海通國際
HAITONG

Stock Code: 665.HK

Global Vision
Regional Hub

Annual Report **2016**

Global Vision

Regional Hub

The cover design is inspired by Haitong International's ambition to become a leading boutique investment bank in the Asia Pacific Region. The decorative pattern embodies the essence of various regions and reflects our inclusive corporate culture.

Haitong International attracts talents from many countries and regions and has marked great milestones by combining this diversity with its innovative spirit. With the wisdom and insight of our talented employees the Company aspires to be a pioneer in the financial markets and to generate new opportunities and long-term value for shareholders, customers and stakeholders.

Contents

Financial Highlights

Results

	For the year ended 31 December 2016	2015	Percentage change Increase/ (Decrease)
Revenue (HK$'000)	**5,350,817**	5,808,359	(8)
Net Profit Attributable to Shareholders (HK$'000)	**1,680,225**	2,510,052	(33)
Return on Shareholders' Funds (%) (Note 1)	**7.82**	15.67	–
Per share			
Basic Earnings Per Share (HK Cents)	**31.76**	62.20	(49)
Diluted Earnings Per Share (HK Cents)	**31.18**	60.66	(49)
Share Price			
– Highest (HK$)	**5.59**	8.89	(37)
– Lowest (HK$)	**3.54**	2.98	19

Financial Position

	31 December 2016	31 December 2015	Percentage change Increase
Shareholders' Funds (HK$'000)	**22,449,024**	20,828,786	8
Total Assets (HK$'000)	**131,505,248**	91,919,000	43
Number of Shares in Issue (Note 2)	**5,336,534,474**	5,289,920,095	1
NAV Per Share (HK$)	**4.21**	3.94	7

Notes:

1. Computation of return on shareholders' funds is based on net profit attributable to shareholders divided by the weighted average shareholders' funds.

2. Certain equity rights conferred on share option holders were exercised during the year. Certain shareholders also elected for scrip dividend. Hence, the total number of shares of the Company was increased to 5,336,534,474 as at 31 December 2016.

Revenue
(HK$'000)

2016	5,350,817
2015	5,808,359
2014	2,713,291

Net Profit Attributable to Shareholders
(HK$'000)

2016	1,680,225
2015	2,510,052
2014	1,018,269

Return on Shareholders' Funds
(%)

2016	7.82
2015	15.67
2014	15.71

Basic Earnings Per Share
(HK Cents)

2016	31.76
2015	62.20
2014	37.09

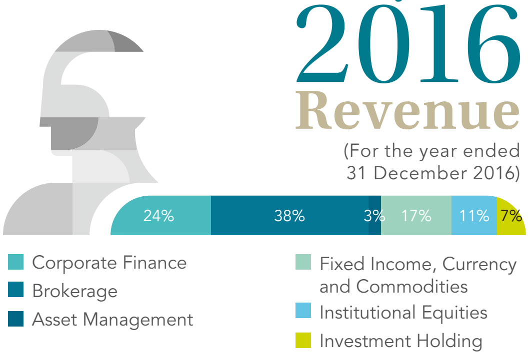
Shareholders's Funds
(HK$'000)

2016	22,449,024
2015	20,828,786
2014	8,596,502

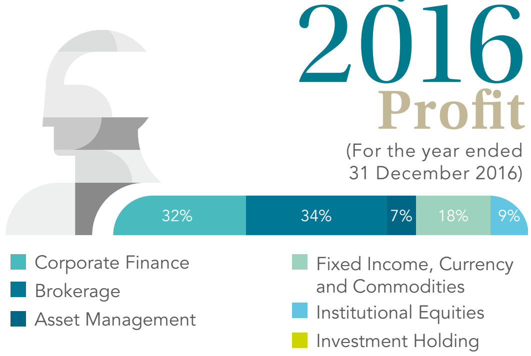
Total Assets
(HK$'000)

2016	131,505,248
2015	91,919,000
2014	48,159,973

Analysis of 2016 Revenue
(For the year ended 31 December 2016)



Analysis of 2016 Profit
(For the year ended 31 December 2016)



Business Highlights

Global Footprint

The Group moves towards internationalization and has extended its business network from Hong Kong to Mainland China, Singapore, Japan, India, UK and US, acting as a bridge between east and west.

Network	Major Business	
Hong Kong	- Corporate Finance - Asset Management - Institutional Equities	- Brokerage - FICC
Beijing, Shanghai	- Representative Offices	
Singapore	- Bond Market Making - Trading in Futures*	- Asset Management - Trading in Securities
Tokyo	- Investment Advisory	
Mumbai	- Cash Equities	- Corporate Finance
London	- Investment Advisory	
New York	- OTC Dealing in Corporate Equity Securities - Brokerages*	

Note* Trading through local exchange members

Corporate Finance

Provides corporate finance, equities, bonds issuance and underwriting services. It also provides advisory and financing services to the M&A business of the corporate clients.

Brokerage

Provides securities, futures, options and bullion contract brokerage and margin financing services.

Asset Management

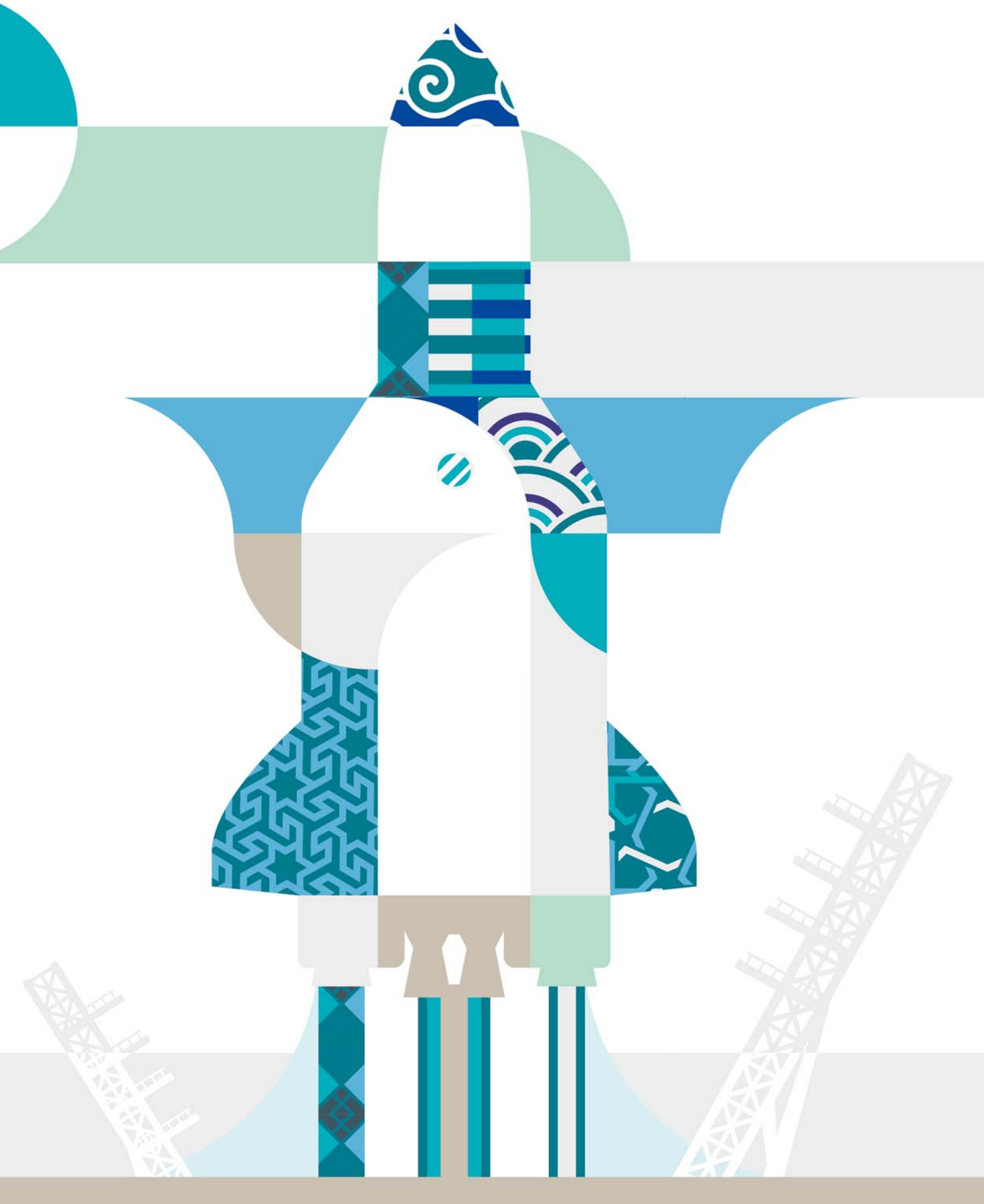
Provides fund management services such as public funds, private funds, MPFs as well as private wealth management services.

Fixed Income, Currency & Commodities (FICC)

Provides trading and market making services for bonds, forex and commodities.

Institutional Equities

Provides equity research services, institutional sales and trading, equity derivatives products (including warrants, swaps, callable bull/bear contracts, options and market making for exchange traded funds etc.) and stock borrowing and lending business.



Soaring Heights to

attain further milestones

As a token of market recognition,
we were awarded iconic awards for our brilliant
sell-side and buy-side businesses
for another year.

Highlights of the Year

Jan 2016

- Haitong International received "Best-in-Class MPF Investment Manager - HK Equity" and "Best-in-Class ETF Fund - China Equity (A Shares)" awards from BENCHMARK

Mar 2016

- Haitong International was awarded "Best Performance Award - RMB Bonds, Offshore-5 Years" , "Best 1 Year Performance – Equity Fund (Asia)" , "Best 1 Year Performance - MPF Conservative Fund" and "Longevity Award - Best 10 Year Performance - Equity Fund (HK & China)" by Asia Asset Management

- 2015 Annual Results Announcement

THOMSON REUTERS
ANALYST AWARDS
2016 WINNER

Aug 2016

- Celebrated 20th Anniversary of Listing
- 2016 Interim Results Announcement

Sep 2016

- Haitong International was ranked No.1 in both "Top Overall Stock Pickers" and "Top Industry Stock Pickers – Real Estate" in Japan in the "Thomson Reuters StarMine Analyst Awards 2016"

Oct 2016

- Haitong International awarded "Best Excellence Awards 2015/2016 – Investment Fund" by AICFC

Apr 2016

- Haitong International awarded "Financial Advisory Excellence Award" and "Securities Company of the Year" in the investment bank category by Bloomberg Businessweek

May 2016

- Haitong International received Best Chinese ECM House in Hong Kong from FinanceAsia

June 2016

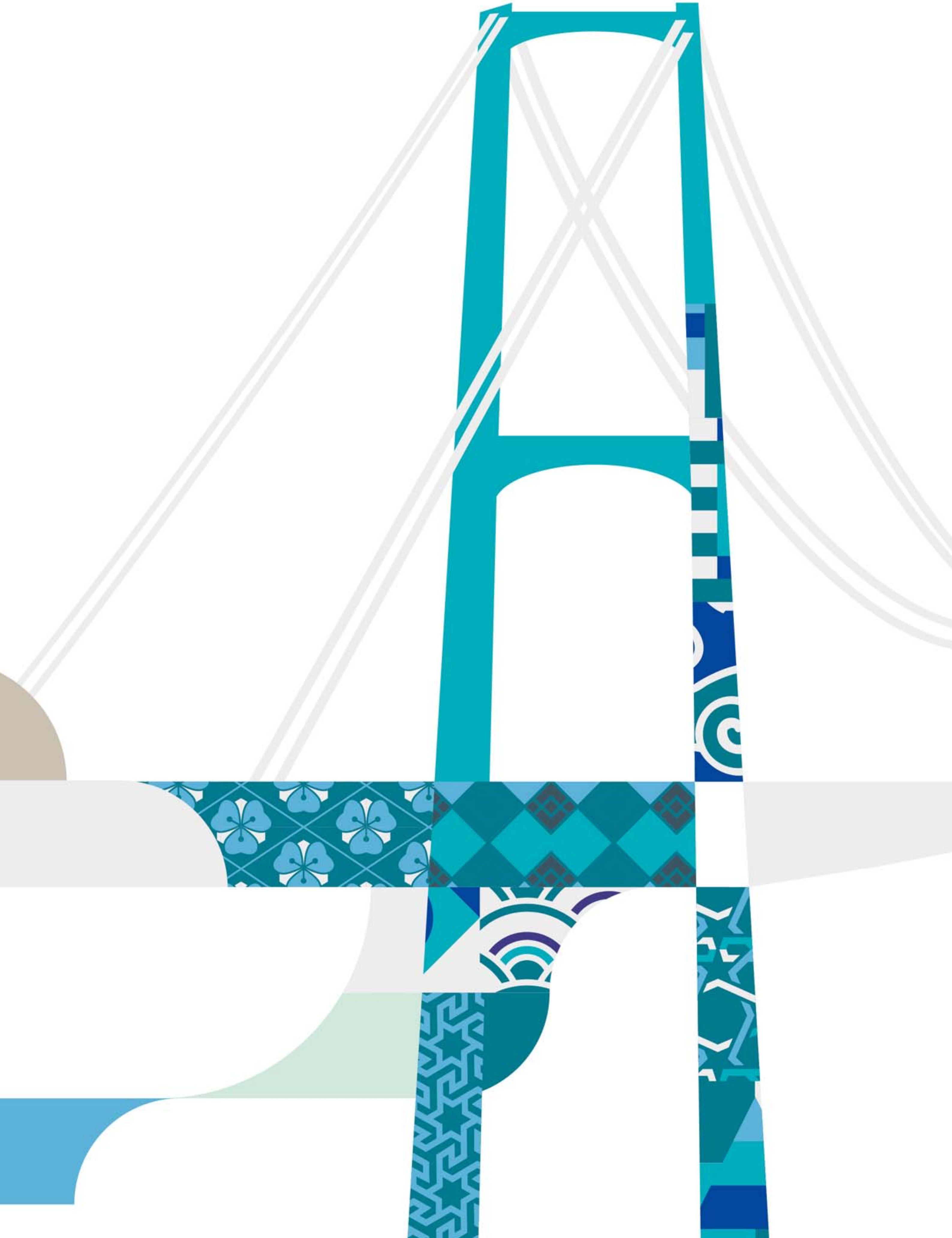
- Haitong International was approved by HKEX to be a market maker of a listed stock option
- Haitong International listed its first callable bull/bear contract on the HKEX
- Haitong International awarded "Leading M&A Adviser 2016"by Acquisition International

Nov 2016

- Haitong International was awarded "Outstanding Listed Company - Main Board (Large Cap)" in "Listed Company Award of Excellence 2016" organized by HKEJ.

Dec 2016

- Haitong International named as "Best China Broker" & "Best Research Support" in HKCAMA-Bloomberg Offshore China Fund Awards 2016
- Haitong International was garnered two awards in Asiamoney Brokers Poll 2016, ranking No. 9 in "Overall combined research & sales – Japan", and "Best Insurance Analyst — India"
- Haitong International completed the acquisition of Haitong India, with which a financial servicing network was set up to cover the world's major capital markets including Hong Kong, Singapore, New York, London, Tokyo and Mumbai.



Financial Hub Linkage

with the world

With a stronger Asia-Pacific
product sale network with global distribution,
we will continue to forge ahead along
its path of being a boutique investment banking
company in the Asia Pacific Region.

Chairman's Statement

ECONOMIC, MARKET AND BUSINESS REVIEW

2016 was the year marked with aggravating market fluctuations and a spate of "black swan events". Global highlights such as Brexit and U.S. presidential election imposed ramifications over the financial market, rendering a roller-coaster ride throughout the year. The global economic growth showed a sign of deceleration. Growth of developed economies like European countries and U.S. became softer while that of Japan and South Korea reached a plateau. Although the economic strength of emerging economies like China and India remained strong, the pace of trajectory became slower. However, the recession of Eastern European and Latin American countries receded.

Though the world has not exited from the low interest rate era, monetary policies laid down by different economies became to differ. The Fed declared the second rate hike in December 2016, a step closer to achieving the target rate. In contrast, European countries and Japan advocated negative rate and accommodative monetary policies. The oil price rallied after the plummet in early 2016 while the commodity prices started to pick up in mid-2016.

Dragged by both the A share and international markets, H shares registered a significant drop in price in early 2016. The declining trend began to turn around in February and the rising momentum kept up for several months up to 24,000. However, sensitized to a series of uncertainties, the Hang Seng Index retreated and closed at 22,000, accounting for a mild rise of 0.4% for 2016.

On 5 December 2016, the Shenzhen-Hong Kong Stock Connect kicked off, further bolstering the interconnectivity between the Mainland and Hong Kong markets. However, as RMB lost strength whereas regulators took steps to rein in insurance activities, investors were on the fence and the investment sentiment remained lukewarm. Experiencing the nosedive in early 2016, the A share market gradually restored and oscillated in a narrow range in mid-2016. At the end of 2016, the CSI300 index was recorded a drop of 12.3% and 19.6% when compared with that of 2015. On the equity financing side, the proceeds raised through IPO on the HKEx totaled HK$194.8 billion, topping the world for another year.

In the face of capricious and treacherous macroeconomic landscape and business environment where challenges abound, Haitong International's uprising momentum remained intact, thanks to its ample capital and comprehensive and balanced development of business lines. It also devoted efforts to the development of operations, IT and risk management essential and instrumental to its robust growth. The net profit of the Company for 2016 was HK$1.68 billion, serving as the second highest record. Its aggregate assets steadily picked up to HK$131.5 billion for the year, accounting for an increase of 43.1%. During the year, the Group successfully acquired an Indian subsidiary of Haitong Securities which served as a springboard to establish its presence in India, a major emerging market in Asia, which took up 8.05% of MSCI Emerging Index with an annual GDP growth of over 7%. Therefore, the acquisition signifies a new opportunity for Haitong International to lift up its overall competitiveness in the Asia-Pacific area.

PROSPECT

Looking forward, in 2017, the globe will still be challenge-ridden. Donald Trump's taking office and the Brexit process will surely impose impacts on the market, and China will surely have another year filled with tests. Nevertheless, 2017 is also an important year for China to implement the 13th five year plan as well as welcoming the 19th National Congress of the Communist Party of China. To adapt to the new normals of the economic development and the deepening structural reform of supply side, the resources allocation is to be perfected whereas the innovation-driven development will be upheld so as to boost quality and core competencies, thereby accomplishing economic prosperity. Meanwhile, as the general strategy to spur regional boom and the Belt and Road Initiative are underway, a new batch of state-planned projects, special funds and PPP projects will come forth, demonstrating a healthier and sounder way for the development of China. Backed by the progress of China's reform and the recovery of other major economies, it is expected that Hong Kong's economy will rebound in 2017.

Though global recession and reversal of liquidity are likely to pose threats that should not be understated, the financial market is still filled with opportunities in 2017. Thanks to the supply side reform and the implementation of plan for manufacturing industry, the A stock market is expected to see a pickup on the path of general economic recovery in 2017. Bolstered by favorable factors such as the launch of Shenzhen-Hong Kong Stock Connect and inflow of insurance funds, the H share market is expected to ride out the adversity in 2017.

Looking forward in 2017, Haitong International will leverage its balanced presence to unleash its integrated service competence and capture opportunities given in the market. Moreover, more efforts will be put on the information technology and recruitment of talents to ensure efficient operations and strict risk management. Our aim is to provide more professional services for our clients and yield long-term values for our shareholders. At the same time, Haitong International will also live up to its mission of being a company with global strategic perspective. To this end, it will take advantage of the Belt and Road initiative and strengthen synergies among businesses in Hong Kong and China. With a stronger Asia-Pacific product sale network with global distribution, Haitong International will continue to forge ahead along its path of being a boutique investment banking company in the Asia-Pacific region.

JI Yuguang
Chairman

JI Yuguang
Chairman

Hong Kong, 9 March 2017

Expanding Network

to acquire niche market leadership

We acted quickly to expand in Asia-Pacific in 2016,
we are now operating in many of the world's major international
capital markets, including Hong Kong, Singapore,
New York, London, Tokyo and Mumbai.

Managing Director's Review

LIN Yong
Deputy Chairman and Managing Director

Haitong International Securities Group Limited (the "Company") acted quickly to expand in Asia-Pacific in 2016, taking a solid stride towards being a leading boutique financial services provider in the region. The Company provides the most comprehensive set of financial services among all Chinese financial services providers in Hong Kong and competes at the same level against elite international counterparts in the area of securities underwriting, market making, and product design. The Company provides financial services in corporate finance, leveraged and acquisition finance, institutional equities, fixed income, currency and commodities, asset management, brokerage and private wealth management to over 200,000 retail, corporate and institutional clients. Currently, the Company operates in many of the world's major international capital markets, including Hong Kong, Singapore, New York, London, Tokyo and Mumbai.

MARKET REVIEW

Looking back at the Hong Kong market, as the pessimism starting in the second half of the previous year still lingered in early 2016, the Hang Seng Index took a dive to the year's record low of 18,279, followed by a rebound in the second quarter underpinned by firmer economic strength of China and the news about suspension of the Fed rate hike. In September, the Hang Seng Index surged up to the year's record high of 24,364 and then met the tumultuous adjustment period. In November, as Donald Trump beat his opponent and won the presidency, sending the globe into a tailspin. In December, the consensus expectation of RMB depreciation was brewing due to the rate hike whilst the inflow of capital after the launch of Shenzhen-Hong Kong Stock Connect did not meet expectation. As a conclusion for 2016, the Hang Seng Index inched up 0.4% while the HSCEI dipped 2.8% when compared with that in 2015. The daily average market turnover for 2016 posted a sharp decline of 37%, a sharp drop compared with that of 2015. The bleak stock market also weighed on Hong Kong's financing activities. Though Hong Kong topped the world in terms of IPO proceeds for another year, the total equity financing amount registered a year-on-year decline of over 56% in 2016.

For A shares, the circuit breaker mechanism rendered a market nosedive with rebounds narrowed at a low level in early 2016. In the second half, the A share market resuscitated against the backdrop of better China's economic data and the crowding out effect brought along by the austerity measures of property market. However, dragged by the soft strength of RMB, tight monetary policies laid down by the People's Bank of China and stern regulations on insurance funds, the market took a downturn again. The CSI 300 index closed at 3,310.08, accounting for a drop of 11.3%, at the end of 2016.

2016 was awash with breakouts of black swan events — the Brexit vote and the U.S presidential election complicated the political and economic backdrop of the world. In early 2016, the VIX hovered at a higher level followed by a drop. However, a series of events in June such as the U.S. and Japan's resolution of monetary policies as well as Brexit had a direct bearing on the VIX index, pumping it up to over 25. Immediately before and after the U.S. presidential election, the bumpy ride staged a comeback.

BUSINESS REVIEW AND ANALYSIS

In 2016, the Company continued to create a well-balanced platform for products and services and quickened its steps to strengthen middle and back office operations together with risk management system. Moreover, it rolled out its value-added integrated service and provided its clients with one-stop solutions. As opposed to the economic slowdown and oscillating market, the Company accomplished the second historical high of results. The operating revenue of the Group for 2016 was HKD5.35 billion while the net profit was HKD1.68 billion. As the revenue structure was further optimized over the past years, the fee-based and commission-based income as a percentage of the total income remained steady, total asset of the Company also saw a steady growth. As of 31 December 2016, the total assets reached HKD131.5 billion, representing an increase of 43.1% throughout 2016, where net assets amounted to HKD22.45 billion, representing an increase of 7.8% over the year. In 2016, the Company maintained its S&P long term credit rating at BBB and its capital strength was expanding through diversified funding sources.

As a token of market recognition, the Company was awarded iconic awards for its brilliant sell-side and buy-side businesses for another year. During the year, its sell-side businesses such as corporate finance, institutional equities business and bond market making continued to enjoy an upturn. The Company ranked top among Hong Kong financial services providers in terms of both IPO completed and total IPO underwriting amount according to Bloomberg League Tables. The equity research coverage and product spectrum were widening apace to address to the demand of institutional clients. The Company's all-inclusive equity derivatives business straddles warrants, CBBCs, market making for individual stock options and prime brokerage. As for FICC and debt capital markets bonding financing businesses, a full-fledged industry chain was formed — market-making businesses for bond underwriting and offshore debenture in Asia were gaining momentum. For asset management, the assets under management (the "AUM") saw a trend of upsurge and the funds were rewarded with a number of accolades for their performance. For its overseas business, a full set of licenses came under operations in the Company's Singaporean subsidiary and the acquisition of the Indian subsidiary further expanded its global presence.

1. Double No. 1s for IPO underwriting business abreast of market demand with outstanding ranks and results

Despite the downcast market environment in Hong Kong in 2016, the Company's equity financing business achieved outstanding results, representing its continued growth and a new breakthrough. In 2016, the Company ranked top among Hong Kong financial services providers in terms of both IPO completed and total IPO underwriting amount according to Bloomberg League Tables. Moreover, the Company completed a total of 53 projects for bond issuance and it ran a whole gamut of offshore bond products for debt financing. In terms of number of issuance in G3 and offshore bonds, the Company ranked top among corporate finance institutions in the world. In terms of financing amount, it came forth in the third place, indicative of its competence for dual development for equity and debt capital market business.

Particularly, the Company, in the capacity of sponsor, completed the first overseas spinoff listing project for Industrial Securities International, a Chinese securities group. In addition, it also assisted in the successful IPO projects for H shares of Postal Savings Bank of China and China Zheshang Bank, both being the renowned banks, in the capacity of sponsor, global coordinator, bookrunner and/or lead manager. For bond issuance, the Company took up the role of sole rating advisor and sole global coordinator for the first USD bond issuance of Xuzhou National Economic Development Zone. During which, the Company manifested its fully integrated service capabilities by completing a chain of tasks ranging from rating to bond underwriting on its own.

On the mergers and acquisitions ("M&A") side, the Company endeavored to stay on the cusp of the ever-changing market and put its capital-based intermediary role into play with risk put under stern control when opportunities abounded in the market. According to Mergermarket, among the M&A transactions regarding listed companies in Hong Kong, Haitong completed 6 projects and ranked top by number of projects; and it ranked 8th in terms of transaction amount. At the same time, the Company won the Leading M&A Advisor 2016 granted by Acquisition International, a reputable and recognizable laureate in the industry, exuding its preeminent organization and execution for M&A projects in the capacity of financial advisor.

2. Wide coverage of Equity research in the Asia-Pacific region with a good start of the derivative businesses

In 2016, the Company propped up its equity research in depth and breadth. During the year, the Company's market capitalization coverage of major index constituents in the Asia-Pacific market skyrocketed from 49% in late 2015 to over 70%. It covered approximately 500 listed and over 500 small-cap shares on the bourses in Hong Kong, Mainland China, Japan, Taiwan, South Korea and India. Analysts of the Company took part in more than 3,200 international roadshows and conferences in 2016, and over 70 new institutional clients were secured. Our analysts were endorsed by Thomson Reuters and Asiamoney in 2016, the Company stayed ahead of other renowned corporate finance companies and seized the ninth, for Japan overall combined research and sales ranking. Further, our Japan-based analyst was awarded "Top Overall Stock Picker" and "Top Industry Stock Pickers – Real Estate" in Japan in the Thomson Reuters StarMine Analyst Awards 2016 and our Mumbai-based analyst also carried off the "Top Stock Analyst" honor for insurance industry in India by Asiamoney in 2016.

Moreover, in 2016, businesses such as warrants, CBBCs, market making for ETFs and individual stocks enjoyed an upturn while the prime brokerage services had a good start. During the year, the Company launched a total of about 400 warrants and CBBCs. it came forth on the fourth place for the first time in the fourth quarter in terms of transaction volume. Thanks to the synergy created among market-making of individual stock options, ETFs, and warrants/CBBCs, its market share in the securities market soared quickly. As for securities borrowing and lending, the business scale doubled over 2016. In addition, its equity platform also provided a wide range of OTC investment and financing solutions for clients including alpha strategy, beta risk hedging, corporate finance strategy, equity investment strategy, repo and structured products.

3. Full-fledged and integrated FICC businesses with significant increase in customer base and market making volume

As the spearhead to form the boutique financial services provider in the Asia-Pacific area for the Company, the Company's FICC business placed emphasis on offshore Asia credit bonds in a bid to boost its sale and trading capabilities. To date, the Company has built up business relationship with over 350 institutional clients for bond transactions around the world of which the turnover amounted to more than HKD100 billion, posting a year-on-year increase of almost 50%. The Company has become an important price maker in the Asia-Pacific region.

2016 showed persistent deepening and development for the Company's FICC business. Particularly, its bond underwriting and market-making in the primary market displayed remarkable synergy. Our FICC team partnered with the debt capital markets team to complete more than 50 bond underwriting and issuance projects in the primary market in 2016, among which USD500 million zero coupon convertible bonds of the Company were successfully issued.

In 2016, the foreign exchange business saw a robust growth. The Company was granted the licenses to conduct market making business for futures in USD/CNH by the HKEX and SGX, being the only Chinese securities company among the market-makers approved by both exchanges. As the demand for offshore renminbi-based futures products increased, the average monthly transaction volume grew steadily with annual transaction volume reached approximately USD100 million. In addition, the Company was also qualified to be a counterparty to conduct RMB currency futures through block trade on the HKEX. Therefore, it has formed a synergic and complementary system covering exchange and OTC exchange markets.

4. Resilient retail brokerage performance and the one-stop private wealth management platform for high-net worth clients

In 2016, our brokerage business remained resilient despite the weakening transaction volume in the Hong Kong stock market. The Company stayed in the first quintile among 150 dealers of Hang Seng Index futures. It also came forth among top 10 in terms of Hang Seng Index options and among top 5 dealers of stock options. Our retail business developed hand in hand with corporate finance and equity derivatives business by complementing with each other, generating synergic effects. In 2016, for the most sizable IPO of the year, Postal Savings Bank of China, our sales team successfully contributed subscription amounting to approximately HKD2 billion from retail clients, accounting for over 60% for public portion and approximately 25% for total subscription respectively. In cooperation with the Equity Derivatives Department, the Retail Department successfully promoted derivative products to high-end customers and broadened the distribution channel.

During the year, the Company built up its private wealth management business and stepped up to sharpen its one-stop integrated services for high net worth customers. As demands of different customers vary, our private wealth management business tailor made investment and financing solutions for our clients so as to gain more distribution opportunities for the Company's various products. The size of assets under custody of the private wealth management business nearly doubled during the year.

5. Record-breaking AUM with high industry recognition for its results performance

Expanding on the growth momentum developed over the past few years, the Company's AUM increased by over 76% this year, earning itself a top place among its Chinese peers in the asset management business in Hong Kong.

During the first half of 2016, a new umbrella trust fund, whose investment primarily aims at the Asia-Pacific region, was established in Hong Kong by the Company for the first time. Haitong Hong Kong Equity Investment Fund, Haitong Korea Equity Investment Fund and Haitong Asian High Yield Bond Fund were the first offerings to be unveiled. Meanwhile, the Company also launched innovative structured bond funds to cater customers with different risk appetites and allocation demands with fervent response from its clients.

The Company won a number of investment awards in 2016. The Company was awarded Best 1 Year Performance — Equity Fund (Asia) and Best 1 Year Performance — MPF Conservative Fund by Asia Asset Management. Meanwhile, the Haitong Hong Kong SAR Fund was awarded the Longevity Award — Best 10 Year Performance — Equity Fund (HK & China) for the second consecutive year. In addition, the Haitong Global RMB Fixed Income Fund is awarded "Best Performance Award — RMB Bonds, Offshore-5 Years" by Asia Asset Management, manifesting the recognition by its peers for its investment capabilities of asset management.

6. Well-established overseas business presence with footprints in Indian market and a full set of licenses to operate in Singapore

2016 was a critical year for the establishment of Asia-Pacific presence with overseas expansion. The Company has formed a global layout with headquarters based in Hong Kong and major product development and sales bases in Japan, Singapore and India, and major sales platforms in the U.S. and European regions. During the first half, our US-based subsidiary was approved and qualified for chaperoning (144A) for the placing and trading in shares of non U.S. listed companies in the primary and secondary markets in the U.S. by the FINRA, tapping new conduits and markets for the Company's offerings.

In late 2016, the Company completed the acquisition of Indian subsidiary. The acquisition has formed an Asian platform by strategically expanding the Group's geographic footprint to India, complementing the Group's well-established integrated equities research capabilities of its subsidiaries in the Asia-Pacific markets. The Company has formulated a plan to integrate its Indian operations into the Group backed by cross-border M&A and institutional equities businesses and existing global network so as to strengthen its Indian business.

As Singapore is an important gateway to Southeastern Asian and Middle East markets, the Company obtained six licenses to carry out financial services in the Singaporean capital market. Corporate finance business has been well established and asset management business achieved a great breakthrough with the AUM reaching over USD1.5 billion. With the newly-secured licenses, the Singaporean subsidiary will leverage the resourceful capital, profound experience and efficient execution of the Company to generate synergies in various businesses among Mainland China, Hong Kong and Southeastern Asian markets.

MORE EFFORTS SPENT ON THE DEVELOPMENT OF ANCILLARY FACILITIES AND INFRASTRUCTURE

In better support of demands for multi-market and multi-regional offerings and in response to the fickle markets, the Company never stops strengthening its four infrastructure pillars: human resources, risk management, operations and information technology to safeguard its diverse businesses during its course of development.

1. Recruiting and retaining talents for future development sticking to the "talent-oriented" philosophy

As our platform provides a rich spectrum of services, it also requires talents with different expertise to support. As at the end of 2016, the Company has 902 employees including professionals from Hong Kong, China, Asian, European regions and U.S. the Company continued to provide good employment and career development for individuals in the local market, especially in Hong Kong.

As a burgeoning finance service provider, good talent pool is crucial and prerequisite to its development and growth in the future. Sticking to its "talent-oriented" philosophy, the Company incorporates its talent management as a part of its Group development strategy. Remuneration-wise, competitive packages are provided for its staff with incentive and performance-linked mechanism. Their professionalism and career development are also priorities of the Company. In this virtue, an "Employee Professional Qualification Scheme" has been set up to encourage its staff to acquire qualifications and pursue professionalism and self-development. Targeting to those core management members and non-management employees with potentials, the Group offers them with training subsidies and development opportunities via "Elite Programme". To develop its bench strength, the Company launched a "Management Trainee Scheme" in 2008 with which outstanding graduates with potentials are recruited each year and provided with one-year training with job rotation.

2. Efficient operations supported by sound delineated operating functions

To enrich its multi-faceted and cross border offerings, the Company continued to build up its operating function with ever-better team structure. In 2016, the Operations stepped up to build up the settlement team who needs to deal with equities, futures, bond, and derivatives. Meanwhile, to address new business development, the Operation set up a number of teams with new functions in order to delineate clear functions in the operation structure. In this light, operation teams could focus more on their expertise and cooperation with each other. To cater with different needs among its institutional, corporate and high net worth individual clients, the client account management system was further enhanced to meet the different requirements in terms of its client relationship management. In addition, as with the ability of the Operations to manage its trading data among different financial products in a systematic approach, the settlement capability along with the operation efficiency was enhanced as a whole.

3. Risk management and compliance frameworks put in place with risks being kept at bay

In 2016, a number of reviews and updates had been carried out by the Risk Management with regards to its risk management policies with particular focus on enhancing its risk management controls for the front office. Moreover, risk control policies were put in place with respect to new businesses whereas consolidated risk monitoring measures were taken for overseas subsidiaries. On the market risk management front, the VaR (Value at Risk) was thoroughly assessed and its calculation was modified to achieve higher accuracy and stability. As for the credit risk management, the credit status of the Company was reviewed in a comprehensive approach and the reporting on risk monitoring was improved consistently. To satisfy the market need, our staff were on duty round the clock in case of market emergency in the future. On the credit risk management for counterparties, the trading limit and approval benchmark system with respect to the financial institutions clients were perfected. As for the operational risk management, reporting and handling system were strengthened to ensure reporting and follow-up were in place for accidents. Moreover, loopholes were identified, control was fortified and risks were mitigated with corresponding control measures in place to prevent reoccurrence of similar incidents. More than this, the Company engaged external advisors to conduct sweeping review on the Company's operational and management system in line with its business development in 2016, serving as an important move to augment the Group's risk monitoring and control in its operations.

In compliance with the regulatory requirements of the jurisdictions where the overseas subsidiaries operate, the Company has taken measures of risk control, internal control and compliance procedures including "Anti-Money Laundering", identification and verification for account opening and subsidiary governance with review on a regular basis. In 2016, our legal team also won the In-House Community Counsel of the Year Award for Financial Services (ex-Banking), signifying the peer endorsement of its internal control and compliance.

4. Update of the data centre in full swing with upgrade of IT system

The Company launched the data centre revamp project in 2016 in support of its diversifying businesses and rapidly growing customers. With the revamp project, the Company's hardware such as storage system, operating system, servers and network systems were all upgraded with ramp-up of storage & trading capabilities, stability and confidentiality. With the solid IT infrastructure in place, the Company strives to provide staunch security for its customers and products in the future.

FUTURE PROSPECTS AND STRATEGIES

2017 is a critical moment for China to implement what is stated in the 13th Five Year Plan and also for the structural reform for the supply front. As the Belt and Road initiative is moving forward, China will bottom out and gain a solid foothold by focusing on PPP with the complement of investment in infrastructure and will march toward a more robust and stable way of development.

From a global perspective, in 2017, uncertainties spawned by the post-presidential-election policies of the U.S. and the Brexit progress will remain uncertain. Fiscal policies laid down by the U.S. and China, the biggest economies of the world, will inject a fresh surge of energy to the global economy, representing a hope to lift the world out of the economic slowdown.

As the global tide of liquidity shows signs of ebbing with increasing uncertainties, the financial market will be fraught with turbulence in the year ahead. Change of externalities will enter into the equation of adjustment to financing and assets allocation by financial institutions and making contribution to the real economy whereas risk control is the missions of financial institutions. Sticking to its strategy of "expanding sell-side businesses, strengthening capital-based intermediary businesses and developing buy-side businesses", the Company will continue to refine its revenue stream in the fixed income industry chain and develop prime brokerage service which is supported by placement, equity research, sales, trading and derivatives, on the basis of its strengthening risk control. Moreover, it will further expedite a well-balanced development in equities and debt businesses with the synergy generated from its businesses in the primary and secondary markets. It will also assist its retail, corporate and institutional clients to access to more investment and financing opportunities as a contribution to the real economy. Boasting its premium offerings and broadening global sales network, the Company gears up to adhere to its mission of becoming a leading boutique financial services provider with an international perspective.

LIN Yong
Deputy Chairman and Managing Director

Hong Kong, 9 March 2017

Financial Review

FINANCIAL PERFORMANCE

Revenue

Revenue of the Group for the year ended 31 December 2016 was HK$5,350.8 million (2015: HK$5,808.4 million). A summary of the revenue from different business segments of the Group is set out below:

	For the year ended 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Brokerage	**2,018,916**	**37.7**	2,212,498	38.1
Corporate finance	**1,278,461**	**23.9**	1,361,957	23.4
Asset management	**175,949**	**3.3**	123,174	2.1
Fixed income, currency and commodities	**895,427**	**16.7**	1,124,175	19.4
Institutional equities	**602,302**	**11.3**	734,701	12.7
Investment holdings	**379,762**	**7.1**	251,854	4.3
	5,350,817	**100.0**	5,808,359	100.0

Operating expenses and finance costs for the year ended 31 December 2016 amounted to HK$3,337.6 million (2015: HK$2,775.4 million). An analysis of these expenses is as follows:

	For the year ended 31 December			
	2016		2015	
	HK$'000	**%**	HK$'000	%
Salaries and allowances, bonuses and pension	**814,234**	**24.4**	913,361	32.9
Commission to account executives	**245,564**	**7.4**	408,285	14.7
Finance costs	**1,395,816**	**41.8**	1,036,569	37.3
Depreciation and amortisation	**39,980**	**1.2**	32,250	1.2
Other expenses	**841,991**	**25.2**	384,930	13.9
	3,337,585	**100.0**	2,775,395	100.0

Salaries and allowances, bonuses and pension decreased by 10.9% during the year, mainly due to decrease in provision for bonuses and incentives, but that was offset by annual payroll adjustments and increased headcount.

Commission to account executives decreased due to decrease in turnover of brokerage business.

Finance cost increased by 34.7% due to increase in bank loans and other borrowings (such as convertible bonds) in order to support the increase in advances to customers in margin financing, other loans and receivables and investment in financial assets. Details of the Group's loans and borrowings are disclosed in note 34 of the financial statements.

Depreciation and amortisation increased during the year due to acquisition of new computer hardware and equipment.

Other expenses went up by 118.7% due to impairment allowances recognized during the year and additional expenses incurred in supporting different business initiatives of the Group.

Net Profit Attributable to Shareholders

Net profit attributable to shareholders for the year ended 31 December 2016 was HK$1,680.2 million, as compared with HK$2,510.1 million for the year ended 31 December 2015.

TREASURY POLICIES

The Group generally finances its business operations with internally generated cash flow, bank borrowings and funding from capital markets. On 18 March 2016, the Group entered into a facility agreement (the "Facility Agreement") with a syndicate of banks whereby the Group obtained a loan facility in an aggregate amount of HK$12,800 million for a term of up to 3 years. Other than the syndicate loan facilities, the Group's banking facilities are mainly renewable on a yearly basis and are subject to floating interest rates.

It has also been the Group's practice to support long term funding requirements via accessing to funding from capital markets, subject to market conditions. On 25 October 2016, the Group issued convertible bonds with a size of HK$3,880 million. Moreover, within 2016, drawdown of US$30 million and CNY1,874 million has been made respectively out from the Medium Term Note Programme, with a minimum tenor of 1 year. It has been the policy of the Group to maintain adequate liquidity at all times to meet its obligations and commitments as and when they fall due.

The Group's financial risk management strategies include active managing firm level liquidity and interest rate profile via obtaining substantial long and short-term funding sources, with diversifying term structures and funding instruments.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group remained sound and healthy during the year. As at 31 December 2016, the Group's cash balance totaled HK$7,171.2 million, compared with HK$6,406.0 million at the beginning of the year. Cash held on behalf of customers increased to HK$20,186.8 million as well, compared with HK$18,265.4 million as at 31 December 2015. The current ratio of the Group was healthy at 1.15 times. As at 31 December 2016, the Group's gearing ratio was 265%, compared with 192% as at 31 December 2015. Gearing ratio ascended as at 31 December 2016, mainly because increase in the Group's borrowings to support different business initiatives. Details of the calculation of the gearing ratios are set out in note 45 to the financial statements. In addition, our operating cash flow remains adequate for financing our recurrent working capital requirements as well as any business opportunities that may arise. Besides, the Group has unutilised banking facilities of HK$10,189 million (including syndicate loan facilities), while our capital commitments are not significant. Except for the guarantees provided to the banks for securing normal banking facilities for our subsidiaries, the Group has no other significant contingent liabilities.

Details of currency risk and other financial risks are set out in note 46 to the financial statements.

CAPITAL STRUCTURE

As at 31 December 2016, the total issued share capital of the Company stood at HK$533.7 million, comprising 5,336,534,474 shares of HK$0.10 each. Details of share capital are set out in note 35 to the financial statements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 10 November 2016, Haitong International Investment (Singapore) Pte. Ltd. ("Haitong International Singapore"), a wholly owned subsidiary of the Company, entered into an agreement with Haitong Bank, S.A., Haitong Securities (UK) Limited ('Haitong UK") and Haitong Securities India Private Limited ("Haitong India"), pursuant to which Haitong International Singapore agreed to acquire the entire share capital of Haitong India. The acquisition was subsequently completed on 22 December 2016. Details of the acquisition of Haitong India are disclosed in note 44 of the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 902 (2015: 825) permanent staff.

The Group reckons that a good talent pool of human capital is crucial in leading to excel. Hence, it has established clear policies on its employees' training/development and remuneration.

The Training and Development for employees are set out in Corporate Social Responsibility Report.

The Group will determine the remuneration of its employees based on various factors, including the nature of job, the market pay data, the employee's experiences, qualifications, and capabilities. The Group's remuneration framework has a strong linkage between pay and performance. Base salary is being reviewed on an annual basis, and discretionary bonus is paid on annual basis by making references to market, business results, individual's performance and fulfillment of compliance requirements. The annual review aims to reward employees for their contributions over the past year and to retain and inspire talented and experienced employees to continue creating values for the Group. Also, share options and share awards have been granted to employees and Directors in recognition of their contributions to the Group. Other benefits offered by the Group include mandatory provident fund scheme, group insurance and benefits schemes.

Details of employees' remuneration and directors' remuneration are set out in note 7 and note 8 to the financial statements.

Corporate Governance Report

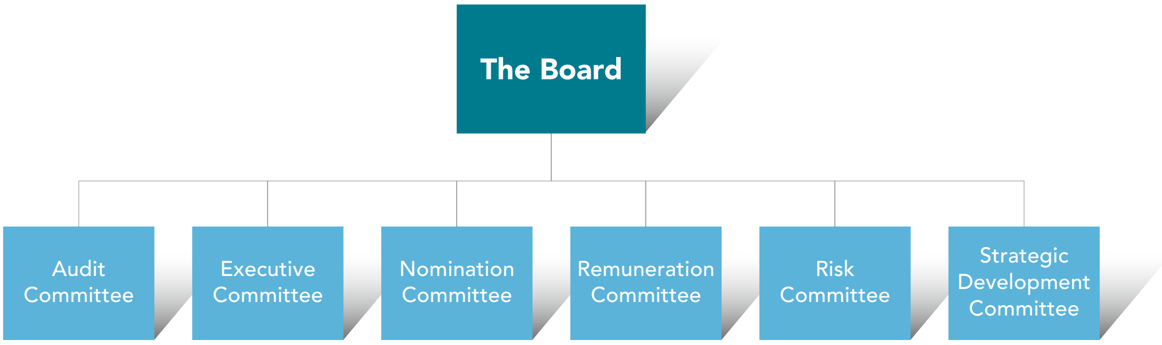
Corporate Governance Practices

The board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 provisions A.6.7 of the CG Code as they had other important business engagements at that relevant time.

The followings summarise how the Company has applied the principles of the CG Code in its corporate governance practices:

Corporate Governance Structure

The Board believes that a well-balanced corporate governance structure will enable the Company to better manage its business risks and thereby ensure the Company is run in the best interests of its shareholders and other stakeholders. The following diagram depicts the overall corporate governance structure of the Company. The Board is primarily responsible for setting directions, formulating strategies, monitoring performance and managing risks of the Group. At the same time, it is also charged with the duty to enhance the effectiveness of the corporate governance practices of the Group. Under the Board, there are currently 6 board committees, namely Audit Committee, Executive Committee, Nomination Committee, Remuneration Committee, Risk Committee and Strategic Development Committee (each a "Board Committee"). All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.



The following table shows the attendance of each director of the Company (the "Director(s)") and members of the respective Board Committees at the Board and the respective Board Committee meetings and general meetings held during the year ended 31 December 2016:

	Attendance/number of meetings held							
Name of members of the Board/ the respective Board Committees	Board meeting	Audit Committee meeting	Executive Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Risk Committee meeting	Strategic Development Committee meeting	General meeting
The Board								
Chairman and Non-executive Director								
JI Yuguang	4/4	n/a	n/a	1/1	2/2	n/a	2/2	2/2
Deputy Chairman, Managing Director and Executive Director								
LIN Yong	4/4	n/a	14/14	n/a	n/a	n/a	2/2	2/2
Deputy Chairman and Executive Director								
LI Jianguo	4/4	n/a	n/a	n/a	n/a	n/a	2/2	2/2
Executive Director								
HUI Yee Wilson	4/4	n/a	14/14	n/a	n/a	n/a	n/a	2/2
Non-executive Directors								
POON Mo Yiu (Note 1)	4/4	n/a	n/a	n/a	n/a	n/a	n/a	0/2
CHENG Chi Ming Brian	3/4	n/a	n/a	n/a	1/3	n/a	2/2	2/2
WANG Meijuan	3/4	1/2	n/a	n/a	n/a	3/4	n/a	0/2
William CHAN	4/4	n/a	n/a	n/a	n/a	4/4	2/2	0/2
Independent Non-executive Directors								
TSUI Hing Chuen William	4/4	2/2	n/a	1/1	3/3	n/a	n/a	2/2
LAU Wai Piu	4/4	2/2	n/a	1/1	3/3	4/4	n/a	0/2
LIN Ching Yee Daniel	4/4	2/2	n/a	n/a	n/a	4/4	n/a	2/2
WEI Kuo-chiang	4/4	n/a	n/a	n/a	3/3	n/a	n/a	2/2
Other Executive Committee Members								
ZHANG Xinjun	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
SUN Jianfeng	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
SUN Tong	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
LO Wai Ho	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
ZHANG Yibin	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
SHI Ping	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
KONG Weipeng	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
JI Qingyu (Note 2)	n/a	n/a	14/14	n/a	n/a	n/a	n/a	n/a
Average attendance:	**96%**	**88%**	**100%**	**100%**	**87%**	**94%**	**100%**	**67%**

Notes:

1. Mr. POON Mo Yiu has been re-designated from executive Director to non-executive Director with effect from 16 February 2016.

2. Ms. JI Qingyu has been appointed as an executive committee member with effect from 16 February 2016.

The Board

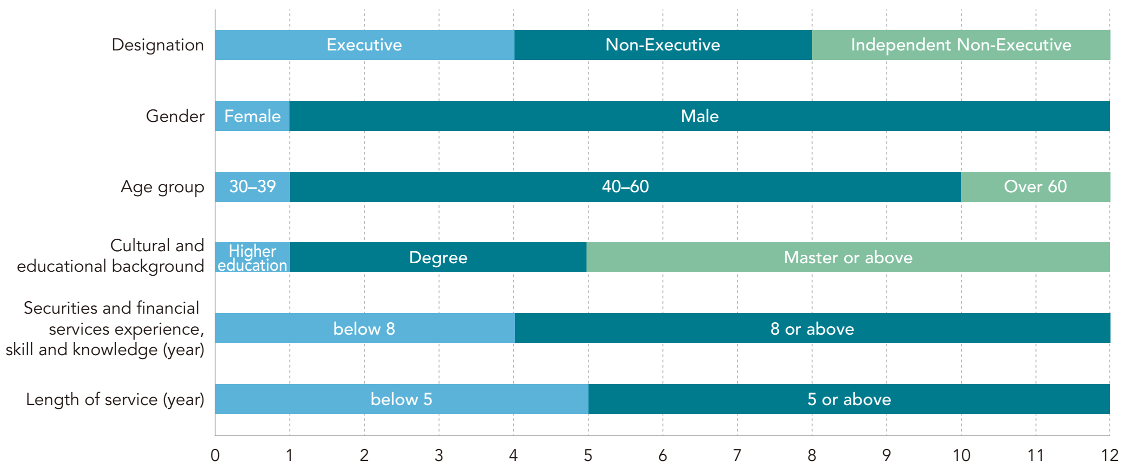
Composition

The Board currently comprises a total of 12 Directors, with 3 executive Directors, namely Mr. LIN Yong (Deputy Chairman and Managing Director), Mr. LI Jianguo (Deputy Chairman) and Mr. HUI Yee Wilson; 5 non-executive Directors, namely Mr. JI Yuguang (Chairman), Mr. POON Mo Yiu, Mr. CHENG Chi Ming Brian, Ms. WANG Meijuan and Mr. William CHAN; and 4 independent non-executive Directors, namely Mr. TSUI Hing Chuen William, Mr. LAU Wai Piu, Mr. LIN Ching Yee Daniel and Mr. WEI Kuo-chiang. Biographical details of the Directors as of the date of this report are set out in the "Board of Directors" section in pages 54 to 57 of this Annual Report.

Board Diversity Policy

The Board has adopted a policy concerning the diversity of Board members (the "Board Diversity Policy"), with the recommendation from the Nomination Committee, in November 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service (altogether, the "Major Diversity Perspectives"). All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of aforesaid Major Diversity Perspectives. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee reviews annually the Board's composition under Major Diversity Perspectives and monitors the implementation of the Board Diversity Policy. During the year, the Nomination Committee has reviewed its practice on Board diversity based on the Major Diversity Perspectives set forth and has come to the conclusion that it is a balanced Board. For the year ended 31 December 2016, the Board's composition under Major Diversity Perspectives was summarised as follows:



Meetings

The Board meets regularly at least 4 times a year at quarterly intervals and will meet at other times when the Board thinks appropriate. In general, notice of at least 14 days is given for a regular Board meeting so as to give all Directors an opportunity to attend. Agenda and meeting materials for each meeting are normally circulated to all Directors 7 days in advance of the date of the meeting. Senior management may, from time to time, be invited to attend the Board meetings for making presentation and/or answering any queries that may be raised by the Board. During the year, 4 Board meetings were held with an average turnout of 96%.

Proceedings of the Board and the Respective Board Committee Meetings

The company secretary of the Company (the "Company Secretary") assists the Chairman and the respective Board Committees in setting agenda for meetings, and each Director is given an opportunity to include any matters to be transacted in the agenda. Where any Director is considered to be having a conflict of interest in any transactions, the Director concerned will not be counted in the quorum of the relevant meeting. All draft minutes of meetings of the Board and the respective Board Committees are circulated to all Directors and Board Committee members for comment before submission to the chairman of the meetings for approval. To further enhance better communication with the Directors as to the business transacted at the Board and the respective Board Committee meetings, an exclusive intranet site is maintained to enable all Directors to gain access to minutes of the meetings of the Board and the respective Board Committees. Minutes of the Board and the respective Board Committee meetings will be posted on this exclusive site within a reasonable timeframe for the information of all Directors and Board Committee members.

In addition, the Company has established a procedure for its Directors to seek independent professional advice in appropriate circumstances at the Company's expense in discharging their duties to the Company. In order to safeguard the interest of individual Directors, the Company has also arranged directors' and officers' liability insurance for the directors of the Group.

Chairman and Chief Executive Officer

There is a clear segregation of roles between the Chairman and the Chief Executive Officer (the "CEO"). This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the CEO's responsibility to manage the Company and its subsidiaries' businesses. The duties of the Chairman and the CEO are currently carried out respectively by Mr. JI Yuguang and Mr. LIN Yong. There is no financial, business, family or other material/relevant relationships between the Chairman and the CEO.

Non-executive Directors

The non-executive Directors (including independent non-executive Directors) have served a significant role in the Board by bringing independent judgment on the performance, development and risk management of the Group. Except the services agreement of Mr. JI Yuguang, the Chairman and a non-executive Director of the Company, was renewed with a term of 2 years commencing on 13 January 2016, all non-executive Directors of the Company are appointed for a specific term of 3 years subject to the retirement and re-election provisions in the bye-laws of the Company (the "New Bye-laws").

Throughout the year ended 31 December 2016, the Company complied with the requirements of the Listing Rules relating to the appointment of at least one-third independent non-executive Directors and at least one of which have appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the requirement of the Listing Rules, the Company has received from each of the independent non-executive Directors a written confirmation of his independence to the Company. The Company considers that all the independent non-executive Directors were independent in accordance with the Listing Rules throughout the year ended 31 December 2016.

Appointment and Re-election

Except the services agreement of Mr. JI Yuguang, the Chairman and a non-executive Director of the Company, was renewed with a term of 2 years commencing on 13 January 2016, all Directors are appointed for a specific term of 3 years subject to the retirement and re-election provisions in the New Bye-laws. One third of the Directors are required to retire from office by rotation and, being eligible, may offer themselves for re-election at each annual general meeting in accordance with the New Bye-laws. Any new Director appointed by the Board will be subject to re-election by the shareholders at the first general meeting after his/her appointment. The names of Directors who are eligible for re-election at general meetings will be disclosed in the notice of the relevant general meetings and their biographical details will be provided in the accompanying circulars. The election of each Director will be subject to the votes of shareholders by way of separate resolutions.

Induction and Continuous Professional Development

An induction kit is provided to each newly appointed Director immediately upon his/her appointment by the Company which contains a package of orientation materials on the operations and businesses of the Group, together with information relating to the duties and responsibilities of directors under statutory regulations and the Listing Rules. The Company Secretary updates the Directors on the latest developments of and changes to the Listing Rules and the applicable legal and regulatory requirements governing the areas in relation to the discharge of their duties. Same as before, the Company provides all members of the Board with monthly updates on the Company's performance, financial position and prospects.

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. They are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its Directors. According to the training records maintained by the Company, the training received by each of the Directors during the year ended 31 December 2016 is summarised as follows:

	Regulatory updates or corporate governance related materials	Other trainings relevant to directors' profession or other relevant topics
Chairman and Non-executive Director		
JI Yuguang	✓	✓
Deputy Chairman, Managing Director and Executive Director		
LIN Yong	✓	✓
Deputy Chairman and Executive Director		
LI Jianguo	✓	✓
Executive Director		
HUI Yee Wilson	✓	✓
Non-executive Directors		
POON Mo Yiu (Note)	✓	✓
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	✓	✓

Note: Mr. POON Mo Yiu has been re-designated from Executive Director to Non-executive Director with effect from 16 February 2016.

Corporate Governance Function

The Board is collectively responsible for performing such corporate governance duties as:

(a) to develop, review and update the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(e) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(f) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016. Securities interests in the Company and its associated corporations held by each of the Directors are set out in the "Report of the Board of Directors" section in pages 58 to 80 of this Annual Report.

Board Committees

Audit Committee

The Audit Committee is currently composed of 3 independent non-executive Directors, namely Messrs. LIN Ching Yee Daniel (Chairman of the Audit Committee), TSUI Hing Chuen William and LAU Wai Piu and a non-executive Director, namely Ms. WANG Meijuan. The Chairman of the Audit Committee has the appropriate financial-related professional qualification and experience. The Audit Committee will meet no less than twice a year to review all business affairs managed by the executive Directors, in particular those related to connected transactions and continuing connected transactions, if any, and to review the interim and annual financial statements of the Group before their submission to the Board for approval. It will also review the effectiveness of the internal control and risk management system of the Group. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the consolidated results for the year ended 31 December 2016 of the Group. The terms of reference of the Audit Committee are aligned with the requirements of the Listing Rules and the recommendations set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and any updates thereof. A copy of the terms of reference of the Audit Committee has been posted on the Company's website.

During the year ended 31 December 2016, the Audit Committee met on 2 occasions with the presence of the external auditor and discharged its responsibilities to review the interim and annual results and the effectiveness of the internal control and risk management system of the Group. The work performed by the Audit Committee for the year ended 31 December 2016 included reviews of the following:

- the directors' report and the consolidated financial statements for the year ended 31 December 2015 of the Group, with a recommendation to the Board for approval;
- the consolidated financial statements for the 6 months ended 30 June 2016 of the Group, with a recommendation to the Board for approval;
- the audit fees for the year ended 31 December 2016 proposed by the external auditor, with a recommendation to the Board for approval;
- the new accounting policies and practices adopted by the Group;
- the continuing connected transactions undertaken by the Group;
- the internal control and risk management system of the Group;
- the findings and recommendations of the Group's internal auditor on the Group's operations and of the regulatory review carried out by the regulators;
- compliance status of the Group with the applicable regulatory and other legal requirements;
- the Group's investment policy and the adequacy of provision made for diminution in value for the Group's investments;
- the litigation cases of the Group;
- the adequacy of the provision for bad debts; and
- the error trades occurred during the 6 months ended 30 June 2016.

Executive Committee

The Executive Committee is currently composed of 2 executive Directors, namely Messrs. LIN Yong (Chairman of the Executive Committee) and HUI Yee Wilson as well as heads of certain major business divisions of the Group. The Executive Committee is duly authorised by the Board to manage the day-to-day business of the Group.

Nomination Committee

The Nomination Committee is currently composed of 1 non-executive Director, namely Mr. JI Yuguang (Chairman of the Nomination Committee) and 2 independent non-executive Directors, namely Messrs. TSUI Hing Chuen William and LAU Wai Piu. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, including the skills, knowledge, experience of Directors and the time devoted by the Directors in fulfilling their responsibilities, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations in respect of the appointment or reappointment and the succession plan of Directors, including but not limited to the Chairman and the CEO, to the Board for its approval and implementation, and assessing the independence of the independent non-executive Directors as set out in Rule 3.13 of the Listing Rules. The Nomination Committee will meet at least once a year to discharge its responsibilities in accordance with its term of reference.

During the year ended 31 December 2016, the work performed by the Nomination Committee included reviews of the followings:

- the structure, size and composition of the Board (including the skills, knowledge and experience of directors), with recommendations made on any proposed changes to the Board to complement the Company's corporate strategy; and

- the Board's composition under Major Diversity Perspectives.

Information relating to the Board Diversity Policy and the Board's composition under Major Diversity Perspectives are set out in the section headed "Board Diversity Policy" above.

Remuneration Committee

The Remuneration Committee is currently composed of 3 independent non-executive Directors, namely Messrs. TSUI Hing Chuen William (Chairman of the Remuneration Committee), LAU Wai Piu and WEI Kuo-chiang and 2 non-executive Directors, namely Messrs. JI Yuguang and CHENG Chi Ming Brian. The responsibilities of the Remuneration Committee include setting remuneration policy of the Group and fixing remuneration packages of the Directors in accordance with the Listing Rules and the New Bye-laws. Details of the remuneration paid to the respective Directors are set out in note 8 to the financial statements. No Directors can determine their own remuneration packages. The Remuneration Committee is provided with sufficient resources to discharge its duties.

The chairman of the Remuneration Committee will report their findings and recommendations to the Board for consideration and approval. The Remuneration Committee will meet at least once a year to discharge its responsibilities in accordance with its terms of reference.

During the year ended 31 December 2016, the work performed by the Remuneration Committee included reviews of the following:

- the proposal for 2016 remuneration adjustment;
- the proposal for 2015 bonus distribution;
- the proposal of granting awarded shares pursuant to the share award scheme;
- the proposal of granting share options; and
- the new service agreement of Messrs. JI Yuguang, LIN Yong and LI Jianguo, POON Mo Yiu, LIN Ching Yee Daniel and WEI Kuo-chiang.

Risk Committee

The Risk Committee is currently composed of 2 non-executive Directors of the Company, namely Mr. William CHAN (Chairman of the Risk Committee) and Ms. WANG Meijuan and 2 independent non-executive Directors of the Company, namely Messrs. LAU Wai Piu and WEI Kuo-chiang. The Risk Committee is responsible for advising the Board on the Group's risk appetite statement(s), risk principles and other risk-related issues including corporate actions and proposed strategic transactions such as mergers, acquisitions and disposals; considering major investigation findings on risk management matters as delegated by the Board or on its own initiative and management response to these findings; approving the Group's risk policies and risk tolerances; considering emerging risks relating to the Group's business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks effectively; reviewing risk reports and breaches of risk tolerances and policies; reviewing and assessing regularly the adequacy and effectiveness of the Group's risk management framework, internal control system and risk management policies and procedures in identifying, measuring, monitoring and controlling risk, and overseeing their effective operation, implementation and maintenance; reviewing and assessing the effectiveness of the Group's risk control/mitigation tools including the enterprise risk management programme, the risk management systems, the internal audit function relating to risk management and the Group's contingency plans; and reviewing the Group's capital adequacy and solvency level. The Risk Committee will meet at least 4 times a year at approximately quarterly intervals to discharge its responsibilities in accordance with its terms of reference.

During the year ended 31 December 2016, the work performed by the Risk Committee included reviews of the followings:

- the aggregate risk assessment report for the year ended 31 December 2015 of the Group; and
- the risk assessment report for each quarter of the Group.

Strategic Development Committee

The Strategic Development Committee is currently composed of 3 non-executive Directors, namely Messrs. JI Yuguang (Chairman of the Strategic Development Committee), CHENG Chi Ming Brian and William CHAN and 2 executive Directors, namely Messrs. LI Jianguo and LIN Yong. The main responsibility of the Committee is to assist the Board in formulating medium to long term business development strategies and directions for the Group.

Company Secretary

The Company Secretary, namely Ms. LAU Yik Chi, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on corporate governance matters. During the year ended 31 December 2016, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

Internal Control Framework

The Group has established a robust system of internal controls to promote effectiveness and efficiency of business activities and operations, increase reliability of financial reporting and compliance with applicable laws and regulations. Internal controls are activities or procedures designed to provide reasonable assurance that the Group's business activities and operations are functioning and working properly and reduce the likelihood that significant errors or fraud will occur and remain undetected. The Group's risk management mechanism is also embodied by the three lines of defence for risk management. All executing units serve as the main responsible parties for their respective business risks and are taken as the front line and also the first line of defence for risk management. The Group's Legal and Compliance Department ("LCOM") and the Group's Risk Management Department ("GRM") together constitute the second line of defence for risk management. Different from the business supporting units, the LCOM and the GRM perform their management functions independently of the business units. Charged with the major duty of independent oversight of risks, the compliance team of LCOM is responsible for managing compliance risks, whereas the GRM is tasked with overall management of financial risks. The Internal Audit Department instead serves as the third line of defence.

Risk Management

The Group's principal businesses are exposed to two major types of business risk, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk, market risk and operational risk, whereas non-financial risks mainly cover legal and compliance risks. The Group's management firmly believes that an effective risk management framework and a sound risk management culture are fundamental to both continued existence and successful development of the Group in any business and economic environment. As such, the Group has developed a comprehensive and stringent risk management framework in line with the international practices as the basis for risk management, which includes a three-tier system for risk management and three lines of defence for risk control in line with its risk management infrastructures. Proactive efforts have also been made to promote and foster a risk management culture taking the three principles of risk management as its core to ensure effective risk management.

Risk Management Framework and Culture

The effectiveness of the Group's risk management framework lies in its clearly-defined risk management objectives and mandates, as well as a fully-fledged risk control system with clear structures, well-defined functions, roles and responsibilities, as well as a comprehensive set of policies and procedures and their respective implementation rules. The prime objective is to have all the business risks effectively identified, measured, analysed and controlled, such as having them measured against defined limits, monitored, reported and managed (including mitigation and elimination of risks), followed by the pursuit of business development on the premise of keeping risks in check.

The Group's risk management framework is embodied by the three-tier system, with the Board and the Risk Committee, a standing committee established by the Board being the first tier and the Group's management which includes the Executive Committee, the Capital Allocation and Investment Committee, the Risk Management Committee and the Credit Approval Committee as the second tier, whereas the executing units, including all business units, business supporting units, LCOM and GRM, together constitute the third tier. The Board determines the Group's risk management strategies, including risk appetite and tolerance, as well as guiding principles for overall risk management. The Risk Committee is responsible for overseeing the Group's overall risk management framework and advising the Board on the Group's risk-related matters. On the other hand, the Executive Committee, through its Capital Allocation and Investment Committee, the Risk Management Committee and the Credit Approval Committee, is responsible for and guiding the implementation of the Group's risk management strategies as well as the formulation and execution of overall risk management policies, while all the business units within the Group constitute the main body for implementing the risk management policies and procedures.

The GRM, led by the Group Chief Risk Officer, works under the guidance of Risk Management Committee. In line with the international practices, the department has established four functional units for managing credit risk, market risk, operational risk and risk methodology and analysis respectively. The GRM is also responsible for the Group's liquidity risk management.

In line with the risk management infrastructures is a sound risk management culture within the Group, which stresses on the three principles for risk management, namely the principles of independence, partnership and prudence. Such a culture echoes with the underlying mechanism, where the risk management mechanism is put in place to embody the culture while the culture in turn ensures effective implementation of the framework.

Liquidity Risk

Liquidity risk mainly refers to the risk of liquid capital deficiency when the Group performs its obligations in relation to its financial liabilities and the risk of re-hypothecating securities collateral at deep discount over their respective market prices. Liquidity risk management constitutes an essential part of the Group's risk management function.

The Group is required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities and has put in place a monitoring system to ensure that it maintains adequate liquid capital to support its business commitments and to comply with the relevant Financial Resources Rules. In accordance with the policy on liquidity risk management, the Treasury Department closely monitors the Group's cash flow as well as the liquidity profile of its assets and liabilities. The Group maintains substantial long-term and other stand-by banking facilities to meet any contingent funding need in its operations. Even in periods of extreme market volatility, the management believes that the Group's working capital is adequate to meet its financial obligations for an extended period. In addition, the Group performs analyses over liquidity risk of securities collateral and carries out regular tests to ensure adequate liquidity value of securities collateral for the purpose of pledge financing, thus mitigating the risk of funding interruption.

Credit Risk

Credit risk refers to the risk of economic losses stemming from failure of any counterparty, borrower or bond issuer to meet their contractual obligations. For lending related business, the Credit Approval Committee is the main decision-making body for credit approvals of special lending projects, including general equity financing and leveraged and acquisition financing projects, approving credit and trading limits for clients and stock lending ratio.

The Credit Control Department is the designated department focusing on the credit risk management functions of the brokerage, securities margin financing and leveraged and acquisition financing projects. The credit control team is responsible for developing security margin financing monitoring and control measures, including the daily monitoring of changes in clients' positions, financing ratios and their account changes; observing strictly the approved financing and credit policies to make margin calls and perform forced liquidation; reporting to the management regularly and when abnormalities arise; closely monitoring the unusual movements and trading halts of individual stocks and timely identifying non-performing debts; and demanding higher margin requirements to step up risk control for particular clients or products. The credit control team and the management monitor closely the changes in loan balances and positions of any single major client. In the event of any sudden adverse change in market conditions, the relevant salesperson will be urged to take prompt remedial action, such as requesting clients to reduce positions, depositing funds or improving quality of their stock portfolio to maintain risks at a level acceptable to the Group. Meanwhile, to avoid overconcentration of credit risk, the Group has set upper limits on client concentration risk and stock concentration risk and imposed caps on margin lending secured against a single stock for individual clients.

The project risk management team also serves as the credit control unit for the business. It performs due diligence reviews to examine the background of applicants and project authenticity before any sizable loan applications are submitted for approval. In the course of project approval, the team provides suggestions on risk prevention and control over critical risk factors of projects and delivers separate risk analysis reports. As for post-financing management, the responsible business team and the leveraged and acquisition financing risk management team perform on-going monitoring over existing projects and pay heed to any change in the operating and financial position of borrowers and investment projects. They also monitor the quality of the relevant collaterals, perform internal rating for the approved projects based on their latest credit standing and issue a warning to the management when abnormalities arise. The monitoring findings will be reported to the management on a monthly basis.

Besides, the Credit Control Department conducts stress tests on a regular basis, so as to timely identify any problems in clients' accounts amid market turbulence and to assess the Group's credit risk exposure and capital adequacy taking into account the potential change in future economic conditions.

For trading related business, the counterparty credit risk is managed by GRM credit risk management team.

Market Risk

The Group is exposed to market risk which is originated from the relevant business lines and mainly covers risks associated with equity, interest rate and foreign exchange rate fluctuations. The market risk management team is the major risk control unit put in place to cater for the development of all the business lines. The Group has developed a comprehensive set of policies, procedures and systems for market risk management, enabling full coverage of the basic components of market risk management, including stringent product definition, the defining, measuring and quota-setting of risk factors and overall risk exposure (such as Value at Risk), risk control model and system, as well as risk reporting and management, in a bid to ensure all major market risks are duly identified, assessed and controlled.

The Group's interest rate and foreign exchange risk exposure also stems from its overall asset and liability portfolio. The Group uses appropriate hedging tools when it is exposed to material interest rate risk. The foreign currencies used by the Group are mainly the US dollar and Renminbi. The Group is not exposed to material foreign exchange risk due to Hong Kong's currency peg with the US dollar. As for exchange rate of Renminbi against Hong Kong dollar, the exposure is mainly managed by asset and liability management and the residual exposure is monitored and actively hedged by both market risk management team and Treasury team.

Operational Risk

Operational risk refers to the risk of loss stemming from external incidents, defects in management over internal procedures, failure of IT systems or misconduct of personnel, etc. Under GRM the operational risk management team serves as the key functional unit. The Internal Audit Department is responsible for the oversight function, whereas all business and supporting units are tasked with monitoring operational risk based on their assigned duties.

The Group performs operational risk management based on actual business conditions. Future development of new businesses of the Group requires operational risk analyses and control measures in such areas as workflow, manpower configuration, system operation and risk control. As for existing business lines, the respective workflow and risk management measures are reviewed and updated from time to time or when necessary to ensure effective management and availability of monitoring measures. Moreover, Business Continuity Plans are developed to prevent accidental business suspension and to strengthen post-disaster business recovery capabilities of the Group.

Responsibilities of Directors for the financial statements

The following responsibility statement of Directors regarding the financial statements shall be read in conjunction with the responsibility statement of the certified public accountants included in the audit report of this annual report. Each responsibility statement shall be understood separately.

All Directors acknowledge and confirm that they have the responsibilities to compile the financial statements which can truly reflect the business results of the Company in each financial year. To the best knowledge of all Directors, there are no events or situations which may cause any material adverse impact on the ongoing operations of the Company.

Internal Auditor

The Group has an independent internal audit team, which provides objective assurance and internal control consultancy service to safeguard the Group's operations. On a yearly basis, the head of the internal audit team will present a report and express an opinion on the internal control environment of the Group to the Audit Committee. A group-wide internal control self-assessment is conducted yearly in order to help departments to self-assess their internal control environmental and risks. The annual audit work plan takes the risk-based approach and covers major activities and processes of the Group's operating business. Moreover, ad hoc reviews will also be conducted on specific areas of concern identified by the Audit Committee and senior management.

External Auditor

During the year, the Group has engaged its external auditor, Deloitte Touche Tohmatsu, to provide the following audit and taxation services and their respective fees are shown below:

Type of Services	Fee charged For the year ended 31 December 2016 HK$'000	2015 HK$'000
Audit fee for the Group	**3,800**	3,700
Taxation services	**452**	475

Communication with Shareholders

The Board and senior management maintain a continuing dialogue with the shareholders and investors through various channels including the Company's annual general meeting. The Chairman, other Board members and the external auditor attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press and analyst conferences at least twice a year following the release of interim and annual results announcements at which the executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the shareholders to have timely and updated information of the Group. Shareholders can refer to the "Shareholders' Communication Policy" posted on the Company's website for more details.

Besides, the Company arranges media luncheons, invites media to attend corporate events, maintains regular communication with them via interviews and article contribution covering diverse topics and uses its corporate website to disseminate its press releases, financial and other information relating to the Group and its business to the public in order to foster effective communication.

Shareholders' Rights

Shareholders' rights are set out in a number of sources, such as the New Bye-laws, the Companies Act 1981 (the "Act") and the Listing Rules. With reference to the above sources, the Company sets out below details of shareholders' rights in the following aspects:

1. The way in which shareholders can convene a special general meeting

Pursuant to Bye-law 58 of the New Bye-laws and Section 74 of the Act, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must be signed by the requisitionists and deposited at the registered office of the Company at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong (the "Registered Office") for the attention of the Company Secretary.

The requisition will then be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the requisition is proper and in order, the Company Secretary will forward the requisition to the Board and the Board shall convene and hold such a general meeting within 2 months after the deposit of such requisition. Moreover, if within 21 days of such deposit, the Board fails to proceed to convene such a general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

2. The procedures for sending enquiries to the Board

Shareholders and other stakeholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the Registered Office and the Company Secretary shall then forward the same to the appropriate executives of the Company or members in the Board for further handling.

3. The procedures for making proposals at shareholders' meetings

To put forward proposals at an annual general meeting or a special general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the Company Secretary at the Registered Office. The request will be verified with the Company's Branch Share Registrar and Transfer Office in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to Bye-law 59(1) of the New Bye-laws:

(a) for an annual general meeting or any special general meeting at which the passing of a special resolution is to be considered, it shall be called by not less than 21 clear days' notice (the notice period must include 20 clear business days under the Listing Rules' requirement); and

(b) for all other special general meetings, they may be called by not less than 14 clear days' notice (the notice period must include 10 clear business days under the Listing Rules' requirement).

Constitutional Documents

There is no significant change in the constitutional documents of the Company during the year.

Drawing Positive Energy

for greater harmony in society

Corporate Social Responsibility should not merely be focused on material goal or money, but should be expressed in different kind of charitable activities that give a sense of positivity and Lifestyle of Health & Sustainability (LOHAS).

Corporate Social Responsibility Report

Haitong International has put its root down in Hong Kong and been striving for business growth and at the same time shouldering its corporate social responsibility to make contribution to the community as a good corporate citizen over past 20 years.

To live up to its good corporate citizenship, Haitong International has been placing emphasis on its customers, employees, shareholders and investors over years. In 2014, Haitong International Charitable Foundation was founded for the purpose of earmarking its resources with a strategic perspective to better discharge its corporate social citizen responsibility.

As a token of appreciation for its commitment to caring for the well-being of the community, the Group has been recognized as a "Caring Company" by The Hong Kong Council of Social Service since 2004 for over 10 years straight. Since 2015, the "Haitong International Charitable Foundation" has also received the "Caring Organization" logo.

CUSTOMERS

Haitong International strives to keep up with the ever-quickening pace of change in the marketplace. The Company is dedicated to the development of innovative financial products and services in response to the specific needs of global and local customers. Also, it has established a long-term and trusted relationship and always endeavours to provide comprehensive financial products and services to global and local corporate, institutional as well as individual investors.

To keep abreast with the Shanghai-Hong Kong Stock Connect launched in November 2014 and the Shenzhen-Hong Kong Stock Connect launched in December 2016, Haitong International pays constant attention to both software and hardware of trading and settlement system so as to cater to demands for new investment opportunities of its clients. To be in line with and cope with the promotion of the Stock Connects, we tailored-made training on A-share trading policies, regulations and industry outlook for all front, middle and back office employee on an ongoing basis. Moreover, we organized investment seminars and forums for retail and institutional clients and heightened communications. Its preeminent research team provides over 1,500 institutional investors with research reports on about 500 listed companies in over 30 sectors in 9 languages. In addition, the Company also augments its cooperation and sharing of research reports with the parent company, Haitong Securities. A range of comprehensive services has also been put in place to support customers on A-share investments

Haitong International always sees communication with its client as an important task. In 2016, it launched a reengineered website with brand new layouts for which its business lines are clearly delineated. Not only does the new website underscore its corporate image, but it also streamlines the list of items for better view and instant access to Haitong International's latest information. At the same time, the Company has also registered business accounts on a number of social networking platforms including Wechat, Weibo, Facebook and Twitter with information updated from time to time. To fulfill customers' appetite for information, the Group has launched a Facebook Fan-page named "Investment Strategy – Haitong International" and a Wechat public platform providing instant market information and investment strategy to customers on each trading day, aiming to help customers to refine their investment strategy.

The revamped website adopts Responsive Web Design, providing user friendly browsing experience

Customers' opinions and feedbacks are instrumental to our corporate development. To fully gauge our customer experiences, Haitong International is conducting quarterly customer satisfaction and opinion survey, with an objective to enhance service quality. Haitong International strictly adheres to the procedures of risk management and internal control. Therefore a series of training sessions has been provided to front, middle and back office staff year round to ensure that product specifications, service terms and internal procedures are in compliance with laws and regulations. Customers are therefore kept fully informed of the features and risk exposure of an investment before they make their decision.

EMPLOYEES

Haitong International always cares about the mental and physical well-being of its employees and advocates a work-life balance. Therefore continuous efforts have been put to improve staff welfare. The "Haitong International Staff Club" regularly organizes recreational activities for its staff and their family members including bowling competition, basketball matches and interest classes. Through those activities, the Company aims to relieve stress of staff and to encourage interactions amongst departmental colleagues. The Company launched the "Employee Assistance Program" for its staff, with the aim of promoting both the physical and mental well-being of staff by engaging external professionals to provide them with information and guidance on work/life issues as well as family counselling services. Besides, Haitong International continued to help its staff through the dedicated "Staff Care Fund". The fund offers immediate support to staff suffering from serious financial or livelihood problems to help them weather adversity.

Haitong International also encourages its staff to pursue further studies and qualifications to seek self-development in professional fields. In 2016, the Group hosted over 70 internal training sessions covering topics such as the global investment market, A-share market, new financial products and regulations, and granted training sponsorship to ensure staff's compliance with the continuous professional training requirements for licensed persons as stipulated by the Securities and Futures Commission, and the continuous professional development requirements for insurance and MPF intermediaries and for registration with the Chinese Gold and Silver Exchange Society. Haitong International continued to support employees in obtaining finance-related professional qualifications by providing study leaves and examination leaves to let them prepare well for the professional examinations. As an encouragement to achieve professionalism, Haitong International has set up an incentive mechanism by granting cash bonus to staff members for acquisition of job-related professional qualifications. Moreover, internal training on compliance was arranged for staff to enrich their industry knowledge and enhance their awareness on the latest developments of the internal compliance policy.

To develop the bench strength for the Group, a "Management Trainee Scheme" has been launched since 2008 with which outstanding graduates with potential are recruited and provided with one year training with job rotation.

1. Haitong International hosted over 70 internal training sessions in the year
2. "Haitong International Staff Club" regularly organizes recreational activities for its staff, building up strong relationship between departmental colleagues
3. Haitong International organized investment seminars to educate retail investors on market trends and financial products
4. Haitong International maintains close communications and exchanges with analysts and investors through regular meetings
5. The Senior Management attended financial results announcement press conference

SHAREHOLDERS AND INVESTORS

During the year, Haitong International attached emphasis to fostering relationships with investors. The Company organized press conferences as well as analyst meetings for the interim and final results announcement, whilst at the same time took active part in the investor conferences organized by sizable financial institutions. Haitong International maintained close ties with about 300 institutional investors and analysts around the globe through non-deal roadshows and one-on-one meetings held in various domestic and overseas regions. These communicative channels help investors to have thorough understanding of the Group's operations, financial position and business development. Besides, there are always follow-ups and analysis on investors' feedbacks such that investor reports are subsequently produced for management's reference.

In 2015, Haitong International was included in the Hang Seng Composite LargeCap & MidCap Index. Haitong International's shares were accepted to be traded in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in 2015 and 2016 respectively, reinforcing its accessibility to a variety of investors and liquidity of its shares to expand its investor base in an efficient fashion. In 2016, a total of 16 research reports on Haitong International were released by 5 financial institutions, amongst them 2 were initial coverage reports. The Group also hosted annual general meeting to enhance communications between shareholders and the management. All announcements and press releases issued by the Group are uploaded to its own website timely so that investors and shareholders can refer to the information anytime. Furthermore, Haitong International also maintains a Facebook Fan-page as well as a public forum in Twitter and Wechat to keep investors and analysts posted on the latest company announcements. Apart from maintaining close communications and exchanges with shareholders, investors and industry analysts, Haitong International also places high importance to educating investors about the Hong Kong financial market. Great efforts have been spent to assist retail investors in gaining an insight into the latest investment market trends and types of financial products. Upholding the "multi-market, multi-channel and multi-level" approach for proactive investor education, the Group has been teaming up with investment experts within and outside the Group to organize regular investment seminars, workshops and discussion forums to raise the financial product awareness and investment knowledge of local investors.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COMMUNITY

"Care for the Elderly, Care for the Brain"Project

Dr. Lin Yong, Deputy Chairman and Managing Director of the Company, holding the philosophy of "giving hopes to the people in need", he initiated to found the Haitong International Charitable Foundation in 2014. He opines that corporate social responsibility should not be confined to donations only, but should be expressed in different kinds of charitable activities that give a sense of positivity and joie de vivre. To this end, Haitong International Charitable Foundation has been seeking partnership with organizations of like mind for years for long-term and sustainable charitable projects.

In 2016, Haitong International Charitable Foundation worked in harness with the Helping Hand to unveil the"Haitong International "Care for the Elderly, Care for the Brain"Project", a starting point of a long-term charity journey of the Company. It is envisaged to offer activities in form of horticulture, music and arts, as a part of therapy, to over 500 senior citizens en masse from 5 elderly homes of Helping Hand in hopes of improving their emotions and cognitive impairment. A wealth of interest classes is hosted to help them expand their social circles and sharpen their cognitive ability for more meaningful and convivial twilight years.

VOLUNTEERISM

Apart from monetary support, the staff members of Haitong International also participated in various charitable activities. In July 2016, Dr. Lin Yong set an example by attending the inaugural "Healing Garden workshop"run by "Care for the Elderly, Care for the Brain" project with Haitong International's caring ambassadors. During the event, Dr. Lin and the

volunteers, offering themselves as staunch helpers, assisted the elderly in sowing and watering in a congenial atmosphere which could build up the health and cognitive ability of the social members advanced in years. More importantly, interactions and care reciprocated yesterday's social contributors with a time of bliss and reassurance.

In December, the caring ambassadors of Haitong International organized a charity hike for the first time to let our staff members to lay back and at the same time raise proceeds for charity purpose. Haitong International Charitable Foundation also arranged 1 to 1 matching for donation for the beneficiary organizations of Operation Santa Claus as a token of love to society.

By using Haitong International Charitable Foundation as a vehicle, the Company supported a number of non-profit making organizations as always. In 2016, the Company served as a major sponsor for "MBA Challenge" of Operation Santa Claus and supported the "Helping Hand Health Bank Cookie Campaign 2017", "YO! Dance it up" held by Youth Outreach, the Community Chest's "Dress Causal Day" and "Oxfam Rice Event".

6-8. "Haitong International Caring Ambassadors" participated in "Care for the Elderly, Care for the Brain Project"

9. Haitong International organized a Charity Hike to raise fund for the "Operation Santa Claus"

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PROMOTION OF FINANCIAL INDUSTRY

The members of the board of directors and senior management of Haitong International possess profound experience in the financial industry and have been serving as speakers in the seminars and forums held by a number of professional groups, chambers of commerce, financial institutions and media in hopes of advocating industry standards and promoting development of financial products. Since 2014, Haitong International has been joining The Better Hong Kong Foundation as a corporate member with an aim to promoting economic and social developments of Hong Kong to the overseas regions, delivering positive messages and fostering communication among Hong Kong, China and countries around the world with better cooperation. Dr. Lin Yong, Deputy Chairman and Managing Director of Haitong International, together with other management members, has been actively taking part in various activities organized by the Better Hong Kong Foundation. During which, the Company exchanges, shares and discusses topics revolving around economic and financial in Hong Kong with regulatory bodies and leading financial institutions, and gives advice and recommendations in a bid to improve Hong Kong and its financial industry's image in the international arena.

Haitong International has become a member of "The Better Hong Kong Foundation" since 2014, striving to update the international community on the latest development of Hong Kong's economy and community

TIE-UPS WITH SOCIAL ENTERPRISES

As civic consciousness is amounting around the globe, many social issues cannot be solved by government policies alone. Social enterprises can address to some tricky social problems by business modus operandi and make contribution to society and economy.

SE gift certificate

We are of conviction that large enterprises-social enterprises cooperation is inevitably the product of the times. Haitong International Charitable Foundation Limited will cooperate with social enterprises more in the future. As a starter, we have purchased office supplies from social enterprises during the course of our day-to-day operation. For example, we purchased coupons from the Hong Kong Council of Social Service and gave our staff as gifts. Those SE gift certificates are applicable to over 70 given social enterprises or Fairtrade Shops. Though this, the Company hopes its staff members to have a better understanding of social enterprises when they shop. What is more, it is meaningful to convert this spending power into contribution to society. In addition, social enterprises are included in our list of suppliers as our support to these charitable companies.

ENVIRONMENTAL PROTECTION

In 2016, the Company participated in an electronic products recycling programme organized by "Caritas Computer Workshop" by donating its used computers to the charity group for recycling and renewing. Since 2013, the annual reports have been printed on recycled paper, displaying the Group's environmentally-astute attitude from every detail. As recognition of its waste reduction efforts and concerns, the Environmental Campaign Committee, though Hong Kong Awards for Environmental Excellence co-organized with the Environmental Protection Department, granted Haitong International the Wastewi$e Label in Class of Excellence.

"Class of Excellence" Wastewise Label

From 1 January 2016 onwards, all listed companies should present reports in accordance with the Environmental, Social and Governance Reporting Guidelines issued by the Hong Kong Exchanges and Clearing Limited (the "HKEx"). Haitong International has prepared its Environmental, Social and Governance Report for 2016 in accordance with the guidance. The report that contains the company's environmental protection policy will be published in 2017.

Board of Directors

Executive Directors

LIN Yong, aged 47, was appointed as an Executive Director of the Company on 23 December 2009 and the Joint Managing Director of the Company on 10 March 2010. He has been a Deputy Chairman of the Board of Directors and the Managing Director of the Company as well as the Chief Executive Officer of the Group since 29 April 2011. He is also the Chairman of the Executive Committee as well as a member of the Strategic Development Committee of the Company. In addition, Mr. Lin is a director of various subsidiaries of the Company and a member of the board of Haitong Bank S.A. ("Haitong Bank") and Haitong Banco de Investimento do Brasil S.A., a wholly-owned subsidiaries of Haitong International Holdings Limited (formerly known as "Hai Tong (HK) Financial Holdings Limited") ("HTIH"). Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. Lin joined HSCL in 1996 and was a general manager of the Investment Banking Department of Haitong Securities Co., Ltd. ("HSCL") from 2001 to 2007. He has been appointed as an assistant to general manager of HSCL with effect from 30 December 2014 and the chief executive officer of HTIH since 2007. He is responsible for the overall operation of HTIH and the business development of the Group. In 2006, Mr. Lin was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海首屆十大金融傑出青年) and was honoured as the "2014 Shanghai Financial Industry Leader" (2014滬上金融行業領袖) in 2014. He acts as an adjunct professor in Management College of Xiamen University since 12 May 2010. Mr. Lin has been appointed as an independent non-executive director of Zhongsheng Group Holdings Limited ("Zhongsheng Group") with effect from 31 March 2014, the shares of Zhongsheng Group are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

LI Jianguo, aged 53, was appointed as an Executive Director of the Company on 13 January 2010 and a Deputy Chairman of the Board of Directors of the Company on 10 March 2010. He is also a member of the Strategic Development Committee of the Company. Mr. Li holds a Doctorate Degree in Economics from Xi'an Jiaotong University. He has 25 years of experience in the securities industry. Mr. Li was a general manager of Henan Securities Co., Ltd. from 1992 to 1998. He joined HSCL in 1998 and served as the deputy general manager of HSCL from 1998 to 1999. Mr. Li was the vice president and the general manager of Fullgoal Fund Management Co., Ltd. from 1999 to 2008. Mr. Li has been the assistant to the general manager of HSCL and the chairman of the board of directors of HTIH since 2008 and the deputy chairman of the board of directors of HTIH since 9 August 2010.

HUI Yee Wilson, aged 57, joined the Group in 1995 and was appointed as an Executive Director of the Company on 29 April 2011. He is the Director of Sales and Marketing for the Group as well as a member of the Executive Committee of the Company. In addition, Mr. Hui is the Managing Director of Haitong International Futures Limited and Haitong International Securities Company Limited. He is also a director of various subsidiaries of the Company and a responsible officer of Haitong International Futures Limited, Haitong International Securities Company Limited and Haitong International Consultants Limited under the Securities and Futures Ordinance. Mr. Hui is responsible for the development and management of the Group's retail brokerage business. Mr. Hui holds a Bachelor Degree in Economics and Management Studies from The University of Hong Kong. Before joining the Group, Mr. Hui possessed 14 years of experience in the banking and securities industries. He is currently a member of the Hong Kong Institute of Directors and the Hong Kong Securities and Investment Institute as well as a director of The Hong Kong Association of Online Brokers Limited.

Non-executive Directors

JI Yuguang, aged 59, was appointed as a Non-executive Director of the Company on 13 January 2010 and the Chairman of the Board of Directors of the Company on 29 April 2011. He is also the Chairman of the Nomination Committee and the Strategic Development Committee and a member of the Remuneration Committee of the Company. Mr. Ji obtained a bachelor's degree in economics from Beijing Finance & Commerce College in July 1983 and graduated with a major in economy management as a postgraduate from Party School of Central Committee of the CPC in June 1999. He is a senior economist in the People's Republic of China (the "PRC") and has securities practitioner qualification in the PRC. He has 33 years of experience in the finance and commerce industry. Mr. Ji has worked for Beijing Municipal Planning Economy Committee (currently known as "Beijing Municipal Committee of Development and Reform") for 6 years and Bank of Communications Beijing Branch for 8 years. Mr. Ji joined HSCL in 1995 and was the general manager of HSCL Beijing Langjiayuan Branch from 1995 to 1997. Mr. Ji has been the deputy general manager of HSCL since 1997 and a director of the Overseas Business Committee of HSCL since February 2011. In addition, Mr. Ji has been a director of HTIH since 9 August 2010 and the chairman of the board of directors of HTIH since 17 March 2011.

POON Mo Yiu, aged 52, joined the Group in August 2008 and was appointed as an Executive Director of the Company on 1 July 2009 and was the Chief Operating Officer of the Group as well as a member of the Executive Committee of the Company prior to his re-designation as a Non-executive Director on 16 February 2016. He is currently an executive board member and the Chief Financial Officer of Haitong Bank. Mr. Poon holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants ("HKICPA") and a member of the Institute of Chartered Accountants in England & Wales. Mr. Poon has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Group, Mr. Poon worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

CHENG Chi Ming Brian, aged 34, joined the Group in June 2009 and was appointed as an Executive Director of the Company on 1 July 2009. He was re-designated as a Non-executive Director of the Company on 13 January 2010. Mr. Cheng is also a member of the Remuneration Committee and the Strategic Development Committee of the Company. Mr. Cheng holds a Bachelor of Science Degree from Babson College in Massachusetts, U.S.A. Mr. Cheng is currently an executive director of NWS Holdings Limited, chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited, non-executive director of Newton Resources Ltd., Wai Kee Holdings Limited and Beijing Capital International Airport Company Limited. The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Cheng is also a director of certain subsidiaries of NWS Holdings Limited. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Holdings Limited and its subsidiaries. In addition, Mr. Cheng is a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. Mr. Cheng has previously worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

WANG Meijuan, aged 52, was appointed as a Non-executive Director of the Company on 1 September 2012 and is a member of the Audit Committee and the Risk Committee of the Company. She holds a Bachelor Degree and a Master Degree from the Shanghai University of Finance and Economics. Ms. Wang is a senior accountant in the PRC and possesses the qualification of securities practitioner in the PRC. She has worked as a lecturer for the department of management engineering of the Shanghai Institute of Building Materials and the senior manager of Da Hua Certified Public Accountants Co. Ltd. Ms. Wang has over 15 years of experience in the securities industry. From May 2001 to June 2003, she worked respectively as the assistant to the general manager and the deputy general manager of the audit department of HSCL. After joining HSCL in July 2003, Ms. Wang has worked as the deputy general manager of the monitoring and audit department, the deputy general manager of the risk control headquarters and the chief inspector and the deputy general manager for risk control. Currently, Ms. Wang is respectively a director and the chief supervisor of Haitong Capital Investment Co., Ltd. and Haitong Futures Co., Ltd., the group companies of HSCL, and a member of the Brokerage Business Committee of HSCL and the general manager of the audit department of HSCL.

William CHAN, aged 50, was appointed as a Non-executive Director on 2 January 2015 and is the Chairman of the Risk Committee and a member of the Strategic Development Committee of the Company. He is also the Chief Executive Officer and Chief Investment Officer of Harveston Asset Management Pte. Ltd., a joint venture company of Haitong International Investment (Singapore) Pte. Ltd., an indirect wholly-owned subsidiary of the Company. Mr. CHAN was awarded a Master of Business Administration Degree from National University of Singapore and a Bachelor Degree in Shipbuilding from Dalian University of Technology in China. He is currently the Investment Director of Tze San Investment Pte Ltd and has extensive experience in equity and bond analysis, trading and portfolio construction, currency trading, distress investment, quantitative research and derivative trading. Mr. CHAN previously worked for China Aviation Oil (Singapore) Pte Ltd as Head of Strategic Investment. He was also previously the Credit and Finance Manager of treasury department and financial risk unit for Asia Pacific of Dow Chemical Singapore.

Independent Non-executive Directors

TSUI Hing Chuen William JP, aged 65, was appointed as an Independent Non-executive Director of the Company on 1 July 2004 and is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Mr. Tsui is the founder partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of the Law Society of Hong Kong in 2013. Mr. Tsui is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited. The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited.

LAU Wai Piu, aged 52, was appointed as an Independent Non-executive Director of the Company on 1 December 2006 and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee of the Company. Mr. Lau is a member of the HKICPA and a fellow of the Association of Chartered Certified Accountants. He possesses over 20 years of extensive experience in accounting and financial management. Mr. Lau is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited. The shares of all these companies are listed on The Stock Exchange of Hong Kong Limited.

LIN Ching Yee Daniel, aged 54, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is the Chairman of the Audit Committee of the Company. Mr. Lin graduated from the University of Oxford and obtained a Master of Arts in Engineering Science. He is a Certified Public Accountant (Practising) in Hong Kong and a member of the HKICPA and the Institute of Chartered Accountants in England and Wales. Mr. Lin is currently the managing partner of Grant Thornton Hong Kong Limited, a member firm of Grant Thornton International Ltd. During working in London of the United Kingdom and Hong Kong, he has gained over 30 years of experience in auditing, initial public offering, financial consulting and management and has been a partner in various large international accounting firms in Hong Kong. Mr. Lin is currently a member of the Professional Conduct Committee, the Mainland Development Strategies Advisory Panel and Deputy Chairman of Branding and Communication Advisory Panel of the HKICPA.

WEI Kuo-chiang, aged 66, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is a member of the Remuneration Committee and the Risk Committee of the Company. He was awarded a Doctor of Philosophy Degree in Finance from the University of Illinois at Urbana-Champaign in the United States, a Master of Business Administration Degree in Finance from the National Chengchi University in Taiwan, and a Bachelor of Engineering Degree in Industrial Management from the National Taiwan University of Science and Technology. Mr. Wei is currently the Chair Professor of Financial Economics in the School of Accounting and Finance at The Hong Kong Polytechnic University . He previously acted as chair professor, professor, associate professor and assistant professor of finance at a number of prestigious universities, including the University of Mississippi, the University of Miami and the Indiana University at Bloomington/Indianapolis in the United States as well as The Hong Kong University of Science and Technology ("HKUST"), and also served as Director of Value Partners Center for Investment, Director of the Center for Asian Financial Markets and Director of Master of Science (Financial Analysis)/(Investment Management) Programs at the HKUST for many years. Mr. Wei has written a number of research papers on issues such as the United States and Global Capital Markets and Pricing of Assets and he was also a column writer on Hong Kong stock market and warrant trading for Hong Kong Economic Journal for many years. Moreover, he assisted to develop wealth management and investment models for, among others, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited and also organized and conducted a consultancy project for the Government of Hong Kong and Asia-Pacific Economic Cooperation. Mr. Wei has been a council member of the Chinese Finance Annual Meeting and the Global Chinese Real Estate Congress since 2004 and 2008 respectively.

Report of the Board of Directors

The board of directors of the Company (the "Board") is pleased to present its report and the audited financial statements of the Company and the Group for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries comprise 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 and investment holdings. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2016.

Business Review

The business review of the Company for the year ended 31 December 2016 is set out in the sections headed, "Financial Highlights", "Chairman's Statements", "Managing Director's Review", "Financial Review", "Corporate Governance Report" and "Corporate Social Responsibility Report" on pages 2 to 3, pages 12 to 13, pages 16 to 23, pages 24 to 26, pages 27 to 43 and pages 46 to 53 respectively on this Annual Report.

Results and dividends

The Group's profit for the year ended 31 December 2016 and the state of affairs of the Company and the Group on date are set out in the financial statements on pages 87 to 220.

The Board has resolved to recommend a final dividend of HK8 cents per share in cash for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on Monday, 10 July 2017. Shareholders will be given the option to receive the final dividend in new shares in lieu of cash. Together with the interim dividend of HK7.5 cents per share paid on 1 November 2016, the total dividend payout for 2016 would be HK15.5 cents per share.

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The final dividend will be paid on or about Friday, 18 August 2017.

Closure of register of members for entitlement to attend and vote at annual general meeting

The register of members of the Company will be closed from Monday, 26 June 2017 to Friday, 30 June 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, unregistered holders of the shares of the Company should ensure that 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 Friday, 23 June 2017.

Closure of register of members for entitlement to the proposed final dividend

The register of members of the Company will be closed from Thursday, 6 July 2017 to Monday, 10 July 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, the unregistered holders of the shares of the Company should ensure that 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 Wednesday, 5 July 2017. Shares of the Company will be traded ex-dividend as from Tuesday, 4 July 2017.

Summary of financial information

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2016 and the previous 10 financial periods/years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 221 of this Annual Report. This summary does not form part of the audited financial statements.

Charitable contributions

During the year ended 31 December 2016, the Group made charitable contributions totalling HK$770,920.

Reserves

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 43 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended), amounted to HK$1,137,318,000, of which HK$426,923,000 has been proposed as a final dividend for the year ended 31 December 2016. In addition, the Company's share premium account, in the amount of HK$17,116,904,000, may be distributed in the form of fully paid bonus shares.

Fixed assets

Details of movements in the fixed assets of the Company and the Group during the year ended 31 December 2016 are set out in note 14 to the financial statements.

Share capital

Details of movements in the Company's share capital during the year ended 31 December 2016, together with the reasons thereof, are set out in note 35 to the financial statements.

Debentures Issued

Details of loans and other borrowings are set out in note 34 to the financial statements and details of the convertible bonds are set out in the Company's announcements on 18 July 2013, 10 October 2013, 4 November 2014, 12 October 2016 and 25 October 2016.

Equity-Linked Agreements

Other than the share option schemes and convertible bonds of the Company with details as respectively disclosed in this Directors' Report and note 34 to the financial statements, no equity-linked agreements were entered into by the Company that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares during the year or subsisted at the end of the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016 other than as an agent for clients of the Company or its subsidiaries and for the trustee of the share award scheme of the Company.

Major customers and suppliers

In the year ended 31 December 2016, the revenue attributable to the 5 largest customers of the Group accounted for less than 30% of the Group's total revenue for the year ended 31 December 2016.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers.

The Group is a provider of financial services. In the opinion of the directors of the Company, it is therefore of no value to disclose details of the Group's suppliers.

Directors

The directors of the Company during the year ended 31 December 2016 and up to the date of this report are:

Executive directors:
LIN Yong
LI Jianguo
HUI Yee Wilson

Non-executive directors:
JI Yuguang
POON Mo Yiu (redesignated from executive director to non-executive director on 16 February 2016)
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

Pursuant to the Company's New Bye-laws 87(1) and (2), Messrs. JI Yuguang, LI Jianguo, TSUI Hing Chuen William and LAU Wai Piu shall retire from office by rotation at the forthcoming annual general meeting and are eligible to offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within 1 year without payment of compensation, other than statutory compensation.

Directors' biographical details

Biographical details of the directors of the Company are set out on pages 54 to 57 of this Annual Report.

Directors' service contracts

No director has a service contract with the Company or any of its subsidiaries which is for a duration that may exceed 3 years or which requires the Company to, in order to terminate such contract, give a notice period of more than 1 year or pay compensation or make other payments equivalent to more than 1 year's emoluments.

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

Permitted Indemnity Provision

The New Bye-laws of the Company provides that each director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the directors.

Directors' interests and short positions in shares, underlying shares and debentures

As at 31 December 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 set out in Appendix 10 to the Listing Rules (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*
JI Yuguang	Share options	–	–	–	875,526 (Note 1)	875,526	0.02
LIN Yong	Ordinary shares/ share options	4,783,416 (Note 2)	–	–	800,311 (Note 3)	5,583,727	0.10
LI Jianguo	Ordinary shares/ share options	2,012,486 (Note 4)	–	–	600,232 (Note 5)	2,612,718	0.05
HUI Yee Wilson	Ordinary shares/ share options	2,107,491 (Note 6)	–	–	2,451,340 (Note 7)	4,558,831	0.09
POON Mo Yiu	Ordinary shares/ share options	283,599 (Noted 8)	–	–	2,801,557 (Note 9)	3,085,156	0.06
CHENG Chi Ming Brian	Share options	–	–	–	1,175,640 (Note 10)	1,175,640	0.02
WANG Meijuan	Share options	–	–	–	300,114 (Note 11)	300,114	0.01
William CHAN	Share options	–	–	–	300,114 (Noted 12)	300,114	0.01
TSUI Hing Chuen William	Ordinary shares/ share options	200,000 (Note 13)	–	–	445,922 (Note 14)	645,922	0.01
LAU Wai Piu	Share options	–	–	–	725,640 (Note 15)	725,640	0.01
LIN Ching Yee Daniel	Share options	–	–	–	300,114 (Note 16)	300,114	0.01
WEI Kuo-chiang	Share options	–	–	–	300,114 (Note 17)	300,114	0.01

* On 16 June 2016 and 1 November 2016, 33,887,132 and 9,203,256 shares were allotted under the final dividend for the year ended 31 December 2015 and under the interim dividend for the 6 months ended 30 June 2016 respectively in form of scrip dividend. Together with the issue of 3,523,991 ordinary shares during the year ended 31 December 2016 pursuant to exercise of share options under the Share Option Scheme adopted on 23 August 2002, the total number of shares of the Company was increased to 5,336,534,474 as at 31 December 2016.

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. The number of outstanding share options was further adjusted from 875,443 to 875,526 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 800,236 to 800,311 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 600,176 to 600,232 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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 (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. The number of outstanding share options was further adjusted (i) (Date of Grant: 3 September 2010) from 1,750,902 to 1,751,069; and (ii) (Date of Grant: 12 May 2016) from 700,206 to 700,271 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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 are 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.

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 (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. The number of outstanding share options was further adjusted (i) (Date of Grant: 3 September 2010) from 2,101,086 to 2,101,286; and (ii) (Date of Grant: 12 May 2016) from 700,206 to 700,271 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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 (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. The number of outstanding share options was further adjusted (i) (Date of Grant: 3 September 2010) from 875,443 to 875,526; and (ii) (Date of Grant: 12 May 2016) from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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 (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. The number of outstanding share options was further adjusted (i) (Date of Grant: 3 September 2010) from 145,794 to 145,808; and (ii) (Date of Grant: 12 May 2016) from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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.

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 (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. The number of outstanding share options was further adjusted (i) (Date of Grant: 3 September 2010) from 875,443 to 875,526; and (ii) (Date of Grant: 12 May 2016) from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. 450,000 share options under the 2002 share option scheme were exercised by Mr. LAU on 23 November 2016. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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. The number of outstanding share options was further adjusted from 300,086 to 300,114 on 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend. Those share options, all of which remained exercisable as at 31 December 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 31 December 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 Schemes" below, at no time during the year ended 31 December 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.

Shared-Based Compensation Scheme

The Company operates three equity-settled share-based compensation schemes including two share option schemes (collectively the "Share Option Schemes") 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 Schemes

(I) On 23 August 2002, the shareholders of the Company approved the adoption of a share option scheme (the "2002 Share Option Scheme"). The 2002 Share Option Scheme was expired on 22 August 2012 (the "Expiry Date"). 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. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

Purpose of the 2002 Share Option Scheme:

To attract, retain and motivate talented employees to strive towards long term performance targets set by the Company and its subsidiaries and at the same time to allow the participants to enjoy the results of the Company attained through their effort and contribution.

Participants of the 2002 Share Option Scheme:

Any full time employees, executive and non-executive directors of the Company or any of its subsidiaries or associated companies.

Total number of shares available for issue under the 2002 Share Option Scheme and percentage of the Company's issued share capital immediately before the Expiry Date:

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but the Company may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of the Company under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval by the shareholders of the Company at general meetings where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

Immediately before the Expiry Date, the total number of shares available for issue under the 2002 Share Option Scheme was 71,503,270 shares, which represented approximately 7.81% of the issued share capital of the Company at that day.

Maximum entitlement of each participant under the 2002 Share Option Scheme:

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the Board and with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the Board) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised:

The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of the grant of the options and expire not later than 10 years after the date of grant of the options.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HK$1 by the grantee.

The basis of determining the exercise price:

The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

The remaining life of the 2002 Share Option Scheme:

The 2002 Share Option Scheme was expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

Details of movement of share options under the 2002 Share Option Scheme during the year ended 31 December 2016 were as follows:

Name or category of participants	Number of share options: At 1 January 2016	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	At 31 December 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***: 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											
JI Yuguang	875,199	–	327 (Note 1)	–	–	875,526	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	–	674 (Note 1)	–	–	1,751,069	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
POON Mo Yiu	2,100,474	–	812 (Note 1)	–	–	2,101,286	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
CHENG Chi Ming Brian	875,199	–	327 (Note 1)	–	–	875,526	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
TSUI Hing Chuen William	145,768	–	40 (Note 1)	–	–	145,808	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	N/A
LAU Wai Piu	875,199	–	327 (Note 1)	(450,000)	–	425,526	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	5.35
	8,436,901	–	2,507	(2,264,667)	–	6,174,741					

Report of the Board of Directors (continued)

Name or category of participants	Number of share options: At 1 January 2016	Granted during the year	Adjusted during the year	Exercised during the year	Lapsed during the year	At 31 December 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***: 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) (Note 2)	–	1 December 2007	1 June 2008– 31 May 2016	3.356	5.69	4.57
In aggregate	3,155,775	–	1,141 (Note 1)	(200,000)	–	2,956,916	3 September 2010	3 March 2011– 2 March 2019	2.768 (Note 1)	4.79	5.59
	4,225,754	–	1,141	(1,259,324)	(10,655)	2,956,916					
	12,662,655	–	3,648	(3,523,991)	(10,655)	9,131,657					

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options referred to above are subject to a 6-month vesting period.

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

*** The price of the Company's shares disclosed at immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed at immediately preceding the exercise date of the share options is the weighted average of the Stock Exchange closing prices over all the exercises of share options within the disclosure category.

Notes:

1. The exercise price and the number of share options were adjusted 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. The number of share options were further adjusted with effect from 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend.

2. These share options were lapsed during the year ended 31 December 2016 as a result of staff resignation or expiration of the exercise period.

(II) The shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

Purpose of 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.

Participants of the 2015 Share Option Scheme:

Any director (whether executive or non-executive and whether independent or not), employee (whether full-time or part-time), of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

Total number of shares available for issue under the 2015 Share Option Scheme and percentage of the Company's issued share capital as at the date of this annual report:

The total number of shares which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 212,924,439 shares (the "Scheme Limit"), representing approximately 10% of the issued shares of the Company as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the Company. In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of the Company which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). The Company may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. ("HSCL") (so long as the Company is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of the Company in respect of which options may be granted by directors of the Company under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Company as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed. Notwithstanding the aforesaid in this paragraph, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the 2015 Share Option Scheme was 195,317,832 shares, which represented approximately 3.66% of the issued share capital of the Company at that day.

Maximum entitlement of each participant under the 2015 Share Option Scheme:

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the Board and with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the Board) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company, with all connected persons of the Company shall abstain from voting (except where any connected person may vote against the relevant resolution at such general meeting provided that his intention to do so has been stated in the circular to the shareholders of the Company and that the relevant Listing Rules have been complied with).

The period within which the shares must be taken up under an option and the minimum period for which an option must be held before it can be exercised:

The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of the grant of the options and expire not later than 5 years after the date of grant of the options.

The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid:

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee.

The basis of determining the exercise price:

The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) a price equal to 110% of the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share.

The remaining life of the 2015 Share Option Scheme:

The 2015 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which it is conditionally adopted by resolution of the Company at general meetings and will expire on 7 June 2025.

Movements of the share options under the 2015 Share Option Scheme during the year ended 31 December 2016 are listed below:

	Number of share options										Price of Company's shares***	
Name or category of participants	At 1 January 2016	Granted during the year	Adjusted during the year (Note 1)	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2016	Date of grant of share options*	Exercise period of share options	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
Directors												
LIN Yong	–	800,000	311	–	–	–	800,311	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LI Jianguo	–	600,000	232	–	–	–	600,232	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
HUI Yee Wilson	–	700,000	271	–	–	–	700,271	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
POON Mo Yiu	–	700,000	271	–	–	–	700,271	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
CHENG Chi Ming Brian	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
WANG Meijuan	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
William CHAN	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
TSUI Hing Chuen William	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LAU Wai Piu	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
LIN Ching Yee Daniel	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
WEI Kuo-chiang	–	300,000	114	–	–	–	300,114	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
	–	4,900,000	1,883	–	–	–	4,901,883					

Report of the Board of Directors (continued)

Name or category of participants	Number of share options: At 1 January 2016	Granted during the year	Adjusted during the year (Note 1)	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 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***: 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	4,848	–	(100,000) (Note 2)	(200,052) (Note 2)	12,904,796	12 May 2016	8 December 2016–11 May 2021	4.674	4.25	N/A
	–	13,200,000	4,848	–	(100,000)	(200,052)	12,904,796					
	–	18,100,000	6,731	–	(100,000)	(200,052)	17,806,679					

* 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:

1. The exercise price and the number of share options were adjusted 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. The number of share options were further adjusted with effect from 1 November 2016 consequent to the allotment of ordinary shares on the same day under interim dividend for the 6 months ended 30 June 2016 in form of scrip dividend.

2. These share options were cancelled or lapsed during the year ended 31 December 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 Share Award Scheme 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.

The aggregate number of Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date (being 217,248,566 shares). The maximum number of Awarded Shares which may be awarded to each of Selected Participant in any 12-month period up to and including the date of award shall not in aggregate over 1% of the issued share capital of the Company as at the adoption date (being 21,724,856 shares).

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no cost.

Details of the Awarded Shares granted, lapsed and unvested during the year ended 31 December 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	–	317,616	7,547,890	15 March 2017 15 March 2018 15 March 2019

Further details of the Share Award Scheme are disclosed in note 36 to the financial statements.

Substantial shareholders' interests and short positions in shares and underlying shares

As at 31 December 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")	–	3,296,842,163	–	3,296,842,163	61.78
Haitong International Holdings Limited ("HTIH")	3,296,842,163	–	–	3,296,842,163	61.78

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 31 December 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.

Directors' Interests in Competing Businesses

Mr. LIN Yong (a Deputy Chairman and the Managing Director of the Company) is a director and the chief executive officer of HTIH, an assistant to the general manager of HSCL and a board member of Haitong Bank S.A. and Haitong Banco de Investimento do Brasil S.A.. Mr. LI Jianguo (a Deputy Chairman of the Company) is the deputy chairman of the board of directors of HTIH, which is a wholly-owned subsidiary of HSCL and an assistant to the general manager of HSCL. Mr. JI Yuguang (the Chairman of the Company) is the deputy general manager and a director of the Overseas Business Committee of HSCL as well as the chairman of the board of HTIH. Mr. POON Mo Yiu (formerly an executive director and re-designated as a non-executive director of the Company on 16 February 2016) is the chief financial officer of Haitong Bank S.A. Ms. WANG Meijuan (a non-executive director of the Company) is respectively a director and the chief supervisor of Haitong Capital Investment Co., Ltd. and Haitong Futures Co., Ltd., the group companies of HSCL, and a member of the Brokerage Business Committee and the general manager of the audit department of HSCL. HSCL and its subsidiaries (other than the Group) (collectively the "HSCL Group") competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the facts that:

(i) the Group is capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of the HSCL Group;

(ii) the Group and the HSCL Group have each augmented its business in a way so as to optimize the synergistic effect between the Group and the HSCL Group with a view to, where that is appropriate, minimizing duplication in terms of allocation of time and resources, and promoting efficiency, effectiveness and quality in the development of their respective businesses;

(iii) the Company has established corporate governance procedures to ensure business opportunities and performance are independently assessed and reviewed from time to time;

(iv) Mr. LIN Yong and Mr. LI Jianguo (both are executive directors of the Company), Mr. JI Yuguang, Mr. POON Mo Yiu and Ms. WANG Meijuan (all are non-executive directors of the Company) (collectively, the "Relevant Directors") are fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and

(v) the competing business in which the HSCL Group is engaged is primarily focused in the PRC whereas the Group's business is primarily Hong Kong-based,

the Group's interest is adequately safeguarded.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the New Bye-laws of the Company, the Board is of the view that each of the Relevant Directors does not, by himself/herself or in an individual capacity, competes with the Company and/or the business of the Group.

Based on the above, as at 31 December 2016, none of the directors of the Company and their associates was considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

Continuing Connected Transactions

The continuing connected transactions undertaken by the Group are included in the transactions set out in note 41(a) to the financial statements.

The independent non-executive directors of the Company have reviewed the connected transactions and continuing connected transactions in note 41(a) to the financial statements and have confirmed that the connected transactions and continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 41(a) to the financial statements in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transaction

As disclosed in the announcement of the Company dated 10 November 2016, Haitong International Singapore, an indirect wholly-owned subsidiary of the Company, has entered into the share purchase agreement (the "Share Purchase Agreement") with Haitong Bank, Haitong UK and Haitong India, pursuant to which Haitong International Singapore has conditionally agreed to purchase and Haitong Bank has conditionally agreed to sell the sale shares, representing the entire share capital of Haitong India, at the consideration as set out in note 44 to the financial statements. Immediately after the Completion, Haitong India became an indirect wholly-owned subsidiary of the Company to form an Asian platform by expanding the Group's geographic footprint to India to complement the Group's well-established integrated equities research capabilities in the PRC, Singaporean, Japanese and South Korean markets.

As at the date of the Share Purchase Agreement, each of Haitong Bank, Haitong UK and Haitong India is an indirect wholly-owned subsidiary of HSCL, which is the holding company of HTIH, the controlling shareholder of the Company, and therefore each of Haitong Bank, Haitong UK and Haitong India is an associate of HSCL and a connected person of the Company.

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 Agreement III, Facility Agreement IV and Facility Agreement V were made on 16 May 2013, 23 May 2014, 10 April 2015, 26 June 2015 and 18 March 2016 respectively.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 27 to 43 of this Annual Report.

Compliance with Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Auditors

The financial statements for the year ended 31 December 2016 of the Company have been audited by Deloitte Touche Tohmatsu who will retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

JI Yuguang
Chairman

Hong Kong, 9 March 2017

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 87 to 220, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of advances to customers in margin financing and other loans and receivables	
We identified the impairment of advances to customers in margin financing and other loans and receivables, which comprised other loans and debt securities classified as receivables, as a key audit matter as it requires the application of judgment by management, such as the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. The total gross amount of advances to customers in margin financing and other loans and receivables are HK$20,919 million and HK$8,229 million which comprised the impairment provision of HK$102 million and HK$103 million respectively as at 31 December 2016. Please see notes 23 and 24 to the consolidated financial statements. As detailed in note 4 to the consolidated financial statements, the management assesses the impairment of loans and advances to customers (including advances to customers in margin financing and other loans) and debt securities classified as receivables on a periodic basis by determining whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. The management also reviews the value of the collateral received from the customers in determining the impairment.	Our audit procedures for the impairment of advances to customers in margin financing include understanding and testing of the key controls over the credit risk management for on-going monitoring, including: • the margin call procedures for margin shortfall; and • actions taken by the management for impaired advances to customers in margin financing. Our audit procedures for other loans and debt securities classified as receivables include understanding and testing of the key controls over the credit risk management for on-going monitoring, such as periodic review for identification of any delinquency in loans or interest repayment. Furthermore, we examined underlying documentation supporting the value of the collateral, if any, and the management's key estimations used in the individual impairment assessment for advances to customers in margin financing and other loans and receivables on a sample basis. We also reviewed the estimated future cash flows and the fair value of collateral for all impaired amounts.

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 financial instruments	
We identified the valuation of level 3 financial instruments as a key audit matter due to the significance of the judgment and estimates made by the management and the subjectivity in determination of level 3 fair value given the lack of availability of market-based data. Please see note 47 to the consolidated financial statements. The total fair value of financial assets and liabilities designated at fair value through profit or loss and available-for-sale investments classified as level 3, amounted to, HK$3,841 million, HK$2,135 million and HK$427 million respectively as at 31 December 2016 as disclosed in note 47 to the consolidated financial statements.	We discussed the valuation of the level 3 financial instruments with the management, and together with our own internal valuation specialists, where necessary: • evaluated the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; and • evaluated the appropriateness of the key inputs by independently checking to the external data; by evaluating the rationale of management's judgment on the key inputs; or by performing sensitivity analysis with reference to available market information to evaluate the reasonableness of the valuation, where appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Eric Tong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
9 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Revenue			
Commission and fee income	6	1,724,162	2,021,273
Interest income	6	2,018,263	1,644,073
Net investment gains	6	1,608,392	2,143,013
Total revenue		5,350,817	5,808,359
Other income and gains or losses	6	6,899	6,946
Total revenue and other income and gains or losses		5,357,716	5,815,305
Salaries and allowances, bonuses and pension	7	(814,234)	(913,361)
Commission to accounts executives	7	(245,564)	(408,285)
Depreciation and amortisation	14 & 16	(39,980)	(32,250)
Other expenses		(841,991)	(384,930)
		(1,941,769)	(1,738,826)
Finance costs	7	(1,395,816)	(1,036,569)
Share of results of investments accounted for using the equity method		(27,658)	(53,522)
Profit before tax	7	1,992,473	2,986,388
Income tax expense	10	(312,248)	(476,336)
Profit for the year attributable to owners of the Company		1,680,225	2,510,052
Earnings per share attributable to owners of the Company	11		
— Basic (HK cents per share)		31.76	62.20
— Diluted (HK cents per share)		31.18	60.66

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year attributable to owners of the Company	**1,680,225**	2,510,052
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
Net fair value changes during the year	**(24,969)**	(67,877)
Reclassification adjustment to profit or loss on disposal	**53,697**	(2,845)
Reclassification adjustment to profit or loss on impairment	**126,239**	–
Cash flow hedge	**(18,156)**	(5,667)
Exchange differences on translating foreign operations	**(19,968)**	5,883
Other comprehensive income (expense) for the year	**116,843**	(70,506)
Total comprehensive income for the year attributable to owners of the Company	**1,797,068**	2,439,546

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Investments accounted for using the equity method	13	4,425,547	1,272,574
Property and equipment	14	129,665	101,159
Goodwill	15	218,460	157,697
Other intangible assets	16	50,423	53,256
Other assets	18	73,445	95,526
Financial assets designated at fair value through profit or loss	30	–	5,705,699
Available-for-sale investments	21	17,846,297	6,253,682
Held-to-maturity investments	22	93,357	92,801
Other loans and receivables	23	43,477	529,978
Deferred tax assets		1,237	4,546
Prepayments, deposits and other receivables	26	90,365	81,687
		22,972,273	14,348,605
Current assets			
Advances to customers in margin financing	24	20,817,335	18,879,155
Other loans and receivables	23	8,083,096	3,550,880
Accounts receivable	25	5,113,753	3,820,611
Prepayments, deposits and other receivables	26	959,106	508,071
Tax recoverable		30,188	92,839
Held-to-maturity investments	22	–	5,951
Derivative financial instruments	29	575,280	514,816
Financial assets at fair value through profit or loss	28	25,252,697	18,257,597
Financial assets designated at fair value through profit or loss	30	16,742,585	6,154,656
Financial assets held under resale agreements	38	3,600,953	1,114,496
Cash held on behalf of customers	32	20,186,813	18,265,360
Cash and cash equivalents		7,171,169	6,405,963
		108,532,975	77,570,395
Total assets		131,505,248	91,919,000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	35	533,653	528,992
Reserves		21,488,448	20,088,197
Proposed final dividend	12	426,923	211,597
Total equity		22,449,024	20,828,786

Consolidated Statement of Financial Position (continued)

At 31 December 2016

	NOTES	2016 HK$'000	2015 HK$'000
Liabilities			
Non-current liabilities			
Convertible bonds	34	3,802,531	134,393
Non-convertible bonds	34	9,973,074	9,937,201
Non-convertible notes	34	996,642	234,242
Financial assets sold under repurchase agreement	37	–	387,550
Deferred tax liabilities		18,443	20,464
Financial liabilities designated at fair value through profit or loss	30	–	4,225,698
		14,790,690	14,939,548
Current liabilities			
Accounts payable	33	28,240,926	20,945,837
Other payables and accruals	27	965,602	941,348
Other liabilities	19	2,512,113	–
Tax payable		171,921	571,193
Financial liabilities at fair value through profit or loss	31	3,143,726	957,979
Financial liabilities designated at fair value through profit or loss	30	14,216,393	3,263,051
Derivative financial instruments	29	250,864	90,193
Non-convertible notes	34	1,551,252	2,227,548
Financial assets sold under repurchase agreements	37	9,586,163	7,028,919
Loans and other borrowings	34	33,626,574	20,124,598
		94,265,534	56,150,666
Total liabilities		109,056,224	71,090,214
Total equity and liabilities		131,505,248	91,919,000
Net current assets		14,267,441	21,419,729
Total assets less current liabilities		37,239,714	35,768,334

The associated financial statements on pages 87 to 220 were approved and authorised for issue by the board of directors on 9 March 2017 and are signed on its behalf by:

LIN Yong
DIRECTOR

HUI Yee Wilson
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company														
	Share capital HK$'000	Share premium account[1] HK$'000	Share option reserve[1] HK$'000	Share award reserve[1 & 2] HK$'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/scrip dividend HK$'000	Retained profits[1] HK$'000	Total HK$'000
At 1 January 2015	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 year	-	-	-	-	-	-	-	-	-	-	-	-	-	2,510,052	2,510,052
Other comprehensive (expense) income for the year	-	-	-	-	-	-	-	-	(70,722)	5,883	(5,667)	-	-	-	(70,506)
Total comprehensive income (expense)	-	-	-	-	-	-	-	-	(70,722)	5,883	(5,667)	-	-	2,510,052	2,439,546
Shares issued under rights issue — note 35	253,345	8,568,445	-	-	-	-	-	-	-	-	-	-	-	-	8,821,790
Shares issued upon conversion of convertible bonds — note 35	36,412	1,685,334	-	-	-	-	-	-	-	-	-	(61,759)	-	-	1,659,987
Shares issued under share option scheme — note 35	1,944	84,026	-	-	-	-	-	-	-	-	-	-	-	-	85,970
Share options lapsed	-	10,921	(10,921)	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of shares held under the share award scheme[2]	-	-	-	-	(128,020)	-	-	-	-	-	-	-	-	-	(128,020)
2014 final dividend declared and settled in cash — note 12	-	-	-	-	-	-	-	-	-	-	-	-	(338,582)	-	(338,582)
2015 interim dividend declared and settled in cash and scrip — note 12	18,851	692,458	-	-	-	-	-	-	-	-	-	-	-	(1,019,716)	(308,407)
Proposed 2015 final dividend — note 12	-	-	-	-	-	-	-	-	-	-	-	-	211,597	(211,597)	-
At 31 December 2015	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
At 1 January 2016	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 year	-	-	-	-	-	-	-	-	-	-	-	-	-	1,680,225	1,680,225
Other comprehensive income (expense) for the year	-	-	-	-	-	-	-	-	154,967	(19,968)	(18,156)	-	-	-	116,843
Total comprehensive income (expense)	-	-	-	-	-	-	-	-	154,967	(19,968)	(18,156)	-	-	1,680,225	1,797,068
Issuance of convertible bonds — note 34	-	-	-	-	-	-	-	-	-	-	-	195,164	-	-	195,164
Recognition of equity-settled share-based payment — note 36	-	-	23,673	13,863	-	-	-	-	-	-	-	-	-	-	37,536
Share awards lapsed	-	518	-	(518)	-	-	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme — note 35	352	11,465	(373)	-	-	-	-	-	-	-	-	-	-	-	11,444
Share options lapsed	-	1,828	(1,828)	-	-	-	-	-	-	-	-	-	-	-	-
2015 final dividend declared and settled in cash and scrip — note 12	3,389	140,781	-	-	-	-	-	-	-	-	-	-	(211,597)	(112)	(67,539)
2016 interim dividend declared and settled in cash and scrip — note 12	920	45,161	-	-	-	-	-	-	-	-	-	-	-	(399,516)	(353,435)
Proposed 2016 final dividend — note 12	-	-	-	-	-	-	-	-	-	-	-	-	426,923	(426,923)	-
At 31 December 2016	533,653	17,118,104	23,760	13,345	(128,020)	5,102	21	40,383	114,869	(14,115)	(28,184)	200,538	426,923	4,142,645	22,449,024

1 These reserve accounts represent the consolidated reserves other than share capital and proposed cash/scrip dividend of approximately HK$21,488 million (31 December 2015: approximately HK$20,088 million) in the consolidated statement of financial position.

2 For the year ended 31 December 2015, the trustee of the share award scheme acquired 21,724,000 ordinary shares of the Company 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. During the current year, 7,865,506 (2015: Nil) awarded shares were granted by the Company to the selected employees and among these awarded shares, 317,616 awarded shares lapsed and none of them have been vested as at 31 December 2016. Details of the share award scheme of the Company has been disclosed in note 36 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**1,992,473**	2,986,388
Adjustments for:		
Interest income	**(2,470,773)**	(1,792,400)
Interest income from held-to-maturity investments and others	**(8,674)**	(12,359)
Finance costs	**1,395,816**	1,036,569
Share of results of investments accounted for using the equity method	**3,719**	53,522
Dividend income from financial instruments	**(522,427)**	(246,785)
Gain on disposal of property and equipment	**(137)**	(21)
Gain on disposal of investments accounted for using the equity method	**(31,377)**	(96,995)
Depreciation and amortisation	**39,980**	32,250
Foreign exchange difference from held-to-maturity investments	**(392)**	1,118
Loss (gain) on disposal of available-for-sale investments	**53,697**	(2,845)
Impairment losses on other loans and receivables	**102,883**	–
Impairment losses on advances to customers in margin financing	**94,595**	–
Impairment losses on available-for-sale investments	**126,239**	–
Equity-settled share-based payment	**37,536**	–
Operating cash flows before movements in working capital	**813,158**	1,958,442
Decrease in other assets	**22,081**	56,127
Increase in advances to customers in margin financing	**(2,032,775)**	(9,259,190)
Increase in other loans and receivables	**(4,142,850)**	(1,450,658)
(Increase) decrease in accounts receivable	**(1,292,773)**	587,895
(Increase) decrease in prepayments, deposits and other receivables	**(242,027)**	96,787
Increase in financial assets at fair value through profit or loss	**(6,404,676)**	(8,806,151)
Increase in financial assets designated at fair value through profit or loss	**(4,882,230)**	(7,275,201)
Increase in cash held on behalf of customers	**(1,921,453)**	(6,596,424)
Increase in accounts payable	**7,294,903**	5,308,378
Increase in financial assets sold under repurchase agreements	**2,169,694**	6,226,773
Increase in financial assets held under resale agreements	**(2,486,457)**	(1,089,731)
Increase in financial liabilities at fair value through profit or loss	**2,185,747**	631,907
Increase in financial liabilities designated at fair value through profit or loss	**6,727,644**	5,222,863
Increase (decrease) in derivative financial instruments	**82,051**	(385,056)
Increase (decrease) in other payables and accruals	**6,547**	(297,986)
Increase in other liabilities	**8,106**	–
Cash used in operations	**(4,095,310)**	(15,071,225)
Interest received	**2,258,094**	1,557,191
Dividend received	**522,427**	76,819
Interest paid	**(1,338,249)**	(361,942)
Tax paid	**(647,581)**	(147,524)
NET CASH USED IN OPERATING ACTIVITIES	**(3,300,619)**	(13,946,681)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	201	108
Proceeds from disposal of available-for-sale investments	3,272,417	96,216
Proceeds from redemption of held-to-maturity investments	6,304	86,338
Interest received from held-to-maturity investments and others	8,157	12,268
Purchases of property and equipment	(63,841)	(25,692)
Purchases of available-for-sale investments	(12,976,418)	(5,946,692)
Purchase of investments accounted for using the equity method	(4,465,284)	(1,024,376)
Disposal of investments accounted for using the equity method	1,339,969	537,572
Net cash outflow on acquisition of a subsidiary	(71,268)	(173,704)
Net cash inflow on disposal of a subsidiary	–	152,472
NET CASH USED IN INVESTING ACTIVITIES	(12,949,763)	(6,285,490)
FINANCING ACTIVITIES		
Proceeds from rights issue	–	8,821,790
Proceeds from issuance of non-convertible bonds	–	5,353,294
Proceeds from issuance of non-convertible notes	80,489	2,555,933
Proceeds from issuance of convertible bonds	3,847,223	–
Proceeds from shares issued upon exercise of share options	11,444	85,970
Convertible bonds issuing cost paid	(4,570)	–
Non-convertible bonds issuing cost paid	–	(20,120)
Non-convertible notes issuing cost paid	–	(2,751)
Purchase of shares held under the share award scheme	–	(128,020)
Proceeds from bank and other borrowings raised	13,501,976	7,382,868
Dividends paid to shareholders	(420,974)	(647,147)
NET CASH FROM FINANCING ACTIVITIES	17,015,588	23,401,817
NET INCREASE IN CASH AND CASH EQUIVALENTS	765,206	3,169,646
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,405,963	3,236,317
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,171,169	6,405,963
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	7,171,169	6,405,963

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 ("Stock Exchange").

During the year ended 31 December 2016, the Company and its subsidiaries (collectively named as the "Group") were involved in the following principal activities:

- securities, futures, options and bullion contracts brokerage
- the provision of corporate advisory, placing and underwriting services
- the provision of asset management services
- the provision of securities margin financing and leverage 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

These consolidated financial statements are presented in HK dollars ("HK$") which is the same as the functional currency of the Company, unless otherwise stated.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year which are relevant to the Group.

Amendments to HKFRS 11	Accounting for acquisitions of interest 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

The directors of the Company considered that the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instrument[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

Except described below, the directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

HKFRS 9 Financial instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanises currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 shall have material impact on the classification and measurement of the Group's financial assets and financial liabilities. In addition, the new impairment model may result in an earlier recognition of credit losses on the Group's loans and receivables. However, a more detailed analysis is required to determine the extent of the impact in relation to implementation of HKFRS 9.

The directors of the Company do not expect to adopt the HKFRS 9 early before its effective date.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not anticipate a material impact as a result of implementation of HKFRS 15. However, directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 15.

The directors of the Company do not expect to adopt the HKFRS 15 early before its effective date.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

HKFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$202 million as disclosed in note 39.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties that are currently classified as operating leases as based on preliminary assessment, the Group will be required to recognise the right-to-use asset and corresponding lease liability. However, the directors of the Company are undergoing a detailed assessment on the implementation of HKFRS 16.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

Amendments to HKFRS 2 Classification and measurement of share-based payment transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

   (i) the original liability is derecognised;

   (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

   (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 2 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

The directors of the Company do not expect to adopt the amendments to HKFRS 2 early before its effective date.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

Amendments to HKFRS 10 and HKAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments to HKFRS 10 "Consolidated financial statements" and HKAS 28 "Investments in associates and joint ventures" deal with situations where there is a sale or contribution of assets between an investor and its associates or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. However, it is not practicable to provide a reasonable estimate of the effect of the amendments to HKFRS 10 and HKAS 28 until the Group performs a detailed review.

The directors of the Company do not expect to adopt the amendments to HKFRS 10 and HKAS 28 early before its effective date.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the these amendments to HKAS 7 will have a material impact on the Group's consolidated financial statements and not expect to adopt the Amendments to HKAS 7 early before its effective date.

2. Application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS") (continued)

Amendments to HKAS 12 Recognition of deferred tax assets for unrealised losses

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 "Income taxes", whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 "Financial instruments: Recognition and measurement" under certain specific facts and circumstances.

The directors of the Company do not anticipate that the application of these amendments to HKAS 12 will have a material effect on the Group's consolidated financial statements not expect to adopt the amendments to HKAS 12 early before its effective date.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

3. Significant Accounting Policies (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposed are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

When an investment in an associate or a joint venture is held by, or is held indirectly through, a group entity that is a venture capital organisation and similar entities, the Group may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with HKAS 39 "Financial instruments: Recognition and measurement".

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

- Commission income on securities dealing and broking, futures and options dealing and broking and bullion contracts dealing are recorded as income on a trade date basis when the relevant contract notes are executed;

- Commission income on underwriting and placing, financial advisory and consultancy fees are recorded as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed;

- Asset management fee and handling, custodian and other service fee income are recorded when services are rendered;

- Performance fee income, on the day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts;

- Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

- Realised gains or losses from available-for-sale investments, financial assets at fair value through profit or loss, financial assets designated at fair value through profit or loss, financial liabilities at fair value through profit or loss, financial liabilities designated at fair value through profit or loss, derivative, leveraged foreign exchange transactions and bullion contracts are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation in accordance with the accounting policies for financial instruments (see the accounting policies below); and

- Dividend income, when the shareholders' right to receive payment has been established.

3. Significant Accounting Policies (continued)

Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using straight line method as follows:

Leasehold land and buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and equipment	20%
Computer hardware and equipment	30%

The estimated useful lives, residual values and depreciation model are reviewed at the end of each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses. The estimated useful lives of computer software and system development of the Group are from 3 to 10 years.

3. Significant Accounting Policies (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Useful lives are also examined on an annual basis and adjustments where applicable are made on a prospective basis.

Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. Significant Accounting Policies (continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease and accounted for as property, plant and equipment.

3. Significant Accounting Policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising in an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and recognised as expenses when employees have rendered services entitling them to the contributions.

3. Significant Accounting Policies (continued)

Employee benefits (continued)

Pension scheme (continued)

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when an employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. The refunded contribution is recognised in the consolidated statement of profit or loss to offset the current year contribution made.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, where appropriate, based on approved formulas that take into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payment transactions

Share options granted to employees

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

3. Significant Accounting Policies (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

Share options granted to employees (continued)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

Share award scheme to employees

The Company adopted a 10-year share award scheme to incentivise selected employees and directors for their contributions to the Group.

For any awarded shares granted, the fair value of the employee services received is determined by reference to the fair value of awarded shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-award reserve). At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the employee share-based compensation reserve.

For any shares of the Company ("Scheme Shares") that are purchased under the share award scheme, the consideration paid, including any directly attributable incremental costs, would be presented as "Shares held for employee share award scheme" and deducted from equity. When the Scheme Shares are transferred to the awardees upon vesting, the related costs of the scheme shares are eliminated against the employee share-award reserve and the remaining balances will be transferred to retained profits.

3. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 47.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other loans and receivables, advances to customers in margin financing, accounts receivable, financial assets held under resale agreements, cash and cash equivalents, cash held on behalf of customers, deposits and other receivables), are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

(a) those that the entity upon initial recognition designates as at fair value through profit or loss;
(b) those that the entity designates as available for sale; and
(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

AFS financial assets

AFS investments are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as other loans and receivables, accounts receivable, other receivables and advances to customers in margin financing, assets that are assessed are, in addition, assessed for impairment on a collective basis not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other loans and receivables, advances to customers in margin financing, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan and advance and an advance to customer in margin financing, an accounts receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) those designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 47.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

Financial liabilities including non-convertible notes, non-convertible bonds, other liabilities and loans and other borrowings, accounts payable and other payables and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis in profit or loss.

Compound financial instruments

The component parts of the convertible bonds notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Compound financial instruments (continued)

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "financial assets at FVTPL". Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements" and included in loans in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. Financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in the cash flow hedging reserve are transferred from the cash flow hedging reserve and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Impairment on tangible and intangible assets other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies (continued)

Impairment on tangible and intangible assets other than goodwill and financial assets (see the accounting policy in respect of goodwill and financial assets above) (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

Impairment of loans and advances to customers

The Group reviews its loans and advances to customers (including other loans and receivables and advances to customers in margin financing) to assess impairment on a periodic basis.

Each loan and advance to customer that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and advances to customers that are individually not significant or assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. Objective evidence of collective impairment includes the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In assessing the individual impairment and determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Details of disclosures for other loans and receivables and advances to customers in margin financing are set out in notes 23 and 24 respectively.

Fair value of derivative and financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as level 2 and 3 investments in accordance with the Group's significant accounting policies as disclosed in note 3 to the consolidated financial statements. Note 47 provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

Estimated impairment of goodwill

For goodwill arising from acquisitions in prior years, assessment is performed to determine whether goodwill is impaired. This assessment requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 17.

The Group acquired the Haitong Securities India Private Limited ("Haitong India") on 22 December 2016, and performed an allocation of the purchase price against the acquired assets (on a provisional basis). A detailed review of the amount of the goodwill on acquisition date was performed and the Group considers that the assumptions used in the valuation are still valid and there are no triggering events which would indicate an impairment of goodwill as at 31 December 2016. The acquisition of Haitong India is detailed in note 44.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgments, in combination with historical exposure to variable returns, to determine the consolidation scope.

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 in the current year. 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 is also renamed as "Brokerage".

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

5. Segment Information (continued)

The segments are managed separately as each segment engages in different activities. The Group's operating and 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 provision 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.

5. Segment Information (continued)

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

For the year ended 31 December 2016

	Brokerage HK$'000	Corporate finance HK$'000	Asset management HK$'000	Fixed income, currency and commodities HK$'000	Institutional equities HK$'000	Investment holdings HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	2,018,916	1,278,461	175,949	895,427	602,302	379,762	5,350,817
Other income	–	1,989	–	–	–	4,910	6,899
Segment results	684,516	655,174	140,565	357,118	180,716	2,042	2,020,131
Share of results of investments accounted for using the equity method							(27,658)
Income tax expense							(312,248)
Profit for the year							1,680,225
Depreciation and amortisation	(30,724)	(3,348)	(679)	(1,747)	(1,849)	(1,633)	(39,980)
Finance costs	(386,034)	(196,471)	–	(381,835)	(190,499)	(240,977)	(1,395,816)

5. Segment Information (continued)

For the year ended 31 December 2015 (restated)

	Brokerage HK$'000	Corporate finance HK$'000	Asset management HK$'000	Fixed income, currency and commodities HK$'000	Institutional equities HK$'000	Investment holdings HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	2,212,498	1,361,957	123,174	1,124,175	734,701	251,854	5,808,359
Other income	–	2,683	–	–	–	4,263	6,946
Segment results	1,017,950	871,746	87,045	640,343	336,758	86,068	3,039,910
Share of results of investments accounted for using the equity method							(53,522)
Income tax expense							(476,336)
Profit for the year							2,510,052
Depreciation and amortisation	(20,052)	(5,351)	(12)	(4,409)	(2,426)	–	(32,250)
Finance costs	(316,229)	(136,382)	–	(226,268)	(194,722)	(162,968)	(1,036,569)

6. Revenue and Other Income and Gains or Losses

An analysis of revenue and other income and gains or losses is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Commission and fee income:		
Commission on securities dealing and broking	438,444	758,730
Commission on futures and options dealing and broking	161,227	194,316
Commission on underwriting and placing	470,375	489,294
Financial advisory and consultancy fee income	433,034	377,646
Asset management fee and performance fee income	175,949	123,175
Handling, custodian and other service fee income	45,133	78,112
	1,724,162	2,021,273
Interest income:		
Interest income from advances to customers in margin financing	1,567,890	1,272,095
Interest income from other loans and receivables	367,755	297,264
Interest income from other activities	82,618	74,714
	2,018,263	1,644,073
Net investment gains:		
Net gains arising from financial assets/liabilities at fair value through profit or loss	678,478	1,724,932
Net (losses) gains arising from disposal of available-for-sale investments	(53,697)	2,845
Interest income from available-for-sale investments	452,510	148,327
Dividend income	522,427	254,550
Interest income from held-to-maturity investments and others	8,674	12,359
	1,608,392	2,143,013
	5,350,817	5,808,359
Other income and gains or losses		
Others	6,899	6,946
	6,899	6,946

6. Revenue and Other Income and Gains or Losses (continued)

To better reflect the major revenue sources of the Group and its proportion to the total revenue, the Group has decided to classify revenue items into three major categories: "Commission and fee income", "Interest income" and "Net investment gains". Comparative information has been reclassified to conform with the current year's presentation.

7. Profit Before Tax

Profit before tax has been arrived at after charging (crediting):

	2016 HK$'000	2015 HK$'000
Minimum lease payments under operating leases:		
Land and buildings	79,563	77,841
Equipment	70,718	57,117
Auditor's remuneration	3,800	3,700
Foreign exchange differences, net	51,813	43,537
Gain on disposal of property and equipment	(137)	(21)
Employee benefits costs (including directors' remuneration)		
Salaries, bonuses and allowances	802,781	903,462
Commission to accounts executives	245,564	408,285
Net pension scheme contributions	11,453	9,899
	1,059,798	1,321,646
Impairment losses on available-for-sale investments (note 21)	126,239	–
Impairment losses on advances to customers in margin financing (note 24)	94,595	–
Impairment losses on other loans and receivables (note 23)	102,883	–
	323,717	–
Finance costs:		
— bank loans and overdrafts	722,682	506,988
— convertible bonds	16,079	20,879
— non-convertible bonds	443,864	426,302
— non-convertible notes	137,255	58,924
— other loans (note 34 and note 41(a)(v))	75,936	23,476
	1,395,816	1,036,569

8. Directors' and Chief Executive's Emoluments

Directors' remuneration for the year is as follows:

	2016 HK$'000	2015 HK$'000
Fees:		
Executive directors	**300**	300
Non-executive directors	**775**	699
Independent non-executive directors	**850**	850
	1,925	1,849
Other emoluments:		
Executive directors:		
Salaries and allowances	**6,811**	8,906
Bonuses (note (a))	**21,720**	32,090
Employee share option benefits	**2,747**	–
Pension scheme contributions	**57**	69
	31,335	41,065
Non-executive directors		
Employee share option benefits	**2,092**	–
	2,092	–
Independent non-executive directors		
Employee share option benefits	**1,568**	–
	1,568	–
	36,920	42,914

Note:

(a) Bonuses include performance related bonuses, in which certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

8. Directors' and Chief Executive's Emoluments (continued)

Independent non-executive directors

For the year ended 31 December 2016

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
Lin Ching Yee, Daniel	200	–	–	392	–	592
Wei Kuo-chiang	200	–	–	392	–	592
Tsui Hing Chuen, William	250	–	–	392	–	642
Lau Wai Piu	200	–	–	392	–	592
	850	–	–	1,568	–	2,418

For the year ended 31 December 2015

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee share option benefits HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
Lin Ching Yee, Daniel	200	–	–	–	–	200
Wei Kuo-chiang	200	–	–	–	–	200
Tsui Hing Chuen, William	250	–	–	–	–	250
Lau Wai Piu	200	–	–	–	–	200
	850	–	–	–	–	850

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

8. Directors' and Chief Executive's Emoluments (continued)

Executive directors and non-executive directors

For the year ended 31 December 2016

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee shares option benefits HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Li Jianguo (note a)	300	–	–	785	15	1,100
Lin Yong (notes a & b)	–	3,930	13,280	1,046	18	18,274
Poon Mo Yiu (notes a & d)	–	355	1,200	–	6	1,561
Hui Yee, Wilson (note a)	–	2,526	7,240	916	18	10,700
	300	6,811	21,720	2,747	57	31,635
Non-executive directors:						
Ji Yuguang (note c)	–	–	–	–	–	–
Cheng Chi Ming, Brian (note c)	200	–	–	392	–	592
Wang Meijuan (note c)	200	–	–	392	–	592
William Chan (note c)	200	–	–	392	–	592
Poon Mo Yiu (notes c & d)	175	–	–	916	–	1,091
	775	–	–	2,092	–	2,867
	1,075	6,811	21,720	4,839	57	34,502

8. Directors' and Chief Executive's Emoluments (continued)

Executive directors and non-executive directors (continued)

For the year ended 31 December 2015

	Fees HK$'000	Salaries and allowances HK$'000	Bonuses HK$'000	Employee shares option benefits HK$'000	Pension Scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Li Jianguo (note a)	300	–	–	–	15	315
Lin Yong (notes a & b)	–	3,778	15,220	–	18	19,016
Poon Mo Yiu (notes a & d)	–	2,699	8,300	–	18	11,017
Hui Yee, Wilson (note a)	–	2,429	8,570	–	18	11,017
	300	8,906	32,090	–	69	41,365
Non-executive directors:						
Ji Yuguang (note c)	100	–	–	–	–	100
Cheng Chi Ming, Brian (note c)	200	–	–	–	–	200
Wang Meijuan (note c)	200	–	–	–	–	200
William Chan (note c)	199	–	–	–	–	199
	699	–	–	–	–	699
	999	8,906	32,090	–	69	42,064

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Mr. Lin Yong is also the Chief Executive of the Group and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer. No apportionment has been made as the director consider that it is impracticable to apportion this amount among his services to the Company, its holding companies, its subsidiary and its fellow subsidiaries. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(c) The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries. Except for the director fee was waived by Mr. Ji Yuguang during the year ended 31 December 2016, there was no arrangement under which a director waived or agreed to waive any remuneration during the current year.

(d) Mr. Poon Mo Yiu was re-designated from executive director to non-executive director on 16 February 2016. The salaries and allowances received by Mr. Poon Mo Yiu represent remuneration for his service as an executive director, and the fees received by Mr. Poon Mo Yiu represent remuneration for his service as a non-executive director.

9. Employees' Remuneration

Five highest paid employees

The five highest paid employees during the current year included two directors (2015: three), details of each director's remuneration are set out in note 8 above.

The total remuneration of three non-directors for the year ended 31 December 2016 and two non-directors for the year ended 31 December 2015 was as follows:

	2016 HK$'000	2015 HK$'000
Salaries, bonuses and allowances	30,202	24,942
Pension scheme contributions	18	36
Employee shares option benefits	655	–
	30,875	24,978

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2016 Number of individuals	2015 Number of individuals
HK$9,000,001 to HK$9,500,000	1	–
HK$9,500,001 to HK$10,000,000	1	–
HK$10,000,001 to HK$10,500,000	–	–
HK$10,500,001 to HK$11,000,000	–	–
HK$11,000,001 to HK$11,500,000	1	–
HK$11,500,001 to HK$12,000,000	–	–
HK$12,000,001 to HK$12,500,000	–	1
HK$12,500,001 to HK$13,000,000	–	1
	3	2

Note: Details of the remuneration disclosed above do not include amounts paid or payable by way of commissions generated by employees of the Group.

10. Income Tax Expense

	2016 HK$'000	2015 HK$'000
Current taxation		
— Hong Kong	**343,635**	441,608
— PRC and other jurisdictions	**1,410**	6,194
	345,045	447,802
(Over) under provision in prior years:		
— Hong Kong	**(34,085)**	18,612
Deferred tax		
— Current year	**1,288**	9,922
	312,248	476,336

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

10. Income Tax Expense (continued)

The tax charge for the year can be reconciled to 'profit before tax' per the consolidated statement of profit or loss as follows:

	2016 HK$'000	2015 HK$'000
Profit before tax	**1,992,473**	2,986,388
Taxation at income tax rate of 16.5%	**328,758**	492,754
(Over) under provision in respect of prior years	**(34,085)**	18,612
Tax effect of expenses not deductible for tax purpose	**127,723**	6,718
Tax effect of income not taxable for tax purpose	**(170,477)**	(58,854)
Tax effect of utilisation of estimated tax losses previously not recognised	**(840)**	(3,435)
Tax effect of estimated tax losses not recognised	**61,179**	10
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,701)**	1,472
Others	**2,691**	19,059
Income tax expense	**312,248**	476,336

The Group has estimated tax losses of approximately HK$621 million and HK$257 million as at 31 December 2016 and 31 December 2015, respectively, that can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but subject to the approval of the Hong Kong Inland Revenue Department.

Deferred tax assets of HK$102 million (31 December 2015: HK$42 million) have not been recognised in respect of the tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

11. Earnings Per Share

Basic earnings per share

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

	2016	2015
Earnings		
Profit for the year attributable to owners of the Company (HK$'000)	1,680,225	2,510,052
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,290,119	4,035,346
Basic earnings per share (HK cents per share)	31.76	62.20

11. 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.

	2016	2015
Earnings		
Profit for the year attributable to owners of the Company (HK$'000)	1,680,225	2,510,052
Effect of dilutive potential ordinary shares		
— Interest on convertible bonds (net of tax) (HK$'000) (note (b))	13,426	17,434
Earnings for the purpose of diluted earnings per share (HK$'000)	1,693,651	2,527,486
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,290,119	4,035,346
Effect of dilutive potential ordinary shares:		
— Convertible bonds (in thousands) (note (b))	134,479	125,389
— Share options (in thousands) (note (c))	4,428	5,653
— Share awards (in thousand)	3,178	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	5,432,204	4,166,388
Diluted earnings per share (HK cents per share)	31.18	60.66

11. Earnings Per Share (continued)

Diluted earnings per share (continued)

Notes:

(a) As at 31 December 2016, the trustee of the share award scheme held 21,724,000 ordinary shares of the Company (31 December 2015: 21,724,000) 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 (31 December 2015: HK$128 million).

During the current year, award of 7,865,506 shares (31 December 2015: Nil) were granted by the Company to the selected employees and among these awarded shares, 317,616 awarded shares lapsed and none of them have been vested as at 31 December 2016. Details of the share award scheme of the Company have been disclosed in note 36 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

During the prior year, the Group raised approximately HK$8,822 million by way of rights issue on the basis of one rights share for every one existing shares held by shareholders of the Company at the price of HK$3.50, which represent 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 year basic and diluted earnings per share.

(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 issued convertible bonds of HK$1,164 million. During the current year, the Company further issued convertible bonds of HK$3,880 million. Details of the convertible bonds issued by the Company are set out in note 34.

During the prior year, parts of the convertible bonds issued by the Company in the prior year have been converted into ordinary shares of the Company as set out in note 34(a), which created a potential dilutive effect to the basic earnings per share before their conversion.

As at 31 December 2016, the convertible bonds issued in 2013, 2014 and 2016 that remain outstanding are convertible into ordinary shares of the Company at a conversion price of HK$2.87 (2015: HK$2.95), HK$4.80 (2015: HK$4.92) and HK$6.8112 respectively, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the 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 was made 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 relevant 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 years ended 31 December 2015 and 2016 and with the adjustment for the share options lapsed or exercised during the years.

12. Dividends

	2016 HK$'000	2015 HK$'000
Interim dividend paid — HK7.5 cents (2015: HK20 cents) per ordinary share	**399,516**	1,019,716
Proposed final dividend — HK8 cents (2015: HK4 cents) per ordinary share	**426,923**	211,597
	826,439	1,231,313

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). The shareholders were given the option to receive the interim dividend in new shares in lieu of cash. The interim dividend was paid on 1 November 2016, with a total of HK$353,435,000 cash dividend paid to the shareholders and 9,203,256 shares were issued in scrip form with the amount of HK$46,081,000.

At a meeting of the Board held on 9 March 2017, the directors recommended the payment of a final dividend in cash with a scrip option for the year ended 31 December 2016 in the total amount of HK$426,923,000. The proposed final dividend for the year ended 31 December 2016 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. Investments Accounted for Using the Equity Method

	2016 HK$'000	2015 HK$'000
Associates:		
Cost of unlisted investment in associate	7,757	7,757
Share of post-acquisition losses and other comprehensive income (expense), net of dividend received	(3,315)	(1,641)
	4,442	6,116
Joint ventures:		
Cost of unlisted investments in joint ventures	4,620,318	1,269,970
Share of post-acquisition losses and other comprehensive income (expense), net of dividend received	(199,213)	(3,512)
	4,421,105	1,266,458
	4,425,547	1,272,574

Details of principal investments accounted for using the equity method are disclosed as follows:

Name of entity	Country of incorporation	Interests held by the Group As at 31 December 2016	As at 31 December 2015	Principal activities
Joint venture				
Haitong Freedom Multi-Tranche Bond Fund (note a)	The Cayman Islands	28.65%	N/A	Investment holding
Haitong Multi-Tranche Investment Fund II S.P. (note a)	The Cayman Islands	60.20%	42.67%	Investment holding
Associate				
China Grand Automotive Group Limited (note b)	Mauritius	34.61%	34.61%	Investment holding

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

13. Investments Accounted for Using the Equity Method (continued)

Except for China Grand Automotive Group Limited as disclosed in note 13(b), all of the associates and joint ventures of the Group are accounted for using the equity method in these consolidated financial statements. The directors consider the above joint ventures and associates are not significant to the Group's consolidated statement of financial position.

During the current year, the Group has fully disposed of its units holding in About Capital Asian Special Opportunities Fund (formerly known as Haitong-AC Asian Special Opportunity Fund) and Haitong China Select Investment Fund S.P. (collectively referred to the "Funds") through the secondary market that the share of results of the Funds from 1 January 2016 up to the date of disposal amounted to HK$172 million, which have been presented under the "Share of results of investments accounted for using the equity method" in the consolidated statement of profit or loss.

Notes:

(a) As of 31 December 2016, the Group held the interests of non-participating shares of Haitong Freedom Multi-Tranche Bond Fund and Haitong Multi-Tranche Investment Fund II S.P. (collectively referred to the "Funds") as disclosed above that the non-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 31 December 2016, the Group held 50% of the management shares in the Funds and the other 50% management shares are held by an independent 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 Fund are classified as a joint venture.

    There is no unfilled capital commitment to the Funds. The current carrying amount of HK$3,562 million (31 December 2015: Nil) for Haitong Freedom Multi-Tranche Bond Fund and HK$681 million (31 December 2015: HK$613 million) of Haitong Multi-Tranche Investment Fund II S.P. in the consolidated statement of financial position represents the Group's maximum exposure.

(b) For both years ended 31 December 2016 and 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 30 to the consolidated financial statements.

    As at 31 December 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. As at 31 December 2016, the total return swap transaction has been recognised as and included in current portion of "financial liabilities designated at fair value through profit or loss" with the fair value of HK$2,060 million (31 December 2015: non-current portion of "financial liabilities designated at fair value through profit or loss" with the fair value of HK$4,226 million) in the consolidated financial statements as set out in note 30 and the details of disclosure for fair value measurement are set out in note 47.

14. 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
31 December 2016					
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
Arising from acquisition of a subsidiary (note 44)	–	–	–	1,670	1,670
Additions	–	5,316	7,988	50,537	63,841
Disposals	–	–	(58)	(6)	(64)
Depreciation	(77)	(6,059)	(5,250)	(25,555)	(36,941)
At 31 December 2016, net of accumulated depreciation	1,568	16,066	15,279	96,752	129,665
At 31 December 2016					
Cost	3,092	65,303	58,133	468,722	595,250
Accumulated depreciation	(1,524)	(49,237)	(42,854)	(371,970)	(465,585)
Net carrying values	1,568	16,066	15,279	96,752	129,665

14. Property and Equipment (continued)

	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
31 December 2015					
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 44)	–	–	2,265	–	2,265
Additions	–	6,983	5,308	13,401	25,692
Disposals	–	–	(81)	(6)	(87)
Depreciation	(77)	(5,664)	(4,710)	(17,515)	(27,966)
At 31 December 2015, net of accumulated depreciation	1,645	16,809	12,599	70,106	101,159
At 31 December 2015					
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

15. Goodwill

	2016 HK$'000	2015 HK$'000
Cost		
At the beginning of the year	**157,697**	9,854
Goodwill arising on acquisition (Note 44)	**60,763**	147,843
	218,460	157,697

Particulars regarding impairment testing on goodwill are disclosed in note 17.

16. Other Intangible Assets

	Trading rights and licenses HK$'000	System and infrastructure HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 January 2015	10,131	–	–	10,131
Acquired on acquisition of a subsidiary (Note 44)	1,002	4,345	45,584	50,931
At 31 December 2015	11,133	4,345	45,584	61,062
Acquired on acquisition of a subsidiary (Note 44)	–	206	–	206
At 31 December 2016	11,133	4,551	45,584	61,268
AMORTISATION				
At 1 January 2015	3,522	–	–	3,522
Charge for the year	–	–	4,284	4,284
At 31 December 2015	3,522	–	4,284	7,806
Charge for the year	–	–	3,039	3,039
At 31 December 2016	3,522	–	7,323	10,845
CARRYING VALUES				
At 31 December 2016	7,611	4,551	38,261	50,423
At 31 December 2015	7,611	4,345	41,300	53,256

16. Other Intangible Assets (continued)

Other than the trading rights and licenses and system infrastructure, which have indefinite useful lives, the intangible asset of customer relationship is amortised over the expected useful life of 15 years.

Upon the adoption of HKAS 38 "Intangible assets" in 2005, the Group's eligibility rights to trade on or through the Stock Exchange and The Hong Kong Futures Exchange Limited of net carrying amount of HK$4,609,000 (2015: HK$4,609,000) are considered to have indefinite lives, which are not amortised, as the trading rights have no expiry date. The accumulated amortisation is brought forward from prior years before the adoption of HKAS 38.

The remaining trading rights and licenses of HK$2,000,000 and HK$1,002,000 represent the Group's investments in throttle rate for trading orders to be transmitted to the Automated Matching System of the Stock Exchange and regulatory licenses of the acquired subsidiary (note 44) for carrying on regulated businesses in respective jurisdictions (including Hong Kong and overseas). These intangible assets have no expiry date and are not amortised.

The Group recognised HK$206,000 of system and infrastructure during the year ended 31 December 2016 as a result of acquisition of a subsidiary (note 44).

Particulars regarding impairment testing on trading rights are disclosed in note 17.

17. Impairment Testing on Goodwill and Other Intangible Assets (Trading Rights and Licenses) with Indefinite Useful Lives

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note 15 (other than goodwill arising from acquisition of Haitong Securities India Private Limited) which is acquired through business combinations has been allocated into three individual cash generating units (CGUs) for impairment testing:

- Wealth management cash-generating unit;
- Investment management cash generating unit; and
- Equity research and sales advice cash-generating unit.

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

	Equity research and sales advice HK$'000	Wealth management HK$'000	Investment management HK$'000
Carrying amount of goodwill	147,843	854	9,000

During the years ended 31 December 2016 and 31 December 2015, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B and Unit C (defined below) exceed their respective carrying amounts.

17. Impairment Testing on Goodwill and Other Intangible Assets (Trading Rights and Licenses) with Indefinite Useful Lives (continued)

Impairment testing on goodwill (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

(i) Wealth management cash-generating unit ("Unit A")

The recoverable amount of Unit A has been determined based on value in use calculation using cash flow projections covering a five-year period approved by senior management.

The discount rate applied to the cash flow projections is 5% (2015: 5%) and cash flows are using a growth rate of 10% (2015: 10%) which is determined based on past performance and management's expectations for the market development. The discount rate used reflects specific risks relating to Unit A.

(ii) Investment management cash-generating unit ("Unit B")

The recoverable amount of the investment management services cash-generating unit has been determined based on value in use calculation using cash flow projections covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 5% (2015: 5%) and cash flows are using a growth rate of 6% (2015: 6%) (for investment fund management) and 6% (2015: 6%) (for other fund management).

The discount rate used reflects specific risks relating to Unit B.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross margin. Such estimation is based on the units' past performance and management's expectations for the market development and efficiency improvement.

(iii) Equity research and sale advice cash-generating unit ("Unit C")

The recoverable amount of Unit C has been determined based on value in use calculation using cash flow projections covering a five-year period approved by senior management.

The valuation used the discounted cash flow approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including an average growth rate of 9.3% from 2017 to 2019 and 5.9% from 2020 to 2021, a sustainable growth rate of 3% beyond 2021 and a discount rate of 15.22% which is determined based on past performance, management's expectations for the market development and future business plan. The discount rate used reflects specific risks relating to Unit C.

17. Impairment Testing on Goodwill and Other Intangible Assets (Trading Rights and Licenses) with Indefinite Useful Lives (continued)

Impairment testing on goodwill (continued)

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A, Unit B and Unit C to exceed their respective aggregate recoverable amount.

Impairment testing on goodwill arising from acquisition of Haitong Securities India Private Limited

The Group recognised HK$60,763,000 of goodwill as a result of acquisition of Haitong Securities India Private Limited ("Haitong India", Note 44). The Group has not yet completed its allocation of goodwill to those cash generating units that are expected to benefit from synergies of acquisition of Haitong India. The Group is in the process of setting up strategic plans, including co-operation between Haitong India and existing business units of the Group, and expects the allocation of goodwill to relevant cash generating units to be completed by 21 December 2017.

However, the Group performed a detailed review of the amount of the goodwill (on a provisional basis) on acquistion date and consider no impairment is necessary.

As at 31 December 2016, the Group assessed that no triggering event had occurred since the acquisition date (22 December 2016), which indicated any impairment of the intangible assets or goodwill.

Impairment testing on trading rights and licences with indefinite useful lives

The carrying amount of intangible assets of trading rights and licences allocated to the following cash generating unit are as follows:

	Brokerage business HK$'000
Carrying amount of trading rights and licences	7,611

The trading rights and licences held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights and licences will not be amortised until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to brokerage business, whereby these trading rights and licences are allocated to, using a value in use calculation, exceed the carrying amounts.

Accordingly, there is no impairment of the trading rights and licences as at 31 December 2016 and 31 December 2015.

18. Other Assets

	2016 HK$'000	2015 HK$'000
At cost:		
Deposits with the Stock Exchange:		
— Compensation fund	**650**	650
— Fidelity fund	**350**	350
— Mainland Securities and Settlement Deposit	**25,655**	50,593
Dealers' deposit with Hong Kong Securities and Futures Commission ("SFC")	**350**	350
Stamp duty deposits	**500**	500
Contributions to The Central Clearing and Settlement System Guarantee Fund	**29,036**	30,123
Admission fees paid to Hong Kong Securities Clearing Company Limited	**300**	300
Reserve fund with The SEHK Options Clearing House Limited	**6,611**	6,291
Deposits with HKFE Clearing Corporation Limited in contribution to the reserve fund	**5,305**	3,172
Cost of membership for a seat at The Chinese Gold and Silver Exchange Society	**486**	486
Compensation fund paid to The Shenzhen Stock Exchange Co., Ltd.	**300**	300
Settlement Risk Fund paid to The Shanghai Securities Central Clearing & Registration Corporation	**387**	387
Others	**3,515**	2,024
	73,445	95,526

19. 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. As at 31 December 2016, the total assets and total liabilities (excluding third party interest as stated below) of the consolidated products, which is not individually significant to the Group, were HK$9,488 million and HK$1,488 million respectively (31 December 2015: HK$2,559 million and HK$186 million).

Third-party interests in consolidated structured entities consist of third-party unit/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

19. Interest in Consolidated Structured Entities (continued)

For the year ended 31 December 2016, interests held by third-party unit/shareholders of HK$8.1 million in consolidated structured entities are included in other income and gains or losses in the consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders amounted to HK$2,512 million as at 31 December 2016 are included in other liabilities in the consolidated statements of financial position. There is no third-party interests in the consolidated structured entities as at 31 December 2015.

20. 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, the variable returns that the Group to these structured entities is not significant and the Group is primarily acting as an agent and subject to substantive removal right 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 21, 28 and 30.

21. Available-For-Sale Investments

	2016 HK$'000	2015 HK$'000
Listed equity investments, at fair value	1,270,516	42,894
Listed debt investments, at fair value	1,171,111	–
Unlisted fund investments, at fair value (note (a))	7,928,146	6,197,663
Unlisted partnership investments, at fair value (note (b))	894,197	–
Unlisted equity investments, at fair value	719,055	13,125
Unlisted debt investments, at fair value	5,863,272	–
	17,846,297	6,253,682

Notes:

(a) The Group invested in investment funds. These investment funds mainly invest in listed equity/debt 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 (31 December 2015: HK$Nil). The current carrying amount of HK$7,928 million (31 December 2015: HK$6,198 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(b) As at 31 December 2016, the unfilled capital commitment to the partnerships are HK$788 million (31 December 2015: HK$Nil).

Details of disclosure for fair value measurement are set out in note 47.

22. Held-To-Maturity Investments

	2016 HK$'000	2015 HK$'000
Unlisted debt securities	93,357	98,752
Less: Current portion	–	(5,951)
Non-current portion	93,357	92,801

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

Details of disclosure for fair value measurements are set out in note 47.

23. Other Loans and Receivables

	2016 HK$'000	2015 HK$'000
Other loans (note (a))	**4,025,065**	3,685,858
Debt securities classified as receivables (note (b))	**4,101,508**	395,000
Less: Non-current portion	**(43,477)**	(529,978)
Current portion	**8,083,096**	3,550,880

Notes:

(a) The majority of these other loans are secured and/or guaranteed with contractual maturity within 1 year from the reporting date. Credit limits are set for borrowers and regular reviews on these other loans are conducted by the credit control department, the risk management department and the risk management committee of the Group based on the latest status of these other loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from the collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

Included in the carrying amount of other loans as at 31 December 2016 is the accumulated impairment losses of HK$103 million (31 December 2015: Nil) which was the impairment losses provided and recognised by the Group during the year for a secured corporate loan due to significant drop of the fair value of collaterals pledged to the Group and past due as at year end. The management considered there is uncertainty for the recoverability of the loan based on the impairment assessment performed during the current year.

(b) As at 31 December 2016, included in the debt securities classified as receivables was the secured bonds and notes of the HK$2,775 million, which were secured by listed securities. The remaining amount is secured by unlisted equities and/or guaranteed. All of the amounts are with the contractual maturity within 1 year from the reporting date.

Interest income derived from other loans and receivables was recognised as "interest income from other loans and receivables" (note 6). The carrying value of the other loans and receivables is approximate to their fair value. As at 31 December 2016, except for the impaired loan of HK$103 million disclosed in note (a) and the other loans and receivables of HK$181 million (31 December 2015: Nil) which is past due but not impaired for more than 90 days but lesser than 180 days that the fair value of the collateral is sufficient to cover the outstanding amount of the loan, there is neither impaired nor overdue other loans and receivables as of reporting date.

For the year ended 31 December 2016, movement in the allowances for impairment are as follows:

	2016 HK$'000	2015 HK$'000
Balance at the beginning of the year	**–**	–
Impairment losses recognised	**102,883**	–
Balance at the end of the year	**102,883**	–

24. Advances to Customers in Margin Financing

	2016 HK$'000	2015 HK$'000
Loans to margin clients	**20,918,891**	18,886,116
Less: Impairment allowance	**(101,556)**	(6,961)
	20,817,335	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 31 December 2016, advances to customers of HK$20,817 million (31 December 2015: HK$18,879 million) was secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK$96,819 million (31 December 2015: HK$99,238 million).

The advances to customers in margin financing have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. Except for the amount of HK$101,556,000 (2015: HK$6,961,000) which were fully impaired, there was no other impaired debt for the years ended 31 December 2016 and 2015.

In determining the allowances for impaired loans to securities margin clients, the management of the Group also takes into account 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 year end and with no settlement or executable settlement plan and arrangement after the year end. Movements in the allowances for impaired debts in respect of loans to securities margin clients are as follows:

	2016 HK$'000	2015 HK$'000
Balance at the beginning of the year	**6,961**	7,111
Impairment losses recognised	**94,595**	–
Amounts recovered	**–**	(150)
Balance at the end of the year	**101,556**	6,961

24. Advances to Customers in Margin Financing (continued)

In addition to the individually assessed allowances for impaired debts, the Group has also assessed, on a collective basis, loan impairment allowances 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.

25. Accounts Receivable

	2016 HK$'000	2015 HK$'000
Accounts receivable from:		
— Clients	178,707	776,524
— Brokers, dealers and clearing houses	4,793,929	2,961,944
— Others (note)	141,117	82,143
	5,113,753	3,820,611

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

There is no impaired accounts receivable as of the reporting dates for current and prior year end.

The following is an ageing analysis of the accounts receivable based on trade date/invoice date at the reporting date:

	2016 HK$'000	2015 HK$'000
Between 0 and 3 months	5,058,551	3,782,964
Between 4 and 6 months	10,912	5,171
Between 7 and 12 months	9,303	20,344
Over 1 year	34,987	12,132
	5,113,753	3,820,611

25. Accounts Receivable (continued)

Accounts receivable from clients, brokers, dealers and clearing houses 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 and Shenzhen — Hong Kong Stock Connect are one day after trade date.

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

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. As at 31 December 2016, overdue balances are approximately of HK$2.6 million (31 December 2015: HK$3.7 million) which are regularly monitored by management. The management ensures that the available cash balance and listed equity securities belonged to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

26. Prepayments, Deposits and Other Receivables

	2016 **HK$'000**	2015 HK$'000
Prepayments, deposits and other receivables (note)	**1,049,471**	589,758
Less: Non-current portion	**(90,365)**	(81,687)
Current portion	**959,106**	508,071

Note: Included in the amount of prepayments, deposits and other receivables of HK$1,049 million are the interest receivable of HK$479 million (31 December 2015: HK$266 million) from bank deposits, brokerage customers and bonds investments which are receivable within one year.

27. Other Payables and Accruals

	2016 **HK$'000**	2015 HK$'000
Other payables and accruals	**965,602**	941,348

Other payables are non-interest bearing and are repayable within one year.

28. Financial Assets at Fair Value through Profit or Loss

	2016 HK$'000	2015 HK$'000
Held for trading		
Listed equity investments, at fair value	2,081,690	872,136
Exchange traded funds, at fair value	347,422	586,976
Listed preference shares, at fair value	258,452	141,290
Listed debt investments, at fair value	20,657,129	13,279,940
Unlisted preference shares, at fair value	–	23,253
Unlisted debt investments, at fair value	460,027	1,024,455
Unlisted investment funds, at fair value (note)	1,286,397	2,088,797
Unlisted structured products, at fair value	61,715	141,150
Unlisted certificated deposit, at fair value	99,865	99,600
	25,252,697	18,257,597

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

There is no unfilled capital commitment to these unconsolidated investment funds. The current carrying amount of HK$1,286 million (31 December 2015: HK$2,089 million) in the consolidated statement of financial position represents the Group's maximum exposure.

Details of disclosure for fair value measurement are set out in note 47.

29. Derivative Financial Instruments

	2016 HK$'000	2015 HK$'000
ASSETS		
Swaps — held-for-trading	**33,801**	63,789
Forward foreign currency exchange contracts		
— held-for-trading	**100,443**	87,900
Listed options/warrants — held for trading	**51,940**	64,518
Unlisted options — held for trading	**389,096**	298,609
	575,280	514,816
LIABILITIES		
Swaps — cash flow hedges	**28,184**	10,271
Swaps — held-for-trading	**36,176**	45,309
Forward foreign currency exchange contracts		
— held-for-trading	**91,095**	34,590
Foreign currency option contracts — held-for-trading	**–**	23
Listed option/warrants — held-for-trading	**78,610**	–
Callable bull/bear contracts	**15,917**	–
Unlisted options — held-for-trading	**882**	–
	250,864	90,193

The notional principal amounts of the outstanding swap contracts held for cash flow hedging against the interest expenses from a note issued by the Group as at 31 December 2016 was HK$224 million (2015: HK$1,239 million, hedging against the interest expenses from the Group's bank borrowing).

The profit or loss arising from ineffective portion of cash flow hedges is immaterial.

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

30. Financial Assets/Liabilities Designated at Fair Value through Profit or Loss

	2016 HK$'000	2015 HK$'000
Assets		
Listed equity investments, at fair value (note (c))	**4,369,553**	1,611,393
Listed preference shares, at fair value (note (c))	**454,378**	–
Listed debt investments, at fair value (note (c))	**130,312**	–
Unlisted equity investments, at fair value (notes (a), (b) & (c))	**4,121,182**	7,952,460
Unlisted partnership investments, at fair value (notes (a) & (c))	**795,917**	608,720
Unlisted preference shares, at fair value	**33,480**	–
Unlisted debt investments, at fair value (note (c))	**640,039**	100,000
Unlisted investment funds, at fair value (notes (a) & (c))	**3,552,540**	–
Unlisted structured products, at fair value (note (c))	**2,644,280**	1,587,782
Unlisted options, at fair value	**904**	–
Less: Non-current portion (note 13(b))	**–**	(5,705,699)
	16,742,585	6,154,656

	2016 HK$'000	2015 HK$'000
Liabilities		
Unlisted issued structured products, at fair value (note (d))	**14,212,827**	7,488,749
Unlisted options, at fair value	**1,166**	–
Listed equity investments, at fair value	**2,400**	–
Less: Non-current portion (note 13(b))	**–**	(4,225,698)
	14,216,393	3,263,051

Details of disclosure for fair value measurements are set out in note 47.

30. Financial Assets/Liabilities Designated at Fair Value through Profit or Loss (continued)

Notes:

(a) As at 31 December 2016 and 2015, included in financial assets designated at fair value through profit or loss are the unlisted equity investments, unlisted partnership investments and unlisted investment funds which are managed by external third parties. The directors considered the Group did not have control based on the assessment criteria set out in note 20.

There is no unfilled capital commitment to these unlisted equity investments, unlisted partnership investments and unlisted investment funds. The current carrying amount of HK$8,470 million (31 December 2015: HK$8,561 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(b) Included in unlisted equity investments at fair value is an investment in an associate of HK$3,540 million (31 December 2015: HK$5,706 million) disclosed in note 13(b) that the management considered to be exempted from applying the equity method and recognised as financial assets designated at fair value through profit or loss.

(c) Except for unlisted preference shares of HK$33 million (31 December 2015: Nil), the unlisted equity investment of HK$112 million (31 December 2015: HK$116 million) and unlisted debt investments of HK$640 million (31 December 2015: HK$100 million), these financial assets are primarily acquired by the Group which are driven by the issued structured products and become their underlying investments and hedging items for the risk of economic exposure on these issued structured products as set out in note (d) below.

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

(d) As at 31 December 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, listed debt investment and listed preference shares traded in over-the-counter markets and unlisted fund, 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.

31. Financial Liabilities at Fair Value through Profit or Loss

	2016 HK$'000	2015 HK$'000
Held for trading		
Listed equity investments, at fair value (note)	122,640	16,674
Listed debt investments, at fair value (note)	2,974,639	941,305
Listed preference shares, at fair value (note)	46,447	–
	3,143,726	957,979

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

32. 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 consolidated statement of financial position and recognised the corresponding accounts payable (note 33) 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.

33. Accounts Payable

	2016 HK$'000	2015 HK$'000
Accounts payable to:		
— Clients	**24,826,990**	19,619,083
— Brokers, dealers and clearing houses	**3,257,478**	896,459
— Others	**156,458**	430,295
	28,240,926	20,945,837

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 31 December 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$20,186,813,000 (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$1,454,524,000 (31 December 2015: HK$1,019,867,000).

34. Loans and Other Borrowings

	2016 HK$'000	2015 HK$'000
Non-current		
Convertible bonds (notes (a))	3,802,531	134,393
Non-convertible bonds (note (b))	9,973,074	9,937,201
Non-convertible notes (note (c))	996,642	234,242
Total non-current borrowings	14,772,247	10,305,836
Current		
Non-convertible notes (note (c))	1,551,252	2,227,548
Secured borrowing		
— Bank loans (notes (d) and (e))	5,028,988	6,925,053
Unsecured borrowing		
— Bank loans (notes (e) and (f))	28,570,000	12,823,295
— Other loans (note (f) and 41(a)(v))	27,586	376,250
	33,626,574	20,124,598
Total current borrowings	35,177,826	22,352,146
Total borrowings	49,950,073	32,657,982

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 interest rate per annum 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 31 December 2016, the conversion prices of convertible bonds issued by the Company in 2013 and 2014 are adjusted to HK$2.87 per share (31 December 2015: HK$2.95 per share) and HK$4.80 per share (31 December 2015: HK$4.92 per share) after the issue of new shares on 1 November 2016 under interim dividend of HK7.5 cents per share for the six months ended 30 June 2016 in form of scrip dividend as set out in note 12.

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 year ended 31 December 2016, no convertible bonds issued by the Company in 2013, 2014 and 2016 were converted into ordinary shares of the Company. Details of the share capital movement are set out in note 35.

34. Loans and Other Borrowings (continued)

Notes: (continued)

(a) (continued)

On 25 October 2016, the Company has issued zero coupon convertible bonds in principal amount of HK$3,880 million with the maturity date on 25 October 2021. At any time between 5 December 2016 and up to the close of business on the ten day prior to the maturity date, these convertible bonds can be converted into ordinary shares of the Company at an initial conversion price of HK$6.8112 per share (subject to adjustments) at the option of the holders of the convertible bonds. The Company will, at the option of the bondholders, redeem all or some only of such convertible bonds on 25 October 2019. Please refer to the Company's announcements on 12 October 2016 and 25 October 2016 for details of the bonds.

In accordance with the terms and conditions of the convertible bonds issued on 25 October 2016, the initial conversion price is not subject to the issue of new shares on 1 November 2016 under interim dividend for the six months ended 30 June 2016 in form of scrip dividend.

For the year ended 31 December 2016, approximately 38% and 37% of the raised proceeds have been used to support the Group's fixed income, currency and commodities, and investment holding activities respectively and the remainder of 25% of the raised proceeds have been used to support the Group's leveraged and acquisition finance activities.

As at 31 December 2016, the number of outstanding shares convertible under the convertible bonds issued in 2013, 2014 and 2016 are 696,864 (31 December 2015: 677,966), 28,541,666 (31 December 2015: 27,845,528) and 569,649,988 (31 December 2015: N/A) respectively.

(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 bonds.

(c) During the year ended 31 December 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$2,328 million with a maturity period of 1 to 3 years and repaid several medium term notes of principal amount totalling HK$2,087 million. As at 31 December 2016, the outstanding loan balances of HK$2,548 million (31 December 2015: HK$2,462 million) represent the unsecured and unguaranteed non-convertible notes.

(d) Bank loans of HK$5,029 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$18,172 million at fair value (31 December 2015: HK$19,752 million) and the remaining amount is secured by debt investments of HK$2,055 million held by the Group and presented in "Financial assets at fair value through profit or loss" to the consolidated statement of financial position.

(e) All the Group's bank borrowings bear interest at variable interest rate based on Hong Kong Interbank Offered Rate ("HIBOR") per annum.

(f) Bank loans and other loans are repayable on demand or within 1 year. As at 31 December 2016, there is no current portion of unsecured bank loans are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (31 December 2015: HK$Nil).

35. Share Capital

	2016 HK$'000	2015 HK$'000
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:		
5,336,534,474 (31 December 2015: 5,289,920,095) ordinary shares of HK$0.10 each	**533,653**	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 (note 34 (a))	364,117,883	36,412
New shares issued under exercise of share options	19,441,009	1,944
Scrip dividend issued (note 12)	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 options	3,523,991	352
Scrip dividend issued (note 12)	43,090,388	4,309
As at 31 December 2016	5,336,534,474	533,653

Note:

On 18 March 2015, the Company announced a rights issue on the basis of 1 rights share for every 1 existing shares held by shareholders of the Company at the discounted price of HK$3.50 per share (the "Rights Issue"). 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 had been used to support the Group's brokerage and margin financing activities and the remainder of approximately 20% of the raised proceeds had been used to support the Group's general working capital.

36. 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 expired on 22 August 2012. A summary of the principal terms of the 2002 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2002 Share Option Scheme was adopted for the purpose of attracting, retaining and motivating talented employees to strive towards long term performance targets set by the Company and its subsidiaries and at the same time allowing the participants to enjoy the results of the Company attained through their effort and contribution. Under the 2002 Share Option Scheme, options were granted to any full time employees, executive and non-executive directors of the Company or any of its subsidiaries or associates.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") but the Company may seek approval of its shareholders at general meetings to refresh the Scheme Mandate Limit, save that the maximum number of shares in respect of which options may be granted by directors of the Company under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the issued share capital of the Company as at the date of approval by the shareholders of the Company at the general meeting where such limit is refreshed.

If refreshed, options previously granted under the 2002 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2002 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

36. Share Option/Award Scheme (continued)

2002 Share option scheme (continued)

The offer of a grant of share options may be accepted within 30 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the Board, and such period shall commence not earlier than 6 months from the date of grant of the options and expire not later than 10 years after the date of grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period. All share options under the 2002 Share Option Scheme are subject to a 6-month vesting period.

The exercise price of the share options is determinable by the Board, and shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Share Option Scheme expired on 22 August 2012. However, the share options granted under the 2002 Share Option Scheme prior to its expiry are still exercisable pursuant to the terms of this scheme.

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

	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 beginning of the year	2.91	12,662	4.54	27,093
Adjusted during the year (note)	2.77	5	2.90	5,052
Exercised during the year	3.25	(3,524)	4.31	(19,441)
Forfeited during the year	3.36	(11)	5.08	(42)
At end of the year	2.77	9,132	2.91	12,662

36. Share Option/Award Scheme (continued)

2002 Share option scheme (continued)

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

31 December 2016 Number of options '000	Exercise price HK$ per share (note)	Exercise period
9,132	**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.

No new share options were granted for the years ended 31 December 2016 and 31 December 2015 under 2002 Share Option Scheme.

During the current year, 3,523,991 (2015: 19,441,009) share options were exercised resulting in issuance of 3,523,991 (31 December 2015: 19,441,009) ordinary shares of the Company with new share capital of HK$352,000 (31 December 2015: HK$1,944,000) and share premium of HK$11,465,000 (31 December 2015: HK$84,026,000) (before issuing expenses).

As at 31 December 2016, the Company had 9,131,657 (2015: 12,662,655) share options outstanding under the 2002 Share Option Scheme, which represented approximately 0.17% (2015: 0.24%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 9,131,657 (2015: 12,662,655) additional ordinary shares of the Company and additional share capital of HK$913,000 (2015: HK$1,266,000) and share premium of HK$24,363,000 (2015: HK$35,490,000) (before issue expenses).

36. Share Option/Award Scheme (continued)

2015 Share option scheme

The shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). 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. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group after the expiry of its existing 2002 Share Option Scheme on 22 August 2012. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employees, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to the Company or the Group.

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of the Company as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the Company.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of the Company which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). The Company may from time to time seek approval of its shareholders and the approval of the shareholders of Haitong Securities Co., Ltd. ("HSCL") (so long as the Company is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of the Company in respect of which options may be granted by directors of the Company under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Company as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the Company's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of the Company at a general meeting.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the company and notified by the directors of the company to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between the Company and the grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at 31 December 2015, no share option has been granted under 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 validity 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. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 12 May 2016 is approximately HK$23.7 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

	2016
Weighted average share price at the date of grant	HK$4.25
Initial exercise price	HK$4.675
Expected volatility	53.32%
Expected option life	5 years
Risk-free rate	0.897%
Expected dividend yield	5.176%
Early exercise multiples — directors	2.34
— employees	2.07

Expected volatility was determined using the historical volatility of the Company's share price over the previous 3.6 years at the grant date.

For the year ended 31 December 2016, the Group has recognised an equity-settled share-based payment of HK$23,673,000 (31 December 2015: Nil) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss. No share options under 2015 share option scheme has been exercised during the current year.

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

	2016 Weighted average exercise price HK$ per share	2016 Number of options '000
At beginning of the year	–	–
Granted and accepted during the year	4.675	18,000
Adjusted during the year (note)	4.674	7
Exercised during the year	–	–
Forfeited during the year	4.674	(200)
At end of the year	4.674	17,807

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

31 December 2016 Number of options '000	Exercise price HK$ per share (note)	Exercise period
17,807	4.674	8 December 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.

36. Share Option/Award Scheme (continued)

Share award scheme

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

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of the Company as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle operational matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the scheme rules, the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant determined by the Board and recommended by the Remuneration Committee from time to time) select any participant for participation in the Scheme as a Selected Participant and determine the number of awarded shares, upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through the Company within the period prescribed in the award notice(s), the Company shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and the Company would recognise as treasury shares in the consolidated statement of changes in equity.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant performance conditions during the relevant period, or lapse if the Selected Participant is unable to meet the relevant performance conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 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 (Note (b))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date HK$
18 April 2016	7,865,506	–	317,616	7,547,890	Note (a)	31,383,000

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the current year ended 31 December 2016, the Group has recognized an equity settled share-based payment of HK$13,863,000 (31 December 2015: Nil) for the Scheme in consolidated statement of profit or loss.

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 18 April 2016 is on 15 March 2017 while the vesting date of another one-third of award shares granted on 18 April 2016 would be on 15 March 2018 and the vesting date for the remaining would be on 15 March 2019.

(b) Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant.

Movements of shares held under the Scheme are as follows:

	2016		2015	
	HK$'000	Number of shares	HK$'000	Number of shares
At 1 January	128,020	21,724,000	–	–
Purchased during the year	–	–	128,020	21,724,000
Vested and transferred out during the year	–	–	–	–
At 31 December	128,020	21,724,000	128,020	21,724,000

37. Financial Assets Sold under Repurchase Agreements

	2016 HK$'000	2015 HK$'000
Analysed by collateral type:		
Equities	–	1,191,700
Bonds and preference shares	9,586,163	6,224,769
Analysed by market:		
Over-the-counter	–	1,191,700
Inter-bank market	9,586,163	6,224,769
Analysed for reporting purposes:		
Current	9,586,163	7,028,919
Non-current	–	387,550
	9,586,163	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 31 December 2016, the Group entered into repurchase agreements with different financial institutions to sell bond and preferences shares recognised as financial assets at and designated at fair value through profit or loss with carrying amount of HK$9,628 million (31 December 2015: HK$7,509 million), which subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

38. Financial Assets Held under Resale Agreements

	2016 HK$'000	2015 HK$'000
Analysed by collateral type:		
Bonds and preference shares	3,600,953	1,114,496
Analysed by market:		
Inter-bank market	3,600,953	1,114,496
Analysed for reporting purposes:		
Current	3,600,953	1,114,496

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

As of 31 December 2016, the fair value of the collateral was HK$3,438 million (31 December 2015: HK$941 million).

39. Operating Lease Arrangements

The Group leases certain of its office properties and data centre under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one year to ten years, and those for data centre for terms of five years. At 31 December 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	97,775	60,193
In the second to fifth years, inclusive	103,800	66,808
	201,575	127,001

40. Capital Commitment

In addition to the operating lease commitments detailed in note 39 above, the Group had the following commitments at year end.

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Computer equipment	12,382	623
Others	779	1,692
	13,161	2,315

41. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during:

(a) On 12 November 2012, the Company entered into a master services agreement with Haitong Securities Co., Ltd., the ultimate holding company of the Company which took effect from 1 January 2013. Pursuant to the master service agreement, the Company and Haitong Securities Co., Limited have each agreed to provide services to companies of the Group or Haitong Securities Co., Limited and its subsidiaries. Such master services agreement was expired on 31 December 2015. On 14 March 2016, the Company entered into a new master services agreement with Haitong Securities Co., Limited, for a term of 3 years from 1 January 2016 to 31 December 2018. The annual caps on continuing connected transactions were revised accordingly. Services covered under the new services agreement include broking transactions, investment management and advisory services, corporate finance transactions, fund investment, financial assistance and securities lending transactions, and underwriting services.

(i) Income and expenses from brokerage services amounted to HK$584,000 (2015: HK$1,347,000) and HK$697,000 (2015: HK$2,723,000) respectively for the current year in accordance with terms of the master services agreement.

(ii) Income from investment management and advisory services amounted to HK$2,527,000 (2015: HK$4,860,000) for provision of investment management service and investment advisory service to Haitong International Holdings Limited (the immediate holding company of the Company) and its subsidiaries. The fee is charged in accordance with the relevant investment management agreement or investment advisory agreement.

(iii) Income from investment advisory service amounted to HK$822,000 (2015: Nil) for provision of investment advisory service to a subsidiary of Haitong Securities Co., Limited (the ultimate holding company of the Company). The fee is charged in accordance with the relevant investment advisory agreement.

41. Related Party Transactions (continued)

(a) (continued)

(iv) During the current year, the Group received EUR100,000 (equivalent to HK$826,000) of placing fee from Haitong International Finance Holdings 2015 Limited (a subsidiary of Haitong International Holdings Limited, the immediate holding company of the Company) in connection with the issue and placement of guarantee bonds issued by Haitong International Finance Holdings 2015 Limited.

(v) During the year ended 31 December 2013, the Company obtained a revolving unsecured loan from Haitong International Holdings Limited, the immediate holding company of the Company. As at 31 December 2016, the Company had outstanding balance of HK$28 million (31 December 2015: HK$376 million).

As at 31 December 2016, the unsecured loan is chargeable at an interest rate of HIBOR+1.275% (31 December 2015: HIBOR+1.275% to HIBOR+1.3963%, LIBOR+1.25% and CNH Hong Kong Interbank Offered Rate + 1.25% per annum). Interest expense for such intercompany loan for the year ended 31 December 2016 amounted to HK$2,212,023 (2015: HK$20,195,486).

(vi) During the year ended 31 December 2015, the Group received corporate advisory fee of HK$300,000 and HK$22,500,000 from Haitong Securities Co., Ltd. and its subsidiaries in relation to the provision of advisory for the local compliance services, including the Listing Rules and SFC requirements and consulting services and corporate advisory services for debt investments trading business.

(vii) During the year ended 31 December 2015, Haitong Securities Co., Ltd. has issued new H shares under Specific Mandate. The Company acted as one of the underwriters and received underwriting commission income of HK$68,824,223.

(viii) During the year ended 31 December 2015, Haitong International Finance Holdings 2015 Limited and Unican Limited, the fellow subsidiaries of the Company, issued guaranteed bonds and guaranteed notes with the principal amounts of US$670 million and CNY1,000 million respectively. The Group acted as one of the underwriters for the above bonds and notes issuing with the underwriting commitments of US$335 million and CNY500 million respectively, and received underwriting income of HK$8,166,699 and HK$1,837,127 respectively.

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

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**80,082**	107,524
Post-employment benefits	**198**	195
Share-based payment	**6,407**	–
Total compensation paid to key management personnel	**86,687**	107,719

42. Statement of Financial Position of the Company

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Property and equipment	**26,371**	25,702
Investment in subsidiaries	**2,069,566**	1,745,186
Amounts due from subsidiaries	**28,739,942**	24,013,611
Other assets	**1,095**	1,095
	30,836,974	25,785,594
Current assets		
Amounts due from subsidiaries	**34,836,448**	19,271,287
Prepayments, deposits and other receivables	**237,285**	200,622
Tax recoverable	**876**	–
Cash and cash equivalents	**24,399**	88,203
	35,099,008	19,560,112
Total assets	**65,935,982**	45,345,706
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital (note 35)	**533,653**	528,992
Reserves (note 43)	**17,942,024**	16,929,638
Proposed final dividend (note 12)	**426,923**	211,597
Total equity	**18,902,600**	17,670,227
Liabilities		
Non-current liabilities		
Convertible bonds	**3,802,531**	134,393
Non-convertible notes	**996,642**	234,242
Amounts due to subsidiaries	**11,295,793**	11,123,232
	16,094,966	11,491,867

42. Statement of Financial Position of the Company (continued)

	2016 HK$'000	2015 HK$'000
Current liabilities		
Amounts due to subsidiaries	691,616	641,485
Other payables and accruals	582,961	626,488
Tax payable	–	12,012
Non-convertible notes	1,551,252	2,227,548
Loans and other borrowings	28,112,587	12,676,079
	30,938,416	16,183,612
Total liabilities	47,033,382	27,675,479
Total equity and liabilities	65,935,982	45,345,706
Net current assets	4,160,592	3,376,500
Total assets less current liabilities	34,997,566	29,162,094

43. Reserves

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

The amounts of the Company's reserves and its movements are as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Shares held for employee share award scheme HK$'000	Capital redemption reserve surplus HK$'000	Contributed surplus HK$'000	Convertible bond reserve (note 34) HK$'000	Retained profit HK$'000	Total HK$'000
At 1 January 2015	5,875,967	13,209	–	–	5,102	2,697	67,133	123,590	6,087,698
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	1,232,769	1,232,769
Shares issued under rights issue — note 35	8,568,445	–	–	–	–	–	–	–	8,568,445
Shares issued upon conversion of convertible bonds — note 35	1,685,334	–	–	–	–	–	(61,759)	–	1,623,575
Shares issued under share option scheme	84,026	–	–	–	–	–	–	–	84,026
Issuance of convertible bonds — note 34	–	–	–	(128,020)	–	–	–	–	(128,020)
2014 final dividend declared and settled in cash — note 12	–	–	–	–	–	–	–	–	–
2015 interim dividend declared and settled in cash and scrip — note 12	692,458	–	–	–	–	–	–	(1,019,716)	(327,258)
Proposed 2015 final dividend — note 12	–	–	–	–	–	–	–	(211,597)	(211,597)
Share options lapsed	10,921	(10,921)	–	–	–	–	–	–	–
At 31 December 2015	16,917,151	2,288	–	(128,020)	5,102	2,697	5,374	125,046	16,929,638
At 1 January 2016	16,917,151	2,288	–	(128,020)	5,102	2,697	5,374	125,046	16,929,638
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	1,409,203	1,409,203
Recognition of equity — settled share based payment — note 36	–	23,673	13,863	–	–	–	–	–	37,536
Shares issued under share option scheme	11,465	(373)	–	–	–	–	–	–	11,092
Issuance of convertible bonds — note 34	–	–	–	–	–	–	195,164	–	195,164
2015 final dividend declared and settled in cash and scrip — note 12	140,781	–	–	–	–	–	–	(112)	140,669
2016 interim dividend declared and settled in cash — and scrip note 12	45,161	–	–	–	–	–	–	(399,516)	(354,355)
Proposed 2016 final dividend — note 12	–	–	–	–	–	–	–	(426,923)	(426,923)
Share options lapsed	1,828	(1,828)	–	–	–	–	–	–	–
Share awards lapsed	518	–	(518)	–	–	–	–	–	–
At 31 December 2016	17,116,904	23,760	13,345	(128,020)	5,102	2,697	200,538	707,698	17,942,024

43. Reserves (continued)

The contributed surplus of the Group arose in 1996 as a result of the group reorganisation in preparation for the listing of the Company and represented the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus provided certain conditions are met.

The share option reserve of the Group comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements.

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2016 includes a profit of HK$1,409,203,000 (2015: profit of HK$1,232,769,000) which has been dealt with in the financial statements of the Company.

44. Investment in Subsidiaries

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	1,745,186	959,855
Deemed contribution	324,380	785,331
	2,069,566	1,745,186

The deemed contribution represents the imputed interest on non-current interest free loan to subsidiaries calculated with reference to Hong Kong Accounting Standard 39 "Financial instruments: Recognition and measurement".

44. Investment in Subsidiaries (continued)

The particulars of principal subsidiaries of the Company as at 31 December 2016 are as follows:

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Hai Tong Asset Management (HK) Limited	Hong Kong	HK$20,000,000	–	100 (2015:100)	Provision of fund management services
Hai Tong Capital (HK) Limited	Hong Kong	HK$10,000,000	–	100 (2015:100)	Corporate finance
Haitong International Asset Management Limited	Hong Kong	HK$13,000,000	–	100 (2015:100)	Investment holding and asset management
Haitong International Bullion Limited	Hong Kong	HK$7,000,000	–	100 (2015:100)	Bullion contracts dealing and trading
Haitong International Capital Limited	Hong Kong	HK$20,000,000	–	100 (2015:100)	Provision of corporate financial advisory services
Haitong International Consultants Limited	Hong Kong	HK$5,000,000	–	100 (2015:100)	Provision of financial advisory services
Haitong International Credit Company Limited	Hong Kong	HK$6,000,000	–	100 (2015: 100)	Money lending
Haitong International Finance Company Limited	Hong Kong	HK$300,000,002 (Non-voting deferred HK$100,700,001) (note b)	–	100 (2015: 100)	Investment holding and money lending
Haitong International Futures Limited	Hong Kong	HK$400,000,000	–	100 (2015:100)	Futures and options brokerage and trading
Haitong International Financial Products Limited	Hong Kong	HK$50,000,000	–	100 (2015:100)	Investment in financial products

44. Investment in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Financial Products (Singapore) Pte. Ltd.	Republic of Singapore ("Singapore")	SG$1	–	100 (2015:100)	Investment holding
Haitong International Financial Solutions Limited	Hong Kong	HK$1,000,000	–	100 (2015:100)	Provision of financial solutions
Haitong International Holdings (Australia) Pty Ltd (note a)	Australia	AU$100	–	100 (2015: N/A)	Investment holding
Haitong International Immigration Consultants Limited	Hong Kong	HK$100,000	–	100 (2015:100)	Provision of immigration consultancy services
Haitong International Information Systems Limited	Hong Kong	HK$11,000,000	–	100 (2015:100)	Provision of information technology solutions
Haitong International Investment Managers Limited	Hong Kong	HK$47,000,000	–	100 (2015:100)	Provision of asset and fund management services
Haitong International Investment Services Limited	Hong Kong	HK$42,500,000	–	100 (2015: 100)	Securities dealing
Haitong International Japaninvest K. K.	Japan	Yen10,000,000	–	100 (2015: 100)	Asian equity research and research sales
Haitong International Management Services Company Limited	Hong Kong	HK$2	–	100 (2015:100)	Provision of management services
Haitong International Products and Solutions Limited	British Virgin Islands	US$1	–	100 (2015:100)	Investment holding
Haitong International Research Limited	Hong Kong	HK$1,000,000	–	100 (2015:100)	Provision of research services

44. Investment in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Securities Company Limited	Hong Kong	HK$11,500,000,000 (2015: HK$8,500,000,000) (note d)	–	100 (2015:100)	Securities brokerage and dealing and leveraged foreign exchange trading
Haitong International Securities (Australia) Pty Ltd (note a)	Australia	AU$100	–	100 (2015:N/A)	Research services
Haitong International Securities (Singapore) Pte. Ltd.	Singapore	SG$319,713,601 (2015: SG$5,000,001) (note e)	–	100 (2015:100)	Securities and futures contracts brokerage
Haitong International Securities Group (Singapore) Pte. Ltd.	Singapore	SG$730,550,721 (2015: SG$28,000,001) (note f)	–	100 (2015:100)	Investment holding
Haitong International Securities (UK) Limited	United Kingdom	GBP560	–	100 (2015:100)	Asian equity research and research sales
Haitong International Securities (USA) Inc.	United States	US$12,612,245 (2015: US$2,333,712) (note g)	–	100 (2015:100)	Asian equity research and research sales
Haitong International Securities Nominees Limited	Hong Kong	HK$2	–	100 (2015:100)	Provision of nominee and custodian services
Haitong International Wealth Management Limited	Hong Kong	HK$3,708,000	–	100 (2015:100)	Provision of financial planning services and financial and insurance products brokerage

44. Investment in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong Securities India Private Limited (note h)	India	INR196,352,520	–	100 (2015: N/A)	Institutional stock broking and investment banking
iBest Finance Group Limited	Cayman Islands	US$1	–	100 (2015: 100)	Investment holding
iBest Investment Services Limited	Hong Kong	HK$30,000,001 (2015: HK$1) (note i)	–	100 (2015: 100)	Provision of financial services
iBest Management Services Limited	Hong Kong	HK$1	–	100 (2015: 100)	Provision of management services
演天資訊科技(深圳)有限公司 (note c)	People's Republic of China ("PRC")	HK$10,000,000	–	100 (2015:100)	Provision of software development services
Haitong Middle Kingdom Fund (note 19)	Cayman Islands	N/A	–	30.51 (2015: 65.14)	Fund investment
Haitong Special Opportunities Fund I S.P. (note 19)	Cayman Islands	N/A	–	100 (2015: 100)	Fund investment
Haitong Smart Portfolio Fund S.P. (note 19)	Cayman Islands	N/A	–	65.09 (2015: N/A)	Fund investment
Haitong International Investment Fund SPC — Fund I S.P. (note 19)	Cayman Islands	N/A	–	68.85 (2015: N/A)	Fund investment

44. Investment in Subsidiaries (continued)

Notes:

(a) Incorporated during the year as a company limited by shares.

(b) The non-voting deferred shares carry no rights to dividends, attend or vote at general meetings and receive any surplus in a return of capital, winding-up or otherwise in respect of the first HK$100,000,000,000,000 thereof.

(c) Entities registered as wholly-foreign-owned enterprises under the law in the PRC.

(d) The increase in share capital represented the issue of 3,000,000,000 new ordinary shares on 18 April 2016 to Haitong International Finance Company Limited ("HTIFN") for the consideration of HK$3,000,000,000.

(e) The increase in share capital represented the issue of 30,000,000 and 284,713,600 new ordinary shares respectively on 18 November 2016 and 23 December 2016 respectively to Haitong International Securities Group (Singapore) Pte. Ltd. for the consideration of SG$30,000,000 and SG$284,713,600 respectively.

(f) The increase in share capital represented the issue of 289,716,000 and 412,834,720 new ordinary shares respectively on 31 May 2016 and 23 December 2016 respectively to HTIFN for the consideration of SG$289,716,000 and SG$412,834,720 respectively.

(g) The increase in share capital represented the additional capital injection during the year.

(h) Acquisition during the year as a company limited by shares.

(i) The increase in share capital represented the issue of 30,000,000 new ordinary shares on 8 July 2016 to iBest Finance Group (Holding) Limited for the consideration of HK$30,000,000.

The above table lists out the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length. At the end of the reporting period, the Company has other subsidiaries that are not material to the Group.

Acquisition of a subsidiary in 2016

On 10 November 2016, Haitong International Investment (Singapore) Pte. Ltd. ("Haitong International Singapore"), a wholly owned subsidiary of the Company, entered into an agreement with Haitong Bank, S.A. ("Haitong Bank"), Haitong Securities (UK) Limited ("Haitong UK") and Haitong Securities India Private Limited ("Haitong India"), pursuant to which Haitong International Singapore agreed to acquire the entire share capital of Haitong India. Haitong Bank, Haitong UK and Haitong India are indirectly wholly owned subsidiaries of Haitong Securities Co., Limited, the ultimate holding company of the Company. Accordingly, this acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. The initial acquisition consideration was US$13,770,000 (equivalent to HK$106,772,580) which was determined with reference to the latest audited financial statements of Haitong India for the year ended 31 March 2016. The acquisition was subsequently completed on 22 December 2016.

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2016 (continued)

Haitong India is a trading and self-clearing member of the Bombay Stock Exchange and National Stock Exchange of India Limited for cash equities and stock and index derivatives and is based in Mumbai and is licensed by Securities and Exchange Board of India to conduct stock broking; merchant banking and research analysis businesses in India. As a result of this acquisition, the Group is expected to expand its geographic footprint to India, complementing the Group's well-established integrated equities research capabilities, providing significant synergies for the Group's institutional clients by broadening product offering, and allowing the Group to leverage on Haitong India's existing investment banking businesses.

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

Consideration transferred

	HK$'000
Cash	90,101

Pursuant to the share purchase agreement, the initial acquisition consideration of US$13,770,000 (equivalent to HK$106,772,580) is subject to the adjustment if the net asset value of Haitong India as at 22 December 2016 (the "Completion Date") is different with the net asset value of Haitong India adopted by the Group in determining the initial acquisition consideration.

Up to the reporting date, as the estimated net asset value on the Completion Date (subject to the completion audit which has yet to be completed) was short of the net asset value calculated per the audited financial statements of Haitong India as of 31 March 2016, the purchase consideration was reduced by HK$16.7 million in accordance with the share purchase agreement.

Acquisition-related costs amounting to HK$1.05 million have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the other operating expenses in the consolidated statement of profit or loss.

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2016 (continued)

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

	HK$'000
Property and equipment	1,670
Intangible assets	206
Accounts receivable	2,640
Prepayment and other receivables	5,007
Other loans and receivables	3,477
Cash and cash equivalents	18,833
Accounts payable	(186)
Other payables	(2,309)
Net assets acquired at the date of acquisition	29,338

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 (determined on a provisional basis)

	HK$'000
Consideration transferred	90,101
Less: Net identifiable assets acquired	(29,338)
Goodwill arising on acquisition	60,763

Goodwill arose in the acquisition of Haitong India 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 and future market development of Haitong India. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Up to the reporting date, the initial accounting of the business combination, including the determination of the fair value of identifiable assets and liabilities acquired and measurement of goodwill or a gain from a bargain purchase are in the assessment process by the management of the Group. Thus, the disclosures are presented by the management on a provisional basis in the consolidated financial statements for the year ended 31 December 2016.

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2016 (continued)

Net cash outflow on acquisition of a subsidiary

	2016 HK$'000
Consideration paid in cash	90,101
Less: Cash and cash equivalent balances acquired	(18,833)
Net cash outflow on acquisition of a subsidiary	71,268

Impact of acquisitions of Haitong India on the results of the Group

Contribution from Haitong India is immaterial to the Group during the year ended 31 December 2016. Had the acquisition been completed on 1 January 2016, total group revenue for the current year would have been HK$5,357 million, and profit for the current year would have been HK$1,656 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 2016, nor is it intended to be a projection of future results. In determining the 'pro-forma' revenue and profit of the Group had Haitong India been acquired at the beginning of the current year, 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.

Acquisition of a subsidiary in 2015

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 ¥2,878,200,000 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.

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2015 (continued)

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 year ended 2015, 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

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.

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2015 (continued)

Goodwill arising on acquisition

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

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	173,704

44. Investment in Subsidiaries (continued)

Acquisition of a subsidiary in 2015 (continued)

Impact of acquisitions of Japaninvest on the results of the Group

Included in the profit for the year ended 2015 is HK$6.2 million attributable to the additional business generated by Japaninvest. Revenue for the prior period includes HK$32 million generated from Japaninvest.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 2015 would have been HK$5,825 million, and profit for the year ended 2015 would have been HK$2,981 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 year ended 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.

Debt securities issued by subsidiaries

None of the subsidiaries had issued any debt securities during the current year, and Haitong International Finance 2015 Limited and Haitong International Finance 2014 Limited issued US$700 million and US$600 million of guaranteed bonds, respectively during prior years. Details of the debt securities issued are set out in note 34.

Significant restriction

Cash and cash equivalents held by subsidiaries in the Mainland China are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements at 31 December 2016 was approximately of HK$12.5 million (31 December 2015: HK$8.6 million).

45. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and advisory, nominee and custodian services, leveraged foreign exchange trading, and fund management, which are regulated by the Hong Kong Securities and Futures Commission.

Certain overseas subsidiaries are also subject to externally imposed capital requirements by overseas regulatory activities, such as the Monetary Authority of Singapore.

During the year, the subsidiaries of the Group which are subject to minimum capital requirements imposed by respective regulatory authorities, complied with all the minimum capital requirements.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity.

Total borrowings include convertible bonds issued, non-convertible bonds issued, non-convertible notes issued, loan and other borrowings and financial assets sold under repurchase agreement. Net borrowings include total borrowings net of and cash and cash equivalents.

45. Capital Management (continued)

Total equity includes all capital and reserves attributable to owners of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting period were as follows:

	2016 HK$'000	2015 HK$'000
Convertible bonds	**3,802,531**	134,393
Non-convertible bonds	**9,973,074**	9,937,201
Non-convertible notes	**2,547,894**	2,461,790
Financial assets sold under repurchase agreements	**9,586,163**	7,028,919
Loans and other borrowings	**33,626,574**	20,512,148
Total borrowings	**59,536,236**	40,074,451
Total equity	**22,449,024**	20,828,786
Gearing ratio	**265%**	192%
Total borrowings	**59,536,236**	40,074,451
Cash and cash equivalents	**(7,171,169)**	(6,405,963)
Net borrowings	**52,365,067**	33,668,488
Net borrowings to equity ratio	**233%**	162%

46. Financial Risk Management

The Group's major financial instruments include refundable deposits and other receivables, held-to-maturity investments, advances to customers in margin financing, financial assets/liabilities at fair value through profit or loss, financial assets/liabilities designated at fair value through profit or loss, derivative financial instruments, available-for-sale investments, other loans and receivables, accounts receivable, convertible bonds, non-convertible bonds, non-convertible notes, financial assets held under resale agreements, accounts payable, cash and cash equivalents, financial assets sold under repurchase agreements and loans and other borrowings. Advances to customers in margin financing, other loans and receivables, accounts receivable and accounts payable mainly arise from the Group's operations while cash and bank balances, financial assets sold under repurchase agreements, loans and other borrowings, convertible bonds, non-convertible bonds and non-convertible notes are to maintain liquidity or to raise financing for the Group's operations.

46. Financial Risk Management (continued)

The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair values of equity investments, exchange trade funds, unlisted fund investments and derivatives decrease as a result of changes in the levels of equity indices and the values of individual investment.

The Group is exposed to price risk mostly arising from equity investments, fund investments, and derivative financial instruments that are classified as financial assets/liabilities at fair value through profit or loss, financial assets/liabilities designated at fair value through profit or loss and available-for-sale investments. Majority of the Group's equity investments and exchange traded funds are listed on The Stock Exchange of Hong Kong Limited and respective overseas stock exchanges, while the unlisted investment fund are traded in the over-the-counter markets.

The Group has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Risk Management Committee and the Capital Allocation and Investment Committee.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including the Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

46. Financial Risk Management (continued)

Market risk (continued)

Price risk (continued)

Listed equity investments (including exchange traded funds)

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's profit after tax for the year and on the investment revaluation reserve. The analysis is based on the assumption that the equity index had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index. The directors of the Company consider the Group's exposure to price risk arising from the listed equity investments acquired for the issued structured products presented in financial assets designated at fair value through profit or loss can be offset against the Group's exposure to price risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss and therefore excluded from the analysis below.

Hong Kong Hang Seng Index and other relevant indexes

	2016	
	Impact on profit after tax HK$'000	Impact on the investment revaluation reserve in equity HK$'000
Increase by 10%	174,259	125,409
Decrease by 10%	(174,259)	(125,409)

Hong Kong Hang Seng Index and other relevant indexes

	2015	
	Impact on profit after tax HK$'000	Impact on the investment revaluation reserve in equity HK$'000
Increase by 10%	87,837	945
Decrease by 10%	(87,837)	(945)

46. Financial Risk Management (continued)

Market risk (continued)

Price risk (continued)

Unlisted fund, equity and partnership investments

The fair value of unlisted fund, equity and partnership investments as well as unlisted structured products depends on the valuation of the respective investments or underlying investments. If the unit price increased/decreased by 5%, profit after tax for the year would have an estimated HK$58,382,000 increase/decrease (2015: HK$87,207,000 increase/decrease), and investment revaluation reserve in consolidated statement of profit or loss and other comprehensive income would have an estimated HK$477,100,000 increase/decrease (2015: HK$312,028,000 increase/decrease).

The directors of the Company consider the Group's exposure to price risk arising from the unlisted fund, equity and partnership investments as well as unlisted structured product acquired for the issued structured products presented in financial assets designated at fair value through profit or loss can be offset against the Group's exposure to price risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss.

Derivative financial instruments — held for trading

The fair value of derivative financial instruments held for trading depends on the underlying investment portfolio or linked index. If the fair value of the underlying investment portfolio or linked index increased/decreased by 1%, the fair value of derivative financial instruments held for trading and profit after tax would have an estimated HK$3,246,000 increase/decrease (2015: HK$3,631,000).

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's foreign currency risk arises principally from its leveraged foreign exchange business as well as the Group's transactions and borrowings denominated in currencies other than Hong Kong dollars ("HKD"). The Group hedges economically majority of its client trades in its leveraged foreign exchange business back-to-back with external counterparties and hedges its foreign currency denominated borrowings by effective hedging instruments, such that the Group is not exposed to significant foreign currency risk.

As at 31 December 2016, the Group had a cross currency swap with a notional contract amount of RMB200 million (equivalent to HK$224 million), which is designated as cash flow hedges of the currency risk inherent in a RMB denominated note issued by the Group. That cross currency swap is designated as an effective hedging instrument and hedge accounting is applied (see note 29 for details).

46. Financial Risk Management (continued)

Market risk (continued)

Currency risk (continued)

The majority of the Group's assets and liabilities are denominated in HKD, Euro, United States dollars ("USD") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar is pegged to the USD.

At 31 December 2016, if EUR strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, profit after tax for the year would have been HK$12,354,000 higher/lower.

At 31 December 2016, if RMB strengthened/weakened against HKD by 5% (2015: 5%) with all other variables including tax rate being constant, profit after tax for the year would have been HK$8,543,000 (2015: HK$315,629,000) higher/lower.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in preference shares and debt securities and certified deposit classified as available-for-sale investments and financial assets/liabilities at or designated at fair value through profit or loss all carried at fixed interest rate. The Group currently does not have a fair value hedging policy. However, the directors of the Company consider the Group's exposure to interest risk arising from the listed and unlisted debt investments and listed and unlisted preference shares acquired for the issued structured products presented in financing assets designated at fair value through profit or loss can be offset against the Group's exposure to interest risk arising from the issued structured products presented in financial liabilities designated at fair value through profit or loss.

The Group's fair value interest rate risk exposure is summarised as follows:

	2016 HK$'000	2015 HK$'000
Financial assets at or designated at fair value through profit or loss	22,210,707	14,445,685
Financial liabilities at fair value through profit or loss	(3,021,086)	(941,305)
Available-for-sale investments	7,034,383	–
	26,224,004	13,504,380

46. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Fair value interest rate risk (continued)

At 31 December 2016, if market interest rates had been 25 basis points (2015: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$40,058,000 (2015: decrease/increase by HK$28,190,000) and investment revaluation reserve in equity would decrease/increase by HK$17,586,000 (2015: decrease/increase by HK$Nil).

In the opinion of the management, the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to the bank deposits, advances to customers in margin financing, other loans and receivables, loans and other borrowings as well as other interest-bearing accounts receivable and payable carried at amortised costs with floating interest rates. The Group's held-to-maturity investments are not subject to the interest rate risk as all investments are carried at amortised cost with fixed interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings as its interest-bearing assets and liabilities are mainly Hong Kong dollar denominated.

The Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest risk exposure.

In relation to some variable rate borrowings, the Group enters into interest rate swaps to hedge against its exposures to changes in fair values of those borrowings. Interest rate swaps, denominated in Renminbi or Hong Kong dollars, have been entered into achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. As at 31 December 2015, the Group had interest rate swaps with a notional contract amount of HK$1,239 million which was designated as cash flow hedges of the interest rate risk inherent in its variable rate bank borrowings. These interest rate swaps were designated as effective hedging instruments and hedge accounting was applied (see note 29 for details).

46. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow interest rate risk (continued)

The Group's cash flow interest rate risk exposure is summarised as follows:

	2016 HK$'000	2015 HK$'000
Accounts receivable	3,736,907	2,889,954
Advances to customers in margin financing	20,817,335	18,879,155
Other loans and receivables	8,126,573	4,080,858
Cash held on behalf of customers	20,186,813	18,265,360
Cash and cash equivalents	7,171,169	4,493,323
Loans and other borrowings (excluding those hedged by interest rate swaps)	(33,555,935)	(20,680,048)
Financial assets sold under repurchase agreements	(9,586,163)	(7,416,469)
	16,896,699	20,512,133

At 31 December 2016, if market interest rates had been 25 basis points (2015: 25 basis points) higher/lower with all other variables held constant, profit after tax for the year would decrease/increase by HK$35,272,000 (2015: decrease/increase by HK$42,819,000). In the opinion of the management the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2016, the Group's major exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors consider that held-to-maturity investments, issued structured notes presented in financial liabilities designated at fair value through profit or loss, derivative financial instruments, advances to customers in margin financing, other loans and receivables, accounts and other receivables, cash and cash equivalent and other assets represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

46. Financial Risk Management (continued)

Credit risk (continued)

In order to manage the credit risk, the Credit Approval Committee of the Group has appointed a group of authorised persons who are charged with the responsibility of approving credit limit of each customer, including the advances to customers in margin financing and other loans and receivables. The Credit Approval Committee is also responsible to the credit risk arising from the Group's investment in debt securities (including preference shares), classified either as held-to-maturity investment, other receivables or financial assets at fair value through profit or loss.

For margin lending, the Credit Approval Committee is responsible for approving of share acceptable for margin lending and setting stock margin ratio for each approved share. The approved share list is updated quarterly, and will be revised as and when deemed necessary by the Credit Approval Committee. The Credit Approval Committee will prescribe from time to time lending limits on individual share or on any individual customer and his/her associates.

The Credit Control Department of the Group is responsible for overall monitoring of the credit risk of its customers and will make margin call to those customers whose trades exceed their respective limits. Any such excess is required to be made good within two days for securities and the next day for futures of the deficiency report. The deficiency report will be monitored daily by the Head of the Credit Control Department and responsible officers. Failure to meet margin calls may result in the liquidation of the customers' positions. For each individual, the Credit Control Department will closely monitor financial position of the debtors and guarantors, and for the loans with collateral pledged to the Group, the Credit Control Department will ensure sufficient collateral was received to maintain an acceptable loan to collateral value ratio.

For other loans and receivables, prior to the lending of a loan and subscription of debt securities, the Credit Approval Committee will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profile of each individual debtor by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Credit Approval Committee holds meeting from time to time as the chairperson considers appropriate and reviews from time to time the financial conditions of the borrower or the guarantors.

For the Group's issued structured products and investment in preference shares and debt securities, the Capital Allocation & Investment Committee, the Credit Control Department, the Risk Management Department and respective business units of the Group assess the financial performance of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due.

The Group has set portfolio size and single issuers limits to control the Group's exposure to the credit risk.

46. Financial Risk Management (continued)

Credit risk (continued)

The Group also monitors the credit rating and market news of the issuers of respective equity, debt, preference shares, derivatives investments and unlisted structured products as well as the holders of unlisted structured products issued by the Group of respective equity, debt and preference shares investments and derivatives as well for any indication of potential credit deterioration. For those structured products issued by the Group, the directors would also maintain a regular communication with the holders and assess the performance of the underlying investments to evaluate if there is any indication of potential credit deterioration.

For other credit exposures such as the derivative financial instruments, accounts and other receivables and cash and cash equivalents, the Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, and the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivable, approximately HK$2,153,672,000 (2015: HK$752,047,000) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

  There is no concentration of credit risk with respect to the receivables, as the Group has a large number of clients who are internationally dispersed. Most of the accounts and other receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

- Advances to customers in margin financing are backed by collateral. The Group only accepts collateral in the form of cash and liquid stocks. Concentration risk of advances to customers in margin financing is managed by reference to individual customers. The aggregate credit exposure in relation to the ten largest outstanding customers, including corporate entities and individuals at 31 December 2016 was HK$6,610 million (31 December 2015: HK$5,660 million) which were secured by collateral. There was no recent history of individual impairment allowance recognised for these ten largest customers. Except for the impaired loans as set out in note 24, advances to customer in margin financing of neither past due nor impaired are secured by liquid stocks.

46. Financial Risk Management (continued)

Credit risk (continued)

- Other loans and debt securities classified as other loans and receivables are either secured or guaranteed. Concentration risk of other loans and debt securities is managed by reference to individual borrowers and issuers. The aggregate credit exposure in relation to the ten largest outstanding loans borrowers and issuers of debt securities at 31 December 2016 was HK$6,230 million (31 December 2015: HK$3,253 million). There was no recent history of individual impairment allowance recognised for these ten largest parties.

- For stock-pledged repurchase and stock-acquired resale business, the directors of the Company stimulate and conduct strict due diligence and project review procedures, and control the credit risk relating to the business through marking the market, tracking projects closing the position and other approaches. The directors of the Company focus on the investment diversification for credit-class fixed income securities investment and closely follow up the operation condition of counterparties and their credit rating changes. Majorities of the above-mentioned businesses were entered with the counterparties with the credit rating of Aa2 to A1.

- Held-to-maturity investments and other receivables were issued by corporations and reputable large commercial banks with issuer credit rating of B1 or above issued by Moody's or B+ or above issued by Standard & Poor's.

- Majority of derivative financial instruments are entered with reputable financial institutions with credit rating of Baa1 or above issued by Moody's or BBB+ or above issued by Standards & Poor's.

- Majority of cash and cash equivalents are deposited in reputable large commercial banks with credit rating of Baa1 or above issued by Moody's or BBB+ or above issued by Standards & Poor's.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong and Singapore are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO") and Singapore Exchange Derivatives Trading Limited ("SGX-DT") in accordance with the Rules of SGX-DT.

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO and Rules of SGX-DT.

46. Financial Risk Management (continued)

Liquidity risk (continued)

As at 31 December 2016, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$10,189 million (31 December 2015: HK$11,976 million).

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows.

Liquidity table

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Total HK$'000
31 December 2016				
Liquidity tables				
Convertible bonds issued	13	1,726	4,127,888	4,129,627
Non-convertible bonds issued	206,845	206,845	11,160,697	11,574,387
Non-convertible notes issued	803,607	1,063,048	1,068,649	2,935,304
Loans and other borrowings (note)	33,690,191	–	–	33,690,191
Financial assets sold under repurchase agreements	8,169,599	1,425,827	–	9,595,426
Accounts payable	28,240,926	–	–	28,240,926
Financial liabilities at fair value through profit or loss	3,143,726	–	–	3,143,726
Financial liabilities designated at fair value through profit or loss	3,566	14,212,827	–	14,216,393
Other payables and accruals	965,602	–	–	965,602
Other liabilities	2,512,113	–	–	2,512,113
Derivative financial instrument — net settlement	250,864	–	–	250,864
	77,987,052	16,910,273	16,357,234	111,254,559

46. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table (continued)

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Total HK$'000
31 December 2015				
Liquidity tables				
Convertible bonds issued	13	1,726	151,461	153,200
Non-convertible bonds issued	206,719	206,719	11,567,373	11,980,811
Non-convertible notes issued	31,571	2,288,080	255,580	2,575,231
Loans and other borrowings (note)	20,168,162	–	–	20,168,162
Financial assets sold under repurchase agreements	–	7,058,037	387,550	7,445,587
Accounts payable	20,945,837	–	–	20,945,837
Financial liabilities at fair value through profit or loss	957,979	–	–	957,979
Financial liabilities designated at fair value through profit or loss	–	3,263,051	4,225,698	7,488,749
Other payables and accruals	941,348	–	–	941,348
Other liabilities	–	–	–	–
Derivative financial instrument — net settlement	90,193	–	–	90,193
	43,341,822	12,817,613	16,587,662	72,747,097

Note: Bank loans with a repayment on demand clause are included in the 'repayable on demand or less than 3 months' time band in the maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK$8,887 million (31 December 2015: HK$11,162 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$8,890 million (31 December 2015: HK$11,178 million).

46. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table (continued)

As at 31 December 2016, the amounts of HK$5,531,988,000 (31 December 2015: HK$7,578,519,000) for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount to its subsidiaries if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Stock borrowing and lending arrangement

Under the normal course of business, the Group may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers or for the Group's proprietary shortselling activity.

During the process, the Group receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

	2016 HK$'000	2015 HK$'000
Equity securities borrowed from external financial institutions	2,969	240,574
Equity securities lent to customers	3,516,203	902,795
Equity securities for Group's proprietary short selling (note (31))	122,640	16,674
Cash collateral received from customers	3,600,216	940,738
Cash collateral held by financial institutions	3,266	223,234

The equity securities shorten for the Group's proprietary position is subject to price risk as included in note 46. Under the stock borrowing and lending arrangement, the Group is principally liable to repay the borrowed securities in case of any default by the customers.

47. Fair Value Measurements of Financial Instruments

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.

An analysis of the Group's financial assets and liabilities measured at fair value as at 31 December 2016 and 31 December 2015 are as follows:

	Fair value as at 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Recurring fair value measurements:				
Available-for-sale investments				
— Listed equity investments	1,183,492	42,894	Level 1	Note (c)
— Listed equity investment with lock-up period	87,024	–	Level 3	Note (o)
— Listed debt investments	971,111	–	Level 2	Note (e)
— Listed debt investments	200,000	–	Level 2	Note (d)
— Unlisted fund investments	7,928,146	6,197,663	Level 2	Note (a)
— Unlisted partnership investment	465,342	–	Level 2	Note (w)
— Unlisted partnership investment	192,994	–	Level 2	Note (d)
— Unlisted partnership investment	235,861	–	Level 2	Note (v)
— Unlisted equity investment	14,000	13,125	Level 2	Note (b)
— Unlisted equity investment	162,156	–	Level 2	Note (d)
— Unlisted equity investment	542,899	–	Level 2	Note (u)
— Unlisted debt investment	339,515	–	Level 3	Note (t)
— Unlisted debt investments	4,951,709	–	Level 2	Note (m)
— Unlisted debt investments	572,048	–	Level 2	Note (d)
Financial assets at fair value through profit or loss				
— Listed equity investments	2,081,690	872,136	Level 1	Note (c)
— Exchange traded funds	347,422	586,976	Level 1	Note (c)
— Listed preference shares	258,452	141,290	Level 2	Note (e)
— Listed debt investments	20,657,129	13,279,940	Level 2	Note (e)
— Unlisted preference shares	–	23,253	Level 2	Note (d)
— Unlisted debt investments	460,027	1,024,455	Level 2	Note (e)
— Unlisted investment funds	1,286,397	2,088,797	Level 2	Note (a)
— Unlisted structured product	61,715	141,150	Level 2	Note (f)
— Unlisted certificated deposit	99,865	99,600	Level 2	Note (g)

47. Fair Value Measurements of Financial Instruments (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 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Financial assets designated at fair value through profit or loss				
— Listed equity investments	4,369,553	1,611,393	Level 1	Note (c)
— Listed preference shares	454,378	–	Level 2	Note (e)
— Listed debt investments	130,312	–	Level 2	Note (e)
— Unlisted equity investments	301,073	326,628	2015: Level 2 2016: Level 3	2015: Note (d) 2016: Note (p)
— Unlisted equity investments	215,059	1,920,133	Level 2	2015: Note (d) 2016: Note (v)
— Unlisted equity investment	65,543	–	Level 2	Note (d)
— Unlisted equity investments in an associate	3,539,507	5,705,699	Level 3	Note (h)
— Unlisted partnership investment	580,635	387,550	Level 2	2015: Note (d) 2016: Note (p)
— Unlisted partnership investment	215,282	221,170	Level 2	Note (j)
— Unlisted preference share	33,480	–	Level 2	Note (d)
— Unlisted debt investment	542,899	–	Level 2	Note (d)
— Unlisted debt investment	97,140	100,000	Level 2	2015: Note (d) 2016: Note (x)
— Unlisted investment fund	2,189,185	–	Level 2	Note (d)
— Unlisted investment funds	1,363,355	–	Level 2	Note (a)
— Unlisted structured product	–	465,060	Level 2	Note (d)
— Unlisted structured products	8,513	221,000	Level 2	Note (f)
— Unlisted structured products	327,047	753,070	Level 2	Note (n)
— Unlisted structured products	2,308,720	148,652	Level 2	Note (e)
— Unlisted options	904	–	Level 2	Note (l)
Derivatives financial instruments				
— Swap contract	1,220	63,789	Level 2	Note (i)
— Swap contracts	32,581	–	Level 2	Note (k)
— Forward foreign currency exchange contracts	100,443	87,900	Level 2	Note (k)
— Listed options/warrants	51,940	64,518	Level 1	Note (c)
— Unlisted options (related to listed equities)	389,096	298,609	Level 2	Note (l)
	60,416,859	36,886,450		

47. Fair Value Measurements of Financial Instruments (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 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Recurring fair value measurements:				
Financial liabilities at fair value through profit or loss				
— Listed equity investments	122,640	16,674	Level 1	Note (c)
— Listed debt investments	2,974,639	941,305	Level 2	Note (e)
— Listed preference shares	46,447	–	Level 2	Note (e)
Financial liabilities designated at fair value through profit or loss				
— Structured notes (with the underlying investment related to listed equity investment)	2,119,182	1,004,291	Level 2	Note (f)
— Structured notes (with the underlying investment related to listed equity investment with lock-up period)	2,059,507	4,225,698	Level 3	Note (h)
— Structured notes (with the underlying investment related to unlisted equity investment)	24,215	–	Level 2	Note (j)
— Structured notes (with the underlying investment related to unlisted equity and partnership investments)	781,441	578,820	Level 2	2015:Note (d) 2016: Note (q)
— Structured notes (with the underlying investments related to unlisted equity investments)	75,233	96,578	2015: Level 2 2016: Level 3	Note (d) Note (q)
— Structured notes (with the underlying investment related to listed debt investments)	48,760	828,946	Level 2	Note (e)
— Structured notes (with the underlying investment related to unlisted investment fund investments)	4,715,895	–	Level 2	Note (s)
— Structured notes (with the underlying investments related to unlisted equity investments)	42,276	–	Level 2	Note (d)
— Structured notes (with the underlying investment of forward foreign currency exchange contract)	–	1,346	Level 2	Note (k)
— Structured notes (with the underlying investment related to the index of respective stock exchanges)	2,335,931	753,070	Level 2	Note (n)
— Structured notes (with the underlying investment related to the listed preference shares)	2,004,270	–	Level 2	Note (r)
— Structured products (with the underlying investment related to listed equity investment)	6,117	–	Level 2	Note (l)
— Listed equity investments	2,400	–	Level 1	Note (c)
— Unlisted options	1,166	–	Level 2	Note (l)

47. Fair Value Measurements of Financial Instruments (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 31 December 2016 HK$'000	Fair value as at 31 December 2015 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Derivative financial instruments				
— Swap contracts	64,360	55,580	Level 2	Note (i)
— Forward currency option contracts	–	23	Level 2	Note (k)
— Forward foreign currency exchange contracts	91,095	34,590	Level 2	Note (k)
— Listed option/warrants	78,610	–	Level 1	Note (c)
— Callable bull/bear contracts	15,917	–	Level 1	Note (c)
— Unlisted option	882	–	Level 2	Note (l)
	17,610,983	8,536,921		

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) Quoted price in active markets.

(d) The fair value was determined with reference to the recent transaction price of the investments.

(e) The fair values was determined with reference to the quoted price provided by brokers/financial institutions.

(f) The fair value was determined with reference to the quoted price of the underlying equities investments.

(g) The fair value of certificated deposit was established based on applying the interest yield curves of different certificated deposit issued.

(h) 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.

47. Fair Value Measurements of Financial Instruments (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)

(i) Fair value determined based on discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk (from observable credit spread at the end of the reporting period) of various counterparties.

(j) The fair value of the investment was determined with reference to observable quoted price of the underlying listed equity investment in active market.

(k) Fair value determined based on discounted cash flow. 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 (from observable credit spread at the end of the reporting period) of various counterparties.

(l) Fair value determined based on binomial tree 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.

(m) Fair value determined based on discounted cash flow. Future cash flows are based on the contracted value as at maturity date, discounted at a rate determined by observable market yield.

(n) Fair value of the investments were determined based on the observable index of respective stock exchange in consideration of the contract terms.

(o) The 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 significant unobservable input is the discount rate for lack of marketability with reference to the prices of listed securities when determining its fair value.

(p) The fair value is determined with reference to the net asset value of the unlisted equity and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The Directors have determined that the reported net asset values represent fair value of these investments.

(q) The fair value is determined with reference to the net asset value of the underlying unlisted equity and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The Directors have determined that the reported net asset values represent fair value of these underlying investments.

(r) The fair value of the investment was determined with reference to observable quoted price of the underlying listed preference share investment by broker/financial institution.

(s) The fair value is determined with reference to the dealing price of the underlying unlisted investment funds that the net asset value were derived from the observable quoted price of underlying investment portfolio in active markets.

(t) Fair value determined based on discounted cash flow. Future cash flows are estimated based on expected cash flows discounted at rate taking into account of the credit risk of the issuer.

The significant unobservable input is the discount rate for the credit risk spread with reference to the resulting loss given the case of default based on the management judgement in assessing the recoverability of this debt investment. 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 loss given default, the lower the fair value.

47. Fair Value Measurements of Financial Instruments (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)

(u) Fair value is determined with reference to the net asset value of unlisted equity investment mostly determined based on the fair value of the underlying investment portfolio, which is comprised of listed equity which its price is quoted in active market and debt investment of which the fair value is determined based on discounted cash flow that the futures cash flows are based on the contracted value as at maturity date and discounted at a rate determined by observable market yield.

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.

(v) Fair value is determined with reference to the net asset value of the unlisted partnership/equity investments mostly determined based on the underlying investment portfolio investment of which the fair value is determined with the recent transaction price.

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.

(w) Fair value is determined with reference to the net asset value of direct unlisted partnership investment mostly determined based on the underlying investment portfolio, which comprised debt investment of which the fair value is determined based on discounted cash flow that the futures cash flows are based on the contracted value as at maturity date and discounted at a rate determined by observable market yield.

(x) Fair value is determined with reference to the net asset value of the unlisted partnership investment mostly derived from the underlying investment portfolio comprising of listed equity with quoted price in active market.

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.

During the current year, 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 31 December 2016 and 2015, no non-financial assets or liabilities were carried at fair value.

47. Fair Value Measurements of Financial Instruments (continued)

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

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 consolidated financial statements approximate their fair values:

	2016		2015	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Held-to-maturity investments debt investments (note i)	93,357	92,429	98,752	97,862
Convertible bonds (note ii)	3,802,531	4,043,269	134,393	148,944
Non-convertible bonds (note ii)	9,973,074	10,284,019	9,937,201	10,131,441

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

Reconciliation of Level 3 fair value measurements

31 December 2016

	Available-for-sale investments HK$'000	Financial assets designated at fair value through profit or loss HK$'000	Financial liabilities designated at fair value through profit or loss HK$'000
Opening balance	–	5,705,699	(4,225,698)
Total gains (losses) in profit or loss (note v)	–	(2,191,747)	2,187,536
Total gains (losses) in other comprehensive income (note v)	(46,132)	–	–
Transfer into Level 3 (note iv)	–	326,628	(96,578)
Purchase	472,671	–	–
Closing balance	426,539	3,840,580	(2,134,740)

47. Fair Value Measurements of Financial Instruments (continued)

Reconciliation of Level 3 fair value measurements (continued)

31 December 2015

	Available-for-sale investments HK$'000	Financial assets designated at fair value through profit or loss HK$'000	Financial liabilities designated at fair value through profit or loss HK$'000
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 unlisted 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.

(iv) The fair value of the unlisted instruments were 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 2015. During the year ended 31 December 2016, the fair value of these unlisted investments were determined based on significant unobservable inputs and involved significant judgment made by the management. Thus, the instrument was transferred from Level 2 to Level 3 category.

(v) Of the total gains or losses for the period included in profit or loss, loss of HK$2,192 million relates to financial assets designated at fair value through profit or loss and gain of HK$2,188 million relates to financial liabilities designated at fair value through profit or loss held at the end of the current reporting period. Fair value gains or losses on financial assets/liabilities designated as at fair value through profit or loss are included in "Net gains arising from financial assets/liabilities at fair value through profit or loss" as disclosed in note 6.

Included in other comprehensive income is an amount of HK$46 million loss relating to listed equity investment with lock-up period held at the end of the current reporting period and is reported as changes of investment revaluation reserve.

48. Financial Assets and Financial Liabilities Offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or

- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, CSDC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC, CSDC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

48. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2016

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	7,768,749	(2,654,996)	5,113,753	(9,167)	(161,962)	4,942,624
Deposits placed with clearing house	73,445	–	73,445	(37,504)	–	35,941
Advances to customers in margin financing	20,817,335	–	20,817,335	(147,903)	(20,321,041)	348,391
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(30,895,922)	2,654,996	(28,240,926)	194,574	–	(28,046,352)
Financial liabilities at fair value through profit or loss	(3,143,726)	–	(3,143,726)	–	3,143,726	–

48. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2015

	Gross amounts of recognised financial assets after impairment HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing house	5,047,716	(1,227,105)	3,820,611	(19,528)	(114,997)	3,686,086
Deposits placed with clearing house	95,526	–	95,526	(81,016)	–	14,510
Advances to customers in margin financing	18,879,155	–	18,879,155	(28,612)	(18,791,483)	59,060
Financial liabilities						
Accounts payable clients, brokers, dealers and clearing house	(22,172,942)	1,227,105	(20,945,837)	129,156	–	(20,816,681)
Financial liabilities at fair value through profit or loss	(957,979)	–	(957,979)	–	957,979	–

49. Immediate and Ultimate Holding Company

Haitong International Holdings Limited, a company incorporated in Hong Kong, and Haitong Securities Co., Ltd., a company incorporated in the People's Republic of China, are the immediate holding company and the ultimate holding company of the Company respectively.

50. Reclassification

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

51. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on 9 March 2017.

Ten Years Financial Summary

	31/12/2016 HK$'000	31/12/2015 HK$'000	31/12/2014 HK$'000	31/12/2013 HK$'000	31/12/2012 HK$'000	31/12/2011 HK$'000	1/7/2009-31/12/2010 HK$'000	1/1/2008-30/6/2009 HK$'000	31/12/2007 HK$'000	31/12/2006 HK$'000
RESULTS										
REVENUE	5,350,817	5,808,359	2,713,291	1,646,814	1,177,055	1,003,945	1,459,935	1,084,604	1,465,213	726,913
OPERATING PROFIT	2,020,131	3,039,910	1,182,536	583,319	337,656	179,058	396,827	202,058	582,362	197,689
Share of (loss) profit of investments accounted for using the equity method	(27,658)	(53,522)	33,212	15,157	–	–	1,718	6,324	198	252
PROFIT BEFORE TAX	1,992,473	2,986,388	1,215,748	598,476	337,656	179,058	398,545	208,382	582,560	197,941
Income tax expense	(312,248)	(476,336)	(197,479)	(68,311)	(43,034)	(25,973)	(53,386)	(20,054)	(92,329)	(22,971)
PROFIT FOR THE YEAR/PERIOD	1,680.225	2,510,052	1,018,269	530,165	294,622	153,085	345,159	188,328	490,231	174,970
ATTRIBUTABLE TO:										
Owners of the Company	1,680.225	2,510,052	1,018,269	529,152	293,450	153,204	345,795	188,974	484,847	172,325
Non-controlling Interests	–	–	–	1,013	1,172	(119)	(636)	(646)	5,384	2,645
	1,680.225	2,510,052	1,018,269	530,165	294,622	153,085	345,159	188,328	490,231	174,970
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS:										
TOTAL ASSETS	131,505,248	91,919,000	48,159,973	29,438,104	14,628,101	10,962,126	11,412,151	8,904,160	7,771,610	4,405,092
TOTAL LIABILITIES	109,056,224	(71,090,214)	(39,563,471)	(24,517,852)	(11,368,256)	(7,900,899)	(9,234,813)	(6,973,302)	(5,906,460)	(3,221,400)
NON-CONTROLLING INTERESTS	–	–	–	–	(5,811)	(6,639)	(6,758)	(5,394)	(8,660)	(4,476)
SHAREHOLDERS' FUNDS	22,449,024	20,828,786	8,596,502	4,920,252	3,254,034	3,054,588	2,170,580	1,925,464	1,856,490	1,179,216

Financial Calendar

Announcement of the annual results of 2016
Thursday, 9 March 2017

For ascertaining shareholders' right to attend and vote at the annual general meeting
Book close dates
Monday, 26 June 2017 to Friday, 30 June 2017 (both dates inclusive)

Latest time to lodge transfers
4:30 p.m. on Friday, 23 June 2017

Record date
Friday, 30 June 2017

Annual General Meeting
Friday, 30 June 2017

For ascertaining shareholders' entitlement to the proposed final dividend
Book close dates
Thursday, 6 July 2017 to Monday, 10 July 2017 (both dates inclusive)

Latest time to lodge transfers
4:30 p.m. on Wednesday, 5 July 2017

Record date
Monday, 10 July 2017

Final dividend payment date
Friday, 18 August 2017

Corporate Information

General Information

Board of Directors

Executive Directors

LIN Yong	*Deputy Chairman and Managing Director*
LI Jianguo	*Deputy Chairman*
HUI Yee Wilson	

Non-executive Directors

JI Yuguang	*Chairman*
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

Legal Adviser in Hong Kong

Woo, Kwan, Lee & Lo

Legal Adviser on Bermuda Law

Conyers Dill & Pearman

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

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

www.htisec.com

Corporate Information (continued)

Principal Bankers

Standard Chartered Bank
The Hongkong and Shanghai Banking Corp. Ltd
Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. —
Hong Kong Branch
China Minsheng Banking Corp., Ltd. HK Branch
Bank of East Asia Ltd.
China CITIC Bank International Ltd.
Industrial Bank Co. Ltd. — HK Branch
OCBC Wing Hang Bank Ltd.
Wing Lung Bank
China Merchants Bank Co. Ltd.
Agricultural Bank of China Ltd., Hong Kong Branch
Bank of China (Hong Kong) Limited, Macau Branch
China Construction Bank (Asia) Corporation Ltd.
Industrial and Commercial Bank of China Ltd
Shanghai Pudong Development Bank
DBS
Public Bank (HK) Ltd
United Overseas Bank Limited
Chiyu Banking Corporation Ltd
Chong Hing Bank Limited
Dah Sing Bank
First Commercial Bank Ltd. Hong Kong Branch
Hang Seng Bank
Oversea-Chinese Banking Corporation Limited
Bank of Shanghai (Hong Kong) Limited
Fubon Bank (HK) Ltd.

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*
LI Jianguo
LIN Yong
CHENG Chi Ming Brian
William CHAN

Haitong International Securities Group Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong