



Stock Code : 665.HK

Aspire for Greatness

Interim Report 2021



Aspire for Greatness

Bamboo inhabits the core of the universe. It is blessed with a lofty and strong integrity; a modest and open mind; branches that are bent but not broken; and shapes that are upright and pure. Through snow and frost it survives; through all seasons it thrives.

The cover takes an elevated view of the bamboo forest to convey the theme "Aspiring for Greatness". It represents Haitong International's long-held belief and persistence in adopting sustainable business practices. Like the evergreen bamboo, Haitong International understands that, in the face of an ever-changing global setting, we must prepare for the uncharted future and save for a rainy day. At the same time, we keep both feet on the ground – by continuing to seize the right opportunities and leverage on our resilient business model to meet the challenges of a highly volatile and uncertain external environment. Rooted in China like bamboo, Haitong International aspires to be a world-class Chinese financial institution.



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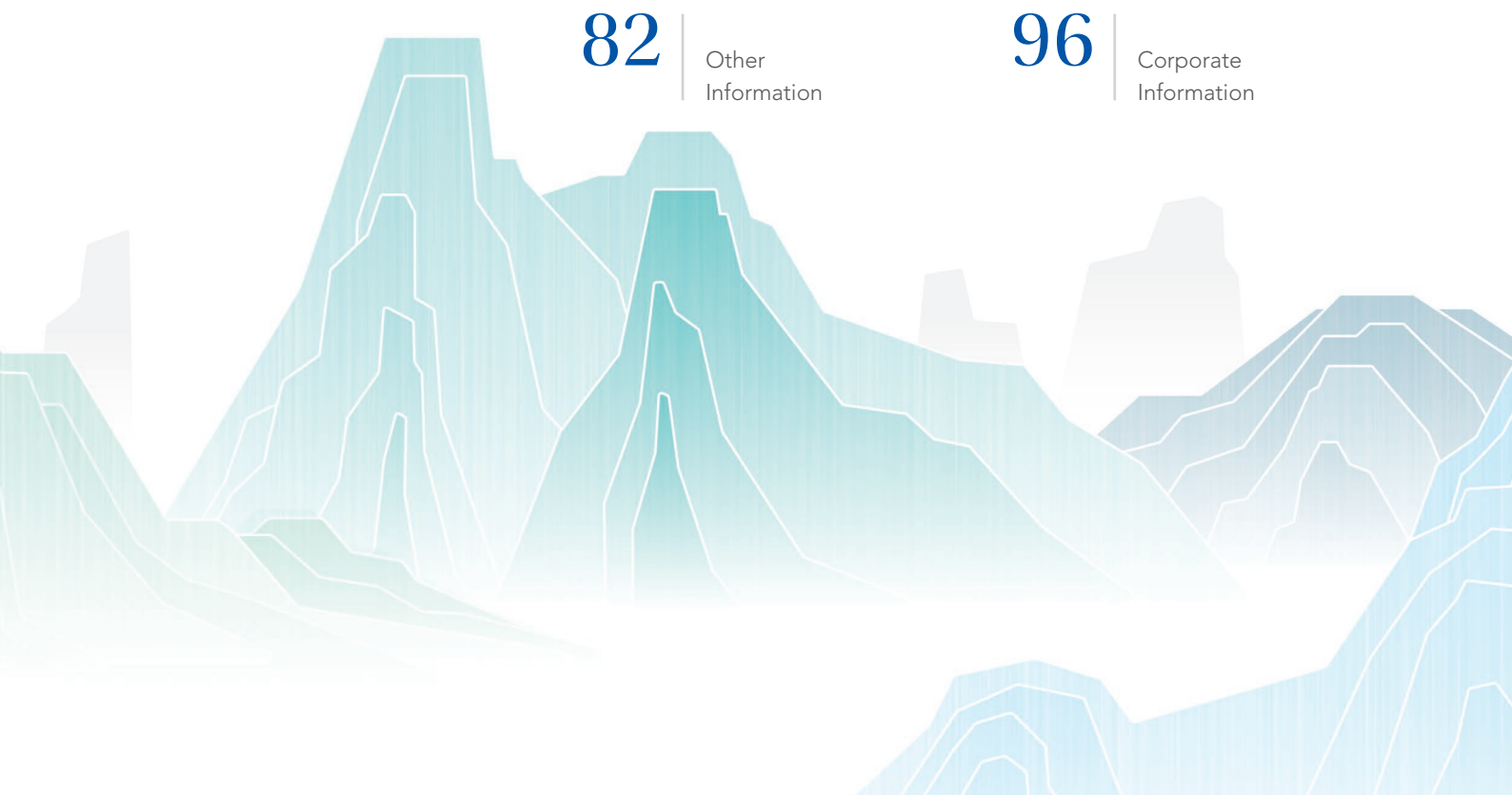
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Financial Highlights

Results

	Six months ended		Percentage change
	30.6.2021	30.6.2020	Increase/ (Decrease)
Revenue (HK\$'000)	3,834,753	3,524,658	9
– Commission and fee income	1,657,635	1,196,142	39
– Interest income	989,352	1,362,554	(27)
– Net trading and investment income	1,187,766	965,962	23
Net Profit Attributable to Shareholders (HK\$'000)	1,080,525	521,498	107
Per share			
Basic Earnings Per Share (HK Cents)	18.38	8.90	107
Diluted Earnings Per Share (HK Cents)	18.30	8.88	106

Financial Position

	30.6.2021	31.12.2020	Percentage change
			Increase/ (Decrease)
Shareholders' Funds (HK\$'000)	28,790,133	28,317,169	2
Total Assets (HK\$'000)	135,471,278	146,442,516	(7)
Number of Shares in Issue (Note)	6,037,385,086	6,036,035,086	–
NAV Per Share (HK\$)	4.77	4.69	2

Note:

Certain equity rights conferred on share option holders were exercised during the period. Hence, the total number of shares of the Company was increased to 6,037,385,086 as at 30 June 2021.

Management Discussion and Analysis

In the first half of 2021 (the “Period”), with rising vaccination rates, the global economy was on the fast track for recovery, but at an uneven pace across countries. Inflation debates sparked concerns on potential changes in policies, resulting in divergence among the financial markets around the world and increased volatility in both the stock and bond markets.

Despite extreme conditions, Haitong International has pursued its transformation strategy to maintain its core competitiveness and profitability with fruitful outcomes seen for its refinement made. In the first half of 2021, Haitong International achieved an income of HK\$3.835 billion, up 9% YoY. The net profit grew by more than 100% YoY to HK\$1.081 billion. Thanks to the improved business structure, the fee income grew to HK\$1.658 billion, up 39% YoY while its share of total income rose to 43% from 34% of same period in 2020, further boosting the stability and sustainability of its income. During the Period, the total cost downed 9% YoY. The cost structure was improved, among which, the proportion of finance cost to total cost decreased to 28% from 48% of the same period in 2020 while staff cost accounted for 40% of the total cost, rising from 23% of the same period in 2020, displaying the Group’s continuous enlargement of fee-based business and personnel recruitment to sharpen its core competitiveness. Besides, with the asset-light business model, Haitong International kept refining its asset liability structure. Its total assets and total liabilities dropped by 7% and 10% respectively when compared with early 2021 where the gearing ratio was 3.75 times as at 30 June 2021, down from 4.45 times as at the end of 2020. Capital adequacy ratio further increased to strengthen the Group’s resilience against market risks and liquidity risks.

1. Concrete Market Leadership in the Global Investment Banking Sector

In the first half of 2021, Haitong International’s investment banking team continued to lead the market and achieved a fee income of HK\$798 million, up 49% YoY, among which the underwriting and placing commission income amounted to HK\$688 million, up 48% YoY. During the Period, it completed 22 IPOs, ranking no. 1 among investment banks in Hong Kong in terms of number of projects underwritten and underwriting amount. It also completed 8 equity financing projects in the overseas capital markets, in which 5 were in the United States and 3 in India, bolstering its project execution capability and brand influence in the overseas markets.

On the DCM front, Haitong International completed a total of 136 bond issuance projects. The Group ranked no. 3 in the China Risk G3 + CNY bond markets and no. 2 in Asia (ex-Japan) G3 corporate high yield bond markets in terms of number of issuance among financial institutions worldwide. Among which, Haitong International completed 27 green and sustainable bond issuance projects amounted to US\$7.97 billion with doubled number of projects and financing size as compared to full year of 2020, being a bellwether in the green bond and ESG investment and financing spheres among Chinese financial institutions.

Management Discussion and Analysis

2. Diversified Professional Services for Institutional Clients Across the Globe

Haitong International has always been client-focused, aiming to provide institutional clients with highly efficient and professional trading services and satisfy clients' multi-faceted requirements on market access, return enhancement, cash management and risk control.

The institutional clients segment achieved an income of HK\$943 million for the first half of 2021. Cash equity business stood out with growth across various major stock markets, achieving an aggregated turnover over HK\$300 billion which represented a YoY growth of 40% while the securities trading commission income was HK\$165 million, representing a YoY growth of 64%. For derivatives business, Haitong International launched 2,376 warrants and CBBCs in the first half of 2021, 39% more than the first half of 2020, while reaching a turnover of over HK\$380 billion, ranking no.2 in the Hong Kong market. In this regard, the Group was awarded the Financial Institution Awards 2021 – Securities Sector “*Derivatives Provider of the Year – Excellence*” by Bloomberg Businessweek during the Period. Moreover, Haitong International's equity research team covered around 1,200 stocks in a number of markets and published about 700 research reports covering insights in overseas and local markets on average per month. The Group has gained wide recognition among international investors.

3. Progressive Enhancements of Wealth Management Business Framework

The wealth management segment achieved an income of HK\$843 million for the first half of 2021, among which the income derived by the private wealth management business was HK\$524 million.

During the Period, Haitong International proactively elevated its wealth management product platform to offer more diversified products and well-rounded services, including wealth planning and trust service to meet clients' demands in wealth inheritance, core asset management, liquidity management, asset value enhancement and investment advisory.

Embracing the Group's deep relationship with quality clients over the years and combining the synergies of the Group's strongly bonded business segments, Haitong International is poised to become a private wealth manager for entrepreneurs like no others. During the Period, Haitong International was awarded the Financial Institution Awards 2021 – Securities Sector “*High Net Worth Service – Excellence*” by Bloomberg Businessweek, manifesting the recognition from the industry on service level delivered by the private wealth management team.

Besides, Haitong International continued its efforts in developing its retail business online and further enhancing the functionality and stability of its online trading platform to provide convenient and efficient investment channel and service platforms for retail clients.

Management Discussion and Analysis

4. Professional Investment and Management Capabilities

Haitong International's asset management team continued to strengthen its professional investment and management capabilities. In consideration of market conditions and clients' demands, Haitong International kept enriching its product offerings, providing clients with global asset management solutions with great accessibility and creating a one-stop professional investment service platform. As at the end of second quarter of 2021, the asset under management of Haitong International stood at HK\$52 billion and asset management and performance fee income amounted to HK\$ 271 million, representing a 76% YoY growth.

The Group actively stepped up its footprints in various markets in order to satisfy the rising demands of overseas asset allocation. Haitong Asian High Yield Bond Fund under Mutual Recognition Scheme (MRF) newly launched RMB Hedged Class and USD Class. Meanwhile, three Constituent Funds under Haitong Mandatory Provident Fund (MPF) Scheme, namely, Haitong Korea Fund, Haitong Asia Pacific Fund and Haitong Hong Kong SAR Fund were approved to be added into Approved Pooled Investment Funds (APIF).

A suite of funds managed by Haitong International Asset Management have consistently delivered stable and outstanding long-term returns. As at 30 June 2021, Haitong Global Diversification Fund under Haitong MPF Scheme had delivered an accumulated return of 99.12% over the past 5 years, ranking no. 1 among similar funds. Haitong Hong Kong SAR Fund within the same scheme has delivered an accumulated return of 113.93% over the past 5 years, ranking no. 2 among similar funds. In addition, the Group's asset management crew won a number of major awards in the industry during the Period, including the 2021 Refinitiv Lipper Fund Awards, as well as those specifically for the industry from Benchmark and Insights & Mandate.

Haitong International has always been actively practicing responsible investment through continuous product research and development with more ESG-themed offerings planned to come on stream during the year. Haitong International strives to provide overseas investors with richer products and investment channels to participate into Chinese ESG investment.

5. Better Global Operational System and Risk Management Regime

Haitong International has always adhered to strengthening technological capabilities to improve its global comprehensive operational capability. Through allocating adequate resources to acquire, configure, develop and upgrade information systems, the Group endeavours to support core businesses development, bringing process flows of all businesses towards the automation and online operation. Thanks to its pre-emptive input to the operational infrastructure, Haitong International managed to ride out arduous challenges arising from the prolonged pandemic and ever-changing global market conditions with stable global operations. In the future, Haitong International will augment synergies between application of information technology and operations and pave a solid way for long-term development and growth.

During the Period, fruitful results were witnessed in infrastructure construction in overseas offices. Haitong International's subsidiary in Singapore was admitted as a securities and derivatives clearing member of the Singapore Exchange (SGX) and a depository agent of The Central Depository (Pte) Limited (CDP), becoming the first Chinese financial institution having obtained the full suite of memberships in the SGX in March this year. The new membership will further broaden Haitong International's service scope and provide clients with highly efficient one-stop settlement, clearing and custodian services.

Haitong International always kept its risk appetite at the "stable to prudent" level and defined its risk tolerance from risk, capital and liquidity perspectives. Moreover, Haitong International has been taking ESG risk into consideration and setting up risk management at every level. During the Period, Haitong International kept improving different risk indicators with measures including cutting down on leverage level and beefing up asset quality.

Management Discussion and Analysis

6. Environmental, Social and Governance (ESG)

Since the publication of its first ever ESG report a few years ago, Haitong International, being a Chinese financial institution, has demonstrated its strategies and commitment to the sustainable path through open and transparent actions and performance.

In December 2020, Haitong International sincerely vowed to achieve carbon neutrality at operational level by the end of 2025, being the first Chinese financial firm to make such a promise for carbon neutrality. In April 2021, Haitong International jointly published the “Chinese Financial Institutions’ Route to Achieving Carbon Neutrality” report with China-U.K. Climate and Environmental Information Disclosure Pilot Working Group, being the first report in providing technical reference and guidelines for Chinese financial institutions to practically achieve carbon reduction.

In recognition of the Group’s distinguished performance in sustainable finance and ESG, Haitong International’s MSCI ESG rating was upgraded from “BBB” to “A” in early 2021, bringing the Group as an ESG leader among global investment banks. Furthermore, the Group’s asset management crew has been recently named as “Best ESG Manager (Hong Kong)” by Insights & Mandate. The Haitong MSCI China A ESG ETF has also received several awards, including “Most Innovative Product: ETF (Hong Kong)” by Insights & Mandate, and “Outstanding ETF-Platinum Award” in ESG Achievement Awards 2020 by Institute of ESG & Benchmark (IESGB).

Prospect

In the second half of 2021, as vaccination programs continue to progress across countries, global economy is to move forward into recovery. At the same time, as global supply chain resumes back to normal, the short-term disturbances arising from the pandemic on inflation should mitigate gradually. The Federal Reserve is expected to maintain the current monetary policy in the second half and will not kick off the tapering until early 2022, with potential rate hike in the second half of 2022 at the earliest. Nevertheless, as countries around the world are experiencing uprising prices, any shifts in the Federal Reserve’s policies may cause unexpected ramifications to the financial markets, which must be closely watched and assessed with caution.

Facing such a complex environment, Haitong International will persevere onto its challenging yet correct transformation path through enhancing its revenue structure, optimizing its balance sheet structure and scale of leverage and strengthening its risk management framework, in order to navigate and combat through uncertainties in the global markets. Haitong International will adhere to its core values of being “courageous, sincere and innovative”, persist on to its ESG philosophy, and take on greater social responsibilities to create values for its shareholders, employees, clients and society.

Financial Review

Overview of Financial Performance

The first half of 2021 remained to be pandemic-driven with countries rushing to lead the vaccination race. Central banks and governments across the world kick-started their economic stimulus with some even boosted the extent, giving a push to revive the economy. Global equity markets rallied and generally resulted with positive performances. Investors kept their optimism on economic recoveries as vaccination progressed, countries opening their borders and governments relaxing measures to encourage the market and society as a whole for resumption to normality. However, with the uprising infections of the virus variant, vaccination myths and rising inflation debates remained to be in spotlight, the forecast of future developments has been veiled by skepticism.

Despite the uncertainties and market fluctuations, Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred herein as to the "Group") achieved a robust revenue of HK\$3,835 million during the six months period ended 30 June 2021, 9% higher than HK\$3,525 million for the first half of 2020. Net profit for the first half of 2021 was HK\$1,081 million, more than doubled than HK\$521 million for the same period last year. During the period, the Group persevered on its strategic plan in strengthening its fee based businesses, while also proactively managed its assets portfolio, deleveraged its balance sheet, and therefore developed an ever stronger business structure that is resilient to the volatile market.

The Group achieved a solid commission and fee income of HK\$1,658 million, 39% higher than the first half of 2020, in which all commission and fee income categories recorded an increase as compared to the same period last year, mainly contributed by the prominent underwriting and placing commission income, higher brokerage commission income driven by client trading volume, and asset management and performance fees. Interest income was HK\$989 million, decreased by 27% from the same period last year, which was expected as a result of the reduced yet enhanced credit exposures coupled with the low interest rate environment. Net trading and investment income was HK\$1,188 million, 23% higher than HK\$966 million for the first half of 2020. During the period, all types of trading and investment portfolio recorded positive returns. Despite of market volatility, the Group has always been actively managing its trading and investment assets, with an aim to build a portfolio that generates stable returns yet resilient against uncertain market events.

Total costs for the six months ended 30 June 2021 were HK\$2,223 million, 9% lower from the HK\$2,443 million for the first half of 2020, achieved a cost to income ratio of 58%, notably lower than 69% for the first half of 2020. The decrease was mainly contributed from the significant savings from finance costs, which was 48% (or HK\$564 million) lower than the first half of 2020. The decrease in finance costs was partially offset by higher staff costs and information technology expenses.

Net impairment charges for the first half 2021 were HK\$227 million, 71% less than HK\$773 million for the first half of 2020. As a result of enhanced quality of advances to customers and reduced amount of risk assets, no single significant credit exposure had been identified for impairment for the period.

Total assets as at 30 June 2021 was HK\$135.5 billion, decreased by 7% from HK\$146.4 billion as at 31 December 2020. Net assets (also known as shareholders' equity), stood at HK\$28.8 billion as at 30 June 2021 (as compared to HK\$28.3 billion as at 31 December 2020). Net assets per share as at 30 June 2021 was HK\$4.77 per share (as at 31 December 2020: HK\$4.69 per share).

Annualised return on shareholders' funds (calculated by net profit divided by weighted average shareholders' equity) was 7.56% for the six months ended 30 June 2021.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2021 was HK\$3,835 million (six months ended 30 June 2020: HK\$3,525 million). Details of the major revenue streams and the respective proportion to total revenue are set out below:

	2021 Jan to Jun HK\$'000	%	2020 Jan to Jun HK\$'000	%
Commission and fee income	1,657,635	43	1,196,142	34
Interest income	989,352	26	1,362,554	39
Net trading and investment income	1,187,766	31	965,962	27
	3,834,753	100	3,524,658	100

Commission and fee income

Commission and fee income was HK\$1,658 million, increased by 39% (or HK\$461 million) year-on-year. Breakdown of commission and fee income is as below:

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/- %
Commission on brokerage	475,239	394,600	+20
Commission on underwriting and placing	687,668	464,859	+48
Asset management fee and performance fee income	271,054	154,446	+76
Financial advisory and consultancy fee income	110,462	71,366	+55
Handling, custodian and service fee income	113,212	110,871	+2
	1,657,635	1,196,142	+39

Underwriting and placing commission remained to be the major driver of commission and fee income, accounted for 41% of total commission and fee income, and recorded a jump of 48% to HK\$688 million for the first half of 2021. The higher underwriting and placing commission was driven by the active equity capital raising activities in Hong Kong, accompanied with the Group's leadership position among Chinese investment banks in the industry.

Commission on brokerage includes commission income from dealing in securities, futures and over-the-counter products (mainly bonds and financial products), generated from the wealth management segment and institutional clients segment. The higher revenue was mainly attributable by commission income on securities dealing, which accounted for 74% of total brokerage commission, whereas the increase was mainly driven by the active institutional clients trading in cash equities. The Group's commission rates remained stable between both periods.

Asset management and performance fee surged by 76% to HK\$271 million for the first half of 2021, with increment in both management fees and performance fees during the period.

Financial Review

Interest income

Interest income was HK\$989 million, decreased by 27% from HK\$1,363 million for the same period last year. Continuous reviews and enhancements were conducted on advances to customers to mitigate the credit risk exposure with an aim to concentrate on high quality margin financing. Advances to customers decreased from HK\$17.6 billion as at 30 June 2020, to HK\$16.2 billion as at 31 December 2020, and resulted at HK\$15.5 billion as at 30 June 2021, among which the proportion of margin financing increased from 65% as at 30 June 2020 to 77% as at 30 June 2021. The lower market interest rates also contributed to the decrease in interest income.

Net trading and investment income

Net trading and investment income was HK\$1,188 million, 23% higher than HK\$966 million for the first half of 2020. Breakdown of net trading and investment income is as below:

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/-%
Net income from financial assets held for trading and market making activities	198,667	(51,102)	N/A
Net trading income on financial products	320,138	404,627	-21
Net gain from investment securities at fair value	668,961	612,437	+9
	1,187,766	965,962	+23

During the period, the Group saw an aggregated positive results from all types of trading products and investment portfolio as the Group actively managed its trading and investment portfolio for high quality assets that generate stable returns.

Net income from financial assets held for trading and market making was HK\$199 million, as compared to the loss of HK\$51 million in the first half of 2020 that was driven by the abrupt downward movement in the Chinese USD high yield bonds indices during March to April 2020. Since then, the Group had made significant effort in streamlining the bond portfolio and restructured its fixed income business. During the period, the fixed income business focused on sales and trading of fixed income securities and fixed income products in the primary and secondary markets, and further reduced the inventory held, which was evidenced by the almost half-sized financial assets held for trading and market making activities as at 30 June 2021 versus that as at 31 December 2020.

Net trading income on financial products decreased by 21% year-on-year to HK\$320 million as certain projects came to maturity. Meanwhile, net gain from investment securities at fair value was HK\$669 million, similar to that in the first half of 2020. Investment securities at fair value mainly consisted of investment funds, fund-of-funds, private equity funds and private equity investments, and listed equities. The rate of return of these investments ranged from 6% to 11% during the period.

Further details are stated in the analysis of segment revenue of investment segment below.

Financial Review

Total Costs and Impairment Charges

Total costs of the Group were HK\$2,223 million for the first half of 2021, 9% lower than HK\$2,443 million for the first half of 2020.

The table below presents total costs by major items:

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/- %
Staff costs	891,533	559,202	+59
Commission expenses	92,722	126,133	-26
Finance costs	616,231	1,179,853	-48
Operating expenses:			
– Amortisation and depreciation	141,521	118,704	+19
– Information technology related expenses	130,112	111,002	+17
– Other operating expenses	350,665	348,032	+1
Total costs	2,222,784	2,442,926	-9

As the Group strives towards fee based businesses, reliance on funding correspondingly decreased, which was also reflected from the cost structure for the first half of 2021. Finance costs was significantly lowered by 48% from the same period last year, at 28% of total costs (as compared to 48% for the first half of 2020). Concurrently, more resources were allocated to operating costs, mainly on staff costs and information technology related expenses.

Staff costs were mainly influenced by headcount, financial performances, business activities, and structure of compensation matched to the trend in the labour market. Higher staff costs were due to improved financial performances and refinement of staff costs proportion to total costs in order to align with market practices. This change was observed across all business segments of the Group, but was particularly notable in wealth management segment and corporate finance segment, with details specified in the respective business segment results.

Information technology related expenses increased 17% from the same period last year, reflecting the Group's beliefs on the importance of digitisation and artificial intelligence in the financial services industry. The Group has been progressively developing and strengthening trading platforms to clients, and internal data and operational systems to achieve higher performances for effective data management and swift execution processes. Including relevant staff costs, amortisation and depreciation on software and equipment, the aggregated information technology related expenses would account for 14% of total operating expenses for the first half of 2021.

Financial Review

Amortisation and depreciation increased by 19% from the first half of 2020 due to information technology software and equipment driven amortisation and depreciation as described above, as well as the higher depreciation of right-to-use assets on the office leases entered and transfer of investment properties (measured at fair value) to property and equipment (measured at cost less depreciation) in the second half of 2020 and the first half of 2021.

Impairment charges consisted of provision for credit losses on advances to customers, investment securities measured at amortised costs, and accounts receivables and others under the impairment framework and methodology established by the Group in accordance to HKFRS 9 "Financial Instruments". The Group has always maintained a transparent impairment provisioning policy when reviewing its credit exposures, aiming at recognising impairment provision on risk assets in the most cautious way and prior to substantial credit deterioration of these assets.

Impairment charges made for the first half 2021 was mainly on margin financing. No single significant impaired credit exposure had been identified during the period.

Analysis by Business Segments

A summary of revenue by different business segments is set out below:

Segment revenue

	2021 Jan to Jun HK\$'000	%	2020 Jan to Jun HK\$'000	%
Wealth management	842,740	22	984,337	28
Corporate finance	1,108,577	29	909,804	26
Asset management	271,054	7	154,446	4
Institutional clients	943,421	25	852,170	24
Investment	668,961	17	623,901	18
	3,834,753	100	3,524,658	100

Segment profit/(loss) before tax

	2021 Jan to Jun HK\$'000	%	Segment margin	2020 Jan to Jun HK\$'000	%	Segment margin
Wealth management	169,156	13	20%	369,446	32	37%
Corporate finance	645,235	50	58%	567,194	49	62%
Asset management	152,232	12	56%	72,750	6	47%
Institutional clients	140,745	11	15%	(628,761)	N/A	N/A
Investment	186,674	14	28%	152,693	13	24%
	1,294,042	100	34%	533,322	100	15%

Details of review of financial performance in each of the business segments are set out below.

Financial Review

Wealth Management Segment

Wealth management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over-the-counter products, funds, securities custodian services, and securities margin financing.

Aspiring itself as a private wealth manager for entrepreneurs, this segment has been undergoing a transformation to elevate its product platform and expand its pool of talents and professionals, with an aim to offer diversified, high quality and personalised products and services to clients. In the retail front, this segment had transited its retail trading businesses to in-house online trading platform to offer extra convenience and efficiencies to clients. This segment had also restructured the compensation scheme to salesperson from commission based to fixed salaries and incentives, which also aligned with industry practice.

Analysis of Results

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/- %
Commission and fee income	337,798	341,944	-1
Interest income	504,942	642,393	-21
Segment revenue	842,740	984,337	-14
Other income and gains or losses	(2,572)	20,784	N/A
Segment expenses	840,168 (426,385)	1,005,121 (532,939)	-16 -20
Profit before impairment charges and tax	413,783	472,182	-12
Impairment charges, net of reversal	(244,627)	(102,736)	+>100
Segment profit before tax	169,156	369,446	-54
Segment margin (%)	20	37	-17

Segment revenue

Commission and fee income of this segment composes of commission on brokerage, and handling, custodian and service fee income. Commission and fee income from wealth management segment remained flat year-on-year, in which brokerage commission income and handling, custodian and service fee income remained stable.

Interest income from this segment is mainly from margin financing and bank deposits on client money. Interest income from margin financing amounted to HK\$426 million, remained relatively stable as compared to the first half of 2020.

Financial Review

Segment expenses and impairment charges

Segment expenses decreased mainly from the significantly lowered finance costs, partially offset by the higher staff costs as this segment was in the stage of equipping itself towards fee based businesses and margin financing focused model.

Impairment charges recognised in this segment for the first half of 2021 was mainly on legacy credit exposures that this segment entails. Further details on the Group's impairment provisioning policy is detailed in the above section.

Corporate Finance Segment

Corporate finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment provides financing solutions to corporate clients and distributes these financing assets in the secondary market.

During the period, the Group once again sustained its leadership position in Hong Kong. As at 30 June 2021, the Group completed 22 IPO deals in Hong Kong during the first six months of 2021; ranked number 1 in the Hong Kong IPO League Table in terms of number of deals participated and in terms of underwriting amount; ranked number 3 in the China Risk bond market; and ranked number 2 in the Asia (ex-Japan) G3 high yield bond league among financial institutions worldwide in terms of number of issuances. Adhering to the Group's ESG philosophy, the team had boosted its effort in the market, completed 27 green and sustainable bond issuances, amounted to US\$7.97 billion, being the forerunner of the green bond market among Chinese investment banks. The Group has also expanded its horizon across countries, as proven by its completion of 4 IPOs and 1 equity follow-on as Joint Bookrunner in the United States and acted as financial advisors to 3 local enterprises in India during the first half of 2021.

Analysis of Results

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/-%
Commission and fee income	798,130	536,225	+49
Interest income	310,447	373,579	-17
Segment revenue	1,108,577	909,804	+22
Other income and gains or losses	(3,161)	16,678	N/A
	1,105,416	926,482	+19
Segment expenses	(484,530)	(338,837)	+43
Profit before impairment charges and tax	620,886	587,645	+6
Impairment charges, net of reversal	24,349	(20,451)	N/A
Segment profit before tax	645,235	567,194	+14
Segment margin (%)	58	62	-4

Financial Review

Segment revenue

Commission and fee income from this segment consists of underwriting and placing commission, financial advisory and sponsor fees. Breakdown of commission and fee income of corporate finance segment is as below:

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/- %
Commission on underwriting and placing			
– Debt capital markets	218,646	296,413	-26
– Equity capital markets	469,022	168,446	+>100
Financial advisory and consultancy fee income	110,462	71,366	+55
	798,130	536,225	+49

Continued from the IPO momentum, underwriting and placing commission from equity capital markets flourished for the first half of 2021, at more than 2.5 times of that for the first half of 2020, partially offset by the slight decrease from the debt capital markets. Financial advisory and consultancy fee income was 55% higher than the first half of 2020.

Interest income of this segment decreased by 17%, which was due to enhanced business model by the Loan Capital Markets team on financing solutions by bridging lenders and borrowers (and therefore without resort to the Group's financial resources) and reduced direct lending from the Group.

Segment expenses and impairment charges

Increase in segment expenses was mainly driven by higher staff costs as the Group increased commitment and resources in retaining and recruiting top talents and professionals in the industry at times of vigorous competition of bankers globally to seize the opportunity of the uprising capital markets in Hong Kong.

Financial Review

Asset Management Segment

Asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds and mandatory provident funds to individual, corporate and institutional clients.

Analysis of Results

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/-%
Commission and fee income	271,054	154,446	+76
Segment expenses	(118,822)	(81,696)	+45
Segment profit before tax	152,232	72,750	+>100
Segment margin (%)	56	47	+9

Segment revenue

Segment revenue composes of asset management fee and performance fee income, in which both increased year-on-year for the first half of 2021. Asset Management's AUM as at 30 June 2021 amounted to HK\$52.0 billion.

Segment expenses

Segment expenses for the first half of 2021 resulted to HK\$119 million, 45% higher from the first half of 2020, mainly driven by higher staff costs.

Institutional Clients Segment

Institutional clients segment serves institutional clients globally through sales and trading of both equities and bonds, financing, structuring products, offering risk management solutions and providing research advisory. It is also an active participant in equity derivative products creation and trading. This segment is supported by the award winning equity research team that specialises in listed equities in Asian financial markets.

During the period, this segment focused on strengthening its cash equities trading business, jumping on the bandwagon of the active global equities markets. This segment achieved an increase in trading volume in Hong Kong listed equities that surpassed the increase in overall turnover in the Hong Kong Stock Exchange, as well as reached a higher market share in the Hong Kong stock market as compared to that as in 2020. Alongside, the Group has a strong in-house equity research team, offering insights and ratings to Asia, in particular China, equities. In terms of trading activities, the equity derivatives trading desk has been an active market participant in the Hong Kong Stock Exchange, successfully issued more than 2,300 CBBs and warrants during the period (39% higher than the number of new issuances in the first half 2020), with an outstanding turnover of CBBs and warrants that surpassed HK\$380 billion for the first half of 2021. Meanwhile, in order to fence against market volatility and to boost fee income, the Group transformed its fixed income business, focusing on sales and trading of fixed income securities and fixed income products in the primary and secondary markets, and reduced the fixed income securities held as inventory.

Financial Review

Analysis of Results

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/-%
Commission and fee income	250,653	163,527	+53
Interest income	173,963	335,118	-48
Net trading income:			
– Net income from financial assets held for trading and market making activities	198,667	(51,102)	N/A
– Net trading income on financial products	320,138	404,627	-21
Segment revenue	943,421	852,170	+11
Other income and gains or losses	(46,819)	145,590	N/A
	896,602	997,760	-10
Segment expenses	(749,513)	(977,003)	-23
Profit before impairment charges and tax	147,089	20,757	+>100
Impairment charges, net of reversal	(6,344)	(649,518)	-99
Segment profit/(loss) before tax	140,745	(628,761)	N/A
Segment margin (%)	15	N/A	N/A

Segment revenue

Commission and fee income of this segment consists of commission on brokerage, and handling and service fee income. Commission on brokerage accounted for 77% of total commission and fee income of this segment, and increased by 80% from the first half of 2020 to HK\$193 million, mainly driven by higher client trading volume in cash equities. Commission rates remained stable between the first six months in both 2021 and 2020.

Interest income is mainly generated from financing solutions to clients, which decreased as certain products issued came to maturity during the period. As a whole, interest income from this segment amounted to HK\$174 million, decreased by 48% year-on-year.

Net trading income from this segment increased by 47% year-on-year, reflecting a relatively stable performance as compared to the same period last year, mainly driven by financial assets held for trading and market making activities. Financial assets held for trading and market making mainly consisted of fixed income securities and equity derivatives, while fixed income securities held reduced as a result of the change in the Group's fixed income business model as mentioned above.

Financial Review

Segment expenses and impairment charges

Segment expenses decreased by 23% year-on-year mainly driven by the lowered finance costs, partially offset by the higher trading related costs. Finance costs decreased year-on-year as a result of strategic focus in boosting fee income and reduced reliance on balance sheet leverage of this segment. Meanwhile, the active equity derivatives issuances and trading activities in the Hong Kong Stock Exchange also contributed to the higher brokerage, clearance and exchange costs.

Impairment charges of this segment during first half 2021 was minimal, as no single significant impaired credit exposure had been identified. The Group has maintained its transparent impairment provisioning policy with a cautious approach when reviewing the credit exposures of this segment.

Investment Segment

Investment segment invests in various financial instruments, primarily on listed equities, investment funds and private equity investments, to explore investment opportunities with reasonable returns.

Adhered to the Group's focus on refining its assets quality, during the period, this segment had exited a number of investment funds, focused on managing equity investments and private equity investments with sound financial performances that generate steady returns with stronger resistance against market fluctuations.

The Group's private equity funds and private equity investments stretched across industries including technology, media and telecommunications ("TMT"), consumer, logistics, artificial intelligence, pharmaceutical, and education sectors. Investment gains include realised gains from project disposals, dividend distribution and fair value movements.

Analysis of Results

	2021 Jan to Jun HK\$'000	2020 Jan to Jun HK\$'000	+/-%
Interest income	–	11,464	-100
Net gain from investment securities at fair value	668,961	612,437	+9
Segment revenue	668,961	623,901	+7
Other income and gains or losses	(38,753)	41,243	N/A
Segment expenses	630,208 (443,534)	665,144 (512,451)	-5 -13
Segment profit before tax	186,674	152,693	+22
Segment margin (%)	28	24	+4

Financial Review

Segment revenue

Revenue of this segment composes of investment gains and losses from investment securities held by this segment measured at fair value, which include investment funds, fund-of-funds, private equity funds and private equity investments, and listed equities.

Revenue for the first half of 2021 remained stable as compared to the same period last year. Returns were mainly attributable by the positive returns from equity and private equity investments, while a few investment funds were exited during the period.

Segment expenses

Segment expenses decreased 13% from significantly lower finance costs, yet partially offset by higher staff costs.

Assets and Liabilities

	30 June 2021 HK\$'000	31 December 2020 HK\$'000	+/- %
Total Assets	135,471,278	146,442,516	-7
Total Liabilities	106,681,145	118,125,347	-10
Net Assets	28,790,133	28,317,169	+2

Assets

Total assets as at 30 June 2021 were HK\$135.5 billion, decreased by HK\$11.0 billion (or 7%) from 31 December 2020, with decreases across various types of assets, notably in financial assets held for trading and market making, reverse repurchase agreements, and investment securities.

Financial assets held for trading and market making activities as of June 2021 were HK\$6.0 billion, 44% (or HK\$4.6 billion) lower from that as of December 2020 with reason as detailed in sections above. Reverse repurchase agreements also decreased by 43% (or HK\$3.0 billion) from December 2020 to HK\$4.0 billion as of June 2021.

Investment securities were HK\$41.7 billion as of June 2021, decreased by 11% (or HK\$5.0 billion) from December 2020, mainly driven by the exit of several fund investments, yet partially offset by the positive returns from equities and private equities investments. As at 30 June 2021, the Group has some highly liquid investments of HK\$9.2 billion (as at 31 December 2020: HK\$4.2 billion) being preferred class of several investment funds carrying a fixed rate of return.

Financial Review

Liabilities

Total liabilities were HK\$106.7 billion as of June 2021, 10% (or HK\$11.4 billion) lower from December 2020. Both trading liabilities (including financial liabilities held for trading and market making activities, and derivative financial instruments) and interest bearing liabilities (including repurchase agreements, bank borrowings, and debt securities issued) decreased during the period. Trading liabilities were HK\$1.6 billion as of June 2021, decreased by 67% (or HK\$ 3.3 billion) from December 2020. Interest bearing liabilities were HK\$59.1 billion as of June 2021, reduced by 9% (or HK\$5.9 billion) from December 2020, mainly driven by lower bank borrowings and repurchase agreements, and reflecting the lesser funding needs of the Group.

In May 2021, the Group issued US\$300 million of USD bond, carrying an interest rate of 2.125% per annum due in 2026, bearing the lowest interest rate among the USD bonds issued by the Group so far.

Gearing ratio

The Group's gearing ratio (calculated by total assets excluding accounts payable to clients and accounts receivable from clients for subscription of new shares in IPO divided by shareholders' equity) decreased to 3.75 times as at 30 June 2021 from 4.45 times as at 31 December 2020.

Capital Structure and Regulatory Capital

	30 June 2021 HK\$'000	31 December 2020 HK\$'000	+/-%
Issued share capital	603,738	603,603	0
Number of issued shares	6,037,385,086	6,036,035,086	0

As at 30 June 2021, the total issued share capital of the Group was HK\$603.738 million (31 December 2020: HK\$603.603 million), comprising 6,037,385,086 shares of HK\$0.10 each (31 December 2020: 6,036,035,086 shares of HK\$0.10 each).

Increase in issued share capital during the current period was due to new shares issued as a result of exercise of share option by option holders. Details of movement of share capital during the period are disclosed in note 30 of the unaudited condensed consolidated financial statements.

The Group has a number of regulated entities that are subject to the regulatory capital requirements set by respective regulatory bodies globally, including the Hong Kong Securities and Futures Commission, the Monetary Authority of Singapore, the United Kingdom Financial Conduct Authority, the United States Financial Industry Regulatory Authority and the Australian Securities & Investments Commission. All these regulated entities complied with the applicable regulatory capital requirements. In addition, as part of the regulatory capital contingency planning, the Group revisits regulatory capital of these regulated entities regularly to ensure the regulatory capital of each entity is in excess of applicable regulatory requirement at a certain level to absorb losses that may arise from any potential unforeseen circumstances.

Financial Review

Impact on New Accounting Standards and Adoption of Accounting Policies

The Group is required to adopt a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants from 1 January 2021. The amendments to HKFRSs did not result in material impact to the Group's financial positions. Further details of the principal accounting policies are detailed in note 3 of the unaudited condensed consolidated financial statements.

Treasury Policies

The Group manages liquidity and cash through diversified sources of funding, including business generated cash flows, bank borrowings, funds raised from the capital markets, and transactional financing. The Group regularly monitors financial assets and liabilities through various aspects, including but not limited to their compositions, maturities, rate of returns, extent of exposures, and currencies, to ensure sufficient cash holdings and various types of funding are readily available to support the strategic focus while maintained within the risk appetite of the Group.

Long term banking relationships with numerous commercial banks are well maintained to ensure sufficient banking facilities are in place to support the Group's funding needs. These banking facilities are mostly renewable annually and on floating interest rates basis. Subject to market conditions, the Group also taps on capital markets in various currencies. During the first half of 2021, the Group successfully renewed US\$5 billion Medium Term Note Programme and made drawdowns of HK\$381 million and US\$993 million. Moreover, the Group has issued US\$ denominated US\$300 million 5-year bond maturing in 2026.

The Group's risk management strategies require actively managing a firm level liquidity base and interest rate profile by obtaining funding from diversified term structures and sources. Numerous liquidity stress tests with supervisory indicators are established and performed regularly to envision the Group's liquidity adequacy under different stress scenarios and conditions. The Group also actively monitors its foreign currencies position, hedging the net exposures with FX derivatives when necessary.

Financial Review

Liquidity and Financial Resources

The financial position of the Group has remained sound and healthy with overall liquidity being managed at a relatively secured level throughout the period.

As of 30 June 2021, the Group's cash and cash equivalent amounted to HK\$5,650 million. To ensure the Group's capability to finance recurring working capital requirements and meet funding needs as they arise, the Group maintained un-utilised banking facilities of HK\$33,254 million as at 30 June 2021 (HK\$29,133 million as at 31 December 2020) and adequate issuance limit in the Medium Term Note Programme.

Human Resources Policy

As at 30 June 2021, the Group employed a total of 1,247 permanent employees (31 December 2020: 1,355).

The Group determines employees' remuneration based on various factors, including job nature, labour market trends and practices, external economic environment, as well as employee's experiences, qualifications, and capabilities. The Group's remuneration framework has a strong linkage between pay and performance. Base salaries, discretionary incentives and bonuses are reviewed on an annual basis by making references to the prevailing practices of the labour market, business strategic focus, financial results of business segments and the Group as a whole, and employees' performances and their fulfillment of compliance requirements. Annual reviews are conducted to reward employees for their contributions over the year, and to retain and inspire talents and professionals to continue in creating values for the Group. Share options and share awards are also granted to employees in recognising their contributions. Other benefits offered by the Group include employer voluntary contributions to the mandatory provident fund scheme, various Group insurance schemes, and medical check-up plans.

The Group views employees as an invaluable asset and is committed to promote continuous learning and developing environment. The Group provides a comprehensive range of staff training and development programs, including extensive professional training for licensed persons; training sponsorship scheme to encourage staffs to seek self-development through attending job-related external training courses; financial assistance provision to acquire professional qualification; promoting our "Sail Program" to develop high performing staffs at mid-management level; and offering various compliance training courses. The Group's International Management Trainee Development Program is instrumental to fuel the appetite of talent needs in supporting the sustainable growth of businesses not only locally but globally.

In hope to mitigate the impact on the labour market during the time of the pandemic, the Group has offered various flexible work measures and support to employees globally. The Group has also introduced additional job opportunities, such as to assist fresh graduates in Hong Kong to enter the job market during this uncertain time.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

		Six months ended	
	NOTES	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Revenue			
Commission and fee income	6	1,657,635	1,196,142
Interest income	6	989,352	1,362,554
Net trading and investment income	6	1,187,766	965,962
		3,834,753	3,524,658
Other income and gains or losses	6	(91,305)	224,295
		3,743,448	3,748,953
Staff costs	7	(891,533)	(559,202)
Commission expenses		(92,722)	(126,133)
Amortisation and depreciation		(141,521)	(118,704)
Operating expenses		(480,777)	(459,034)
Finance costs	9	(616,231)	(1,179,853)
		(2,222,784)	(2,442,926)
Profit before impairment charges and tax		1,520,664	1,306,027
Impairment charges, net of reversal	8	(226,622)	(772,705)
Profit before tax		1,294,042	533,322
Income tax expense	10	(213,517)	(11,824)
Profit for the period attributable to owners of the Company		1,080,525	521,498
Earnings per share attributable to owners of the Company	11		
– Basic (HK cents per share)		18.38	8.90
– Diluted (HK cents per share)		18.30	8.88

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	1,080,525	521,498
Other comprehensive income (expense):		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on investments in equity instruments at fair value through other comprehensive income	(7,456)	(40,397)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value changes on investments in debt instruments at fair value through other comprehensive income		
– Net fair value changes during the period	(2,151)	(13,014)
– Reclassification adjustment to profit or loss on disposal	16,569	4,926
Exchange differences on translating foreign operations	10,395	(55,512)
Other comprehensive income (expense) for the period	17,357	(103,997)
Total comprehensive income for the period attributable to owners of the Company	1,097,882	417,501

Condensed Consolidated Statement of Financial Position

At 30 June 2021

		30.6.2021 (unaudited)			31.12.2020 (audited)		
	NOTES	Current HK\$'000	Non-current HK\$'000	Total HK\$'000	Current HK\$'000	Non-current HK\$'000	Total HK\$'000
ASSETS							
Cash and cash equivalents		5,649,506	–	5,649,506	4,334,925	–	4,334,925
Cash held on behalf of customers	13	18,704,299	–	18,704,299	19,553,711	–	19,553,711
Financial assets held for trading and market making activities	14	5,955,603	–	5,955,603	10,590,827	–	10,590,827
Investment securities	15	33,630,241	8,104,932	41,735,173	31,499,248	15,267,263	46,766,511
Assets acquired for financial products issued	16	21,772,294	5,144,047	26,916,341	26,532,975	5,279,720	31,812,695
Derivative financial instruments	17	260,026	–	260,026	732,110	–	732,110
Advances to customers	18	14,766,112	781,417	15,547,529	15,980,978	231,403	16,212,381
Cash collateral on securities borrowed and reverse repurchase agreements	19	4,524,428	–	4,524,428	7,738,041	–	7,738,041
Receivable from clients for subscription of new shares in IPO	20	6,435,013	–	6,435,013	562,717	–	562,717
Accounts receivable	20	6,462,190	–	6,462,190	5,014,090	–	5,014,090
Tax recoverable		410,874	–	410,874	432,569	–	432,569
Prepayments, deposits and other receivables	21	1,297,105	71,203	1,368,308	1,047,322	59,131	1,106,453
Goodwill and other intangible assets	24	–	458,949	458,949	–	480,148	480,148
Other assets		–	180,514	180,514	–	198,051	198,051
Investment property	25	–	–	–	–	70,078	70,078
Property and equipment	26	–	830,239	830,239	–	812,208	812,208
Deferred tax assets		–	32,286	32,286	–	25,001	25,001
Total assets		119,867,691	15,603,587	135,471,278	124,019,513	22,423,003	146,442,516

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	30.6.2021 (unaudited)			31.12.2020 (audited)		
		Current HK\$'000	Non-current HK\$'000	Total HK\$'000	Current HK\$'000	Non-current HK\$'000	Total HK\$'000
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities	14	976,951	–	976,951	4,067,271	–	4,067,271
Financial products issued at fair value	16	12,886,754	756,042	13,642,796	15,619,109	816,545	16,435,654
Derivative financial instruments	17	640,846	–	640,846	819,725	–	819,725
Cash collateral on securities lent and repurchase agreements	27	9,446,680	–	9,446,680	10,680,425	–	10,680,425
Accounts payable	28	23,574,332	–	23,574,332	22,921,539	–	22,921,539
Bank borrowings and debt securities in issue	29	37,255,672	13,917,154	51,172,826	44,316,967	11,568,173	55,885,140
Liabilities arising from consolidation of investment funds	23	5,048,712	–	5,048,712	5,071,585	–	5,071,585
Tax payable		634,070	–	634,070	479,154	–	479,154
Other payables, accruals and other liabilities		1,352,696	170,002	1,522,698	1,542,931	197,348	1,740,279
Deferred tax liabilities		–	21,234	21,234	–	24,575	24,575
Total liabilities		91,816,713	14,864,432	106,681,145	105,518,706	12,606,641	118,125,347
Equity							
Share capital	30			603,738			603,603
Reserves				27,643,030			27,007,350
Proposed dividends				543,365			706,216
Total shareholders' equity				28,790,133			28,317,169
Total liabilities and shareholders' equity				135,471,278			146,442,516
Net current assets				28,050,978			18,500,807

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company													
	Share capital	Share premium account ¹	Share option reserve ¹	Share award reserve ¹	Shares held for employee share award scheme ¹	Capital redemption reserve ¹	Contributed surplus ¹	Capital reserve ¹	Investments revaluation reserve ¹	Exchange reserve ¹	Convertible bond reserve ¹	Proposed cash/scrip dividend	Retained profits ¹	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 31)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	603,603	19,312,407	50,428	35,431	(389,986)	5,102	21	40,383	(93,937)	(135,806)	6,411	706,216	8,176,896	28,317,169
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,080,525	1,080,525
Other comprehensive income for the period	-	-	-	-	-	-	-	-	6,962	10,395	-	-	-	17,357
Total comprehensive income	-	-	-	-	-	-	-	-	6,962	10,395	-	-	1,080,525	1,097,882
Recognition of equity-settled share-based payment (note 31)	-	-	-	79,037	-	-	-	-	-	-	-	-	-	79,037
Vesting of shares for the share award scheme	-	14,528	-	(98,330)	83,802	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme (note 31)	135	2,605	(409)	-	-	-	-	-	-	-	-	-	-	2,331
2020 second interim dividend declared and settled in cash (note 12)	-	-	-	-	-	-	-	-	-	-	-	(706,216)	(70)	(706,286)
Share options lapsed	-	23,118	(23,118)	-	-	-	-	-	-	-	-	-	-	-
Share awards lapsed	-	655	-	(655)	-	-	-	-	-	-	-	-	-	-
Proposed 2021 interim dividend (note 12)	-	-	-	-	-	-	-	-	-	-	-	543,365	(543,365)	-
At 30 June 2021 (unaudited)	603,738	19,353,313	26,901	15,483	(306,184)	5,102	21	40,383	(86,975)	(125,411)	6,411	543,365	8,713,986	28,790,133
At 1 January 2020 (audited)	594,058	19,153,570	49,887	34,385	(207,210)	5,102	21	40,383	(11,924)	(105,368)	6,411	255,445	7,215,821	27,030,581
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	521,498	521,498
Other comprehensive expense for the period	-	-	-	-	-	-	-	-	(48,485)	(55,512)	-	-	-	(103,997)
Total comprehensive (expense) income	-	-	-	-	-	-	-	-	(48,485)	(55,512)	-	-	521,498	417,501
Recognition of equity-settled share-based payment (note 31)	-	-	537	14,196	-	-	-	-	-	-	-	-	-	14,733
Vesting of shares for the share award scheme	-	(2,101)	-	(26,846)	28,947	-	-	-	-	-	-	-	-	-
Purchases of shares held under the share award scheme	-	-	-	-	(222,250)	-	-	-	-	-	-	-	-	(222,250)
2019 second interim dividend declared and settled in cash and scrip (note 12)	9,545	160,625	-	-	-	-	-	-	-	-	-	(255,445)	-	(85,275)
Share options lapsed	-	1,749	(1,749)	-	-	-	-	-	-	-	-	-	-	-
Share awards lapsed	-	133	-	(133)	-	-	-	-	-	-	-	-	-	-
Proposed 2020 interim dividend (note 12)	-	-	-	-	-	-	-	-	-	-	-	265,586	(265,586)	-
At 30 June 2020 (unaudited)	603,603	19,313,976	48,675	21,602	(400,513)	5,102	21	40,383	(60,409)	(160,880)	6,411	265,586	7,471,733	27,155,290

¹ These reserve accounts represent the unaudited consolidated reserves other than share capital and proposed cash/scrip dividend of approximately HK\$27,643 million (31 December 2020: approximately HK\$27,007 million) in the unaudited condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	833,749	1,023,843
Decrease (increase) in other assets	17,537	(60,854)
Decrease in advances to customers	413,814	2,220,020
Increase in receivable from clients for subscription of new shares in IPO	(5,872,296)	(1,190,253)
(Increase) decrease in accounts receivable	(1,446,760)	1,970,256
(Increase) decrease in prepayments, deposits and other receivable	(258,717)	51,671
Decrease in financial assets held for trading and market making activities	4,635,224	15,934,036
Decrease (increase) in investment securities	5,060,529	(1,574,248)
Decrease (increase) in assets acquired for financial products issued	4,942,920	(13,638,470)
Decrease (increase) in cash held on behalf of customers	850,055	(2,730,016)
Increase in accounts payable	652,793	4,921,727
Decrease in cash collateral on securities lent and repurchase agreements	(1,233,745)	(10,247,287)
Decrease (increase) in cash collateral on securities borrowed and reverse repurchase agreements	3,213,798	(2,498,749)
(Decrease) increase in financial liabilities held for trading and market making activities	(3,090,320)	604,618
(Decrease) increase in liabilities arising from consolidation of investment funds (Note 3)	(22,873)	18,748
(Decrease) increase in financial products issued at fair value	(2,792,858)	3,093,844
Change in derivative financial instruments (net)	293,205	(779,111)
Decrease in other payables, accruals and other liabilities	(193,870)	(383,640)
Cash from (used in) operations	6,002,185	(3,263,865)
Interest received	986,215	1,750,889
Dividend received	534,350	232,911
Interest paid	(600,225)	(541,386)
Tax paid	(47,532)	(213,977)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,874,993	(2,035,428)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	NOTES	Six months ended	
		30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		–	22
Purchase of intangible assets		(4,073)	(19,581)
Purchases of property and equipment		(12,693)	(22,374)
NET CASH USED IN INVESTING ACTIVITIES		(16,766)	(41,933)
FINANCING ACTIVITIES			
Proceeds from issuance of non-convertible notes		6,411,347	4,978,157
Proceeds from issuance of non-convertible bonds		2,327,933	–
Issuance cost of non-convertible bonds paid		(6,586)	–
Repayment of non-convertible notes		(6,560,235)	(5,852,179)
Proceeds from share issued upon exercise of share options	31	2,331	–
Net (repayment) proceeds for bank borrowings raised		(6,943,893)	2,425,791
Repayments of lease liabilities		(68,257)	(62,649)
Dividends paid to shareholders	12	(706,286)	(85,275)
Purchase of shares held under share award scheme	31	–	(222,250)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(5,543,646)	1,181,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,314,581	(895,766)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4,334,925	4,269,608
CASH AND CASH EQUIVALENTS AT END OF PERIOD		5,649,506	3,373,842
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents (Note 1)		5,649,506	3,373,842

Notes:

- For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, which are repayable on demand and form an integral part of the Group's cash management.
- As part of the liquidity and cash management of the Group, in addition to the cash and cash equivalents held, the Group invested into certain investments that can be realised in the market on a short term basis for the purpose of maintaining sufficient liquidity. As at 30 June 2021, such financial assets held amounted to HK\$9,244 million (31 December 2020: HK\$4,181 million). Further details are disclosed in note 15 of the unaudited condensed consolidated financial statements.
- Liabilities arising from consolidation of investment funds represent interest held by third-parties in investments funds while such funds are consolidated in the Group's financial positions and financial performance as a result of assessment of criteria (as detailed in note 23). Change in such interests is resulted from an application of relevant accounting standard of the scope of consolidation and increase or decrease in such liability as disclosed in the unaudited condensed consolidated statement of cash flows has no impact to the Group's cash flow management.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. General Information

Haitong International Securities Group Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 a holding company and the business segments of the Company and its subsidiaries (collectively referred as the "Group") include wealth management, corporate finance, asset management, institutional clients and investment. Details of the business segments of the Group are disclosed in note 5.

The Company's immediate holding company and ultimate holding company are Haitong International Holdings Limited (incorporated in Hong Kong) and Haitong Securities Co., Limited ("HSCL") (incorporated in the People's Republic of China ("PRC")) respectively.

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

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

2. Basis of Preparation

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

Change in presentation of unaudited condensed consolidated statement of profit or loss

To better reflect the foreign exchange gain or loss (net) arising from translation of foreign-currency denominated assets and liabilities of the Group (other than those measured at fair value through profit or loss) into the respective functional currencies and to align with the financial statements disclosure of other peers to enhance the comparability, the Group presents the foreign exchange gain or loss (net) from "Operating expenses" to "Other income and gains or losses". Comparative figures are restated to conform the current period's presentation.

3. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. Principal Accounting Policies (continued)

Details of any changes in accounting policies are set out below.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

3.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

3.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. Principal Accounting Policies (continued)**3.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" (continued)***3.1.2 Transition and summary of effects*

As at 1 January 2021, the Group has several financial assets and liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial assets and liabilities are shown at their carrying amounts except for investment securities measured at fair value through profit or loss and financial assets and liabilities held for trading and market making activities which are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate ("HIBOR") HK\$'000	USD London Interbank Offered Rate ("LIBOR") HK\$'000
Financial assets		
Investment securities measured at amortised cost	3,244,919	387,605
Financial assets held for trading and market making activities	–	129,088
Investment securities measured at fair value through profit or loss	638,902	279,076
Advances to customers	–	310,084
Cash collateral on securities borrowed and reverse repurchase agreements	418,684	–
Accounts receivable	–	398,518
Financial liabilities		
Financial liabilities held for trading and market making activities	–	54,652
Cash collateral on securities lent and repurchase agreements	585,000	1,713,214
Bank borrowings and debt securities in issue	36,760,000	821,673

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for the financial instruments measured at amortised cost. The amendments have had no impact on the unaudited condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

In preparing the unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2020.

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.

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

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

- (a) the wealth management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over-the-counter products, funds, securities custodian services, and securities margin financing;
- (b) the corporate finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these financing assets in secondary market;
- (c) the asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds and mandatory provident funds to individual, corporate and institutional clients;
- (d) The institutional clients segment serves institutional clients globally through sales and trading of both equity and fixed income products, financing, structuring products, offering risk management solutions and providing research advisory. It is also an active player in equity derivative products creation and trading. This segment is supported by the award-winning equity research team that specializes in listed equities in Asian financial markets; and
- (e) the investment segment invests in various financial instruments, primarily on listed equities, investment funds and private equity investments, to explore investment opportunities with reasonable returns.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. Segment Information (continued)

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

For the six months ended 30 June 2021

	Wealth management HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Institutional clients HK\$'000	Investment HK\$'000	Consolidated HK\$'000
Segment revenue:						
Commission and fee income	337,798	798,130	271,054	250,653	–	1,657,635
Interest income	504,942	310,447	–	173,963	–	989,352
Net trading and investment income	–	–	–	518,805	668,961	1,187,766
Segment revenue	842,740	1,108,577	271,054	943,421	668,961	3,834,753
Other income and losses	(2,572)	(3,161)	–	(46,819)	(38,753)	(91,305)
Segment expenses	840,168 (426,385)	1,105,416 (484,530)	271,054 (118,822)	896,602 (749,513)	630,208 (443,534)	3,743,448 (2,222,784)
Profit before impairment charges and tax	413,783	620,886	152,232	147,089	186,674	1,520,664
Impairment charges, net of reversal	(244,627)	24,349	–	(6,344)	–	(226,622)
Profit before tax	169,156	645,235	152,232	140,745	186,674	1,294,042
Income tax expense						(213,517)
Profit for the period						1,080,525
Amortisation and depreciation	(42,845)	(23,093)	(4,808)	(68,328)	(2,447)	(141,521)
Finance costs	(83,533)	(82,798)	–	(174,279)	(275,621)	(616,231)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. Segment Information (continued)

For the six months ended 30 June 2020

	Wealth management HK\$'000	Corporate finance HK\$'000	Asset management HK\$'000	Institutional clients HK\$'000	Investment HK\$'000	Consolidated HK\$'000
Segment revenue:						
Commission and fee income	341,944	536,225	154,446	163,527	–	1,196,142
Interest income	642,393	373,579	–	335,118	11,464	1,362,554
Net trading and investment income	–	–	–	353,525	612,437	965,962
Segment revenue	984,337	909,804	154,446	852,170	623,901	3,524,658
Other income and gains	20,784	16,678	–	145,590	41,243	224,295
Segment expenses	1,005,121 (532,939)	926,482 (338,837)	154,446 (81,696)	997,760 (977,003)	665,144 (512,451)	3,748,953 (2,442,926)
Profit before impairment charges and tax	472,182	587,645	72,750	20,757	152,693	1,306,027
Impairment charges, net of reversal	(102,736)	(20,451)	–	(649,518)	–	(772,705)
Profit (loss) before tax	369,446	567,194	72,750	(628,761)	152,693	533,322
Income tax expense						(11,824)
Profit for the period						521,498
Amortisation and depreciation	(36,038)	(9,250)	(2,892)	(68,748)	(1,776)	(118,704)
Finance costs	(184,484)	(142,669)	–	(401,660)	(451,040)	(1,179,853)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. Revenue and Other Income and Gains or Losses

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

	Six months ended	
	30.6.2021 HK\$'000 (unaudited)	30.6.2020 HK\$'000 (unaudited)
Revenue		
Commission and fee income (note (i)):		
Commission on brokerage (note (ii))	475,239	394,600
Commission on underwriting and placing	687,668	464,859
Financial advisory and consultancy fee income	110,462	71,366
Asset management fee and performance fee income	271,054	154,446
Handling, custodian and service fee income (note (ii))	113,212	110,871
	1,657,635	1,196,142
Interest income:		
Interest income from advances to customers		
– margin financing	454,779	516,441
– merger and acquisition financing	115,789	117,865
– secured financing	25,989	125,855
Interest income from investment securities at amortised cost	319,570	416,023
Interest income from reverse repurchase agreements	29,346	51,273
Interest income from bank deposits and others	43,879	135,097
	989,352	1,362,554
Net trading and investment income (note (iii)):		
Net income from financial assets held for trading and market making activities	198,667	(51,102)
Net trading income on financial products	320,138	404,627
Net gain from investment securities at fair value	668,961	612,437
	1,187,766	965,962
	3,834,753	3,524,658
Other income and gains or losses		
Others (note (iv))	(91,305)	224,295

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

Notes:

- (i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK\$1,324,517,000 (six months ended 30 June 2020: HK\$999,232,000) and HK\$333,118,000 (six months ended 30 June 2020: HK\$196,910,000) respectively.
- (ii) Amounts of commission on brokerage of HK\$193,393,000 (six months ended 30 June 2020: HK\$107,335,000) and handling, custodian and service fee income of HK\$57,260,000 (six months ended 30 June 2020: HK\$56,192,000) have been included in institutional clients segment and each of the remaining amounts of these revenue categories have been included in wealth management segment.
- (iii) Net gain from investment securities at fair value of HK\$668,961,000 (six months ended 30 June 2020: HK\$612,437,000) has been included in investment segment. Net income from financial assets held for trading and market making activities of HK\$198,667,000 (six months ended 30 June 2020: net loss of HK\$51,102,000) and net trading income on financial products of HK\$320,138,000 (six months ended 30 June 2020: HK\$404,627,000) have been included in institutional clients segment.
- (iv) Included in other income and gains or losses is the net loss on remeasurement of the liability in relation to the share of consolidated investment funds attributable to third-party unit/shareholders of HK\$44 million (six months ended 30 June 2020: net gain of HK\$16 million).

Foreign exchange loss (net) of HK\$57 million (six months ended 30 June 2020: foreign exchange gain (net) of HK\$195 million) was also included in the other income and gains or losses. This amount relates to loss or gain arising from translation of foreign currency denominated assets and liabilities (other than financial assets/liabilities measured at fair value through profit or loss) into Hong Kong dollar, while the gain or loss arising from translation of financial assets/liabilities at fair value through profit or loss is recognised within net trading and investment income.

Details of the Group's interest in consolidated investment funds are disclosed in note 23 to the unaudited condensed consolidated financial statements.

7. Staff Costs

	Six months ended	
	30.06.2021	30.06.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, incentives, bonuses and allowances	863,958	537,926
Pension scheme contributions (net)	27,575	21,276
	891,533	559,202

8. Impairment Charges, Net of Reversal

	Six months ended	
	30.06.2021	30.06.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net impairment charges (reversal of impairment charges) on:		
Advances to customers (note 18)		
– margin financing	254,007	101,425
– merger and acquisition financing	(4,022)	866
– secured financing	1,053	662,844
Investment securities at amortised cost	(21,561)	6,295
Accounts receivable and others	(2,855)	1,275
	226,622	772,705

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. Finance Costs

	Six months ended	
	30.06.2021	30.06.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank loans and overdrafts	321,300	780,577
Debt securities in issue:		
– Convertible bonds	1,072	1,054
– Non-convertible bonds	186,482	269,466
– Non-convertible notes	65,139	107,959
Interest on lease liabilities	5,945	5,824
Repurchase agreements and others (note)	36,293	14,973
	616,231	1,179,853

Note: For the six months ended 30 June 2020, included in the “finance costs – repurchase agreement and others” of HK\$15.0 million was the finance costs of HK\$10.7 million on an intercompany unsecured loan advanced from Haitong International Holdings Limited, the immediate holding company of the Company. Such intercompany loan was chargeable at US Dollar LIBOR plus a spread. Such intercompany loan was repaid in April 2020.

Details of the Group's bank borrowings and debt securities in issue are disclosed in note 29.

10. Income Tax Expense

	Six months ended	
	30.06.2021	30.06.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation:		
– Hong Kong	221,353	10,488
– Other jurisdictions	2,790	14,675
	224,143	25,163
Deferred tax:		
– Current period	(10,626)	(13,339)
	213,517	11,824

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. Earnings Per Share

Basic earnings per share

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

	Six months ended	
	30.6.2021 (unaudited)	30.6.2020 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	1,080,525	521,498
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,880,099	5,857,881
Basic earnings per share (HK cents per share)	18.38	8.90

Diluted earnings per share

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

	Six months ended	
	30.6.2021 (unaudited)	30.6.2020 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	1,080,525	521,498
Effect of dilutive potential ordinary shares		
– Interest on convertible bonds (net of tax) (HK\$'000) (note (b))	895	880
Earnings for the purpose of diluted earnings per share (HK\$'000)	1,081,420	522,378
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,880,099	5,857,881
Effect of dilutive potential ordinary shares:		
– Convertible bonds (in thousands) (note (b))	22,746	18,026
– Share options (in thousands) (note (c))	2,579	310
– Share awards (in thousands) (note (c))	5,135	3,438
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	5,910,559	5,879,655
Diluted earnings per share (HK cents per share)	18.30	8.88

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11. Earnings Per Share (continued)**Diluted earnings per share (continued)**

Notes:

- (a) As at 30 June 2021, the trustee of the share award scheme held 133,276,362 ordinary shares of the Company (30 June 2020: 175,503,979 shares) 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\$306 million (30 June 2020: HK\$401 million).

Details of the share award scheme and the movement of award shares of the Company have been disclosed in note 31 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

- (b) On 25 October 2016, the Company issued convertible bonds of HK\$3,880 million with remaining outstanding principal amount of HK\$124 million as at 30 June 2021. Details of the convertible bonds issued by the Company are set out in note 29.

As at 30 June 2021, the convertible bonds issued in 2016 that remain outstanding are convertible into ordinary shares of the Company at a conversion price of HK\$5.28 (31 December 2020: HK\$5.55), 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 period. 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 and share awards with the exercise price lower than the average market price during the six months ended 30 June 2021 and 2020 and with the adjustment for the share options lapsed or exercised during the periods.

12. Dividends

At a meeting of the Board held on 24 March 2020, the Board declared a second interim dividend of HK4.3 cents per share in cash for the year ended 31 December 2019. The shareholders were given the option to receive second interim dividend in new shares in lieu of cash. The second interim dividend was paid on 2 June 2020, with an approximate total of HK\$85,275,000 cash dividend paid to the shareholders and 95,451,214 shares were issued in scrip form with an approximate amount of HK\$170,170,000.

At the meeting of the Board on 21 August 2020, the Board declared an interim dividend of HK4.4 cents per share in cash for the six months ended 30 June 2020 to shareholders whose names appear on the register of members of the Company on 9 September 2020. The interim dividend was paid on 21 September 2020, with an approximated total of HK\$265,586,000 cash dividend paid to the shareholders.

At a meeting of the Board held on 24 March 2021, the Board declared a second interim dividend of HK11.7 cents per share in cash for the year ended 31 December 2020 to shareholders whose names appear on the register of members of the Company on 16 April 2021. The second interim dividend was paid on 28 April 2021, with an approximated total of HK\$706,286,000 cash dividend paid to the shareholders.

At a meeting of the Board held on 25 August 2021, the Board declared an interim dividend of HK9 cents per share in cash for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company on 13 September 2021. The interim dividend is expected to be paid on or about 24 September 2021. The overall amount of cash dividends under distribution will be calculated according to such actual number of shares of the Company in issue on the record date for the cash dividend distribution.

13. Cash Held on Behalf of Customers

The Group maintains segregated accounts with authorized institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the unaudited condensed consolidated statement of financial position and recognised the corresponding accounts payable (note 28) 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. Financial Assets/Liabilities Held for Trading and Market Making Activities

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Financial assets held for trading and market making activities – at fair value		
Listed equity investments	1,897,023	1,060,830
Exchange traded funds	60,772	65,908
Listed preference shares	–	1,749
Listed debt investments	3,859,253	8,955,509
Unlisted debt investments	138,555	506,831
	5,955,603	10,590,827
Financial liabilities held for trading and market making activities – at fair value		
Listed equity investments (note (i))	66,727	167,972
Listed debt investments (note (i))	910,224	3,890,821
Listed preference shares (note (i))	–	8,349
Unlisted debt investments (note (i))	–	129
	976,951	4,067,271

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

Note:

- (i) Balance represents the fair value of equity and debt securities from short selling activities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. Investment Securities

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Investment securities measured at:		
– Fair value through profit or loss	33,859,653	35,946,111
– Fair value through other comprehensive income	122,049	344,683
– Amortised cost (note (vii))	7,753,471	10,475,717
	41,735,173	46,766,511
Less: Non-current portion (note (iv))	(8,104,932)	(15,267,263)
Current portion	33,630,241	31,499,248

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

Investment securities measured at fair value through profit or loss (note (vi))

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Listed equity investments	3,154,687	3,625,574
Exchange traded funds	86,580	87,269
Unlisted partnership investments (note (v))	2,184,602	1,608,351
Unlisted equity investments	666,036	740,359
Unlisted debt investments	2,335,322	3,326,017
Unlisted investment funds (notes (ii) and (iii))	10,029,962	15,367,658
Consolidated investment funds (notes (i) and (vi))	15,402,464	11,190,883
	33,859,653	35,946,111
Less: Non-current portion (note (iv))	(7,750,462)	(12,793,985)
Current portion	26,109,191	23,152,126

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. Investment Securities (continued)**Investment securities measured at fair value through other comprehensive income**

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Listed equity investments	92,779	284,838
Listed debt investments	29,270	59,845
	122,049	344,683
Less: Non-current portion (note (iv))	(122,049)	(344,683)
Current portion	—	—

Investment securities measured at amortised cost (note (vii))

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Unlisted debt investments	7,766,543	10,510,350
Less: Impairment allowance	(13,072)	(34,633)
	7,753,471	10,475,717
Less: Non-current portion (note (iv))	(232,421)	(2,128,595)
Current portion	7,521,050	8,347,122

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. Investment Securities (continued)

Notes:

- (i) Investment securities at fair value through profit or loss includes certain investment funds that are consolidated into the unaudited condensed consolidated financial statements of the Group (note 23).

As at 30 June 2021 and 31 December 2020, the amount includes the consolidated bond funds, equity funds and private equity funds, which mainly invested in listed and unlisted equity investment, listed and unlisted debt investment and unlisted partnership. Details of the breakdown of investments held by consolidated investment funds and fair value measurement are set out in "financial risk management" (note 34) of the unaudited condensed consolidated financial statements.

Included in the consolidated investment funds of HK\$15,402 million (31 December 2020: HK\$11,191 million) is interests held by third-party unit/shareholders of HK\$5,049 million (31 December 2020: HK\$5,072 million) which is presented separately in the unaudited condensed consolidated statement of financial position as a liability. These interests are beneficially held by third-party unit/shareholders and the gain or loss arising from these third party interests have no impact to the net assets, net profit and leverage ratio of the Group. Instead, these interests are consolidated as a result of assessment of criteria under note 23.

- (ii) The Group invested in investment funds. These investment funds invest in mainly stocks, bonds, funds and currencies, with the 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 investment funds. The current carrying amount of HK\$10,030 million (31 December 2020: HK\$15,368 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.

- (iii) The Group held certain unlisted investment funds amounted to HK\$4,071 million (31 December 2020: HK\$8,333 million) and these investment funds shall be classified as "investments accounted for using the equity method" given the Group held over 30% (31 December 2020: over 30%) of the non-participating shares of these funds and also the Group held 50% of the management shares in these unlisted investment funds, and 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 directors of the Company considered that these investment funds shall be measured at fair value through profit or loss instead of applying the equity method as the principal activity of the subsidiary holding these funds is investment holding, and therefore qualified as "venture capital organisation" (for details please refer to accounting policy as disclosed in 2020 annual financial statements). There is no unfilled capital commitment on these unlisted investment funds as at 30 June 2021 and 31 December 2020 and the fair values represent the maximum exposure on respective reporting dates.

- (iv) As at 30 June 2021 and 31 December 2020, included in the non-current portion are listed equity investments, unlisted equity investments, listed debt investments, unlisted debt investments, unlisted partnership investments and unlisted investment funds that the directors of the Company expect to realise not within twelve months after each reporting period.

- (v) As at 30 June 2021, the unfilled capital commitment to the partnerships were HK\$722 million (31 December 2020: HK\$456 million).

- (vi) As part of the liquidity and cash management of the Group, the Group invested into highly liquid investments for the purpose of maintaining sufficient cash and financial assets that are readily convertible into cash while aiming to earn an investment return. It is the Group's strategy to invest into financial assets that are not subject to any holding period restriction and that are issued by reputable financial institutions and corporations. As at 30 June 2021, such financial assets held amounted to HK\$9,244 million (31 December 2020: HK\$4,181 million).

- (vii) Included in investment securities at amortised cost are gross carrying amount of HK\$7,767 million (31 December 2020: HK\$10,510 million) of investment securities that are secured.

The majority of these investment securities at amortised cost are secured and/or guaranteed with contractual maturity within 1 year from the reporting date. These investment securities are monitored by the Risk Management Department and the Investment Committee of the Group based on the latest status of these securities, and the latest announced or available information about the issuers and the underlying collateral held.

As at 30 June 2021, there were two (31 December 2020: one) past due investment security.

As at 31 December 2020, there was a past due investment security with gross carrying amount of HK\$1,089 million that relates to a property development project overseas by a Hong Kong listed company and the relevant property development project was pledged to the Group. In assessing the impairment provision, the Group evaluated the fair value of collaterals held. Based on the valuation performed by an independent professional valuer under the market approach with reference to recent transaction prices of lands comparable in the nearby development with the major fair value adjustments on the location, the value is higher than the outstanding gross carrying amount. Therefore, the directors of the Company considered no provision shall be made against this security as at 31 December 2020. The maturity of such investment security has been extended during the period ended 30 June 2021.

An investment security with the gross carrying amount of HK\$410 million (31 December 2020: HK\$480 million) was classified as past due given no full repayment of the principal amount despite of such investment security having matured as at 30 June 2021. A partial repayment of principal and full repayment of accrued interest were paid by the issuer and the Group is in the process of discussion of restructuring of such investment security with the issuer as at the period end date. With further repayment of principal overdue, the maturity of remaining investment security has been extended in August 2021.

An investment security with the gross carrying amount of HK\$62 million (31 December 2020: HK\$62 million) with collaterals being properties was matured in June 2021 (and therefore classified as past due in the current period) and the issuer is in the process of repayment of principal and accrued interest, but pending for realization of the issuer's assets (other than those pledged to the Group).

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16. Assets Acquired for Financial Products Issued/Financial Products Issued at Fair Value

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Assets – acquired for financial products issued		
Listed equity investments, at fair value (note (ii))	2,734,245	3,408,390
Listed debt investments, at fair value (note (ii))	7,872,736	9,465,212
Unlisted equity investments, at fair value (notes (i) & (ii))	415,773	401,261
Unlisted partnership investments, at fair value (notes (i) & (ii))	27,276	15,504
Unlisted debt investments, at fair value (note (ii))	4,088,070	4,849,750
Unlisted investment funds, at fair value (notes (i) & (ii))	1,526,906	1,530,528
Unlisted financial products, at fair value (note (ii) & (iv))	5,536,356	7,268,672
Consolidated investment fund, at fair value (note (ii) & (v))	4,714,979	4,873,378
	26,916,341	31,812,695
Less: Non-current portion	(5,144,047)	(5,279,720)
Current portion	21,772,294	26,532,975
Liabilities – financial products issued at fair value		
Unlisted issued financial products, at fair value (note (iii))	13,642,796	16,435,654
Less: Non-current portion	(756,042)	(816,545)
Current portion	12,886,754	15,619,109

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

Notes:

- (i) As at 30 June 2021 and 31 December 2020, included in assets acquired for financial products issued are the unlisted equity investments, unlisted partnership investments and unlisted investment funds.
- There is no unfilled capital commitment to these unlisted equity investments, unlisted partnership investments and unlisted investment funds. Their total current carrying amount of HK\$1,970 million (31 December 2020: HK\$1,947 million) in the unaudited condensed consolidated statement of financial position represents the Group's maximum exposure.
- (ii) These financial assets are primarily acquired by the Group which driven by the financial products issued at fair value and become their underlying investments and hedging items for the risk of economic exposure on these issued financial products as set out in note (iii) below.
- As a result, the overall net variable return of these assets and respective liabilities is not significant to the Group.
- (iii) As at 30 June 2021 and 31 December 2020, financial products issued at fair value are generally issued in the form of notes and swaps of which payouts are linked to the values/returns of certain underlying investments related to listed/unlisted equity investments, listed/unlisted debt investments, unlisted investment funds, unlisted financial products, unlisted partnership investments and consolidated investment funds held by the Group.
- The risk of economic exposure on these financial products is primarily hedged using financial assets as detailed in note (ii) above.
- (iv) Unlisted financial products are financial instruments, mostly in the form of total return swap with referenced assets being listed equity instruments, listed debts investments and unlisted debts investments entered by the Group to hedge the financial products issued.
- (v) Assets acquired for financial products issued include an investment fund that is consolidated in the unaudited condensed consolidated financial statements of the Group (note 23).
- As at 30 June 2021, the investments held by consolidated investment fund are listed and unlisted debt investments of HK\$4,715 million (31 December 2020: HK\$4,873 million).

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17. Derivative Financial Instruments

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Assets		
Swaps	55,978	280,539
Forward foreign currency exchange contracts	47,790	12,076
Listed futures/options/warrants	122,636	414,717
Callable bull/bear contracts	465	4,741
Unlisted options	33,157	20,037
	260,026	732,110
Liabilities		
Swaps	768	6,131
Forward foreign currency exchange contracts	26,315	27,645
Listed futures/options/warrants	315,471	571,433
Callable bull/bear contracts	272,389	190,398
Unlisted options	25,903	24,118
	640,846	819,725

18. Advances to Customers

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Advances to customers:		
– Margin financing	11,894,183	12,327,279
– Merger and acquisition financing	2,838,373	3,232,843
– Secured financing	814,973	652,259
	15,547,529	16,212,381
Less: Non-current portion	(781,417)	(231,403)
Current portion	14,766,112	15,980,978

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18. Advances to Customers (continued)

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Margin financing		
Margin financing	12,550,487	13,534,090
Less: Impairment allowance	(656,304)	(1,206,811)
	11,894,183	12,327,279

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group, where 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 with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Group's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 30 June 2021, margin financing of HK\$11,894 million (31 December 2020: HK\$12,327 million) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$54,504 million (31 December 2020: HK\$72,753 million). In determining the allowances for credit impaired loans to margin clients for the current period, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including subsequent settlements, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

As at 31 December 2020, included in the margin financing was a margin loan to an independent customer of gross amount of HK\$602,080,000 with impairment of HK\$576,094,000. One of the major pledged stock of this loan was delisted in December 2020. The impairment provision as at 31 December 2020 represents the difference between gross loan amount and the fair value of other listed stocks pledged to the Group as at 31 December 2020. Such margin loan was written off during the current interim period. During the current interim period, additional individual impairment of HK\$187 million was made against several independent margin customers with carrying amount of HK\$358 million due to the decrease in the market value of the listed shares pledged to the Group as at 30 June 2021.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. Advances to Customers (continued)

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Merger and acquisition financing		
Merger and acquisition financing	3,026,839	3,425,331
Less: Impairment allowance	(188,466)	(192,488)
	2,838,373	3,232,843
Less: Non-current portion	(725,325)	(231,403)
Current portion	2,113,048	3,001,440

Included in merger and acquisition financing are HK\$3,027 million (31 December 2020: HK\$3,425 million) of advances that are secured. Collateral held includes shares of the target company (or shares of the legal entity holding shares of target company) acquired by the borrower. In addition, majority of these advances are also guaranteed by other parties including holding companies or related companies of the borrower, beneficial owner of the borrower, etc.

Majority of these advances have contractual maturity within 1 year from the reporting date and credit limits are set for borrowers during the approval process established by the Group. Regular reviews on these merger and acquisition financing are conducted by the Risk Management Department of the Group based on the latest status of these merger and acquisition financing, the latest announced or available information about the borrowers, the underlying collateral held and the latest status of the relevant merger and acquisition project. The Group seeks to maintain effective control over its merger and acquisition financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 30 June 2021 and 31 December 2020, there were two past due merger and acquisition financing.

As at 30 June 2021 and 31 December 2020, there was a past due merger and acquisition financing with a gross and carrying amount of HK\$197 million and HK\$118 million respectively that was advanced to an external party for its property development project in the PRC with the principal due for repayment in 2021, but with delay in interest repayment for more than 90 days. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral (at its forced sale value) and the credit protection structure. In the opinion of the directors of the Company, the impairment provision for the current period and prior period are appropriate.

There was another past due merger and acquisition financing with gross and carrying amounts of HK\$346 million (31 December 2020: HK\$356 million) and HK\$240 million (31 December 2020: HK\$249 million) respectively that was advanced to a company listed in PRC and HK for its acquisition in the overseas. The loan was matured in 2019 and the principal and the accrued interest were not repaid as at 30 June 2021. In assessing impairment, the management considered a number of factors including the financial status of the borrower and the status of enforcement proceedings in the PRC. In the opinion of the directors, the impairment provision for the current period and prior period are appropriate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. Advances to Customers (continued)

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Secured financing		
Secured financing	868,187	703,887
Less: Impairment allowance	(53,214)	(51,628)
	814,973	652,259
Less: Non-current portion	(56,092)	–
Current portion	758,881	652,259

Included in secured financing are HK\$868 million (31 December 2020: HK\$704 million) that are secured.

The majority of these secured financings are secured and/or guaranteed with contractual maturity within 1 year to 2 years from the reporting date and credit limits are set for borrowers.

Collateral held includes equity instruments and/or investment portfolio held by borrowers, etc. Regular reviews on these secured financings are conducted by the Risk Management Department of the Group based on the latest status of these secured financings and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its secured financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 30 June 2021, there was one past due secured financing (31 December 2020: one).

A financing with the gross carrying amount of HK\$155 million (31 December 2020: HK\$155 million) with collaterals being listed equities and properties was matured in October 2020 (and therefore classified as past due) and the borrower is in the process of repayment of principal and accrued interest, but pending for realisation of the borrower's assets (other than those pledged to the Group). In assessing the impairment, the management considered the collateral value and no impairment was made during the current and prior period.

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19. Cash Collateral on Securities Borrowed and Reverse Repurchase Agreements

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Cash collateral on securities borrowed	481,019	677,009
Reverse repurchases agreements	4,043,409	7,061,032
	4,524,428	7,738,041
Reverse repurchases agreements:		
Analysed by collateral type:		
Equities	188,000	418,684
Bonds	3,855,421	6,642,356
	4,043,421	7,061,040
Less: Impairment allowance	(12)	(8)
	4,043,409	7,061,032
Analysed by market:		
Inter-bank market	4,043,409	7,061,032
Analysed for reporting purposes:		
Current	4,043,409	7,061,032

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree 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 not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the unaudited condensed consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 30 June 2021, the fair value of the collateral in respect of reverse repurchase agreements was HK\$4,943 million (31 December 2020: HK\$9,101 million).

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For the six months ended 30 June 2021

20. Receivable from Clients for Subscription of New Shares in IPO and Accounts Receivable

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Receivable from clients for subscription of new shares in IPO (note (i))	6,435,013	562,717
Accounts receivable	6,462,190	5,014,090
	12,897,203	5,576,807
Accounts receivable from:		
– Clients	1,503,462	1,302,022
– Brokers, dealers and clearing houses	4,458,047	3,086,401
– Immediate holding company (note (ii))	353,493	400,941
– Others (note (iii))	147,188	224,726
	6,462,190	5,014,090

Notes:

- (i) Receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2021, the settlement dates are in the range of 2 to 7 days.
- (ii) The Company advanced a loan to Haitong International Holdings Limited (the immediate holding company of the Company) at an interest rate of US Dollar London Interbank Offer Rate plus a spread. The outstanding principal balance as at 30 June 2021 amounted to US\$45,033,000 (equivalent to HK\$349,679,000), which will be fully repayable on the maturity date on 6 July 2021. As at 31 December 2020, the outstanding principal balance amounted to US\$51,408,000 (equivalent to HK\$398,518,000), which will be fully repaid on the maturity date on 15 January 2021.
- (iii) The amount represents the fees receivable from corporate finance, wealth management and asset management business.

The following is an ageing analysis of the accounts receivable based on trade date/invoice date as at period/year end:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Between 0 and 3 months	6,434,458	4,980,650
Between 4 and 6 months	4,052	16,349
Between 7 and 12 months	11,692	5,749
Over 1 year	11,988	11,342
	6,462,190	5,014,090

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. Receivable from Clients for Subscription of New Shares in IPO and 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 that of 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 wealth management, corporate finance and asset management are determined in accordance with the contract terms, usually within one year after the services provided.

For accounts receivable from clients that are overdue, management ensures that the available cash balance and listed equity securities belonging to clients in which the Group holds as custodian are sufficient to cover the amounts due to the Group.

21. Prepayments, Deposits and Other Receivables

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Prepayments, deposits and other receivables (note)	1,368,308	1,106,453
Less: Non-current portion	(71,203)	(59,131)
Current portion	1,297,105	1,047,322

Note: Included in the amount of prepayments, deposits and other receivables are the interest receivable of HK\$741 million (31 December 2020: HK\$738 million) from bank deposits, advances to customers, and debt securities held which are receivable within one year.

22. Interests in Unconsolidated Investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as the "Investments" for the purpose of notes 22 and 23) with primary objectives for capital appreciation, investment gains and selling in the near future for profit. Pursuant to subscription agreements or equivalent documents, the beneficial interests held by the Group in these Investments are in the form of interests which primarily provide the Group with the share of returns from the Investments but not any decision making power nor any voting right to involve in and control the daily operation.

These Investments 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 Investments, or through participations in decision making process of the underlying investee companies.

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

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

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22. Interests in Unconsolidated Investments (Continued)

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

The Group classified its interests in Investments as investment securities and assets acquired for financial products issued in notes 15 and 16.

23. Interest in Consolidated Investments

The Group had consolidated certain Investments in accordance with the criteria set out in note 22. Especially for those investment funds where the Group is involved as an investment manager and also as an investor, the Group assesses whether (i) the Group is acting as an agent/principal in these Investments; (ii) there are any other external holders in these Investments which have power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and (iii) the combination of the remuneration to which the Group is entitled and the Group's exposure to variability of returns from other interest that it holds in the Investments is of such significance that it indicates the Group is a principal.

Third-party interests in consolidated Investments consist of third-party unit/shareholders' interests in consolidated Investments 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 Investments cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated Investments that are subject to the actions of third-party unit holders.

For the period ended 30 June 2021, investment returns of the Group related to interests held by third party unit/shareholders were loss of HK\$44 million (six months ended 30 June 2020: gain of HK\$16 million) in consolidated Investments are included in other income and gains or losses in the unaudited condensed consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders amounted to HK\$5,049 million (31 December 2020: HK\$5,072 million) as at 30 June 2021. Such amount is recognised as "liabilities arising from consolidation of investment funds" in the unaudited condensed consolidated statement of financial position.

24. Goodwill and Other Intangible Assets

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Goodwill	380,099	380,099
Other intangible assets	78,850	100,049
	458,949	480,148

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25. Investment Property

	HK\$'000
Fair value	
At 1 January 2021	70,078
Transfer to property and equipment	(70,078)
At 30 June 2021	—
At 1 January 2020	192,471
Transfer to property and equipment	(122,393)
At 30 June 2020	70,078

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the current interim period, the Group commenced owner-occupation of the remaining investment property held and consequently all investment properties held as at 31 December 2020 were reclassified to property and equipment (note 26) during the current interim period.

The fair value of the Group's investment properties as at 31 December 2020 was arrived at on the basis of a valuation carried out on that date by Colliers International (Hong Kong) Limited, independent qualified professional valuers not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of properties, which are all classified as level 3 fair value hierarchy, was determined based on market approach, by comparing recent arms-length sales of similar interests located in the surrounding area.

The following table gives information about how the fair values of these investment properties as at 31 December 2020 were determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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25. Investment Property (continued)

Investment properties held by the Group	Fair value hierarchy as defined in note 34	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2020				
Commercial property units	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Level adjustment on individual floors of the property of 0.5%	The higher level, the higher the fair value
The key input is level adjustment.				

26. Property and Equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer hardware and equipment HK\$'000	Total HK\$'000
30 June 2021 (unaudited)					
At 1 January 2021					
Cost	963,851	146,113	92,067	576,973	1,779,004
Accumulated depreciation	(254,145)	(116,859)	(69,533)	(526,259)	(966,796)
Net carrying values	709,706	29,254	22,534	50,714	812,208
At 1 January 2021, net of accumulated depreciation	709,706	29,254	22,534	50,714	812,208
Transfer from investment property	70,078	–	–	–	70,078
Additions – right-of-use assets under HKFRS 16	51,534	–	–	–	51,534
Additions – others	–	4,215	1,058	7,420	12,693
Disposal	(24)	–	–	–	(24)
Depreciation	(85,876)	(11,939)	(3,159)	(15,276)	(116,250)
At 30 June 2021, net of accumulated depreciation	745,418	21,530	20,433	42,858	830,239
At 30 June 2021					
Cost	1,085,439	150,328	93,125	584,393	1,913,285
Accumulated depreciation	(340,021)	(128,798)	(72,692)	(541,535)	(1,083,046)
Net carrying values	745,418	21,530	20,433	42,858	830,239

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26. 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
30 June 2020 (unaudited)					
At 1 January 2020					
Cost	698,498	140,396	84,870	534,931	1,458,695
Accumulated depreciation	(104,774)	(96,456)	(63,204)	(487,986)	(752,420)
Net carrying values	593,724	43,940	21,666	46,945	706,275
At 1 January 2020, net of accumulated depreciation	593,724	43,940	21,666	46,945	706,275
Transfer from investment property	122,393	–	–	–	122,393
Additions – right-of-use assets under HKFRS 16	2,863	–	–	–	2,863
Additions – others	3	3,243	3,747	15,381	22,374
Disposal	–	–	(6)	(7)	(13)
Depreciation	(68,587)	(9,763)	(3,190)	(19,147)	(100,687)
At 30 June 2020, net of accumulated depreciation	650,396	37,420	22,217	43,172	753,205
At 30 June 2020					
Cost	823,757	143,639	88,611	550,305	1,606,312
Accumulated depreciation	(173,361)	(106,219)	(66,394)	(507,133)	(853,107)
Net carrying values	650,396	37,420	22,217	43,172	753,205

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

27. Cash Collateral on Securities Lent and Repurchase Agreements

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Cash collateral on securities lent	1,490,038	1,580,139
Repurchase agreements	7,956,642	9,100,286
	9,446,680	10,680,425
Repurchase agreements:		
Analysed by collateral type:		
Equities	5,703,875	4,782,353
Bonds	2,252,767	4,317,933
	7,956,642	9,100,286
Analysed by market:		
Inter-bank market	7,956,642	9,100,286
Analysed for reporting purposes:		
Current	7,956,642	9,100,286

Cash collateral received under securities lending agreement are repayable upon expiry of relevant securities lending agreements and the relevant stocks lent are returned by the borrower. 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 unaudited condensed consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 30 June 2021, the Group entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at FVTPL with carrying amount of HK\$8,836 million (31 December 2020: HK\$11,308 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

28. Accounts Payable

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Accounts payable to:		
– Clients	20,949,380	20,007,326
– Brokers, dealers and clearing houses	1,393,668	1,208,756
– Others	1,231,284	1,705,457
	23,574,332	22,921,539

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 within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 30 June 2021 (31 December 2020: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients include those payables placed in segregated accounts with authorized institutions of HK\$18,704,299,000 (31 December 2020: HK\$19,553,711,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK\$262,497,000 (31 December 2020: HK\$701,543,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

29. Bank Borrowings and Debt Securities in Issue

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Debt securities in issue		
Non-current		
Non-convertible bonds (note (b))	13,917,154	11,568,173
Current		
Convertible bonds (note (a))	126,457	125,385
Non-convertible notes (note (c))	6,057,502	6,175,976
Total current debt securities in issue	6,183,959	6,301,361
Total debt securities in issue	20,101,113	17,869,534
Bank borrowings		
Secured borrowing		
– Bank loans (notes (d), (e) and (f))	1,309,007	949,087
Unsecured borrowing		
– Bank loans (notes (e), (f) and (g))	29,762,706	37,066,519
Total current bank borrowings	31,071,713	38,015,606
Total bank borrowings and debt securities in issue	51,172,826	55,885,140

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

29. Bank Borrowings and Debt Securities in Issue (continued)

Notes:

- (a) The Company has issued unsecured and unguaranteed convertible bonds in principal amount of HK\$3,880 million in 2016 and these convertible bonds bear interest at a fixed rate with a maturity period of 5 years. The values of the liability component and the equity conversion component were determined at the issuance of the bonds. Please refer to the Company's announcements on 12 October 2016 and 25 October 2016 for details of the bonds.

Part of the convertible bonds issued were redeemed during the year ended 31 December 2019. As at 30 June 2021, the number of outstanding share convertible under the convertible bonds issued in 2016 is 23,484,848 (31 December 2020: 22,342,342) with principal amount of HK\$124 million. Please refer to the Company's announcement on 25 October 2019 for details of the redemption.

As at 30 June 2021, the conversion prices of convertible bonds issued by the Company in 2016 is HK\$5.28 per share (31 December 2020: HK\$5.55 per share). No convertible bonds issued by the Company in 2016 were converted during current period and prior year.

- (b) On 19 July 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US\$700 million at a discount of 99.808% which is listed on the The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.375% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 19 July 2024. Please refer to the Company's announcements on 10 July 2019 and 19 July 2019 for details of the bonds.

On 18 November 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US\$400 million at a discount of 99.415% which is listed on the The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.125% with a maturity period of 5.5 years. The principal will be fully repayable on the maturity date at 18 May 2025. Please refer to the Company's announcements on 7 November 2019 and 18 November 2019 for details of the bonds.

On 2 July 2020, the Company issued unsecured and unguaranteed bonds in principal amount of US\$400 million at a discount of 99.873% which is listed on the The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 3 years. The principal will be fully repayable on the maturity date at 2 July 2023. Please refer to the Company's announcements on 19 June 2020 and 2 July 2020 for details of the bonds.

On 20 May 2021, the Company issued unsecured and unguaranteed bonds in principal amount of US\$300 million at a discount of 99.934% which is listed on the The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 20 May 2026. Please refer to the Company's announcements on 12 May 2021, 20 May 2021 and 21 May 2021 for details of the bonds.

- (c) During the current period ended 30 June 2021, the Company has issued medium term notes under the Company's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HK\$6,414 million with a maturity period of 1 year and repaid several medium term notes of principal amount totalling HK\$6,554 million. As at 30 June 2021, the outstanding balances of HK\$6,058 million (31 December 2020: HK\$6,176 million) represent the unsecured and unguaranteed non-convertible notes.
- (d) As at 30 June 2021, bank loans of HK\$1,309 million (31 December 2020: HK\$949 million) were secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of HK\$4,943 million (31 December 2020: HK\$4,934 million) at fair value held by the Group.
- (e) The majority of the Group's bank borrowings bear interest at variable interest rates based on Hong Kong Interbank Offered Rate ("HIBOR") per annum.
- (f) Bank loans are repayable on demand and within 1 year based on repayment schedule.
- (g) Bank loans are classified as current liabilities for the purpose of presentation in these unaudited condensed consolidated financial statements as the bank loans are drawn under revolving credit facilities (including syndicated loan facilities) with repayment dates being less than 12 months from 30 June 2021, but subject to the roll-over at the discretion of the Group as stipulated in the respective facilities agreements. Majority of the revolving credit facilities have tenor of more than 12 months from the date of respective facility agreements, in particular the Group has syndicated loan facilities with total amount of HK\$28,000 million, and these facilities have tenors of 36 months.

As at 30 June 2021, HK\$15,400 million (31 December 2020: HK\$26,100 million) bank loans are drawn under revolving credit facilities with respective original tenor of more than 12 months, while they are classified current liabilities for the purpose of disclosure in these unaudited condensed consolidated financial statements.

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For the six months ended 30 June 2021

30. Share Capital

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Authorised: 20,000,000,000 (31 December 2020: 20,000,000,000) ordinary shares of HK\$0.10 each	2,000,000	2,000,000
Issued and fully paid: 6,037,385,086 (31 December 2020: 6,036,035,086) ordinary shares of HK\$0.10 each	603,738	603,603

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK\$'000
As at 1 January 2020	5,940,583,872	594,058
Scrip dividend issued – 2019 second interim dividend (note 12)	95,451,214	9,545
As at 30 June 2020, 31 December 2020 and 1 January 2021	6,036,035,086	603,603
New shares issued under exercise of share options	1,350,000	135
As at 30 June 2021	6,037,385,086	603,738

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

31. Share Option/Award Scheme**2015 Share Option Scheme**

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

Details of the share option scheme of the Company has been disclosed in the Group's annual financial statements for the year ended 31 December 2020 and should be read in conjunction with the relevant announcements of the share options made by the Company.

On 29 May 2020, the Company granted 10,645,000 share options at the exercise price of HK\$1.727 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The exercise period of the share options is from 25 December 2020 to 28 May 2025. 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\$1.57 per share. The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 29 May 2020 is approximately HK\$3.2 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2020
Weighted average share price at the date of grant	HK\$1.57
Initial exercise price	HK\$1.727
Expected volatility	49.389%
Expected option life	5 years
Risk-free rate	0.52%
Expected dividend yield	11.439%
Early exercise multiples	
– directors	1.69
– employees	1.94

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

For the six months ended 30 June 2020, the Group recognised an equity-settled share-based compensation expense of HK\$537,000 for the share options issued on 29 May 2020 in the unaudited condensed consolidated statement of profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

31. Share Option/Award Scheme (continued)

2015 Share Option Scheme (continued)

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

	2021		2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.369	62,102	3.728	54,106
Granted and accepted during the period/year	–	–	1.727	10,645
Adjusted during the period/year (note)	–	–	3.717	95
Exercised during the period/year	1.727	(1,350)	–	–
Lapsed and forfeited during the period/year	4.161	(20,781)	3.95	(2,744)
At 30 June 2021/31 December 2020	3.012	39,971	3.369	62,102

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

30 June 2021 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
8,409	5.002	7 June 2018 – 9 November 2022
14,433	2.898	28 May 2019 – 31 October 2023
8,384	2.554	27 December 2019 – 30 May 2024
8,745	1.727	25 December 2020 – 28 May 2025
39,971		

31 December 2020 Number of options '000	Exercise price HK\$ per share (note)	Exercise period
12,611	4.635	8 December 2016 – 11 May 2021
11,078	5.002	7 June 2018 – 9 November 2022
17,610	2.898	28 May 2019 – 31 October 2023
10,158	2.554	27 December 2019 – 30 May 2024
10,645	1.727	25 December 2020 – 28 May 2025
62,102		

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

31. Share Option/Award Scheme (continued)**2015 Share Option Scheme (continued)**

As at 30 June 2021, the Company had 39,971,404 (31 December 2020: 62,102,499) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.66% (2020: 1.03%) 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 39,971,404 (2020: 62,102,499) additional ordinary shares of the Company and additional share capital of HK\$3,997,000 (2020: HK\$6,210,000) and share premium of HK\$116,408,000 (2020: HK\$203,016,000) (before issue expenses).

Share award scheme

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

Details of the awarded shares granted and unvested as at 30 June 2021 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 (g))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date
11 May 2018	7,010,493	5,923,076	1,087,417	–	note (a)	32,108,000
25 March 2019	6,848,366	4,057,693	984,177	1,806,496	note (b)	21,024,000
29 October 2019	8,175,000	5,000,000	1,135,000	2,040,000	note (c)	18,557,000
25 March 2020	14,294,205	4,359,028	1,669,453	8,265,724	note (d)	28,731,000
3 July 2020	7,700,000	7,700,000	–	–	note (e)	16,016,000
25 Mar 2021	29,000,000	29,000,000	–	–	note (f)	69,890,000

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the six months ended 30 June 2021, the Group has recognised an equity-settled share-based compensation expense of HK\$79,037,000 (six months ended 30 June 2020: HK\$14,196,000) for the Scheme in unaudited condensed consolidated statement of profit or loss.

As at 30 June 2021, the Company did not have any awarded shares granted on 11 May 2018 which were outstanding under the Scheme (31 December 2020: 1,860,031 awarded shares). During the current six-month period, 108,413 (six month ended 30 June 2020: 131,545) and 1,751,618 (six months ended 30 June 2020: 1,971,575) awarded shares granted on 11 May 2018 were lapsed and vested respectively.

As at 30 June 2021, the Company had 1,806,496 (31 December 2020: 3,988,774) awarded shares granted on 25 March 2019 which were outstanding under the Scheme. During the current six-month period, 248,307 (six months ended 30 June 2020: 108,143) and 1,933,971 (six months ended 30 June 2020: 2,123,722) awarded shares granted on 25 March 2019 were lapsed and vested respectively.

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For the six months ended 30 June 2021

31. Share Option/Award Scheme (continued)

Share award scheme (continued)

As at 30 June 2021, the Company had 2,040,000 (31 December 2020: 4,760,000) awarded shares granted on 29 October 2019 which were outstanding under the Scheme. During the current six-month period, 335,000 (six months ended 30 June 2020: 150,000) and 2,385,000 (six months ended 30 June 2020: 2,615,000) awarded shares granted on 29 October 2019 were lapsed and vested respectively.

As at 30 June 2021, the Company had 8,265,724 (31 December 2020: 13,463,223) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current six-month period, 838,471 (six months ended 30 June 2020: 235,671) and 4,359,028 awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 30 June 2021 and 31 December 2020, the Company had no awarded shares granted on 3 July 2020 which were outstanding under the Scheme. All 7,700,000 awarded shares granted on 3 July 2020 were vested in the last year.

As at 30 June 2021, the Company had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme. During the current six-month period, all 29,000,000 awarded shares granted on 25 March 2021 were vested.

Notes:

- (a) Pursuant to the agreed terms, the vesting date of one-third of the awarded shares granted on 11 May 2018 was on 13 May 2019 while the vesting date of another one-third of awarded shares granted on 11 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.
- (b) Pursuant to the agreed terms, the vesting date of one-third of the awarded shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of awarded shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.
- (c) Pursuant to the agreed terms, the vesting date of one-third of the awarded shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of awarded shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.
- (d) Pursuant to the agreed terms, the vesting date of one-third of the awarded shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of awarded shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.
- (e) Pursuant to the agreed terms, the vesting date of all the awarded shares granted on 3 July 2020 was on 15 July 2020.
- (f) Pursuant to the agreed terms, the vesting date of all the awarded shares granted on 25 Mar 2021 was on 30 April 2021.
- (g) Awarded Shares would lapse prior to their vesting date as a result of staff separations. 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 employees. The recognised amount in relation to lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the unaudited condensed consolidated statement of changes in equity.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

31. Share Option/Award Scheme (continued)**Share award scheme (continued)**

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

	2021		2020	
	HK\$'000	Number of shares	HK\$'000	Number of shares
At 1 January	389,986	172,705,979	207,210	62,273,142
Purchased during the period/year	–	–	230,980	126,069,000
Vested and transferred out during the period/year	(83,802)	(39,429,617)	(48,204)	(15,636,163)
At 30 June 2021/31 December 2020	306,184	133,276,362	389,986	172,705,979

32. Commitments and Contingencies**(a) Capital commitments**

The Group had the following commitments as at period/year end.

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Contracted, but not provided for:		
Computer equipment	10,099	10,176
Others	5,395	614
	15,494	10,790

(b) Contingent liabilities

The Group may become, or has become, a subject of litigation or arbitration in relation to its normal course of business. Any situation will be reviewed in conjunction with the Group's legal advisors.

The Group considers that the eventual impact on the unaudited condensed consolidated financial statements in terms of possible outflow of economic benefits will not be significant.

Notes to the Condensed Consolidated Financial Statements

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33. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

- (a) On 15 February 2019, the Company entered into a master services agreement with Haitong Securities Co., Limited, the ultimate holding company of the Company, for a term of 2 years and 6 months from 1 January 2019 to 30 June 2021. On 21 April 2021, the Company renewed the master services agreement for a term of 3 years from 1 July 2021 to 30 June 2024. 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. Services covered under the services agreement include broking transactions; investment management and advisory services; business and/or operational support, referral, global research and/or other miscellaneous services transactions; corporate finance transactions; fund investment, financial assistance and securities lending transactions; principal-to-principal transactions; and underwriting services.
 - (i) Income and expenses from brokerage and related services amounted to HK\$6,129,000 and HK\$398,000 (six months ended 30 June 2020: income and expenses of HK\$348,000 and HK\$420,000) respectively for the current interim period in accordance with terms of the master services agreement.
 - (ii) Income from investment management and advisory services amounted to HK\$5,165,000 (six months ended 30 June 2020: HK\$11,939,000) for provision of investment management service and investment advisory service to Haitong Securities Co., Ltd. (the ultimate holding company of the Company) and its subsidiaries and expenses related to referral fee amounted to HK\$32,000 (six months ended 30 June 2020: HK\$751,000) was paid to Haitong Securities Co., Ltd. The fee is charged in accordance with the relevant investment management agreement or investment advisory agreement or relevant agreement.
 - (iii) During the year ended 31 December 2019, a subsidiary of the Company has entered into a framework collaboration agreement with Haitong Bank, S.A. ("Haitong Bank", a subsidiary of Haitong International Holdings Limited, the immediate holding company of the Company), pursuant to which Haitong Bank and this subsidiary would provide equity trading service and research service to each other's external clients, depending the domicile of the clients within or outside the European Union. During the current period, income received from Haitong Bank in connection to such services amounted to EUR428,000 (equivalent to HK\$4,062,000) (six months ended 30 June 2020: EUR394,000 (equivalent to HK\$3,388,000)) and expenses paid by this subsidiary in connection to such services amounted to EUR2,445,000 (equivalent to HK\$23,357,000) (six months ended 30 June 2020: EUR3,046,000 (equivalent to HK\$26,246,000)). The relevant income and expense are based on the agreement entered between this subsidiary and Haitong Bank.
 - (iv) During the year ended 31 December 2019, Haitong Bank acted as one of the joint bookrunners and joint lead managers in issuance of debt securities by the Company. The Group paid underwriting commission to Haitong Bank amounted to US\$384,000 (equivalent to HK\$2,993,000), while such commission paid constitutes part of the effective interest expense of the Group under the applicable accounting standard. During the current period, amortisation of the underwriting commission paid amounted to HK\$312,000 (six months ended 30 June 2020: HK\$312,000), which was recognised in the unaudited condensed consolidated statement of profit or loss as part of interest expense.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

33. Related Party Transactions (continued)

(a) (continued)

- (v) During the current period, Haitong Bank provided financial advisory for the Group's financing activities, the Group paid financial advisory fee of US\$2.5 million (equivalent to HK\$19.40 million) (six months ended 30 June 2020: financial advisory fee of US\$2.5 million (equivalent to HK\$19.48 million)) to Haitong Bank where such amount constitutes part of the effective interest expense of the Group under the applicable accounting standard. During the current period, amortisation of the financial advisory fee paid amounted to HK\$10,015,000 (six months ended 30 June 2020: HK\$8,684,000), which was recognised in the unaudited condensed consolidated statement of profit or loss as part of the interest expense.
- (vi) During the current period, the Group recognised an underwriting commission of HK\$1,565,000 in relation to services provided to Haitong Securities Co., Limited for their corporate finance activities. The commission income was recognised in accordance with relevant agreements entered between the Group and the subsidiary of Haitong Securities Co., Limited.
- (vii) During the year ended 31 December 2020, the Company entered intercompany unsecured loan arrangements (chargeable at US Dollar LIBOR + 1.25%) with Haitong International Holdings Limited (the immediate holding company). As at 30 June 2021, the outstanding principal amount of unsecured loan due from Haitong International Holdings Limited amounted to US\$45,033,000 (equivalent to approximately HK\$349,679,000) (31 December 2020: US\$51,408,000 (equivalent to approximately HK\$398,518,000)) and there is no outstanding unsecured loan due from the Company. Interest income amounted to US\$598,000 (equivalent to HK\$4,641,000) (six months ended 30 June 2020: US\$1,078,000 (equivalent to HK\$8,374,000)) was recognised in the unaudited condensed consolidated statement of profit or loss. Interest expense amounted to US\$1,376,000 (equivalent to HK\$10,698,000) was recognised in the unaudited condensed consolidated statement of profit or loss for the 6 months ended 30 June 2020.

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

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, incentives, bonuses and allowances	14,133	14,549
Pension scheme contributions (net)	635	551
Total compensation of key management personnel	14,768	15,100

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34. Financial Risk Management

Financial risk factors

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

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures related to the unaudited condensed consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020.

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

Financial assets and financial liabilities that are not measured at fair value

As at 30 June 2021 and 31 December 2020, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount, except as detailed in the following table:

	30.6.2021		31.12.2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Convertible bonds (note ii)	126,457	125,613	125,385	123,658
Non-convertible bonds (note ii)	13,917,154	14,418,145	11,568,173	12,049,864
Non-convertible notes (note i)	6,057,502	6,062,552	6,175,976	6,193,321

Notes:

- (i) The fair values are based on discounted cash flows. 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 rates of the instruments.
- (ii) The fair values are based on the quoted prices provided by brokers/financial institution.

These convertible bonds, non-convertible bonds and non-convertible notes are classified under Level 2 in the fair value hierarchy.

Notes to the Condensed Consolidated Financial Statements

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34. Financial Risk Management (continued)**Financial assets and financial liabilities that are measured at fair value on a recurring basis***Valuation control framework*

Fair values are subject to a control framework established by the Risk Management Department and the Finance Department of the Group to ensure that they are determined and/or validated independently from front-line business units acquiring/incurred these financial assets or financial liabilities.

For all financial assets and financial liabilities where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination and/or verification is adopted. In circumstances where direct observation of a traded price is not possible, the Group will seek alternative market information to validate the fair value of relevant financial asset or financial liability, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation independently of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to independent assessment before being adopted and will re-assess on a regular basis.

Independent determination and/or verification on the fair values adopted and independent assessment on the valuation models are responsibilities of the Risk Management Department while the Finance Department is responsible for establishing the accounting policies governing valuation, and is responsible for ensuring compliance with relevant accounting standards.

Definition of fair value measurement

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance

An analysis of the fair value and the valuation techniques of financial assets/liabilities held for trading and market making activities, investment securities at fair value (through profit or loss, or through other comprehensive income) and derivative financial instruments are as follows:

Assets – at 30 June 2021 (unaudited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Financial assets held for trading and market making activities				
– Listed equity investments	1,897,023	–	–	1,897,023
– Exchange traded funds	60,772	–	–	60,772
– Listed debt investments	–	3,834,593	24,660	3,859,253
– Unlisted debt investments	–	121,223	17,332	138,555
	1,957,795	3,955,816	41,992	5,955,603
Investment securities at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	3,247,466	–	–	3,247,466
– Exchange traded funds	86,580	–	–	86,580
– Listed debt investments	–	29,270	–	29,270
– Unlisted partnership investments	–	355,492	1,829,110	2,184,602
– Unlisted equity investments	–	666,036	–	666,036
– Unlisted debt investments	–	2,113,432	221,890	2,335,322
– Unlisted investment funds	–	10,029,962	–	10,029,962
– Consolidated investment funds (Note 4)	2,713,645	12,361,877	326,942	15,402,464
	6,047,691	25,556,069	2,377,942	33,981,702
Derivative financial assets				
– Swaps	–	55,978	–	55,978
– Forward foreign currency exchange contracts	–	47,790	–	47,790
– Listed futures/options/warrants	11,224	111,412	–	122,636
– Callable bull/bear contracts	–	465	–	465
– Unlisted options	–	33,157	–	33,157
	11,224	248,802	–	260,026
Total	8,016,710	29,760,687	2,419,934	40,197,331

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Assets – at 31 December 2020 (audited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Financial assets held for trading and market making activities				
– Listed equity investments	1,060,830	–	–	1,060,830
– Exchange traded funds	65,908	–	–	65,908
– Listed preference shares	–	1,749	–	1,749
– Listed debt investments	–	8,952,985	2,524	8,955,509
– Unlisted debt investments	–	489,237	17,594	506,831
	1,126,738	9,443,971	20,118	10,590,827
Investment securities at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	3,725,751	184,661	–	3,910,412
– Exchange traded funds	87,269	–	–	87,269
– Listed debt investments	–	59,845	–	59,845
– Unlisted partnership investments	–	37,092	1,571,259	1,608,351
– Unlisted equity investments	–	641,114	99,245	740,359
– Unlisted debt investments	–	3,096,710	229,307	3,326,017
– Unlisted investment funds	–	15,367,658	–	15,367,658
– Consolidated investment funds (Note 4)	1,186,668	9,706,943	297,272	11,190,883
	4,999,688	29,094,023	2,197,083	36,290,794
Derivative financial assets				
– Swaps	–	280,539	–	280,539
– Forward foreign currency exchange contracts	–	12,076	–	12,076
– Listed futures/options/warrants	9,640	405,077	–	414,717
– Callable bull/bear contracts	–	4,741	–	4,741
– Unlisted options	–	20,037	–	20,037
	9,640	722,470	–	732,110
Total	6,136,066	39,260,464	2,217,201	47,613,731

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)**Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)**

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 30 June 2021 (unaudited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	66,727	–	–	66,727
– Listed debt investments	–	901,731	8,493	910,224
	66,727	901,731	8,493	976,951
Derivative financial liabilities				
– Swaps	–	768	–	768
– Forward foreign currency exchange contracts	–	26,315	–	26,315
– Listed futures/options/warrants	21,605	293,866	–	315,471
– Callable bull/bear contracts	–	272,389	–	272,389
– Unlisted options	–	25,903	–	25,903
	21,605	619,241	–	640,846
Total	88,332	1,520,972	8,493	1,617,797

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 31 December 2020 (audited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	167,972	–	–	167,972
– Listed preference shares	–	8,349	–	8,349
– Listed debt investments	–	3,890,821	–	3,890,821
– Unlisted debt investments	–	129	–	129
	167,972	3,899,299	–	4,067,271
Derivative financial liabilities				
– Swaps	–	6,131	–	6,131
– Forward foreign currency exchange contracts	–	27,645	–	27,645
– Listed futures/options/warrants	11,013	560,420	–	571,433
– Callable bull/bear contracts	–	190,398	–	190,398
– Unlisted options	–	24,118	–	24,118
	11,013	808,712	–	819,725
Total	178,985	4,708,011	–	4,886,996

Notes:

- (1) The fair values of financial instruments traded in active markets are based on quoted prices at the end of reporting period.
- (2) The fair values of listed preference shares, listed debt investments and unlisted debt investments are determined with reference to market observable broker/financial institution quotes. The fair values of unlisted equity investments are determined with reference to the recent transaction price of the investments. The fair value of unlisted partnership investments and unlisted investment funds are determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) unlisted debt investments of which the fair value are determined based on quoted price provided by brokers/financial institution. The fair value of derivative financial instruments are determined based on discounted cash flow model applying various market observable financial parameters, including interest rates, forward exchange rate, credit spread, yield spread, etc.

If one or more of these significant inputs in valuation are not based on observable market data, the financial instrument is included in Level 3.
- (3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.
- (4) As at 30 June 2021, the investments held by consolidated investment funds as disclosed in note 15(i) are HK\$15.4 billion (31 December 2020: HK\$11.2 billion), which include (i) listed equity investments of HK\$2,713 million (31 December 2020: HK\$1,187 million) classified as level 1, (ii) listed equity investments of HK\$79 million (31 December 2020: HK\$29 million), listed and unlisted debt investments of HK\$12,283 million (31 December 2020: HK\$9,678 million) collectively classified as level 2, (iii) unlisted equity investments of HK\$177 million (31 December 2020: HK\$147 million), unlisted fund investments of HK\$99 million (31 December 2020: HK\$99 million), unlisted partnership investments of HK\$51 million (31 December 2020: HK\$51 million) collectively classified as level 3, with the total amounts of level 1, 2 and 3 investments being HK\$2,713 million, HK\$12,362 million and HK\$327 million (31 December 2020: HK\$1,187 million, HK\$9,707 million and HK\$297 million) respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)**Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)**

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance

Apart from financial assets and financial liabilities as detailed above, the Group allows its customers to get access to various asset classes or markets, including private equity, listed equity in restricted markets and debt or fund investments by issuing structured notes or entering into International Swaps and Derivatives Association, Inc. master netting agreements or similar agreements with clients to cater to their investment needs, collectively "client and relevant hedging positions".

The outstanding balance of HK\$13,643 million (31 December 2020: HK\$16,436 million) represented unlisted financial products issued to clients with underlying investments linked to various equity investments, debt investments and fund investments. The Group hedges by acquiring equivalent underlying assets or entering similar transactions with counterparties. The outstanding balance of the long hedging position is HK\$26,916 million (31 December 2020: HK\$31,813 million).

The variable return of these groups of financial assets and liabilities in a net basis is not significant. Management is of the view that aggregate market risk of the exposures is insignificant as the carrying value of the issued notes/products makes reference to the valuation of the hedging instruments. As such detailed basis of valuation and methodology may not be relevant.

A detailed analysis of fair value of client and relevant hedging positions as at the end of the reporting periods is as follows:

As at 30 June 2021 (unaudited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	2,734,245	–	–	2,734,245
– Listed debt investments	–	5,119,482	2,753,254	7,872,736
– Unlisted equity investments	–	–	415,773	415,773
– Unlisted partnership investments	–	–	27,276	27,276
– Unlisted debt investments	–	4,088,070	–	4,088,070
– Unlisted investment funds	–	1,507,192	19,714	1,526,906
– Unlisted financial products	–	5,295,267	241,089	5,536,356
– Consolidated investment funds (Note 4)	–	4,714,979	–	4,714,979
	2,734,245	20,724,990	3,457,106	26,916,341
Financial products issued at fair value				
– Unlisted issued financial products	–	13,018,507	624,289	13,642,796
Net position as of 30 June 2021	2,734,245	7,706,483	2,832,817	13,273,545

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance (continued)*

As at 31 December 2020 (audited)

	Level 1 HK\$'000 (Note 1)	Level 2 HK\$'000 (Note 2)	Level 3 HK\$'000 (Note 3)	Total HK\$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	3,408,390	–	–	3,408,390
– Listed debt investments	–	6,962,532	2,502,680	9,465,212
– Unlisted equity investments	–	–	401,261	401,261
– Unlisted partnership investments	–	–	15,504	15,504
– Unlisted debt investments	–	4,849,750	–	4,849,750
– Unlisted investment funds	–	1,510,847	19,681	1,530,528
– Unlisted financial products	–	7,058,690	209,982	7,268,672
– Consolidated investment funds (Note 4)	–	4,873,378	–	4,873,378
	3,408,390	25,255,197	3,149,108	31,812,695
Financial products issued at fair value				
– Unlisted issued financial products	–	15,683,730	751,924	16,435,654
Net position as of 31 December 2020	3,408,390	9,571,467	2,397,184	15,377,041

Notes:

- (1) The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period.
- (2) The fair values of listed debt investments and unlisted debt investments are determined with reference to market observable broker/financial institution quotes. The fair value of unlisted investment funds is determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) unlisted debt investments of which the fair value are determined based on quoted price provided by brokers/financial institution. The fair value of unlisted financial products are determined based on discounted cash flow model applying various market observable financial parameters, including interest rates, forward exchange rate, credit spread, yield spread, etc. The Group managed relevant assets and liabilities on a pair basis and as such relevant liabilities are valued with direct reference to its hedging assets.
- (3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.
- (4) As at 30 June 2021, the investments held by consolidated investment funds under level 2 are listed and unlisted debt investments of HK\$4,715 million (31 December 2020: HK\$4,873 million).

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)**Information about Level 3 fair value measurements**

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

30 June 2021 (unaudited)

	Financial assets measured at FVTPL		Financial liabilities measured at FVTPL	
	Financial assets held for trading and market making activities/ investment securities at FVTPL HK\$'000 (unaudited)	Assets acquired for financial products issued HK\$'000 (unaudited)	Financial liabilities held for trading and market making activities HK\$'000 (unaudited)	Financial products issued at fair value HK\$'000 (unaudited)
Opening balance	2,217,201	3,149,108	–	(751,924)
Addition (note i)	96,972	346,321	–	(190,518)
Transfer into Level 3 (note ii)	68,655	656,410	(8,332)	(254,971)
Transfer into Level 2 (note iii)	(70,190)	–	–	–
Disposal	(1,379)	–	–	–
Total gains (losses) in profit or loss (note iv)	108,675	(694,733)	(161)	573,124
Closing balance	2,419,934	3,457,106	(8,493)	(624,289)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Information about Level 3 fair value measurements (continued)

31 December 2020 (audited)

	Financial assets measured at FVTPL		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at FVTPL HK\$'000 (audited)	Assets acquired for financial products issued HK\$'000 (audited)	Financial products issued at fair value HK\$'000 (audited)
Opening balance	2,655,454	395,878	(395,878)
Addition (note i)	480,870	–	–
Transfer into Level 3 (note ii)	280,906	4,083,657	(1,716,681)
Transfer into Level 2 (note iii)	(220,109)	–	–
Disposal	(421,752)	–	–
Total (losses) gains in profit or loss (note iv)	(558,168)	(1,330,427)	1,360,635
Closing balance	2,217,201	3,149,108	(751,924)

Notes:

- (i) For the period ended 30 June 2021, addition represents additional capital call to private equity funds of HK\$97 million (2020: HK\$89 million), purchase of debt investments amounting to HK\$346 million (2020: HK\$184 million) and issuance of unlisted financial products of HK\$191 million (2020: HK\$ Nil) where the fair value is determined based on significant unobservable inputs in particular the discount rate specific to the issuer of the debt investment. For the year ended 31 December 2020, addition also includes purchase of an unlisted equity investment amounting to HK\$208 million where the fair value is determined based on significant unobservable inputs in particular the pricing multiple of comparable companies used to determine the estimated equity value.
- (ii) For the period ended 30 June 2021, a partnership investment amounted to HK\$37 million (2020: private equity investments of HK\$186 million) were transferred from Level 2 to Level 3 category. For the period ended 30 June 2021, unlisted and listed debt investments amounted to HK\$688 million (2020: HK\$4,179 million) were transferred from Level 2 to Level 3 category. The reasons for the transfer is due to the fair value being determined with reference to the recent transaction price or market observable broker/financial institution quotes and therefore classified as Level 2 investments, and as of the reporting dates were based on significant unobservable inputs applied (including the credit assessment of the issuer) in valuing these investments. Financial products issued of HK\$255 million (2020: HK\$1,717 million) were transferred into level 3 category with reference to the transfer of the underlying investments.
- (iii) For the period ended 30 June 2021, the fair value of an equity investment of HK\$70 million was transferred from Level 3 to Level 2 category as the investment was listed during the current period. The listed equity investment is subject to a lock up period and its fair value is determined with reference to the quoted market price of the share with an adjustment to discount the lack of marketability. For the year ended 31 December 2020, the fair value of an equity investment of HK\$133 million was determined with reference to observable inputs including recent transaction price as the equity investment was disposed subsequently in February 2021. Thus, the investment was transferred from Level 3 to Level 2 category. Another equity investment of HK\$29 million was determined with reference to quoted market price with liquidity adjustment and unlisted debt investment of HK\$58 million was determined with reference to broker quotes were transferred from Level 3 to Level 2 categories. During the prior year, the fair value of the these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.
- (iv) Of the total gains or losses for the period included in profit or loss, losses of HK\$13 million (2020: losses of HK\$413 million) relates to financial assets held for trading and market making activities, investment securities at FVTPL, assets acquired for financial products issued and financial products issued at fair value held at the end of the current reporting period. The fair value gains or losses are included in "Net trading and investment income" line item in the unaudited condensed consolidated statement of profit or loss.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Information about Level 3 fair value measurements (continued)

For financial assets and liabilities with Level 3 fair value measurements, fair value is determined by using valuation techniques such as discounted cash flow models, and generally based on parameters with significant unobservable inputs. The following table presents the related valuation techniques and inputs of the major financial assets (or financial products issued with underlying investments being such financial assets) and financial liabilities with Level 3 fair value measurements.

	Fair value as at		Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)			
Financial assets other than financial assets relating to financial product issuance					
Debt investments	263,882	249,425	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	176,695	246,520	Market approach	Pricing multiples of market comparable companies used to determine the estimated equity value of the Project Company; – Price to sales multiple	The higher the pricing multiples, the higher the fair value
Unlisted partnerships investments/ Unlisted investment funds	1,979,357	1,721,256	Net asset value of the unlisted investments which are the deemed resale price of investments provided by the external counterparties	Discount rate for lack of marketability Net assets value	The higher the discount rate, the lower the fair value The higher the net assets value, the higher the fair value
	2,419,934	2,217,201			

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

34. Financial Risk Management (continued)

Information about Level 3 fair value measurements (continued)

	Fair value as at		Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)			
Financial liabilities other than financial liabilities relating to financial product issuance					
Debt investments	8,493	–	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Financial assets and financial liabilities relating to product issuance					
Asset acquired for financial products issued					
Debt investments and unlisted financial products	2,994,343	2,712,662	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	415,773	401,261	Net asset value of the unlisted equity investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
Unlisted partnerships investments/ Unlisted investment fund	46,990	35,185	Net asset value of the unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
	3,457,106	3,149,108			
Financial products issued at fair value					
Unlisted financial products	624,289	751,924	The return of the financial products issued is linked to debts, equities, partnership investments or investment funds, which are valued with direct reference to its hedge assets	Net asset value of its hedging assets	The higher of the net assets value, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

35. Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets or transfer rights and obligations relating to financial assets to third parties. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreements

Transferred financial assets that do not qualify for derecognition include bonds and equities held by counterparties as collateral under repurchase agreements, and the Group has determined that the Group retains substantially all the risks and rewards of these bonds and equities and therefore has not derecognised them.

Details of carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether bonds and equities sold under repurchase agreements shall be derecognised are disclosed in note 27 of the unaudited condensed consolidated financial statements.

36. Approval of the Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 25 August 2021.

Report on Review of Condensed Consolidated Financial Statements



TO THE BOARD OF DIRECTORS OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 80, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 August 2021

Other Information

Dividend and Closure of Register of Members

The board of directors of the Company (the "Board") has declared an interim dividend of HK9 cents per share (2020: HK4.4 cents) in cash, payable on or about Friday, 24 September 2021 to shareholders whose names appear on the register of members of the Company on Monday, 13 September 2021.

The register of members of the Company will be closed from Thursday, 9 September 2021 to Monday, 13 September 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 8 September 2021. Shares of the Company will be traded ex-dividend as from Tuesday, 7 September 2021.

Other Information

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

As at 30 June 2021, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

The Company

Name of director	Class of shares	Number of shares held			Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital*
		Personal interests	Family interests	Corporate interests			
QU Qiuping	Share Options	–	–	–	1,502,292	1,502,292	0.02%
LIN Yong	Ordinary shares/share options	8,554,150 (Note 1)	–	–	4,411,863	12,966,013	0.21%
LI Jianguo	Ordinary shares/share options	2,391,532 (Note 2)	–	–	953,159	3,344,691	0.06%
POON Mo Yiu	Ordinary shares/share options	3,123,495 (Note 3)	–	–	1,704,533	4,828,028	0.08%
SUN Jianfeng	Ordinary shares/share options	2,552,349 (Note 4)	–	–	2,907,671	5,460,020	0.09%
SUN Tong	Ordinary shares/share options	2,209,932 (Note 5)	–	–	2,606,984	4,816,916	0.08%
CHENG Chi Ming Brian	Share options	–	–	–	903,159	903,159	0.01%
ZHANG Xinjun	Ordinary shares/share options	869,784 (Note 6)	–	–	2,006,526	2,876,310	0.05%
WAN Kam To	Share options	–	–	–	601,032	601,032	0.01%
LIU Yan	Share options	–	–	–	601,032	601,032	0.01%

* The total number of issued shares of the Company was 6,037,385,086 as at 30 June 2021.

Other Information

Notes:

1. Those shares are held by Mr. LIN Yong as beneficial owner, included 1,045,938 unvested awarded shares granted by the Company pursuant to the share award scheme as at 30 June 2021 and a total of 825,657 awarded shares which were vested in tranches on 23 March 2021, 24 March 2021 and 13 May 2021 pursuant to the award schemes during the 6 months ended 30 June 2021.
2. Those shares are held by Mr. LI Jianguo as beneficial owner.
3. Those shares are held by Mr. POON Mo Yiu as beneficial owner, included 388,409 unvested awarded shares granted by the Company pursuant to the share award scheme as at 30 June 2021 and a total of 231,691 awarded shares which were vested in tranches on 23 March 2021 and 24 March 2021 pursuant to the award schemes during the 6 months ended 30 June 2021.
4. Those shares are held by Mr. SUN Jianfeng as beneficial owner, included 463,152 unvested awarded shares granted by the Company pursuant to the share award scheme as at 30 June 2021 and a total of 347,191 awarded shares which were vested in tranches on 23 March 2021, 24 March 2021 and 13 May 2021 pursuant to the award schemes during the 6 months ended 30 June 2021.
5. Those shares are held by Mr. SUN Tong as beneficial owner, included 438,160 unvested awarded shares granted by the Company pursuant to the share award scheme as at 30 June 2021 and a total of 339,016 awarded shares which were vested in tranches on 23 March 2021, 24 March 2021 and 13 May 2021 pursuant to the award schemes during the 6 months ended 30 June 2021.
6. Those shares are held by Mr. ZHANG Xinjun as beneficial owner as at 30 June 2021, included 67,651 awarded shares which were vested on 13 May 2021 pursuant to the award schemes during the 6 months ended 30 June 2021.

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

Save as disclosed above, as at 30 June 2021, none of the directors of the Company or their associates had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the 6 months ended 30 June 2021 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; nor 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 Schemes

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

Share Option Scheme

On 8 June 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an added incentive to work better for the interest of the Group. The 2015 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 8 June 2015 and will expire on 7 June 2025.

Other Information

Movements of the share options under the 2015 Share Option Scheme during the 6 months ended 30 June 2021 are listed below:

Name or category of participants	Number of share options						Date of grant of share options*	Exercise period of share options	Price of Company's shares***		
	At 1 January 2021	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At 30 June 2021			Exercise price of share options**	At immediately preceding the grant date of share options	At immediately preceding the exercise date of share options
									HK\$ per share	HK\$ per share	HK\$ per share
Directors											
QU Qiuping	501,146	–	–	–	–	501,146	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	501,146	–	–	–	–	501,146	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	500,000	–	–	–	–	500,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
LIN Yong	807,116	–	–	–	(807,116) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A
	805,672	–	–	–	–	805,672	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A
	1,804,127	–	–	–	–	1,804,127	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	902,064	–	–	–	–	902,064	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	900,000	–	–	–	–	900,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
LI Jianguo	605,334	–	–	–	(605,334) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A
	302,127	–	–	–	–	302,127	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A
	300,689	–	–	–	–	300,689	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	150,343	–	–	–	–	150,343	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	200,000	–	–	–	–	200,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A

Other Information

	Number of share options						Price of Company's shares***					
Name or category of participants	At 1 January 2021	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At 30 June 2021	Date of grant of share options*	Exercise period of share options	Exercise price of share options** 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												
POON Mo Yiu	706,224	–	–	–	(706,224) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	302,127	–	–	–	–	302,127	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	701,604	–	–	–	–	701,604	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	350,802	–	–	–	–	350,802	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	350,000	–	–	–	–	350,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A	
SUN Jianfeng	504,446	–	–	–	(504,446) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	503,545	–	–	–	–	503,545	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	1,202,751	–	–	–	–	1,202,751	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	601,375	–	–	–	–	601,375	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	600,000	–	–	–	–	600,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A	

Other Information

Name or category of participants	Number of share options						Price of Company's shares***				
	At	Granted	Adjusted	Exercised	Lapsed	At	Date of grant of share options*	Exercise period of share options	Exercise price	At immediately preceding the grant date	At immediately preceding the exercise date
	1 January 2021	during the period	during the period	during the period	during the period	30 June 2021			of share options**	of share options	of share options
									HK\$ per share	HK\$ per share	HK\$ per share
Directors											
SUN Tong	504,446	–	–	–	(504,446) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A
	503,545	–	–	–	–	503,545	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A
	1,002,293	–	–	–	–	1,002,293	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	501,146	–	–	–	–	501,146	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	600,000	–	–	–	–	600,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
CHENG Chi Ming Brian	302,664	–	–	–	(302,664) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A
	302,127	–	–	–	–	302,127	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A
	300,689	–	–	–	–	300,689	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	150,343	–	–	–	–	150,343	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	150,000	–	–	–	–	150,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
ZHANG Xinjun	504,446	–	–	–	(504,446) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A
	503,545	–	–	–	–	503,545	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A
	1,002,293	–	–	–	–	1,002,293	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	300,688	–	–	–	–	300,688	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	200,000	–	–	–	–	200,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A

Other Information

Name or category of participants	Number of share options								Price of Company's shares***			
	At	Granted	Adjusted	Exercised	Lapsed	At	Date of grant of share options*	Exercise period of share options	Exercise price	At immediately preceding the grant date	At immediately preceding the exercise date	
	1 January	during	during	during	during	30 June			of share	of share options**	of share options	of share options
	2021	the period	the period	the period	the period	2021			options**	HK\$ per share	HK\$ per share	HK\$ per share
Directors												
William CHAN (resigned on 28 May 2021)	302,664	–	–	–	(302,664) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	302,127	–	–	–	(302,127) (Note 2)	–	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	300,689	–	–	–	(300,689) (Note 2)	–	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	150,343	–	–	–	(150,343) (Note 2)	–	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	150,000	–	–	–	(150,000) (Note 2)	–	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A	
TSUI Hing Chuen William (retired on 28 May 2021)	302,664	–	–	–	(302,664) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	302,127	–	–	–	(302,127) (Note 2)	–	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	300,689	–	–	–	(300,689) (Note 2)	–	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	150,343	–	–	–	(150,343) (Note 2)	–	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	150,000	–	–	–	(150,000) (Note 2)	–	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A	

Other Information

	Number of share options							Price of Company's shares***				
Name or category of participants	At 1 January 2021	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At 30 June 2021	Date of grant of share options*	Exercise period of share options	Exercise price of share options** 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												
LAU Wai Piu (retired on 28 May 2021)	302,664	–	–	–	(302,664) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	302,127	–	–	–	(302,127) (Note 2)	–	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	300,689	–	–	–	(300,689) (Note 2)	–	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	150,343	–	–	–	(150,343) (Note 2)	–	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	150,000	–	–	(150,000)	–	–	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	2.58	
WEI Kuo-chiang (retired on 28 May 2021)	302,664	–	–	–	(302,664) (Note 1)	–	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	302,127	–	–	–	(302,127) (Note 2)	–	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	300,689	–	–	–	(300,689) (Note 2)	–	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	150,343	–	–	–	(150,343) (Note 2)	–	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	150,000	–	–	(150,000)	–	–	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	2.21	

Other Information

Name or category of participants	Number of share options						Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of Company's shares***	
	At 1 January 2021	Granted during the period	Adjusted during the period	Exercised during the period	Lapsed during the period	At 30 June 2021				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											
WAN Kam To	300,689	–	–	–	–	300,689	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	150,343	–	–	–	–	150,343	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	150,000	–	–	–	–	150,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
LIU Yan	300,689	–	–	–	–	300,689	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A
	150,343	–	–	–	–	150,343	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A
	150,000	–	–	–	–	150,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	N/A
In aggregate	26,956,219	–	–	(300,000)	(8,457,968)	18,198,251					

Other Information

Name or category of participants	Number of share options						Price of Company's shares***					
	At	Granted	Adjusted	Exercised	Lapsed	At	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	At immediately preceding the grant date	At immediately preceding the exercise date	HK\$ per share
	1 January 2021	during the period	during the period	during the period	during the period	30 June 2021				of share options	of share options	
Continuous contract employees												
	7,465,648	-	-	-	(7,465,648) (Note 1)	-	12 May 2016	8 December 2016 – 11 May 2021	4.635	4.25	N/A	
	6,646,799	-	-	-	(1,460,283) (Note 2)	5,186,516	10 November 2017	7 June 2018 – 9 November 2022	5.002	4.58	N/A	
	8,990,559	-	-	-	(1,974,513) (Note 2)	7,016,046	1 November 2018	28 May 2019 – 31 October 2023	2.898	2.56	N/A	
	5,798,274	-	-	-	(1,172,683) (Note 2)	4,625,591	31 May 2019	27 December 2019 – 30 May 2024	2.554	2.39	N/A	
	6,245,000	-	-	(1,050,000)	(250,000) (Note 2)	4,945,000	29 May 2020	25 December 2020 – 28 May 2025	1.727	1.55	2.318	
In aggregate	35,146,280	-	-	(1,050,000)	(12,323,127)	21,773,153						
	62,102,499	-	-	(1,350,000)	(20,781,095)	39,971,404						

* 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 share options granted on 12 May 2016 lapsed on 12 May 2021 due to the expiration of exercise period.
2. These share options lapsed during the 6 months ended 30 June 2021 as a result of director and/or staff resignation.

Other Information

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 but not limited to any executive directors, non-executive directors 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. until 18 December 2024.

Details of the shares awarded, vested, lapsed and unvested during the 6 months ended 30 June 2021 are set out below:

Date of award	Number of Awarded Shares unvested as at 31 December 2020	Number of Awarded Shares granted during the period	Awarded Shares vested during the period		Number of Awarded Shares lapsed during the period	Awarded Shares unvested as at 30 June 2021	
			Number	Vesting date		Number	Vesting dates
28 May 2018	1,860,031	–	1,751,618	13 May 2021	108,413	–	–
4 April 2019	3,988,774	–	1,933,971	23 March 2021	248,307	1,806,496	23 March 2022
4 November 2019	4,760,000	–	2,385,000	2 January 2021	335,000	2,040,000	2 January 2022
24 April 2020	13,463,223	–	4,359,028	24 March 2021	838,471	8,265,724	Note 1
31 March 2021	–	29,000,000	29,000,000	30 April 2021	–	–	–

Note:

1. The unvested Awarded Shares outstanding as at 30 June 2021 will be vested in two batches on 24 March 2022 and 24 March 2023 respectively.

Other Information

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

As at 30 June 2021, 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")	-	3,917,798,194	-	3,917,798,194	64.89%
Haitong International Holdings Limited ("HTIH")	3,917,798,194	-	-	3,917,798,194	64.89%

* The total number of issued shares of the Company was 6,037,385,086 as at 30 June 2021.

Note: HSCL held the entire issued share capital of HTIH. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the shares in which HTIH is interested.

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

Save as disclosed above, as at 30 June 2021, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021 other than as an agent for clients of the Company or its subsidiaries.

Compliance with Corporate Governance

The Board is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the six months ended 30 June 2021, the Company has fully complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules.

Other Information

Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

Audit Committee

The audit committee of the Company (the "Audit Committee") has met with the external auditors of the Group, Messrs. Deloitte Touche Tohmatsu, to review the accounting principles and practices adopted by the Group and the unaudited consolidated results for the six months ended 30 June 2021 of the Group. The Audit Committee currently comprises 3 non-executive directors of the Company and 2 of whom, including the chairman of the Audit Committee (the "Chairman"), are independent non-executive directors. The Chairman has the appropriate professional qualification and experience in financial matters.

Disclosure Pursuant to Rule 13.21 of the Listing Rules

On 6 March 2019, the Company (as borrower) entered into a facility agreement (the "Facility Agreement I") with certain financial institutions (as lenders) in respect of a revolving credit facility in an aggregate amount of HK\$16,000,000,000 for a term of up to 36 months.

On 6 March 2020, the Company (as borrower) entered into a facility agreement (the "Facility Agreement II") with certain financial institutions (as lenders) in respect of a revolving loan facility in an aggregate amount of HK\$12,000,000,000 for a term of up to 36 months.

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

- (1) HSCL ceases to be the largest shareholder of the Company; or
- (2) HSCL does not or ceases to have management control of the Company which means, as between HSCL and the Company, that (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 and Facility Agreement II were made on 6 March 2019 and 6 March 2020 respectively.

Other Information

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

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

Mr. WAN Kam To

- The annual director's fee of Mr. WAN Kam To was adjusted to HK\$450,000, payable every half-yearly in equal amounts of HK\$225,000, with effect from 19 June 2021.
- Mr. WAN Kam To resigned as an independent non-executive director of Target Insurance (Holdings) Limited, with effect from 9 August 2021.

Ms. LIU Yan

The annual director's fee of Ms. LIU Yan was adjusted to HK\$350,000, payable every half-yearly in equal amounts of HK\$175,000, with effect from 19 June 2021.

Mr. LIU Swee Long Michael

The annual director's fee of Mr. LIU Swee Long Michael was adjusted to HK\$450,000, payable every half-yearly in equal amounts of HK\$225,000, with effect from 1 June 2021.

Mr. ZHANG Huaqiao

The annual director's fee of Mr. ZHANG Huaqiao was adjusted to HK\$450,000, payable every half-yearly in equal amounts of HK\$225,000, with effect from 1 June 2021.

Corporate Information

General Information

Board of Directors

Executive Directors

LIN Yong	<i>Deputy Chairman and Chief Executive Officer</i>
LI Jianguo	<i>Deputy Chairman</i>
POON Mo Yiu	
SUN Jianfeng	
Sun Tong	

Non-executive Directors

QU Qiuping	<i>Chairman</i>
CHENG Chi Ming Brian	
ZHANG Xinjun	

Independent Non-executive Directors

WAN Kam To
LIU Swee Long Michael
ZHANG Huaqiao
LEE Man Yuen Margaret

Company Secretary

LUK Wai Yin

External Auditor

Deloitte Touche Tohmatsu

Place of Incorporation

Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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

Principal Share Registrar and Transfer Office

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

www.htisec.com