 and 2019 and (ii) exercise of share options under the Share Option Scheme adopted on 23 August 2002, the total number of shares of the Company was increased to 5,099,373,433 as at 30 June 2015.

Notes:

1. Those shares would be allotted and issued to Mr. JI Yuguang upon the exercise in full of the share options granted to Mr. JI under the 2002 share option scheme (as defined below) of the Company. The number of outstanding share options was adjusted from 576,077 to 872,505 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.
2. Those shares are held by Mr. LI Jianguo as beneficial owner.
3. Those shares are held by Mr. LIN Yong as beneficial owner.
4. Those shares would be allotted and issued to Mr. POON Mo Yiu upon the exercise in full of the share options granted to Mr. POON under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 1,382,583 to 2,094,009 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.
5. Those shares would be allotted and issued to Mr. HUI Yee Wilson upon the exercise in full of the share options granted to Mr. HUI under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from (i) (Date of Grant: 1 December 2007) from 1,194,457 to 1,809,081 while the exercise price per share was adjusted from HK\$5.098 to HK\$3.366; and (ii) (Date of Grant: 3 September 2010) from 1,152,153 to 1,745,008 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable (i) (Date of Grant: 1 December 2007) during 1 June 2008 to 31 May 2016; and (ii) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019.
6. Those shares would be allotted and issued to Mr. CHENG Chi Ming Brian upon the exercise in full of the share options granted to Mr. CHENG under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 576,077 to 872,505 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.
7. Those shares are held by Mr. TSUI Hing Chuen William as beneficial owner.
8. Those shares would be allotted and issued to Mr. TSUI Hing Chuen William upon the exercise in full of the share options granted to Mr. TSUI under the 2002 share option scheme of the Company. As at 1 January 2015, the number of outstanding share options held by Mr. TSUI was 576,077. 150,000 share options were exercised by Mr. TSUI on 21 April 2015 and thus 426,077 outstanding share options were held by Mr. TSUI after this exercise of the share option. The number of outstanding share options was adjusted from 426,077 to 645,320 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. 500,000 share options were further exercised by Mr. TSUI on 12 June 2015 and thus the number of share options held by Mr. TSUI was further decreased from 645,320 to 145,320. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.
9. Those shares would be allotted and issued to Mr. LAU Wai Piu upon the exercise in full of the share options granted to Mr. LAU under the 2002 share option scheme of the Company. The number of outstanding share options was adjusted from 576,077 to 872,505 while the exercise price per share was adjusted from HK\$4.208 to HK\$2.778 on 26 May 2015 upon completion of Rights Issue on 22 May 2015. Those share options, all of which remained exercisable as at 30 June 2015, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.

## Other Information (Continued)

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All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 30 June 2015, none of the directors of the Company or their associates had registered any other 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) that were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the 6 months ended 30 June 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### Shared-Based Compensation Scheme

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors, including independent non-executive directors, and other employees of the Group.

#### Share Option Scheme

- (I) On 23 August 2002, the shareholders of the Company approved the adoption of the share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme was expired on 22 August 2012. Share options granted under the 2002 Share Option Scheme prior to its expiry continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.



Movements of the share options under the 2002 Share Option Scheme during the 6 months ended 30 June 2015 are listed below:

Name or category of participants	Number of share options						At 30 June 2015	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of Company's shares***	
	At 1 January 2015	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015					At immediately preceding the grant date of share options HK\$ per share	At immediately preceding the exercise date of share options HK\$ per share
<b>Directors</b>												
Ji Yuguang	576,077	-	296,428 (Note 1)	-	-	872,505	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	N/A	
Li Jianguo	921,722	-	-	(921,722)	-	-	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 2)	4.79	9.45	
LI N Yong	921,722	-	-	(921,722)	-	-	3 September 2010	3 March 2011 – 2 March 2019	4.208 (Note 2)	4.79	6.49	
POON Mo Yiu	1,382,583	-	711,426 (Note 1)	-	-	2,094,009	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	N/A	
HUI Yee Wilson	1,194,457	-	614,624 (Note 1)	-	-	1,809,081	1 December 2007	1 June 2008 – 31 May 2016	3.366 (Note 1)	5.69	N/A	
	1,152,153	-	592,855 (Note 1)	-	-	1,745,008	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	N/A	
CHENG Chi Ming Brian	576,077	-	296,428 (Note 1)	-	-	872,505	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	N/A	
TSUI Hing Chuen William	576,077	-	219,243 (Note 1)	(650,000)	-	145,320	3 September 2010	3 March 2011 – 2 March 2019	(i) 4.208 (ii) 2.778 (Notes 1&3)	4.79	7.60	
LAU Wai Piu	576,077	-	296,428 (Note 1)	-	-	872,505	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	N/A	
	7,876,945	-	3,027,432	(2,493,444)	-	8,410,933						
<b>Continuous contract employees</b>												
In aggregate	8,804,134	-	588,290 (Note 1)	(8,284,827)	(40,911) (Note 4)	1,066,686	1 December 2007	1 June 2008 – 31 May 2016	3.366 (Note 1)	5.69	9.49	
In aggregate	10,411,723	-	1,397,466 (Note 1)	(8,562,738)	(697) (Note 4)	3,245,754	3 September 2010	3 March 2011 – 2 March 2019	2.778 (Note 1)	4.79	8.68	
	19,215,857	-	1,985,756	(16,847,565)	(41,608)	4,312,440						
	27,092,802	-	5,013,188	(19,341,009)	(41,608)	12,723,373						

## Other Information (Continued)

- \* The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options referred to above are subject to a 6-month vesting period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed at immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed at immediately preceding the exercise date of the share options is the weighted average of the Stock Exchange closing prices over all the exercises of share options within the disclosure category.

### Notes:

1. The Company completed the Rights Issue on 22 May 2015. Accordingly, the exercise price and the number of share options were adjusted to HK\$3.366 (Date of Grant: 1 December 2007) and HK\$2.778 (Date of Grant: 3 September 2010) with effect from 26 May 2015 (the "Adjustment due to Rights Issue").
  2. 921,722 share options were exercised by Mr. LI Jianguo and Mr. LIN Yong respectively at the exercise price of HK\$4.208 before the Adjustment due to Rights Issue.
  3. (i) 150,000 share options were exercised at the exercise price of HK\$4.208 and (ii) 500,000 share options were exercised at the exercise price of HK\$2.778 by Mr. TSUI Hing Chuen William.
  4. These share options lapsed during the 6 months ended 30 June 2015 as a result of staff resignation.
- (II) On 8 June 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an added incentive to work better for the interest of the Group. The 2015 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 8 June 2015 and will expire on 7 June 2025.

No option was granted pursuant to the 2015 Share Option Scheme for the 6 months ended 30 June 2015.

### Share Award Scheme

On 19 December 2014, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be awarded to selected participants (including, without limitation, any executive directors, non-executive or independent non-executive directors) of any members of the Group (the "Selected Participants") pursuant to the terms of the Scheme Rules and the Trust Deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e. 18 December 2024.

No Awarded Shares was granted to the directors of the Company pursuant to the Share Award Scheme for the 6 months ended 30 June 2015.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, the interests and short positions of those persons (other than the directors of the Company) in the shares and underlying shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of substantial shareholders	Notes	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
		Direct	Deemed			
Haitong Securities Co., Ltd. ("HSCL")	(1)	-	2,906,174,160	-	2,906,174,160	57.00
Haitong International Holdings Limited ("HTIH")	(1), (2)	2,906,174,160	-	-	2,906,174,160	57.00
Cheng Yu Tung Family (Holdings) Limited ("CYTF")	(3)	-	288,961,794	-	288,961,794	5.67
Cheng Yu Tung Family (Holdings II) Limited ("CYTF II")	(3)	-	288,961,794	-	288,961,794	5.67
Chow Tai Fook Capital Limited ("CTFC")	(3)	-	288,961,794	-	288,961,794	5.67
Chow Tai Fook (Holding) Limited ("CTFH")	(3)	-	288,961,794	-	288,961,794	5.67
Chow Tai Fook Enterprises Limited ("CTFE")	(3)	-	288,961,794	-	288,961,794	5.67
New World Development Company Limited ("NWD")	(3)	-	288,961,794	-	288,961,794	5.67
NWS Holdings Limited ("NWS")	(3)	-	288,961,794	-	288,961,794	5.67

## Other Information (Continued)

Name of substantial shareholders	Notes	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
		Direct	Deemed			
NWS Service Management Limited (incorporated in the Cayman Islands) ("NWSSM (Cayman)")	(3)	–	288,961,794	–	288,961,794	5.67
NWS Service Management Limited (incorporated in the British Virgin Islands) ("NWSSM (BVI)")	(3)	–	288,961,794	–	288,961,794	5.67
NWS Financial Management Services Limited ("NWSFM")	(3), (4)	288,961,794	–	–	288,961,794	5.67

### Notes:

- (1) HSCL held the entire issued share capital of HTIH. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the shares in which HTIH is interested.
- (2) On 18 March 2015, the Company announced the Rights Issue. HTIH accepted its right shares under the Rights Issue. The Rights Issue was completed on 22 May 2015. The number of shares held by HTIH was increased from 1,453,087,080 to 2,906,174,160.
- (3) CYTF and CYTF II held respectively an interest of approximately 48.98% and 46.65% in CTFC, which in turn held an interest of approximately 78.58% in CTFH and CTFH in turn held the entire issued share capital of CTFE. CTFE and its subsidiaries held an interest of approximately 43.42% in NWD, which in turn and its subsidiaries held approximately 61.32% of the issued share capital of NWS. NWS, through its wholly-owned subsidiary, NWSSM (Cayman), held the entire issued share capital of NWSSM (BVI), which in turn held the entire issued share capital of NWSFM. By virtue of the provisions of the SFO, each of CYTF, CYTF II, CTFC, CTFH, CTFE, NWD, NWS, NWSSM (Cayman) and NWSSM (BVI) is deemed to be interested in the shares in which NWSFM is interested.
- (4) On 18 March 2015, the Company announced the Rights Issue. NWSFM accepted its rights shares under the Rights Issue. The Rights Issue was completed on 22 May 2015. The number of shares held by NWSFM was increased from 144,480,897 to 288,961,794.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed above, as at 30 June 2015, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the 6 months ended 30 June 2015 other than as an agent for clients of the Company or its subsidiaries and for the trustee of the Share Award Scheme of the Company.

## Corporate Governance

The Board is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the six months ended 30 June 2015, the Company has fully complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the chairman of the Board, an executive director, 3 non-executive directors and an independent non-executive director of the Company, were unable to attend the special general meeting of the Company held on 21 April 2015 as stipulated for in code provisions A.6.7 and E.1.2 of the CG Code and 3 non-executive directors of the Company were unable to attend the annual general meeting and special general meeting of the Company held on 8 June 2015 as stipulated for in code provision A.6.7 of the CG Code as they had other important business engagements at that relevant time.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the 6 months ended 30 June 2015.

## Audit Committee

The audit committee of the Company (the "Audit Committee") has met with the external auditor of the Group, Messrs. Deloitte Touche Tohmatsu, to review the accounting principles and practices adopted by the Group and the unaudited consolidated results for the 6 months ended 30 June 2015 of the Group. The Audit Committee currently comprises 4 non-executive directors of the Company and 3 of whom, including the Chairman of the Audit Committee (the "Chairman of the Audit Committee"), are independent non-executive directors. The Chairman of the Audit Committee has the appropriate professional qualification and experience in financial matters.

## Other Information (Continued)

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### Disclosure pursuant to Rule 13.21 of the Listing Rules

On 16 May 2013, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with certain financial institutions (as lenders) in respect of a revolving loan facility in an aggregate amount of HK\$3,000,000,000 for a term of up to 3 years.

On 23 May 2014, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with certain financial institutions (as lenders) in respect of a term loan facility in an aggregate amount of HK\$1,336,000,000 for a term of up to 36 months and a revolving loan facility in an aggregate amount of HK\$2,004,000,000 for a term of up to 36 months.

On 10 April 2015, the Company (as borrower) entered into a facility agreement (the "Facility Agreement III") with certain financial institutions (as lenders) in respect of a term loan facility in an aggregate amount of HK\$2,400,000,000 for a term of up to 36 months and a revolving loan facility in an aggregate amount of HK\$3,600,000,000 for a term of up to 36 months.

On 26 June 2015, the Company (as borrower) entered into a facility agreement (the "Facility Agreement IV") with certain financial institutions (as lenders) in respect of a term loan facility in an aggregate amount of HK\$1,600,000,000 for a term of up to 36 months and a revolving loan facility in an aggregate amount of HK\$2,400,000,000 for a term of up to 36 months.

Pursuant to the terms of the Facility Agreement I, Facility Agreement II, Facility Agreement III and Agreement IV, if, inter alia, either of the following events of default occurs, all or any part of the facilities may be immediately cancelled and all or any part of the loans together with accrued interest and any other amounts accrued or outstanding under the facilities may become immediately due and payable or payable on demand:

- (1) HSCL ceases to directly or indirectly own at least 51% of the share capital in the Company; or
- (2) HSCL does not or ceases to have management control of the Company ("Management Control"). Management Control refers to (i) a majority of incumbent directors of the Company are nominees of HSCL and (ii) HSCL has control over the management strategies and policies of the Company.

Announcements regarding the entering into of Facility Agreement I, Facility Agreement II, Facility Agreement III and Facility Agreement IV were made on 16 May 2013, 23 May 2014, 10 April 2015 and 26 June 2015 respectively.

## Disclosure of the Information of the Board pursuant to Rule 13.51B(1) of the Listing Rules

Pursuant to rule 13.51B(1) of the Listing Rules, changes in the information of the Board required to be disclosed in this report are as follows:

### Mr. LIN Yong

Mr. LIN has ceased to be a responsible officer of Hai Tong Capital (HK) Limited and Haitong International Capital Limited under the SFO with effect from 22 July 2015. In addition, the term of Mr. LIN as a member of the advisory committee of the Securities and Futures Commission ended on 31 May 2015.

### Mr. POON Mo Yiu

Mr. POON entered into a new service agreement with the Company on 28 July 2015 for a term of 3 years commencing from 1 July 2015 to 30 June 2018 (both dates inclusive), subject to the retirement and re-election provisions in the New Bye-laws of the Company, unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to determine the same.

As set out in the new service agreement, Mr. POON is entitled to a monthly salary of HK\$224,910. Subject to the authority granted by the shareholders of the Company in annual general meetings, such salary shall be adjusted from time to time at a rate to be determined by the Remuneration Committee of the Company at its absolute discretion having regard to the operating results of the Group and the performance of Mr. POON. Mr. POON is also entitled to an annual management bonus of a sum to be determined by the Remuneration Committee of the Company at its absolute discretion having regard to the operating results of the Group and the performance of Mr. POON, provided that the aggregate amount of management bonuses payable to all relevant directors of the Company in respect of the relevant financial year shall not exceed 5 per cent. of the consolidated profits after taxation and minority interests but before extraordinary items as shown in the Group's audited consolidated accounts for the relevant financial year.

### Mr. CHENG Chi Ming Brian

Mr. CHENG entered into a new service agreement with the Company on 28 July 2015 for a term of 3 years commencing from 1 July 2015 to 30 June 2018 (both dates inclusive), subject to the retirement and re-election provisions in the New Bye-laws of the Company, unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to determine the same.

## Other Information (Continued)

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### **Ms. WANG Meijuan**

Ms. WANG entered into a new service agreement with the Company on 28 July 2015 for a term of 3 years commencing from 1 September 2015 to 31 August 2018 (both dates inclusive), subject to the retirement and re-election provisions in the New Bye-laws of the Company, unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to determine the same.

### **Mr. TSUI Hing Chuen William JP**

Mr. TSUI entered into a new service agreement with the Company on 28 July 2015 for a term of 3 years commencing from 1 July 2015 to 30 June 2018 (both dates inclusive), subject to the retirement and re-election provisions in the New Bye-laws of the Company, unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to determine the same.

### **Mr. LAU Wai Piu**

Mr. LAU entered into a new service agreement with the Company on 28 July 2015 for a term of 3 years commencing from 1 July 2015 to 30 June 2018 (both dates inclusive), subject to the retirement and re-election provisions in the New Bye-laws of the Company, unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to determine the same.



# Financial Calendar

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## **Announcement of interim results (unaudited)**

Tuesday, 25 August 2015

## **Book close dates**

Tuesday, 15 September to Thursday, 17 September 2015 (both dates inclusive)

## **Latest time to lodge transfers for ascertaining the entitlement to the interim dividend**

4:30 p.m. on Monday, 14 September 2015

## **Record date for the interim dividend**

Thursday, 17 September 2015

## **Payment date for the interim dividend**

On or about Tuesday, 27 October 2015

# Corporate Information

## General Information

### Board of Directors

#### Executive Directors

LI Jianguo  
LIN Yong

*Deputy Chairman  
Deputy Chairman and  
Managing Director*

POON Mo Yiu  
HUI Yee Wilson

#### Non-executive Directors

JI Yuguang  
CHENG Chi Ming Brian  
WANG Meijuan  
William CHAN

*Chairman*

#### Independent Non-executive Directors

TSUI Hing Chuen William  
LAU Wai Piu  
LIN Ching Yee Daniel  
WEI Kuo-chiang

### Company Secretary

LAU Yik Chi

### Internal Auditor

LAU Chi Keung

### External Auditor

Deloitte Touche Tohmatsu

### Place of Incorporation

Bermuda

### Registered Office

Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

### Principal Place of Business

22nd Floor, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

### Principal Share Registrar and Transfer Office

Codan Services Limited  
Clarendon House  
2 Church Street, Hamilton HM 11  
Bermuda

### Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### Website

[www.htisec.com](http://www.htisec.com)

## Board Committees

### Audit Committee

LIN Ching Yee Daniel *Chairman*  
WANG Meijuan  
TSUI Hing Chuen William  
LAU Wai Piu

### Executive Committee

LIN Yong *Chairman*  
POON Mo Yiu  
HUI Yee Wilson  
ZHANG Xinjun  
SUN Jianfeng  
SUN Tong  
LO Wai Ho  
ZHANG Yibin  
SHI Ping  
KONG Weipeng

### Nomination Committee

JI Yuguang *Chairman*  
TSUI Hing Chuen William  
LAU Wai Piu

### Remuneration Committee

TSUI Hing Chuen William *Chairman*  
JI Yuguang  
CHENG Chi Ming Brian  
LAU Wai Piu  
WEI Kuo-chiang

### Strategic Development Committee

JI Yuguang *Chairman*  
LI Jianguo  
LIN Yong  
CHENG Chi Ming Brian  
William CHAN