



Stock Code: 665.HK



GOING BEYOND **BOUNDARIES**

Interim Report 2016

GOING BEYOND BOUNDARIES

Guided by its profound wisdom and experience as beams of a lighthouse in the vast sea of financial industry, Haitong International goes beyond its geographical, business and personal boundaries and, by riding the wind and breaking the waves, charges ahead in search of a world of opportunities that can create values.



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FINANCIAL HIGHLIGHTS

RESULTS

	Six months ended		Percentage change Increase/ (Decrease)
	30.6.2016	30.6.2015	
Revenue (HK\$'000)	2,449,825	4,137,538	(41)
Net Profit Attributable to Shareholders (HK\$'000)	810,014	2,124,913	(62)
Return on Shareholders' Funds (%) ^(Note 1)	3.83	18.35	–
Per share			
Basic Earnings Per Share (HK Cents)	15.37	73.13	(79)
Diluted Earnings Per Share (HK Cents)	15.31	68.12	(78)
Share Price			
– Highest (HK\$)	4.72	8.89	(47)
– Lowest (HK\$)	3.54	6.68	(47)

FINANCIAL POSITION

			Percentage change Increase/ (Decrease)
	30.6.2016	31.12.2015	
Shareholders' Funds (HK\$'000)	21,217,293	20,828,786	2
Total Assets (HK\$'000)	109,613,005	91,919,000	19
Leverage Ratio ^(Note 2)	4.21	3.47	–
Number of Shares in Issue ^(Note 3)	5,326,681,218	5,289,920,095	1
NAV Per Share (HK\$)	3.98	3.94	1

Notes:

1. Computation of return on shareholders' funds is based on net profit attributable to shareholders divided by the weighted average shareholders' funds.
2. Leverage ratio = Total assets excluding accounts payable to clients and IPO loan/Shareholders' funds. Accounts payable to clients amounted to HK\$20,030.5 million as at 30 June 2016 (31 December 2015: HK\$19,619.1 million).
3. Certain equity rights conferred on share option holders were exercised during the period. Certain shareholders also elected for scrip dividend. Hence, the total number of shares of the company was increased to 5,326,681,218 as at 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

2016 marks the 20th anniversary of Haitong International's listing in Hong Kong. Since 2010, our Group has set its foothold in Hong Kong with its new Haitong International branding while expanding into the global markets. The Group is committed to providing comprehensive financial services for nearly 200,000 institutional, corporate and individual clients worldwide to access to the PRC and overseas capital markets, including corporate finance, brokerage, asset management, fixed income/currency and commodities ("FICC"), leveraged and acquisition finance, and institutional equities. Haitong International commands presence with wholly-owned subsidiaries in the world's major financial centres such as in New York, London, Singapore and Tokyo, and has established over 10 branches in Hong Kong and Macau.

MARKET REVIEW

Last year's turmoil traversed to afflict the market in early 2016 and the Bank of Japan followed in its European counterpart's footsteps by announcing "negative interest rates" in January, sparking off vigorous market reactions. In April, IMF revised down the forecasts for global growth, sounding the alarm bell that the global economy might be constrained in a prolonged lumbering growth. In the wake of the Fed rate hike in late 2015, unsettling concerns had been expressed in each subsequent Federal Open Market Committee meeting, fearing that US's and the global economic resurgence would lack strength and sustainability. Adding to the gloom was the results of the Brexit vote in June which cast a shadow over the prospect of the European Union ("EU") and the progress of globalisation.

In China, the year-on-year GDP growth reached a 7-year nadir in the first half of 2016 with obstinate downward pressure. The growth momentum of property market appeared to lose steam. Amidst the stern difficulties spooking exports, currency credit readings rebounded to normal levels while economic reform of the state was marching into a mature stage.

The VIX index, a barometer measuring market fear, marked a 5-year high, indicating the global financial market's nerves were on edge and the magnitude of market fluctuation rose conspicuously. In the first half of 2016, average daily trading volume of Hong Kong Stock amounted to HK\$67.5 billion, down 46% from the corresponding period of last year. Hang Seng Index ended the interim period at 20,794.37, plunging 1,000 more or 5.1%, with signs of greater volatility. Due to the factors like the weak RMB and the circuit breaker mechanism, CSI300 Index dipped 15.47% to 3,153.92 for the first half of the year.

PERFORMANCE REVIEW AND ANALYSIS

Given the political and economic complications and the arrival of the "negative interest rate" era, global risk assets return was expected to retreat. Nevertheless, those who ride out of the storm will find themselves golden. In the face of a deteriorating economic and financial environment and the rollercoaster-like market, Haitong International endeavored to embrace new challenges by reshuffling its business mix, and struck a happy balance between the income structure and revenue stream. In the first half of 2016, we recorded income of HK\$2.45 billion, representing a growth of 47% over the second half of last year. The net profit was HK\$0.81 billion, representing a growth of 110% over the second half of last year. Total asset reached HK\$109.6 billion.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In recent years, the Company has been pursuing the goal of becoming a leading boutique corporate finance institution in the Asia Pacific region with the strategy of “expanding sell-side businesses, strengthening capital-based intermediary businesses and developing buy-side businesses”. To this end, Haitong International’s investment previously made to sell-side businesses starts to pay off with fruitful results. Haitong International is now standing out as one of the corporate finance institutions in possession of a full suite of offerings among all the Chinese and foreign players in Hong Kong, serving over 1500 fund and insurance institutions around the world. Commission and management fee income in proportion to the Company’s total revenue picked up stably to 31.5% in the first half of 2016 from 26.6% for the corresponding period of 2015. Sell-side businesses, namely the corporate finance, equity derivatives and fixed income segments, bucked the downturn trend of the market — Haitong International’s IPO underwriting for corporate finance topped the list in terms of the number of projects completed and total underwriting amount. With the unremitting efforts put on the equity derivatives platform over the past three years, the platform was finally rolled out to comprehensively cover existing derivatives products in Hong Kong, including listed products such as warrants, callable bull/bear contracts and stock options as well as over-the-counter options and exotic options. Besides, the securities lending business reached a new height. Our bond market making platform expanded further to become one of the largest market makers for bonds in Hong Kong and a major price setter for Chinese underlying bonds in the Asia Pacific region. The asset management segment sustained one success after the other with a raft of accolades received with several public and private products issued. Assets under management (“AUM”) of the Company surged by 40% from late 2015, giving a testimony to its leading position in the industry.

1. Spearheading corporate finance and the fast-developing leveraged and acquisition finance business

In the first half of 2016, fundraising size of the Hong Kong IPO market recorded a year-on-year decrease of 56.6%, and in contrast, Haitong International vastly outperformed the market with a year-on-year increase of 148.6% in IPO fundraising. Haitong International ranked top among Hong Kong’s financial institutions in terms of the number of both IPOs completed and total underwriting amount according to Bloomberg League Tables. For Hong Kong equity financing projects as a whole, Haitong International ranked second and third in terms of the number of projects completed and total underwriting amount respectively, surpassing that of the corresponding period of last year and hitting new records. While the underwriting of debt financing business looked promising, a total underwriting amount of approximately HK\$45 billion was recorded during the first half of the year. Our issuance size of US dollar high-yield bonds in Asia (excluding Japan) accounted for 28% of the total market issuance size. Haitong International ranked second among Hong Kong’s financial institutions in terms of the number of issuance of G3 and offshore RMB bonds of Chinese issuers.

Favoured by the RMB internationalisation and the “Going Global Strategy” bandwagon, the leveraged and acquisition finance business was booming apace by the day. In the first half of the year, Haitong International took part in more than 50 projects with an aggregate amount of approximately HK\$40 billion. It provided customers with cross-border and cross-disciplinary professional services of the highest quality, thereby earning a good reputation in the industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

2. Mature institutional equities business and effective derivatives product platform

Expanding on the momentum arising from the acquisition of Japaninvest in March 2015, Haitong International took a further step to sharpen its equity business platform. The market value coverage ratio of equity registered a robust growth from 49% last year to 70%. The scope of research extended to cover major index constituents in markets such as that in Hong Kong, Mainland China, Taiwan, Japan, Korea, and US. In May this year, upon approval of US and Australia regulators, Haitong International could have direct sale of Hong Kong IPO and placing projects in the U.S. and Australia markets. In the first half of the year, new institutional customers approximated to 50 where 1,600 global research road shows were conducted.

On the derivative product front, Haitong International was approved by HKEx as an issuer of listed structured products in January, emerging as the only Chinese-funded issuer among the existing issuers. As of the end of June, Haitong International had issued in total 80 warrants and 7 callable bull/bear contracts. Furthermore, Haitong International was engaged in market making for 2 new ETFs and became the market maker for 25 ETFs, leading the RMB ETF market making sector. At the same time, its project-based business excelled and dedicated to roll out copious innovative company derivatives and exotic structured products for flexible and bespoke portfolio for customers. Capitalizing on its sound customer base and investment varieties, the stock lending team strived to expand with its growth of loan size more than doubled despite the headwind, standing out as one of the most ambitious stock lenders in the market.

3. Expanding FICC Market making platform with surging trading volume

In the first half of the year, Haitong International constantly expanded the bond market making business to cover major offshore US Dollar bonds in Asia viz. the Great China region, Korea, Japan, Australia, Singapore and India, as well as offshore RMB, Hong Kong Dollar and Singapore Dollar denominated bonds. Trading volume of bond market making business grew by over 100% year on year, further fortifying and strengthening our leading industry position of the bond market making business in the Asia-Pacific region.

Haitong International also seized the historic opportunity of the internationalisation of RMB to play an active role and put forward to develop offshore RMB exchange and interest rate products, and come to perform offshore market making business for RMB and US Dollar exchange rate futures on the bourses in Hong Kong and Singapore. Market making dealings of offshore RMB exchange and interest rate products appeared on track to become a major profit driver for the FICC business in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. Constantly growing brokerage and private wealth management businesses

In the first half of 2016, we fine-tuned our strategy of the brokerage business in time so that we stood apart from our peers in terms of market share. Last year, the Company redesigned our marketing tone fittingly to the mainland customers, which started to produce desirable effect in the first half of the year. Albeit a year-on-year decrease in trading volume was registered in the first half, retail customers perked up in the first half and the number of active trading customers gradually bounced back towards the peak in the wake of the stock market fiasco last year. Looking forward to the second half, the launch of Shenzhen-Hong Kong Stock Connect and more stocks to be included in the Southbound trading will bring along lucrative income to the Company. On the derivatives market front, Haitong International took the lead in terms of futures and options trading volume with a hike in product trading volume in Hong Kong.

In the first half of the year, our private wealth management services centred on the efforts to rationalize our asset portfolio of our quality clients so as to optimize our client credit granting system. Meanwhile, we aggressively pursued cross-selling between business segments of the Group, manifesting the synergies generated by our business lines.

5. Assets Management attracting quality clients with the Assets Under Management (“AUM”) marking a new high

Haitong’s asset management business posted a steady growth despite the lacklustre environment due to its ever-reinforcing product portfolio, market reputation and competitiveness, leaving its Chinese-funded rivals further behind. As of the end of June, Haitong’s AUM increased by more than 40% over last year. In the first half of the year, 3 Hong Kong public funds investing stocks in Hong Kong, South Korea and high-yield bonds in Asia were approved and came on stream successfully. With regard to private funds, a line-up of funds catering to the market demand and different risk appetites of clients with the likes of fund of funds (“FOF”) and structured bond funds were issued. In particular, trading of our structured private funds was made available on the sale platform of a number of prominent private banks. There was also drastic improvement in the client mix and quality of asset management clients with addition of institutional clients spanning from sizable Chinese-funded bankers, insurers and industry leaders. A majority of funds under the Company outperformed the market. In the first half of 2016, the Company won four major fund performance awards from Asia Asset Management, in which “Longevity Award — Best 10 Year Equity Fund (HK & China)” was awarded for Haitong Hong Kong SAR Fund for 2 years running.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

ONGOING REINFORCEMENT ON RISK MANAGEMENT AND OPERATION CAPABILITY

Haitong International has been upped its ante in systematic operation to improve its internal control, risk management and asset and liability management level in order to keep fingers on the pulse of the evolving market environment and rapid business development.

1. Augmenting risk management and internal control to promote asset and liability management capabilities

With the state of the art risk management system and management team in place, a comprehensive risk management regime is formed to monitor market, liquidity, credit and operational risks. In response to constant challenges posed in the global capital market, Haitong International always kept close watch over its risk control level and monitored risk exposure in a timely manner. It frequently revisited and revised the risk control measures of business lines to build up a strong defense against risks. In the first half of the year, the credit control department employed a number of reinforcement measures in the aspect of concentration and liquidity risk management, and optimized the loan ratio model. Furthermore, it walked through the risk control policies and approval procedures in relation to the Group's credit business, updated client details and strengthened the credit regime with other departments to ensure credit risks were kept in check at a reasonable level.

On top of the existing size of asset and liability, Haitong International strives to adopt a rational duration mix for assets and liabilities by flexibly readjusting the gearing ratio and structure of assets and liabilities at manageable costs so as to perform asset allocation fitting into the business lines, representing a big shot in the arm to the growth of interest income. Meanwhile, regular quantitative analysis on liquidity of assets was performed to maintain a well-balanced liability duration — asset liquidity mix and constrain costs control with risks under control. During the first half of 2016, the exchange rate of RMB was highly volatile. The Company effectively hedges the exchange rate risks with appropriate adjustments to the structure of RMB assets and liabilities.

2. Continuously heightening of middle-end and back end management

The Company kept stepping up its management in information technology, finance and operation in tune with business development. For instance, the Company upped its ante in the data centre infrastructure for which preliminary works of hardware update for the data centre were carried out whilst hardware and network installation were virtually completed in the first half of the year. In addition, the operating system was upgraded in various dimensions including the share trading system to address our clients' demand for global investment trading and access. The Company also consolidated the front-end system for over-the-counter business in the global market perfectly supported by the back-end data bank. Moreover, the Company set up to work out a consistent and efficient customer relation management system. Reinforcing the middle-end and back-end management of foreign subsidiaries was also a task for the Company. This involved formulating consistent standards for auditing and improving financial management policies in order to give a true picture of the financial position of subsidiaries and boost the efficiency of financial management to a greater extent.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PROSPECTS AND STRATEGIES

Looking forward, the external environment will still be deluged with challenges for an enduring period. The global economy is still treading the delicate path of recovery with a spate of factors in the international markets that could spark off downside risks to the global economy. While worldwide monetary easing policies are expected to be upheld, emerging markets may bottom out and rebound. Negative factors such as China's economic slowdown, unbalanced structure and expectation of a weaker RMB are hard to dissipate in near future. However, the fundament of a long-term positive economic outlook remains unscathed. During 2016, the first year of the 13th Five-year plan, the supply side put through the reform with a round of overcapacity addressing, destocking, deleveraging, cost lowering and weak area bolstering so that China's economy will develop more effectively, fairly and sustainably.

However, the financial sector will come to face immense operational pressure in such a complicated macro-environment. In the first half of the year, Haitong International took the initiative to adjust its own operation structure and laid a foundation to deliver breakthroughs in the face of new environment. Against the backdrop of the resounding "Belt and Road" initiative promulgated by the central government and the overseas expansion of the Chinese companies swifter than ever, we will remain steadfast to advocate the "Going Global Strategy" by providing efficient financial solutions. Meanwhile, the Group will further play its part to bridge Chinese and international markets by strengthening its asset management business to assist its clients to build a global assets portfolio. Besides, in the times with developing financial technology like this, Haitong International will step up to invest in its technology, and with this, it is tasked to enhance service efficiency and gears for market opportunities.

Despite challenges lying ahead, Haitong International always become stronger and stands tall for whatever difficulties it will face in the future. As the Company will effectively leverage the overseas platform of our parent as a buttress, it will chart a path to step into the international arena.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Revenue	6	2,449,825	4,137,538
Other income	6	2,313	3,608
		2,452,138	4,141,146
Employee benefits costs:			
Salaries and allowances, bonuses and pension scheme contributions	7	(389,610)	(704,004)
Commission to accounts executives	7	(120,971)	(241,622)
Depreciation and amortisation		(18,444)	(13,566)
Other operating expenses		(320,274)	(183,254)
		(849,299)	(1,142,446)
Finance costs	7	(668,952)	(471,075)
Share of result of investments accounted for using the equity method		47,626	18,406
Profit before tax	7	981,513	2,546,031
Income tax expense	8	(171,499)	(421,118)
Profit for the period attributable to owners of the Company		810,014	2,124,913
Earnings per share attributable to owners of the Company	9		
— Basic (HK cents per share)		15.37	73.13
— Diluted (HK cents per share)		15.31	68.12

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Profit for the period	810,014	2,124,913
Other comprehensive (expense) income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedge	1,750	(12,003)
Changes in fair value of available-for-sale investments	(356,705)	119,573
Disposal of available-for-sale investments	–	(1,750)
Exchange differences on translating foreign operations arising during the period	(17,398)	8,058
Other comprehensive (expense) income for the period	(372,353)	113,878
Total comprehensive income for the period attributable to owners of the Company	437,661	2,238,791

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
ASSETS			
Non-current assets			
Investments accounted for using the equity method	11	3,228,831	1,272,574
Property and equipment	12	99,237	101,159
Goodwill	13	157,697	157,697
Other intangible assets		50,399	53,256
Other assets		57,940	95,526
Financial assets designated at fair value through profit or loss	27	3,722,034	5,705,699
Available-for-sale investments	14	13,752,575	6,253,682
Held-to-maturity investments	15	92,935	92,801
Other loans and advances	17	711,396	529,978
Deferred tax assets		1,300	4,546
Prepayments, deposits and other receivables	19	135,589	81,687
		22,009,933	14,348,605
Current assets			
Advances to customers in margin financing	16	23,333,341	18,879,155
Other loans and advances	17	3,528,898	3,550,880
Accounts receivable	18	6,527,977	3,820,611
Prepayments, deposits and other receivables	19	672,991	508,071
Tax recoverable		107,378	92,839
Held-to-maturity investments	15	–	5,951
Derivative financial instruments	21	497,401	514,816
Financial assets at fair value through profit or loss	20	18,454,931	18,257,597
Financial assets designated at fair value through profit or loss	27	7,837,830	6,154,656
Financial assets held under resale agreements	31	4,045,284	1,114,496
Cash held on behalf of customers	24	16,412,953	18,265,360
Cash and cash equivalents		6,184,088	6,405,963
		87,603,072	77,570,395
Total assets		109,613,005	91,919,000

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2016

	Note	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	29	532,668	528,992
Reserves		20,285,124	20,088,197
Proposed interim/final dividend	10	399,501	211,597
Total equity		21,217,293	20,828,786
LIABILITIES			
Non-current liabilities			
Convertible bonds	28	135,860	134,393
Non-convertible bonds	28	9,961,138	9,937,201
Non-convertible notes	28	1,041,965	234,242
Loans and other borrowings	28	–	387,550
Deferred tax liabilities		19,870	20,464
Financial liabilities designated at fair value through profit or loss	27	2,243,084	4,225,698
		13,401,917	14,939,548
Current liabilities			
Accounts payable	25	21,104,804	20,945,837
Other payables and accruals		670,086	941,348
Other liabilities	23	741,473	–
Tax payable		690,540	571,193
Financial liabilities at fair value through profit or loss	26	3,176,374	957,979
Financial liabilities designated at fair value through profit or loss	27	4,980,417	3,263,051
Derivative financial instruments	21	1,100,953	90,193
Non-convertible notes	28	2,309,632	2,227,548
Loans and other borrowings	28	40,219,516	27,153,517
		74,993,795	56,150,666
Total liabilities		88,395,712	71,090,214
Total equity and liabilities		109,613,005	91,919,000
Net current assets		12,609,277	21,419,729
Total assets less current liabilities		34,619,210	35,768,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company														
	Share capital HK\$'000	Share premium account ¹ HK\$'000	Share option reserve ¹ HK\$'000	Share award reserve ¹ HK\$'000	Shares held for employee share award scheme ^{1, 2} HK\$'000	Capital redemption reserve ¹ HK\$'000	Contributed surplus ¹ HK\$'000	Capital reserve ¹ HK\$'000	Investment revaluation reserve ¹ HK\$'000	Exchange reserve ¹ HK\$'000	Hedging reserve ¹ HK\$'000	Convertible bond reserve ¹ HK\$'000	Proposed cash/crip dividend HK\$'000	Retained profits ¹ HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	528,992	16,918,351	2,288	-	(128,020)	5,102	21	40,383	(40,098)	5,853	(10,028)	5,374	211,597	3,288,971	20,828,786
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	810,014	810,014
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(356,705)	(17,398)	1,750	-	-	-	(372,353)
Total comprehensive (expense) income	-	-	-	-	-	-	-	-	(356,705)	(17,398)	1,750	-	-	810,014	437,661
Recognition of equity-settled share-based payment — note 35	-	-	3,945	4,795	-	-	-	-	-	-	-	-	-	-	8,740
Shares issued under share option scheme — note 29	287	9,358	-	-	-	-	-	-	-	-	-	-	-	-	9,645
Share options lapsed	-	1,564	(1,564)	-	-	-	-	-	-	-	-	-	-	-	-
2015 final dividend declared and settled in shares and cash — note 10	3,389	140,781	-	-	-	-	-	-	-	-	-	-	(211,597)	(112)	(67,539)
Proposed 2016 interim dividend — note 10	-	-	-	-	-	-	-	-	-	-	-	-	399,501	(399,501)	-
At 30 June 2016 (unaudited)	532,668	17,070,054	4,669	4,795	(128,020)	5,102	21	40,383	(396,803)	(11,545)	(8,278)	5,374	399,501	3,699,372	21,217,293
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
Share issued under share option scheme — note 29	1,934	83,759	-	-	-	-	-	-	-	-	-	-	-	-	85,693
Purchase of shares held under the share award scheme ²	-	-	-	-	(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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

- 1 These reserve accounts represent the unaudited consolidated reserves other than share capital and proposed cash/script dividend of approximately HK\$20,285 million (31 December 2015: approximately HK\$20,088 million) in the unaudited condensed consolidated statement of financial position.
- 2 As at 30 June 2016, the trustee of the share award scheme held 21,724,000 ordinary shares of the Company (30 June 2015: 8,854,000) 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\$128 million (30 June 2015: HK\$70 million) during the year ended 31 December 2015. During the current interim period, award of 7,865,506 shares were made by the Company (31 December 2015: Nil) and among these awarded shares, 19,817 awarded shares lapsed. 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 2015 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 2016

	Note	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
OPERATING ACTIVITIES			
Operating cash flows before movements in working capital		235,530	2,029,326
Increase in advances to customers in margin financing		(4,522,127)	(13,726,387)
Increase in other loans and advances		(159,436)	(271,852)
Increase in accounts receivable		(2,707,366)	(4,216,441)
Increase in financial assets at fair value through profit or loss		(197,334)	(6,784,790)
Decrease (increase) in financial assets designated at fair value through profit or loss		300,491	(445,502)
Increase in financial assets sold under repurchase agreements		2,324,864	1,430,329
Increase in financial assets held under resale agreements		(2,930,788)	(1,251,984)
Decrease (increase) in cash held on behalf of customers		1,852,407	(2,725,207)
Increase in financial liabilities at fair value through profit or loss		2,218,395	1,492,427
Increase in accounts payable		158,967	1,897,977
Other operating cash flows		389,441	470,189
Cash used in operations		(3,036,956)	(22,101,915)
Interest received		1,223,373	619,407
Dividend received		100,965	37,370
Interest paid		(605,418)	(124,071)
Tax paid		(64,039)	(14,971)
NET CASH USED IN OPERATING ACTIVITIES		(2,382,075)	(21,584,180)
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		2,686,758	9,625
Proceeds from redemption of held-to-maturity investments		6,304	66,996
Interest received from investment in debt securities		2,857	8,506
Purchases of property and equipment		(13,671)	(11,786)
Purchases of available-for-sale investments		(10,542,356)	(1,124,241)
Net cash outflow on acquisition of a subsidiary	36	–	(173,704)
Purchase of investments accounted for using equity method		(1,908,631)	(395,475)
Disposal of investments accounted for using equity method		698,400	537,572
Proceeds from disposal of property and equipment		6	–
NET CASH USED IN INVESTING ACTIVITIES		(9,070,333)	(1,082,507)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2016

	Note	Six months ended	
		30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
FINANCING ACTIVITIES			
Proceeds from issuance of non-convertible bonds		–	5,353,294
Proceeds from rights issue	29	–	8,821,790
Proceeds from issuance of non-convertible notes		1,953,506	1,349,323
Proceeds from share issued upon exercise of share options		9,645	85,693
Net proceeds for bank and other borrowings raised		10,353,585	8,170,239
Dividends paid to shareholders		(67,539)	–
Non-convertible bonds issuing cost paid		–	(20,120)
Non-convertible notes issuing cost paid		(764)	(2,751)
Repayment of non-convertible notes		(1,017,900)	–
Purchase of shares held under the share award scheme		–	(70,000)
NET CASH FROM FINANCING ACTIVITIES		11,230,533	23,687,468
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(221,875)	1,020,781
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		6,405,963	3,236,317
CASH AND CASH EQUIVALENTS AT END OF PERIOD		6,184,088	4,257,098
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents		6,184,088	4,257,098

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 22nd Floor, 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 2016, the Company and its subsidiaries (collectively named as the "Group") was involved in the following principal activities:

- securities, futures, options and bullion contracts brokerage
- 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 in debt securities, bullion contracts and leveraged foreign exchange trading
- the provision of equity research, institutional sales and trading and equity derivative products
- investments holdings

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 2016

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 2016 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2015.

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 HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 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.

Given Cash Equities business has gained critical mass over the past year and the cross selling of the Equity Derivatives business kept developing, the Group decided to combine the two businesses during the current interim period. To describe the business operations and activities in each reportable segment precisely, the reportable segment of "Equity Derivatives" has been renamed as "Institutional Equities"; "Leveraged and Acquisition Finance" has been merged into "Corporate Finance" segment. Furthermore, "Brokerage and Margin Financing" segment will be also renamed as "Brokerage".

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

5. SEGMENT INFORMATION (CONTINUED)

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

- (a) the brokerage 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 and provision of financing solutions to corporate clients of the Group for their corporate actions and shareholder activities, including takeovers, mergers and acquisitions;
- (c) the asset management segment engages in provision of fund management and wealth management services;
- (d) the fixed income, currency and commodities segment engages in trading and market making in debt securities, bullion contracts and leveraged foreign exchange trading;
- (e) the institutional equities segment engages in the provisions of equity research services, institutional sales and trading, equity derivatives products (including warrants, swaps, callable bull/bear contracts, options and market making for exchange tradable funds etc.) and stock borrowing and lending business; and
- (f) the investment holdings segment comprises investment in funds, equity and debt securities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

5. SEGMENT INFORMATION (CONTINUED)

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

	Brokerage		Corporate finance		Asset management		Fixed income, currency and commodities		Institutional equities		Investment holdings		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
	For the six months ended 30 June													
Segment revenue:														
Sales to external customers	1,171,011	1,115,604	631,415	663,319	32,409	43,865	388,343	478,694	282,012	1,027,872	(55,365)	808,184	2,449,825	4,137,538
Other income	-	-	1,108	1,198	-	-	-	-	-	-	1,205	2,410	2,313	3,608
Segment results	534,282	531,623	383,162	475,010	20,457	29,058	154,437	335,172	53,104	686,842	(211,555)	469,920	933,887	2,527,625
Share of result of investments accounted for using the equity method													47,626	18,406
Income tax expense													(171,499)	(421,118)
Profit for the period													810,014	2,124,913
Depreciation and amortisation	(13,319)	(9,716)	(771)	(567)	(12)	(9)	(929)	(683)	(1,780)	(1,390)	(1,633)	(1,201)	(18,444)	(13,566)
Finance costs	(255,377)	(125,826)	(78,235)	(45,851)	-	-	(107,626)	(22,306)	(83,350)	(124,348)	(144,364)	(152,744)	(668,952)	(471,075)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

6. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Revenue		
Brokerage:		
Commission on securities brokerage	170,856	411,873
Commission on futures and options brokerage	88,631	95,636
Commission on bullion contracts brokerage	436	917
Commission on wealth management	21,965	13,312
Custodian and other service fees	12,330	19,605
Interest income from margin financing	876,793	574,261
	1,171,011	1,115,604
Corporate finance:		
Commission on underwriting and placing	239,421	274,500
Consultancy and financial advisory fees	81,972	153,571
Interest income from leveraged and acquisition finance activities	310,022	235,248
	631,415	663,319
Asset management:		
Fund management and performance fees	32,409	43,865
Fixed income, currency and commodities:		
Interest income from debt securities	2,912	8,537
Net gain on financial assets/liabilities at fair value through profit or loss	385,431	470,157
	388,343	478,694

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

6. REVENUE AND OTHER INCOME (CONTINUED)

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Institutional equities:		
Commission income on equities and derivatives trading	54,192	76,361
Consultancy and financial advisory fees	68,391	10,561
Interest income:		
— Interest income from derivatives	140,313	23,804
— Interest income from stock borrowing and lending	30,997	12,847
— Others	18,049	—
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(51,711)	876,366
Dividend income	21,781	27,933
	282,012	1,027,872
Investment holdings:		
Net (loss) gain on financial assets/liabilities at fair value through profit or loss	(156,330)	798,747
Dividend income	100,965	9,437
	(55,365)	808,184
	2,449,825	4,137,538
Other income		
Others	2,313	3,608
	2,313	3,608

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

7. PROFIT BEFORE TAX

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits costs (including directors' remuneration)		
Salaries, bonuses and allowances	384,021	699,190
Commission to accounts executives	120,971	241,622
Net pension scheme contributions	5,589	4,814
	510,581	945,626
Impairment loss on advances to customers in margin financing (note 16)	67,941	–
Finance costs:		
— bank loans and overdrafts	374,023	218,736
— convertible bonds	2,336	18,508
— non-convertible bonds	221,080	203,480
— non-convertible notes	69,248	11,239
— other loans (note 33)	2,265	19,112
	668,952	471,075

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Current taxation		
— Hong Kong	166,916	420,556
— PRC and other jurisdictions	1,931	938
	168,847	421,494
Deferred tax		
— Current period	2,652	(376)
	171,499	421,118

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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	
	30.6.2016 (unaudited)	30.6.2015 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	810,014	2,124,913
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,271,784	2,905,623
Basic earnings per share (HK cents per share)	15.37	73.13

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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	
	30.6.2016 (unaudited)	30.6.2015 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	810,014	2,124,913
Effect of dilutive potential ordinary shares		
— Interest on convertible bonds (net of tax) (HK\$'000) (note (b))	1,950	15,454
Earnings for the purpose of diluted earnings per share (HK\$'000)	811,964	2,140,367
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,271,784	2,905,623
Effect of dilutive potential ordinary shares:		
— Convertible bonds (in thousands) (note (b))	28,523	228,955
— Share options (in thousands) (note (c))	3,686	7,409
— Share awards (in thousands)	1,120	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	5,305,113	3,141,987
Diluted earnings per share (HK cents per share)	15.31	68.12

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

9. EARNINGS PER SHARE (CONTINUED)

Notes:

- (a) As at 30 June 2016, the trustee of the share award scheme held 21,724,000 ordinary shares of the Company (30 June 2015: 8,854,000) 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\$128 million (30 June 2015: HK\$70 million) during the year ended 31 December 2015. During the current period, award of 7,865,506 shares (31 December 2015: Nil) were made by the Company and among these awarded shares, 19,817 awarded shares lapsed. Details of the share award scheme of the Company have been disclosed in note 35 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

During the prior six-month period, the Group raised approximately HK\$8,822 million (net) by way of rights issue on the basis of one rights share for every one existing share held by shareholders of the Company at the price of HK\$3.5, 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 the rights issue has been included in the calculation of prior period basic and diluted earnings per share are adjusted accordingly.

- (b) On 18 July 2013 and 10 October 2013, the Company issued convertible bonds of HK\$776 million and HK\$232 million respectively, which had 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 prior 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 29, which created a potential dilutive effect to the basic earnings per share before their conversion.

As at 30 June 2016, 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\$2.95 (31 December 2015: HK\$2.95) and HK\$4.92 (31 December 2015: HK\$4.92), 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 2016 and with the adjustment for the share options lapsed or exercised during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

10. DIVIDENDS

At a meeting of the Board held on 10 March 2016, the directors recommended the payment of a final dividend in cash with a scrip option for the year ended 31 December 2015 in the total amount of HK\$211,597,000. The final dividend was paid on 16 June 2016, with a total of HK\$67,539,000 cash dividend paid to the shareholders and 33,887,132 shares were issued in scrip form with the amount of HK\$144,170,000.

At a meeting of the Board held on 19 August 2016, the Board resolved to declare an interim dividend of HK7.5 cents per share in cash for the six months ended 30 June 2016 (six months ended 30 June 2015: interim dividend of HK20 cents per share in cash), to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016. 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, 1 November 2016.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Associates:		
Cost of unlisted investment in associates	7,757	7,757
Share of post-acquisition loss and other comprehensive expense, net of dividend received	(2,646)	(1,641)
	5,111	6,116
Joint ventures:		
Cost of unlisted investment in joint ventures	3,178,601	1,269,970
Share of post-acquisition profits (loss) and other comprehensive income (expense), net of dividend received	45,119	(3,512)
	3,223,720	1,266,458
	3,228,831	1,272,574

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2016	As at 31 December 2015	
<i>Joint venture</i>					
About Capital Asian Special Opportunities Fund (Formerly Haitong-AC Asian Special Opportunities Fund) (note a)	The Cayman Islands	Participating Management	44.49% 50%	43.5% 50%	Investment holding
Harveston Asset Management Pte. Ltd.	Singapore	Ordinary	50%	50%	Fund management
Haitong Special Opportunities Fund I S.P. (note c)	The Cayman Islands	Non-participating Management	100% 50%	100% 50%	Investment holding
Haitong China Select Investment Fund S.P. (note c)	The Cayman Islands	Non-participating Management	100% 50%	100% 50%	Investment holding
Haitong Multi-Tranche Investment Fund II S.P. (note c)	The Cayman Islands	Non-participating (Class P)	1.01%	0.94%	Investment holding
		Non-participating (Class R)	97.72%	99.70%	
		Management	50%	50%	
Haitong High Yield Bond Multi-Tranche Fund S.P. (note d)	The Cayman Islands	Participating Management	39.45% 50%	N/A N/A	Investment holding
Haitong Freedom Multi-Tranche Bond Fund (note d)	The Cayman Islands	Participating	99.05%	N/A	Investment holding
		Management	50%	N/A	
<i>Associate</i>					
Trinitus Asset Management Limited	Hong Kong	Ordinary	20%	20%	Investment management service
China Grand Automotive Group Limited (note b)	Mauritius	Ordinary	34.61%	34.61%	Investment holding

All joint ventures and associates are unlisted entities without quoted market price available.

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 2016

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Notes:

- (a) As of 30 June 2016 and 31 December 2015, the Group held 20,000 units of participating shares, representing 44.49% (31 December 2015: 43.5%) interest in the About Capital Asian Special Opportunities Fund (Formerly 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 2016 and 31 December 2015, 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\$237 million (31 December 2015: HK\$201 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) For both period ended 30 June 2016 and year ended 31 December 2015, the directors of the Company considered the Group was able to exercise significant influence over China Grand Automotive Group Limited ("CGAGL") through its shareholding that had the power to involve in key financing and operating decisions of CGAGL under the Memorandum and Articles of Association of that company.

The directors of the Company recognised such investment as an associate of the Group and considered this investment was exempted from applying the equity method and were recognised as financial assets designated at fair value through profit or loss in note 27 to the unaudited condensed consolidated financial statements.

As at 30 June 2016, the Group held a total return swap contract with the underlying investment of CGAGL at 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 ordinary shares of CGAGL held by the Group and accumulated distribution from CGAGL during the contractual 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 CGAGL 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 the maturity date. Based on the swap contract, the Group has the right to settle the contract by cash or physical settlement upon fulfilling certain conditions fulfilled. As at 30 June 2016, the total return swap transaction has been recognised as and included in non-current portion of "financial liabilities designated at fair value through profit or loss" with the fair value of HK\$2,243 million (31 December 2015: HK\$4,226 million) 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 2016

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Notes: (continued)

- (c) Pursuant to the agreement, the management shareholders for 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 empowered to make all the key financing and operating decisions in the funds and require unanimous consent of the parties sharing control. As at 30 June 2016, the Group held 50% (31 December 2015: 50%) of the management shares in SP1, SP3 and SP6 and the other 50% management shares are held by a third party. 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 above funds but not any decision-making power nor any voting right in daily operation of the above funds.

There is no unfilled capital commitment to SP1, SP3 and SP6. The current carrying amount of HK\$94 million (31 December 2015: HK\$100 million) for SP1, HK\$311 million (31 December 2015: HK\$341 million) for SP3 and HK\$791 million (31 December 2015: HK\$613 million) for SP6 in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (d) As of 30 June 2016, the Group held 200,000 units and 2,058,881 units of participating shares, representing 39.45% and 99.05% interest in the Haitong High Yield Bond Multi-Tranche Fund S.P. and Haitong Freedom Multi-Tranche Bond Fund (collectively referred to as the "Funds") respectively. The participating shares provide the Group with the share of returns from the Funds but not any decision-making power nor any voting right in daily operation of the Funds.

As of 30 June 2016, the Group held 50% of the management shares in the Funds 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 Funds and require unanimous consent of the parties sharing control. The arrangement of sharing of control is contractually agreed by both parties. As such, the interests of the Group in the Funds are classified as a joint venture.

There is no unfilled capital commitment to the Funds. The current carrying amount of HK\$162 million for Haitong High Yield Bond Multi-Tranche Fund S.P. and HK\$1,617 million for Haitong Freedom Multi-Tranche Bond Fund in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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
30 June 2016 (unaudited)					
At 1 January 2016					
Cost	3,092	59,987	50,203	416,521	529,803
Accumulated depreciation	(1,447)	(43,178)	(37,604)	(346,415)	(428,644)
Net carrying values	1,645	16,809	12,599	70,106	101,159
At 1 January 2016, net of accumulated depreciation	1,645	16,809	12,599	70,106	101,159
Additions	–	1,809	4,811	7,051	13,671
Disposal	–	–	–	(6)	(6)
Depreciation	(39)	(3,017)	(2,501)	(10,030)	(15,587)
At 30 June 2016, net of accumulated depreciation	1,606	15,601	14,909	67,121	99,237
At 30 June 2016					
Cost	3,092	61,796	55,014	423,566	543,468
Accumulated depreciation	(1,486)	(46,195)	(40,105)	(356,445)	(444,231)
Net carrying values	1,606	15,601	14,909	67,121	99,237
30 June 2015 (unaudited)					
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 36)	–	–	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

13. GOODWILL

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Cost		
At the beginning of the period/year	157,697	9,854
Goodwill arising on acquisition (note 36)	–	147,843
	157,697	157,697

14. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Listed equity investments, at fair value	956,948	42,894
Unlisted fund investments, at fair value (note (a))	5,518,744	6,197,663
Unlisted equity investments, at fair value	777,747	13,125
Unlisted debt investments, at fair value	5,878,262	–
Unlisted partnership investments, at fair value (note (b))	620,874	–
	13,752,575	6,253,682

Notes:

- (a) The Group invested in 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\$5,519 million (31 December 2015: HK\$6,198 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) As at 30 June 2016, the unfilled capital commitment to the partnerships are HK\$151 million (31 December 2015: Nil).

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 2016

15. HELD-TO-MATURITY INVESTMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Unlisted debt securities	92,935	98,752
Less: current portion	–	(5,951)
Non-current portion	92,935	92,801

The debt securities held by the Group are having contractual interest rate 4.1% per annum (31 December 2015: 4.1% to 9.75% per annum) and with maturity period at 2018 (31 December 2015: ranging from 2016 to 2018).

As at 30 June 2016, the fair value of the held-to-maturity investments was approximately HK\$93,048,000 (31 December 2015: HK\$97,862,000). Details of disclosure for fair value measurements are set out in note 34.

16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Loans to margin clients	23,408,243	18,886,116
Less: Impairment allowances	(74,902)	(6,961)
	23,333,341	18,879,155

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 2016, advances to customers in margin financing of HK\$23,333 million (31 December 2015: HK\$18,879 million) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$108,167 million (31 December 2015: HK\$99,238 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING (CONTINUED)

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. Except for the amount of HK\$74,902,000 (31 December 2015: HK\$6,961,000) which were fully impaired in the six months ended 30 June 2016, there was no impaired debt for the six months ended 30 June 2016.

In determining the allowances for impaired loans to securities margin clients, the management of the Group also takes into account of margin shortfall by comparing the market value of stock portfolio and the outstanding balance of loan to securities margin clients individually. Impairments are made for those clients with significant margin shortfall as at period end and with no settlement or executable settlement plan and arrangement after the period end. Movements in the allowances for impaired debts in respect of loans to securities margin clients are as follows:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Balance at beginning of the period/year	6,961	7,111
Net charge (reversal) for the period/year	67,941	(150)
Balance at end of the period/year	74,902	6,961

In addition to the individually assessed allowances for impaired debts, the Group has also assessed, on a collective basis, a loan impairment allowance for advances to customers in margin financing arising from the business of dealing in securities with margin clients that are individually insignificant or advances to customers in margin financing where no impairment has been identified individually. Objective evidence of collective impairment could include the Group's past experience of collecting payments, internal credit rating and observable changes in national or local economic conditions that correlate with default on receivables. No significant amount of collective impairment allowance is considered necessary based on the Group's evaluation.

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 2016

17. OTHER LOANS AND ADVANCES

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Other loans and advances	4,240,294	4,080,858
Less: Non-current portion	(711,396)	(529,978)
Current portion	3,528,898	3,550,880

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

The 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 effective control over its loans and advances in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

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 to their fair value.

18. ACCOUNTS RECEIVABLE

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Accounts receivable from:		
— Clients	1,876,193	776,524
— Brokers, dealers and clearing house	4,217,186	2,961,944
— Clients for subscription of new shares in IPO	377,277	–
— Others (note)	57,321	82,143
	6,527,977	3,820,611

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

18. ACCOUNTS RECEIVABLE (CONTINUED)

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:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Between 0 and 3 months	6,481,878	3,782,964
Between 4 and 6 months	5,647	5,171
Between 7 and 12 months	8,841	20,344
Over 1 year	31,611	12,132
	6,527,977	3,820,611

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, options and securities trading in Shanghai — Hong Kong Stock Connect are one day after trade date.

Accounts receivable from clients arising from financing of 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 2016, the settlement dates are in the range of 5 July 2016 to 8 July 2016.

Normal settlement terms of accounts receivable from corporate finance, wealth management, 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 2016, overdue balances of approximately HK\$3.2 million (31 December 2015: HK\$3.7 million) are regularly monitored by management. The management ensures that the listed equity securities belonged to clients 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 2016

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Prepayments, deposits and other receivables	808,580	589,758
Less: Non-current portion	(135,589)	(81,687)
Current portion	672,991	508,071

Note: Included in the amount of prepayments, deposits and other receivables of HK\$809 million is the interest receivable of HK\$472 million (31 December 2015: HK\$266 million) from bank deposits, brokerage customers, and bond investments which are receivable within one year.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Held for trading		
Listed equity investments, at fair value	1,607,696	872,136
Unlisted preference shares, at fair value	–	23,253
Exchange traded funds, at fair value	90,225	586,976
Unlisted debt investments, at fair value	15,938,884	14,445,685
Unlisted investment funds, at fair value (note)	718,536	2,088,797
Unlisted structured products, at fair value	–	141,150
Unlisted certificated deposit, at fair value	99,590	99,600
	18,454,931	18,257,597

Note:

The Group invested in unconsolidated investment funds. These investment funds invest in including, but not limited to stocks, bonds, funds, notes, debentures, commodities, warrants, structured 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\$719 million (31 December 2015: HK\$2,089 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 2016

21. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
ASSETS		
Swaps — held-for-trading	–	63,789
Forward foreign currency exchange contracts — held-for-trading	42,761	87,900
Listed options — held for trading	4,225	64,518
Unlisted options — held for trading	450,415	298,609
	497,401	514,816
LIABILITIES		
Swaps — cash flow hedges (note)	8,510	10,271
Swaps — held-for-trading	30,904	45,309
Forward foreign currency exchange contracts — held-for-trading	43,321	34,590
Foreign currency option contracts — held-for-trading	–	23
Listed options — held-for-trading	70	–
Unlisted options — held-for-trading	23,283	–
Equity linked notes — held for trading	994,065	–
Callable bull/bear contracts — held for trading	800	–
	1,100,953	90,193

Note: 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 2016 were HK\$234 million (2015: HK\$1,239 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

22. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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.

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 are 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

23. INTEREST 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 holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

As at 30 June 2016, the third-party interests in the consolidated structured entities of the Group amounted to HK\$741 million (31 December 2015: Nil) and presented in the unaudited condensed consolidated statement of financial position.

24. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised 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

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Accounts payable to:		
— Clients	20,030,517	19,619,083
— Brokers, dealers and clearing house	909,196	896,459
— Others	165,091	430,295
	21,104,804	20,945,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

25. ACCOUNTS PAYABLE (CONTINUED)

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 2016 (31 December 2015: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of HK\$16,412,953,000 (31 December 2015: HK\$18,265,360,000), Hong Kong Futures Exchange Clearing Corporation Limited, Stock Exchange Options Clearing House and other futures dealers totalling HK\$1,180,196,000 (31 December 2015: HK\$1,019,867,000).

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Held for trading		
Listed equity investments, at fair value (note)	86,679	16,674
Unlisted bond investments, at fair value (note)	3,089,695	941,305
	3,176,374	957,979

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

27. FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Assets		
Unlisted equity investments, at fair value (notes (a) & (b))	4,205,825	7,952,460
Unlisted partnership investment, at fair value (notes (a) & (b))	606,289	608,720
Unlisted debt investments, at fair value (note (b))	2,599,887	100,000
Listed equity investments, at fair value (note (b))	2,458,330	1,611,393
Unlisted structured products, at fair value (note (b))	1,689,533	1,587,782
Less: Non-current portion (note 11(b))	(3,722,034)	(5,705,699)
Current portion	7,837,830	6,154,656
Liabilities		
Issued structured products, at fair value (note (c))		
— Unlisted	7,223,442	7,488,749
Unlisted options	59	—
Less: Non-current portion (note 11(b))	(2,243,084)	(4,225,698)
Current portion	4,980,417	3,263,051

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

27. FINANCIAL ASSETS/LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes:

- (a) As at 30 June 2016 and 31 December 2015, included in financial assets designated at fair value through profit or loss are the unlisted equity investments and unlisted partnership investments 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.

There is no unfilled capital commitment to these unlisted equity investment and unlisted partnership investments. The current carrying amount of HK\$4,812 million (31 December 2015: HK\$8,561 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (b) Except for the unlisted equity investment of HK\$113 million (31 December 2015: HK\$116 million) and unlisted debt investments of HK\$916 million (31 December 2015: Nil), 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.

As at 31 December 2015, the unlisted structured products of HK\$465 million were acquired by the Group for investment holding.

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 2016 and 31 December 2015, 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, unlisted debt investments 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 2016

28. LOANS AND OTHER BORROWINGS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Non-current		
Convertible bonds (note (a))	135,860	134,393
Non-convertible bonds (note (b))	9,961,138	9,937,201
Non-convertible notes (note (c))	1,041,965	234,242
Financial assets sold under repurchase agreements (note (e))	–	387,550
Total non-current borrowings	11,138,963	10,693,386
Current		
Non-convertible notes (note (c))	2,309,632	2,227,548
Secured borrowing		
— Bank loans (notes (d) and (f))	8,268,248	6,925,053
— Financial assets sold under repurchase agreements (note (e))	9,741,333	7,028,919
Unsecured borrowing		
— Bank loans (note (f))	22,143,558	12,823,295
— Other loans (note 33(a)(ii))	66,377	376,250
	40,219,516	27,153,517
Total current borrowings	42,529,148	29,381,065
Total borrowings	53,668,111	40,074,451

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 with a maturity period of 5 years. The values of the liability component and the equity conversion component were determined at the issuance of the bonds. Please refer to the Company's announcements on 18 July 2013, 10 October 2013 and 4 November 2014 for details of the bonds.

As at 30 June 2016, the conversion prices of convertible bonds issued by the Company in 2013 and 2014 are HK\$2.95 per share (31 December 2015: HK\$2.95 per share) and HK\$4.92 per share (31 December 2015: HK\$4.92 per share) respectively. Please refer to the Company's annual financial statements for the year ended 31 December 2015 for the details of adjustment on conversion prices in prior years.

During the year ended 31 December 2015, convertible bonds issued by the Company in 2013 and 2014 with the principal amount of HK\$681 million and HK\$1,027 million were converted into ordinary shares of the Company.

During the period ended 30 June 2016, no convertible bonds issued by the Company in 2013 and 2014 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 in principal amount of US\$600 million which is guaranteed by the Company. 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 in principal amount of US\$700 million which is guaranteed by the Company. Please refer to the Company's announcements on 22, 23 and 29 January 2015 for details of the bond.

- (c) During the period ended 30 June 2016, the Company has issued several medium term notes under the Company's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HK\$1,957 million with a maturity period of 1 to 3 years. As at 30 June 2016, the outstanding loan balances of HK\$3,352 million (31 December 2015: HK\$2,462 million) represent the unsecured and unguaranteed non-convertible notes.
- (d) Bank loans of HK\$8,268 million (31 December 2015: HK\$6,925 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\$21,340 million at fair value (31 December 2015: HK\$19,752 million).
- (e) The balance represents consideration received under the repurchase agreements. Details on the repurchase agreements are set out in note 30 of the unaudited condensed consolidated financial statements. The non-current portion of consideration under such arrangements is chargeable at variable interest rate. The current portion of consideration under such arrangements is chargeable at a fixed interest rate and variable interest rate.
- (f) All the Group's bank borrowings bear interest at variable interest rate based on Hong Kong Interbank Offered Rate ("HIBOR") per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

29. SHARE CAPITAL

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Authorised: 10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid: 5,326,681,218 (31 December 2015: 5,289,920,095) ordinary shares of HK\$0.10 each	532,668	528,992

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2015	2,184,397,016	218,440
New shares issued under rights issue (note)	2,533,453,008	253,345
New shares issued under exercise of convertible bonds	362,182,400	36,218
New shares issued under exercise of share option	19,341,009	1,934
As at 30 June 2015	5,099,373,433	509,937
New shares issued under exercise of convertible bonds	1,935,483	194
New shares issued under exercise of share option	100,000	10
Scrip dividend issued (note 10)	188,511,179	18,851
As at 31 December 2015 and 1 January 2016	5,289,920,095	528,992
New shares issued under exercise of share option	2,873,991	287
Scrip dividend issued (note 10)	33,887,132	3,389
As at 30 June 2016	5,326,681,218	532,668

Note:

On 18 March 2015, the Company announced a rights issue on the basis of 1 rights share for every 1 existing share held by shareholders of the Company at the discounted price of HK\$3.50 per share (the "Rights Issue"). The Rights Issue 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 amounting to HK\$45 million, the net proceeds from issuance were HK\$8,822 million.

For the year ended 31 December 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Analysed by collateral type:		
Equity	–	1,191,700
Bonds	9,741,333	6,224,769
Analysed by market:		
Over-the-counter	9,741,333	1,191,700
Inter-bank market	–	6,224,769
Analysed for reporting purposes:		
Current	9,741,333	7,028,919
Non-current	–	387,550
	9,741,333	7,416,469

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 2016, the Group entered into repurchase agreements with financial institutions to sell bond recognised as financial assets at and designated at fair value through profit or loss with carrying amount of HK\$10,968 million (31 December 2015: bond and unlisted equity investments recognised as financial assets at and designated at fair value through profit or loss of HK\$5,783 million and HK\$1,726 million respectively), which subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Analysed by collateral type:		
Bonds	4,045,284	1,114,496
Analysed by market:		
Inter-bank market	4,045,284	1,114,496
Analysed for reporting purposes:		
Current	4,045,284	1,114,496

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 2016, the fair value of the bonds was HK\$3,987.5 million (31 December 2015: HK\$941.3 million).

32. 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 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
Within one year	60,929	60,193
In the second to fifth years, inclusive	81,493	66,808
	142,422	127,001

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

33. 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 2016, the Group received a management fee of HK\$1,730,000 (six months ended 30 June 2015: HK\$1,758,000) 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 months ended 30 June 2015: 0.5% per annum) on the net asset value of the underlying investment portfolio at the end of each month.
- (ii) During the current and prior six-month period ended 30 June 2016 and 2015, the Group obtained an unsecured loan from Haitong International Holdings Limited, the immediate holding company of the Company. As at 30 June 2016, the Company had outstanding balance of HK\$66 million (31 December 2015: HK\$376 million). The unsecured loan is chargeable at an interest rate of HIBOR + 1.275% (31 December 2015: HIBOR + 1.275% to 1.3963%, LIBOR + 1.25% and CNBHIBOR + 1.25% per annum). Interest expense for such intercompany loan amounted to HK\$1,761,386 (six months ended 30 June 2015: HK\$16,505,048) which was recognised in unaudited condensed consolidated statement of profit or loss and included in "Finance costs — other loans" (note 7).
- (iii) During the six-month period ended 30 June 2015, the Group received an underwriting fee income of HK\$63 million 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. No such underwriting fee income was generated and received during the current six-month period ended 30 June 2016.

(b) Compensation of key management personnel of the Group:

	Six months ended	
	30.6.2016 HK\$'000 (unaudited)	30.6.2015 HK\$'000 (unaudited)
Short term employee benefits	13,253	13,569
Post-employment benefits	93	98
Total compensation paid to key management personnel	13,346	13,667

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2015.

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 2016

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 2016 and 31 December 2015 are as follows:

	Fair value as at 30 June 2016 HK\$'000 (unaudited)	Fair value as at 31 December 2015 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, at fair value	5,518,744	6,197,663	Level 2	Note (a)
— Unlisted equity investments, at fair value	764,122	–	Level 2	Note (o)
— Unlisted equity investment, at fair value	13,625	13,125	Level 2	Note (b)
— Listed equity investments, at fair value	956,948	42,894	Level 1	Note (d)
— Unlisted debt investments, at fair value	5,878,262	–	Level 2	Note (c)
— Unlisted partnership investments, at fair value	620,874	–	Level 2	Note (o)
Financial assets at fair value through profit or loss				
— Listed equity investments, at fair value	1,607,696	872,136	Level 1	Note (d)
— Unlisted preference shares, at fair value	–	23,253	Level 2	Note (o)
— Exchange traded funds, at fair value	90,225	586,976	Level 1	Note (d)
— Unlisted debt investments, at fair value	15,938,884	14,445,685	Level 2	Note (h)
— Unlisted investment funds, at fair value	718,536	2,088,797	Level 2	Note (a)
— Unlisted certificated deposit, at fair value	99,590	99,600	Level 2	Note (k)
— Unlisted structured products, at fair value	–	141,150	Level 2	Note (g)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2016 HK\$'000 (unaudited)	Fair value as at 31 December 2015 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	483,791	2,246,761	Level 2	Note (o)
— Unlisted equity investments in an associate	3,722,034	5,705,699	Level 3	Note (l)
— Unlisted partnership investments	606,289	608,720	Level 2	Note (o)
— Unlisted debt investments	915,724	100,000	Level 2	Note (o)
— Unlisted debt investments	1,684,163	—	Level 2	Note (h)
— Unlisted structured products	—	465,060	Level 2	Note (o)
— Unlisted structured products	806,226	221,000	Level 2	Note (g)
— Unlisted structured products	216,606	753,070	Level 2	Note (m)
— Unlisted structured products	666,701	148,652	Level 2	Note (h)
— Listed equity investments	2,458,330	1,611,393	Level 1	Note (d)
Derivative financial instruments				
— Swap contracts	—	63,789	Level 2	Note (e)
— Forward foreign currency exchange contracts	42,761	87,900	Level 2	Note (i)
— Listed options	4,225	64,518	Level 1	Note (d)
— Unlisted options (related to listed equities)	450,415	298,609	Level 2	Note (n)
	44,264,771	36,886,450		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 2016 HK\$'000 (unaudited)	Fair value as at 31 December 2015 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	86,679	16,674	Level 1	Note (d)
— Unlisted bond investments	3,089,695	941,305	Level 2	Note (h)
Financial liabilities designated at fair value through profit or loss				
— Structure notes related to the index of respective stock exchanges	465,028	753,070	Level 2	Note (m)
— Structure notes (with the underlying investment related to listed equity investment)	2,222,796	1,004,291	Level 2	Note (g)
— Structure notes (listed equity investment with lock-up period)	2,243,084	4,225,698	Level 3	Note (l)
— Structure notes (with the underlying investment related to unlisted equity investments)	877,940	675,398	Level 2	Note (o)
— Structure notes (with the underlying investment related to unlisted debt investments)	1,414,594	828,946	Level 2	Note (j)
— Structure notes (of forward foreign currency exchange contract)	–	1,346	Level 2	Note (i)
— Unlisted options	59	–	Level 2	Note (n)
Derivative financial instruments				
— Swap contracts	39,414	55,580	Level 2	Note (e)
— Forward foreign currency exchange contracts	43,321	34,590	Level 2	Note (i)
— Forward currency option contracts	–	23	Level 2	Note (i)
— Listed options	70	–	Level 1	Note (d)
— Unlisted options	23,283	–	Level 2	Note (n)
— Equity linked note	994,065	–	Level 2	Note (f)
— Callable bull/bear contracts	800	–	Level 1	Note (d)
	11,500,828	8,536,921		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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 forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
- (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 quoted price of underlying equity investments.
- (h) The fair value was determined with reference to the quoted price provided by brokers/financial institutions.
- (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.
- (l) The fair value is derived from the net asset value of such unlisted direct equity investment that is mostly attributable from its underlying listed equity investment which is a restricted share with its fair value is determined with reference to the quoted market prices of the shares with an adjustment of discount for lack of marketability under the approach of discounted cash flow. The directors of the Company considered that remaining assets or liabilities in such unlisted direct equity investment are not significant to the amount of overall investment and approximated to its fair value.

The significant unobservable input is the discount rate for lack of marketability with reference to the prices of listed securities when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

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: (continued)

- (m) Fair value of the investments were determined based on the observable index of respective stock exchange in consideration of the contract terms of maturity date.
- (n) Fair value determined based on binomial model. The fair values are determined based on main inputs of the quoted market price, observable dividend yields and volatility of the underlying listed equities investments and in consideration of contract terms, including the exercise price and maturity date etc.
- (o) The fair value was determined with reference to the recent transaction price of the investments.

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 2016 and 31 December 2015, 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:

	30.6.2016		31.12.2015	
	Carrying amount HK\$'000 (unaudited)	Fair value HK\$'000 (unaudited)	Carrying amount HK\$'000 (audited)	Fair value HK\$'000 (audited)
Held-to-maturity investments debt investments (note i)	92,935	93,048	98,752	97,862
Convertible bonds (note ii)	135,860	151,165	134,393	148,944
Non-convertible bonds (note ii)	9,961,138	10,496,974	9,937,201	10,131,441

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Reconciliation of Level 3 fair value measurements

30 June 2016

	Financial assets classified at fair value through profit or loss HK\$'000 (unaudited)	Financial liabilities classified at fair value through profit or loss HK\$'000 (unaudited)
Opening balance	5,705,699	(4,225,698)
Total (losses) gains in profit or loss	(1,983,665)	1,982,614
Closing balance	3,722,034	(2,243,084)

31 December 2015

	Financial assets classified at fair value through profit or loss HK\$'000 (audited)	Financial liabilities classified at fair value through profit or loss HK\$'000 (audited)
Opening balance	–	–
Total gains (losses) in profit or loss	3,605,699	(3,605,698)
Transfers into Level 3 (note iii)	2,100,000	(620,000)
Closing balance	5,705,699	(4,225,698)

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 and the Hong Kong Stock Exchange.
- (iii) The fair value of the instrument was determined with reference to the recent transaction price of the underlying investment and therefore classified as Level 2 investment for the year ended 31 December 2014. During the year ended 31 December 2015, the underlying investment was listed with lock-up period, its fair value was determined with reference to the quoted market price and adjusted for lack of marketability. Thus, the instrument was transferred from Level 2 to Level 3 category.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

35. SHARE OPTION/AWARD SCHEME

2002 Share Option Scheme

On 23 August 2002, the shareholders of the Company approved the adoption of a share option scheme (the "2002 Share Option Scheme"), which was expired on 22 August 2012.

Details of the share option scheme of the Company has been disclosed in the Group's annual financial statements for the year ended 31 December 2015 and should be read in conjunction with the relevant announcements of the share options made by the Company.

The following table discloses movements of share options granted to the directors and employees of the Group during the period/year.

	2016		2015	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	2.91	12,662	4.54	27,093
Adjusted during the period/year (note)	2.77	3	2.90	5,052
Exercised during the period/year	3.36	(2,874)	4.31	(19,441)
Forfeited during the period/year	3.36	(11)	5.08	(42)
At 30 June 2016/31 December 2015	2.77	9,780	2.91	12,662

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

30 June 2016 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
9,780	2.768	3 March 2011 to 2 March 2019

31 December 2015 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
2,884	3.356	1 June 2008 to 31 May 2016
9,778	2.769	3 March 2011 to 2 March 2019
12,662		

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

35. SHARE OPTION/AWARD SCHEME (CONTINUED)

2002 Share Option Scheme (continued)

No new share options were granted for the period ended 30 June 2016 and year ended 31 December 2015.

As at 30 June 2016, 2,873,991 (31 December 2015: 19,441,009) share options were exercised resulting in issuance of 2,873,991 (31 December 2015: 19,441,009) ordinary shares of the Company with new share capital of HK\$287,399 (31 December 2015: HK\$1,944,000) and share premium of HK\$9,357,715 (31 December 2015: HK\$84,026,000) (before issuing expenses).

2015 Share Option Scheme

On 8 June 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme"). The 2015 Share Option Scheme was also approved by the shareholders of Haitong Securities Co., Ltd., the holding company of Haitong International Holdings Limited, the controlling shareholder of the Company, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 respectively and 12 June 2015 respectively.

Details of the share option scheme of the Company has been disclosed in the Group's annual financial statements for the year ended 31 December 2015 and should be read in conjunction with the relevant announcements of the share options made by the Company.

As at 31 December 2015, no share option has been granted under the 2015 Share Option Scheme.

On 12 May 2016, the Company granted 18,100,000 share options at the exercise price of HK\$4.675 per share to its directors and employees under the 2015 Share Option Scheme with a total of 18,000,000 share options were accepted. The option period of the share options is from 12 May 2016 to 11 May 2021. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK\$4.25 per share.

No share options under 2015 share option scheme has been vested, exercised or lapsed during the current period end.

For the period ended 30 June 2016, the Group has recognised an equity-settled share-based payment of HK\$3,945,000 (30 June 2015: Nil) for the share options under the 2015 Share Option Scheme in unaudited condensed consolidated statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

35. SHARE OPTION/AWARD SCHEME (CONTINUED)

2015 Share Option Scheme (continued)

The following table discloses movements of share options granted to the directors and employees of the Group during the period.

	2016 Weighted average exercise price HK\$ per share	Number of options '000
At 1 January 2016	–	–
Granted during the period	4.675	18,000
Adjusted during the period (note)	4.674	5
At 30 June 2016	4.675	18,005

The exercise prices and exercise periods of the share options outstanding as at 30 June 2016 are as follows:

30 June 2016 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
18,005	4.674	12 May 2016 – 11 May 2021

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in the Company's share capital.

2002 and 2015 Share Option Scheme

As at 30 June 2016, the Company had 9,780,744 (31 December 2015: 12,662,655) and 18,005,034 share options outstanding under the 2002 Share Option Scheme and 2015 Share Option Scheme respectively, which represented approximately 0.52% (31 December 2015: 0.24%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options under the 2002 and 2015 Share Option Scheme would, under the present capital structure of the Company, result in the issue of 27,785,778 (31 December 2015: 12,662,655) additional ordinary shares of the Company and additional share capital of HK\$2,778,500 (31 December 2015: HK\$1,266,000) and share premium of HK\$108,450,100 (31 December 2015: HK\$35,490,000) (before issue expenses).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

35. SHARE OPTION/AWARD SCHEME (CONTINUED)

2002 and 2015 Share Option Scheme (continued)

At the date of approval of these unaudited condensed consolidated financial statements, the Company had 9,580,744 (31 December 2015: 12,662,655) and 17,804,982 share options outstanding under the 2002 Share Option Scheme and 2015 Share Option Scheme respectively, which represents approximately 0.51% (2015: 0.24%) of the Company's shares in issue at that date.

Share award scheme

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors for their contributions to the Group and to attract suitable personnel for further development of the Group.

Details of the awarded shares granted and unvested as at 30 June 2016 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed	Number of awarded shares unvested	Vesting dates
18 April 2016	7,865,506	–	19,817	7,845,689	–

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the period ended 30 June 2016, the Group has recognized an equity-settled share-based payment of HK\$4,795,000 (30 June 2015: Nil) for the Scheme in unaudited condensed consolidated statement of profit or loss.

Movements of shares held under the Scheme during the period/year are as follows:

	2016		2015	
	HK\$'000	Number of shares	HK\$'000	Number of shares
At 1 January	128,454	21,724,000	–	–
Purchased during the period/year	–	–	128,454	21,724,000
Vested and transferred out during the period/year	–	–	–	–
At 30 June 2016/31 December 2015	128,454	21,724,000	128,454	21,724,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

36. 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 a consideration of JPY2,878,200,000 or equivalent to HK\$187,831,000. Japaninvest was a listed company on the Tokyo Stock Exchange and was delisted with the effect from 26 March 2015 (Japan time) after obtaining 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 markets and to establish an extensive institutional client base through research report releases and in turn presenting new business opportunities to the Group.

This acquisition has been accounted for using the acquisition method of accounting.

Consideration transferred

	2015 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 prior year, within the other operating expenses in the consolidated statement of profit or loss.

Assets acquired and liabilities recognised at the date of acquisition

	2015 HK\$'000
Property and equipment	2,265
Intangible assets	50,931
Accounts receivable	7,077
Prepayment and other receivables	9,028
Deferred tax assets	1,035
Cash and cash equivalents	14,127
Accounts payable	(6,815)
Tax liabilities	(568)
Other payables	(753)
Deferred tax liabilities	(10,064)
Accruals and deferred income	(26,275)
Net assets acquired at the date of acquisition	39,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

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.

Goodwill arising on acquisition

	2015 HK\$'000
Consideration transferred	187,831
Less: Net identifiable assets acquired	(39,988)
Goodwill arising on acquisition	<u>147,843</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.

Net cash outflow on acquisition of a subsidiary

	2015 HK\$'000
Consideration paid in cash	187,831
Less: Cash and cash equivalent balances acquired	(14,127)
Net cash outflow on acquisition of a subsidiary	<u>173,704</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2016

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Impact of acquisitions of Japaninvest on the results of the Group

Included in the profit for the six month ended 30 June 2015 was HK\$2.8 million attributable to the additional business generated by Japaninvest which has been acquired by the Group on 31 March 2015 (London Time). Revenue for the six month ended 30 June 2015 included HK\$25.2 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total revenue for the six month ended 30 June 2015 would have been HK\$4,183 million, and profit for the six month ended 30 June 2015 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 six month ended 30 June 2015, 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.

37. RECLASSIFICATION

Certain comparative figures have been reclassified 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 of Directors on 19 August 2016.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 9 to 65, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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

19 August 2016

OTHER INFORMATION

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The board of directors of the Company (the "Board") has declared an interim dividend of HK7.5 cents per share (2015: HK20 cents) in cash, payable on or about Tuesday, 1 November 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016. 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, 13 September 2016 to Thursday, 15 September 2016, 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, 12 September 2016. Shares of the Company will be traded ex-dividend as from Friday, 9 September 2016.

OTHER INFORMATION (CONTINUED)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, 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	–	–	–	875,443 (Note 1)	875,443	0.02
LIN Yong	Ordinary shares/share options	4,720,499 (Note 2)	–	–	800,236 (Note 3)	5,520,735	0.10
LI Jianguo	Ordinary shares/share options	1,982,787 (Note 4)	–	–	600,176 (Note 5)	2,582,963	0.05
HUI Yee Wilson	Ordinary shares/share options	2,107,491 (Note 6)	–	–	2,451,108 (Note 7)	4,558,599	0.09
POON Mo Yiu	Ordinary shares/share options	283,599 (Noted 8)	–	–	2,801,292 (Note 9)	3,084,891	0.06
CHENG Chi Ming Brian	Share options	–	–	–	1,175,529 (Note 10)	1,175,529	0.02
WANG Meijuan	Share options	–	–	–	300,086 (Note 11)	300,086	0.01
William CHAN	Share options	–	–	–	300,086 (Noted 12)	300,086	0.01
TSUI Hing Chuen William	Ordinary shares/share options	500,000 (Note 13)	–	–	455,880 (Note 14)	945,880	0.02
LAU Wai Piu	Share options	–	–	–	1,175,529 (Note 15)	1,175,529	0.02
LIN Ching Yee Daniel	Share options	–	–	–	300,086 (Note 16)	300,086	0.01
WEI Kuo-chiang	Share options	–	–	–	300,086 (Note 17)	300,086	0.01

* On 16 June 2016, 33,887,132 share were allotted under the final dividend for the year ended 31 December 2015 in form of scrip dividend. Together with the issue of 2,873,991 ordinary shares during the 6 months ended 30 June 2016, the total number of shares of the Company was increased to 5,326,681,218 as at 30 June 2016.

OTHER INFORMATION (CONTINUED)

Notes:

1. Those shares would be allotted and issued to Mr. JI Yuguang upon the exercise in full of the share options granted to him under the 2002 share option scheme (as defined below) of the Company. The number of outstanding share options was adjusted from 875,199 to 875,443 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. Those share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 3 March 2011 to 2 March 2019.
2. Those shares are held by Mr. LIN Yong as beneficial owner and included 520,045 awarded shares granted by the Company pursuant to the share award scheme. The awarded shares will be vested in tranches subject to the award share scheme rules.
3. On 8 June 2016, Mr. LIN Yong accepted 800,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. LIN upon the exercise in full of the share options granted to him under the 2015 share option scheme (as defined below) of the Company. The number of outstanding share options was adjusted from 800,000 to 800,236 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. Those share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.
4. Those shares are held by Mr. LI Jianguo as beneficial owner.
5. On 8 June 2016, Mr. LI Jianguo accepted 600,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. LI upon the exercise in full of the share options granted to him under the 2015 share option scheme (as defined below) of the Company. The number of outstanding share options was adjusted from 600,000 to 600,176 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. Those share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.
6. Those shares are held by Mr. HUI Yee Wilson as beneficial owner and included 292,824 awarded shares granted by the Company pursuant to the share award scheme. The awarded shares will be vested in tranches subject to the award share scheme rules.
7. On 8 June 2016, Mr. HUI Yee Wilson accepted 700,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares had been/would be allotted and issued to Mr. HUI upon the exercise in full of the share options granted to him under the 2002 and 2015 share option schemes of the Company. The number of outstanding share options were adjusted from (i) (Date of Grant: 3 September 2010) from 1,750,395 to 1,750,902 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768; and (ii) (Date of Grant: 12 May 2016) from 700,000 to 700,206 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable (i) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019; and (ii) (Date of Grant: 12 May 2016) during the period from 8 December 2016 to 11 May 2021.
8. Those shares are held by Mr. POON Mo Yiu as beneficial owner and included 283,599 awarded shares granted by the Company pursuant to the share award scheme. The awarded shares will be vested in tranches subject to the award share scheme rules.

OTHER INFORMATION (CONTINUED)

9. On 8 June 2016, Mr. POON Mo Yiu accepted 700,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. POON upon the exercise in full of the share options granted to him under the 2002 and 2015 share option schemes of the Company. The number of outstanding share options were adjusted from (i) (Date of Grant: 3 September 2010) from 2,100,474 to 2,101,086 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768; and (ii) (Date of Grant: 12 May 2016) from 700,000 to 700,206 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable (i) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019; and (ii) (Date of Grant: 12 May 2016) during the period from 8 December 2016 to 11 May 2021.
10. On 8 June 2016, Mr. CHENG Chi Ming Brian accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. CHENG upon the exercise in full of the share options granted to him under the 2002 and 2015 share option schemes of the Company. The number of outstanding share options were adjusted from (i) (Date of Grant: 3 September 2010) from 875,199 to 875,443 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768; and (ii) (Date of Grant: 12 May 2016) from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable (i) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019; and (ii) (Date of Grant: 12 May 2016) during the period from 8 December 2016 to 11 May 2021.
11. On 8 June 2016, Ms. WANG Meijuan accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Ms. WANG upon the exercise in full of the share options granted to her under the 2015 share option scheme of the Company. The number of outstanding share options was adjusted from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.
12. On 8 June 2016, Mr. William CHAN accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. CHAN upon the exercise in full of the share options granted to him under the 2015 share option scheme of the Company. The number of outstanding share options was adjusted from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.
13. Those shares are held by Mr. TSUI Hing Chuen William as beneficial owner.
14. On 8 June 2016, Mr. TSUI Hing Chuen William accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares had been/would be allotted and issued to Mr. TSUI upon the exercise in full of the share options granted to him under the 2002 and 2015 share option schemes of the Company. The number of outstanding share options were adjusted from (i) (Date of Grant: 3 September 2010) from 145,768 to 145,794 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768; and (ii) (Date of Grant: 12 May 2016) from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable (i) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019; and (ii) (Date of Grant: 12 May 2016) during the period from 8 December 2016 to 11 May 2021.

OTHER INFORMATION (CONTINUED)

15. On 8 June 2016, Mr. LAU Wai Piu accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. LAU upon the exercise in full of the share options granted to him under the 2002 and 2015 share option schemes of the Company. The number of outstanding share options were adjusted from (i) (Date of Grant: 3 September 2010) from 875,199 to 875,443 while the exercise price per share was adjusted from HK\$2.769 to HK\$2.768; and (ii) (Date of Grant: 12 May 2016) from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable (i) (Date of Grant: 3 September 2010) during the period from 3 March 2011 to 2 March 2019; and (ii) (Date of Grant: 12 May 2016) during the period from 8 December 2016 to 11 May 2021.
16. On 8 June 2016, Mr. LIN Ching Yee Daniel accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. LIN upon the exercise in full of the share options granted to him under the 2015 share option scheme of the Company. The number of outstanding share options was adjusted from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.
17. On 8 June 2016, Mr. WEI Kuo-chiang accepted 300,000 share options granted by the Company pursuant to 2015 share option scheme. Those shares would be allotted and issued to Mr. WEI upon the exercise in full of the share options granted to him under the 2015 share option scheme of the Company. The number of outstanding share options was adjusted from 300,000 to 300,086 while the exercise price per share was adjusted from HK\$4.675 to HK\$4.674 on 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend. These share options, all of which remained exercisable as at 30 June 2016, were/will be exercisable during the period from 8 December 2016 to 11 May 2021.

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 2016, 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 was 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 2016 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.

OTHER INFORMATION (CONTINUED)

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 continued 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 2016 are listed below:

Name or category of participants	At 1 January 2016	Number of share options				At 30 June 2016	Date of grant of share options*	Exercise period of share options	Price of Company's shares***		
		Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period				Exercise price of share options**	At immediately preceding the grant date of share options	At immediately preceding the exercise date of share options
								HK\$ per share	HK\$ per share	HK\$ per share	
Directors											
Ji Yuguang	875,199	-	244 (Note 1)	-	-	875,443	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
HUI Yee Wilson	1,814,667	-	-	(1,814,667)	-	-	1 December 2007	1 June 2008– 31 May 2016	3.356	5.69	4.55
	1,750,395	-	507 (Note 1)	-	-	1,750,902	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
POON Mo Yiu	2,100,474	-	612 (Note 1)	-	-	2,101,086	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
CHENG Chi Ming Brian	875,199	-	244 (Note 1)	-	-	875,443	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
TSUI Hing Chuen William	145,768	-	26 (Note 1)	-	-	145,794	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
LAU Wai Piu	875,199	-	244 (Note 1)	-	-	875,443	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
	8,436,901	-	1,877	(1,814,667)	-	6,624,111					

OTHER INFORMATION (CONTINUED)

Name or category of participants	At 1 January 2016	Number of share options					At 30 June 2016	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of Company's shares***	
		Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At immediately preceding the grant date of share options HK\$ per share					At immediately preceding the exercise date of share options HK\$ per share	
Continuous contract employees												
In aggregate	1,069,979	-	-	(1,059,324)	(10,655)	-	1 December 2007	1 June 2008– 31 May 2016	3.356	5.69	4.57	
In aggregate	3,155,775	-	858 (Note 1)	-	-	3,156,633	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A	
	4,225,754	-	858	(1,059,324)	(10,655)	3,156,663						
	12,662,655	-	2,735	(2,873,991)	(10,655)	9,780,744						

* 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:

- The exercise price and the number of share options were adjusted to HK\$2.768 with effect from 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend.
- These share options lapsed during the 6 months ended 30 June 2016 as a result of staff resignation and expiration of the exercise period.

OTHER INFORMATION (CONTINUED)

- (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.

Movements of the share options under the 2015 Share Option Scheme during the 6 months ended 30 June 2016 are listed below:

Name or category of participants	At 1 January 2016	Granted during the period	Number of share options			At 30 June 2016	Date of grant of share options*	Exercise period of share options	Exercise price of share options** (Note 1) HK\$ per share	Price of Company's shares***	
			Adjusted during the period (Note 1)	Exercised during the period	Cancelled during the period					At immediately preceding the grant date of share options HK\$ per share	At immediately preceding the exercise date of share options HK\$ per share
Directors											
LIN Yong	-	800,000	236	-	-	800,236	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LI Jianguo	-	600,000	176	-	-	600,176	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
HUI Yee Wilson	-	700,000	206	-	-	700,206	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
POON Mo Yiu	-	700,000	206	-	-	700,206	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
CHENG Chi Ming Brian	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
WANG Meijuan	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
William CHAN	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
TSUI Hing Chuen William	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LAU Wai Piu	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LIN Ching Yee Daniel	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
WEI Kuo-chiang	-	300,000	86	-	-	300,086	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
	-	4,900,000	1,426	-	-	4,901,426					

OTHER INFORMATION (CONTINUED)

Name or category of participants	Number of share options						Date of grant of share options*	Exercise period of share options	Price of Company's shares***		
	At 1 January 2016	Granted during the period	Adjusted during the period	Exercised during the period	Cancelled during the period	At 30 June 2016			Exercise price of share options** (Note 1) HK\$ per share	At immediately preceding the grant date of share options HK\$ per share	At immediately preceding the exercise date of share options HK\$ per share
Continuous contract employees											
In aggregate	-	13,200,000	3,608	-	(100,000) (Note 2)	13,103,608	12 May 2016	8 December 2016– 11 May 2021	4.674	4.25	N/A
	-	13,200,000	3,608	-	(100,000)	13,103,608					
	-	18,100,000	5,034	-	(100,000)	18,005,034					

* The vesting period of the share options is from the date of the acceptance 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:

- The exercise price and the number of share options were adjusted to HK\$4.674 with effect from 16 June 2016 consequent to the allotment of ordinary shares on the same day under final dividend for the year ended 31 December 2015 in form of scrip dividend.
- These share options cancelled during the 6 months ended 30 June 2016 as a result of staff resignation.

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.

OTHER INFORMATION (CONTINUED)

Details of the awarded shares granted and unvested as at 30 June 2016 are set out below:

Date of awards	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed	Number of awarded shares unvested	Vesting dates
18 April 2016	7,865,506	–	19,817	7,845,689	–

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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 or to the best of Directors' knowledge, were as follows:

Name of substantial shareholders	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")	–	3,244,311,163	–	3,244,311,163	60.91
Haitong International Holdings Limited ("HTIH")	3,244,311,163	–	–	3,244,311,163	60.91

Note: 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.

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 2016, 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.

OTHER INFORMATION (CONTINUED)

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 six months ended 30 June 2016 other than as an agent for clients of the Company or its subsidiaries.

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 2016, 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 Listing Rules, except that 3 non-executive directors and an independent non-executive director of the Company were unable to attend the annual general meeting and special general meeting of the Company held on 28 April 2016 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 for Securities Transactions by Directors of Listed Issuers (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 six months ended 30 June 2016.

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 six months ended 30 June 2016 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"), are independent non-executive directors. The Chairman has the appropriate professional qualification and experience in financial matters.

OTHER INFORMATION (CONTINUED)

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.

On 18 March 2016, the Company (as borrower) entered into a facility agreement (the "Facility Agreement V") with certain financial institutions (as lenders) in respect of a term loan facility in an aggregate amount of HK\$3,840,000,000 for a term of up to 36 months and a revolving loan facility in an aggregate amount of HK\$8,960,000,000 for a term of up to 36 months.

Pursuant to the terms of the Facility Agreement I, Facility Agreement II, Facility Agreement III, Facility Agreement IV and Facility Agreement V 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 III, Facility IV and Facility V were made on 16 May 2013, 23 May 2014, 10 April 2015, 26 June 2015 and 18 March 2016 respectively.

OTHER INFORMATION (CONTINUED)

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 was appointed as a Board Member of Haitong Bank S.A. and Haitong Banco de Investimento do Brasil S.A., wholly-owned subsidiaries of HTIH on 14 April 2016 and 26 July 2016 respectively.

Mr. POON Mo Yiu

Mr. POON entered into a new service agreement with the Company on 15 February 2016 for a term of 3 years commencing from 16 February 2016 to 15 February 2019 (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 specified in the new service agreement, Mr. POON entitled to receive an annual director's fee of HK\$200,000 payable every half-yearly in equal amounts of HK\$100,000 each. Subject to the authority granted by the shareholders of the Company in annual general meetings, Mr. POON's annual director's fee shall be adjusted from time to time at a rate to be determined by the Remuneration Committee for the time being of the Company. Mr. POON is not entitled to any additional benefits unless decided by the Remuneration Committee for the time being of the Company otherwise.

Mr. WEI Kuo-chiang

Mr. WEI retired as the Chair Professor of Finance and Director of Value Partners Center for Investing at the Department of Finance at The Hong Kong University of Science and Technology and was appointed as the Chair Professor of Financial Economics in the School of Accounting and Finance at The Hong Kong Polytechnic University with effect from 30 June 2016.

FINANCIAL CALENDAR

Announcement of interim results (unaudited)

Friday, 19 August 2016

Book close dates

Tuesday, 13 September to Thursday, 15 September 2016 (both dates inclusive)

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

4:30 p.m. on Monday, 12 September 2016

Record date for the interim dividend

Thursday, 15 September 2016

Payment date for the interim dividend

on or about Tuesday, 1 November 2016

CORPORATE INFORMATION

GENERAL INFORMATION

Board of Directors

Executive Directors

LIN Yong	<i>Deputy Chairman and Managing Director</i>
LI Jianguo	<i>Deputy Chairman</i>
HUI Yee Wilson	

Non-executive Directors

JI Yuguang	<i>Chairman</i>
POON Mo Yiu	
CHENG Chi Ming Brian	
WANG Meijuan	
William CHAN	

Independent Non-executive Directors

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

Company Secretary

LAU Yik Chi

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

CORPORATE INFORMATION (CONTINUED)

BOARD COMMITTEES

Audit Committee

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

Executive Committee

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

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

Risk Committee

William CHAN *Chairman*
WANG Meijuan
LAU Wai Piu
WEI Kuo-chiang

Strategic Development Committee

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