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HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

海通國際證券集團有限公司

(Incorporated in Bermuda with limited liability)

(the "Company", Stock Code: 665)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Financial Highlights			
Results	Six months ended		Percentage change
	30.6.2015	30.6.2014	Increase/ (Decrease)
Revenue (HK\$'000)	4,137,538	1,077,357	284
Net Profit Attributable to Shareholders (HK\$'000)	2,124,913	351,719	504
Return on Shareholders' Funds (%) (Note 1)	18.35	7.05	-
Per share			
Basic Earnings Per Share (HK Cents)	73.13	15.43	374
Diluted Earnings Per Share (HK Cents)	68.12	14.60	367
Share Price			
- Highest (HK\$)	8.89	4.53	96
- Lowest (HK\$)	6.68	3.74	79
Financial Position	30.6.2015	31.12.2014	Percentage change
			Increase/ (Decrease)
Shareholders' Funds (HK\$'000)	21,326,486	8,596,502	148
Total Assets (HK\$'000)	80,312,271	48,159,973	67
Leverage Ratio (Note 2)	2.84	3.96	-
Number of Shares in Issue (Note 3)	5,099,373,433	2,184,397,016	133
NAV Per Share (HK\$)	4.18	3.94	6

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

INTERIM RESULTS

The Board of Directors of the Company (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015, with the comparative figures for the preceding six months ended 30 June 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	Six months ended	
		30.6.2015	30.6.2014
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		4,137,538	1,077,357
Other income		3,608	3,636
		4,141,146	1,080,993
Employee benefits costs:			
Salaries and allowances, bonuses and pension scheme contributions		(704,004)	(240,555)
Commission to accounts executives		(241,622)	(100,538)
Depreciation		(13,566)	(18,524)
Other operating expenses		(183,254)	(166,276)
		(1,142,446)	(525,893)
Finance costs		(471,075)	(136,695)
Share of profit/ (loss) of investments accounted for using the equity method		18,406	(8,422)
Profit before tax	5	2,546,031	409,983
Income tax expense	6	(421,118)	(58,264)
Profit for the period attributable to owners of the Company		2,124,913	351,719
Earnings per share attributable to owners of the Company			(restated)
- Basic (HK cents per share)	8	73.13	15.43
- Diluted (HK cents per share)		68.12	14.60

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
ASSETS			
Non-current assets			
Investments accounted for using the equity method		3,119,474	2,585,166
Property and equipment		101,740	101,255
Goodwill		198,564	9,854
Other intangible assets		6,609	6,609
Other assets		262,287	151,653
Available-for-sale investments		1,705,272	471,083
Held-to-maturity investments		92,798	182,306
Other loans and advances	10	1,005,500	811,000
Deferred tax assets		7,080	6,030
		<u>6,499,324</u>	<u>4,324,956</u>
Current assets			
Advances to customers in margin financing	9	23,346,352	9,619,965
Other loans and advances	10	1,896,552	1,819,200
Accounts receivable	11	8,798,729	4,401,429
Prepayments, deposits and other receivables		544,093	277,293
Tax recoverable		84,533	72,317
Held-to-maturity investments		26,193	3,811
Derivative financial instruments		42,320	263,027
Financial assets at fair value through profit or loss		16,215,529	9,962,803
Financial assets designated at fair value through profit or loss		2,930,656	2,485,154
Financial assets held under resale agreements		1,276,749	24,765
Cash held on behalf of customers		14,394,143	11,668,936
Cash and cash equivalents		4,257,098	3,236,317
		<u>73,812,947</u>	<u>43,835,017</u>
Total assets		<u><u>80,312,271</u></u>	<u><u>48,159,973</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	12	509,937	218,440
Reserves		19,458,092	8,039,480
Proposed interim/ final dividend	7	1,358,457	338,582
Total equity		<u><u>21,326,486</u></u>	<u><u>8,596,502</u></u>

	NOTES	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Convertible bonds		139,186	1,781,445
Non-convertible bonds		9,922,886	4,580,804
Non-convertible notes		247,834	-
Deferred tax liabilities		12,700	12,026
Financial liabilities designated at fair value through profit or loss		620,000	620,000
		<u>10,942,606</u>	<u>6,994,275</u>
Current liabilities			
Accounts payable	13	17,535,436	15,630,644
Other payables and accruals		1,032,671	489,396
Other liabilities		152,719	105,795
Tax payable		640,456	222,184
Financial liabilities at fair value through profit or loss		1,818,499	326,072
Financial liabilities designated at fair value through profit or loss		2,193,588	1,645,886
Derivative financial instruments		36,781	217,793
Non-convertible notes		1,101,035	-
Loans and other borrowings		23,531,994	13,931,426
		<u>48,043,179</u>	<u>32,569,196</u>
Total liabilities		<u>58,985,785</u>	<u>39,563,471</u>
Total equity and liabilities		<u>80,312,271</u>	<u>48,159,973</u>
Net current assets		<u>25,769,768</u>	<u>11,265,821</u>
Total assets less current liabilities		<u>32,269,092</u>	<u>15,590,777</u>

Notes:

1. GENERAL

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

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

During the six months ended 30 June 2015, the Group was involved in the following principal activities:

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Amendments to HKAS19
Amendments to HKFRSs
Amendments to HKFRSs

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

	Brokerage and margin financing		Corporate finance		Asset management		Leveraged and acquisition finance		Fixed income, currency and commodities		Equity derivatives		Investment holdings		Consolidated	
	For the six months ended 30 June															
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Segment revenue:																
Sales to external customers	1,168,489	530,358	396,350	130,531	43,865	24,236	235,248	242,603	478,694	129,688	974,987	(3,777)	839,905	23,718	4,137,538	1,077,357
Other income	-	-	1,198	156	-	-	-	-	-	-	-	-	2,410	3,480	3,608	3,636
Segment results	584,508	114,337	262,688	70,142	29,058	9,031	180,601	170,115	335,172	59,825	633,957	(9,529)	501,641	4,484	2,527,625	418,405
Share of profit/ (loss) of investments accounted for using the equity method															18,406	(8,422)
Income tax expense															(421,118)	(58,264)
Profit for the period															2,124,913	351,719
Depreciation	(9,716)	(16,911)	(567)	(395)	(9)	(9)	-	(734)	(683)	(392)	(1,390)	-	(1,201)	(83)	(13,566)	(18,524)
Finance costs	(125,826)	(65,897)	-	-	-	-	(45,851)	(43,884)	(22,306)	(9,700)	(124,348)	(5,180)	(152,744)	(12,034)	(471,075)	(136,695)

5. PROFIT BEFORE TAX

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

6. INCOME TAX EXPENSE

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

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

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

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

7. DIVIDENDS

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

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

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

8. EARNINGS PER SHARE

Basic earnings per share

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

	Six months ended	
	30.6.2015	30.6.2014
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	2,124,913	351,719
Number of shares		(restated)
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (notes (a) and 12)	2,905,623	2,279,319
Basic earnings per share (HK cents per share)	73.13	15.43

8. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

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

	Six months ended	
	30.6.2015	30.6.2014
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	2,124,913	351,719
Effect of dilutive potential ordinary shares		
- Interest on convertible bonds (net of tax) (note (b)) (HK\$'000)	15,454	19,523
Earnings for the purpose of diluted earnings per share (HK\$'000)	2,140,367	371,242
Number of shares		(restated)
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (notes (a) and 12)	2,905,623	2,279,319
Effect of dilutive potential ordinary shares:		
- Convertible bonds (in thousands) (note (b))	228,955	263,836
- Share options (in thousands) (note (c))	7,409	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	3,141,987	2,543,155
Diluted earnings per share (HK cents per share)	68.12	14.60

Notes:

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

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

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

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

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

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

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

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

9. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

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

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

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

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

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

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

10. OTHER LOANS AND ADVANCES

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

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

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

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

11. ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

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

12. SHARE CAPITAL

The issued shares of the Company were increased from 2,184,397,016 to 5,099,373,433 during the current six-month period due to the Rights Issue, the exercise of conversion rights of Convertible Bonds due 2018 and 2019 and the exercise of share options under the share option scheme.

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

13. ACCOUNTS PAYABLE

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Since 2012, Haitong International has prioritised the investment banking business as the primary area of development. Continued efforts have been made to develop large investment banking businesses targeted specifically at corporate clients in need of various financing services in the capital market. After three years of development, Haitong International has now become one of the few Chinese financial institutions capable of playing a role in Hong Kong's large IPO deals, and has enjoyed high reputation in the market. Besides promoting its IPO financing business, Haitong International has also made great efforts to expand its refinancing business involving such activities as rights issue and placement. During the period, the Group completed a total of 21 projects, increasing by 500% when compared with the corresponding period of last year and raising an aggregate amount of over HK\$10 billion, allowing the Group to rank first among all Chinese financial institutions in Hong Kong in terms of the number of projects completed. On top of this, the Group has also posted brilliant results from debt offerings so far this year. The number of debt financing projects hitherto

completed was more than three times the figure recorded for the corresponding period of last year. Also, the Group has made a groundbreaking move by assisting clients in completing an euro-denominated bond offering, indicating a new milestone of achieving full coverage over the mainstream debt financing platforms offering USD bonds, euro bonds and dim sum bonds, and also attesting to Haitong International's strong execution power in promoting the paralleled development of its equity and debt financing businesses.

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

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

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

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

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

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

In the first half of 2015, the Hong Kong stock market was buoyed by a raft of favourable policies. The benchmark Hang Seng Index repeatedly hit new highs and the southbound stock connect quota was once gobbled up for two days in a row. As the conduit of fund flows in the course of China's capital account liberalisation, Hong Kong is well positioned to attract abundant quality funds from its motherland. Against this backdrop, Haitong International recorded 158% growth in daily average trading volume of clients, far outpacing the growth of the general market thanks to the Group's established presence as the largest brokerage firm in the Hong Kong market by retail client base after many years of efforts, and to its unrivalled edge over industry peers in terms of clients' activity and loyalty. As for northbound trading, the Group's market share once exceeded 8%. To maintain its leading position, Haitong International successively launched marketing strategies tailored for its retail brokerage business in the first half of the year, including measures to flexibly adjust margin financing fees and to expand margin financing size via optimised fund use, as well as measures to encourage increased trading by clients in turn boosting the Group's market share. Moreover, the Group took part in virtually all the new

share offerings conducted in the first half of the year and offered clients with margin financing loans at preferential rates to fund their new share subscriptions. The Group also streamlined its account opening procedures to speed up the relevant formalities without compromising compliance standards, thus significantly boosting the efficiency of account opening procedures. With the continuous increase in Mainland clients, Haitong International has made efforts to look deeper into the trading habits of these clients, in order to provide them with user-friendly services on all fronts, from website designs and statement arrangements to account operations, striving to offer the best possible user experience to clients.

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

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

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

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

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

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

Prospects

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

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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 2015 other than as an agent for clients of the Company or its subsidiaries and for the trustee of the share award scheme of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of the interim results for the six months ended 30 June 2015 is published on the websites of the Stock Exchange and the Company at <http://www.htisec.com>. The Interim Report for the six months ended 30 June 2015 of the Company containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Haitong International Securities Group Limited
LIN Yong
Deputy Chairman and Managing Director

Hong Kong, 25 August 2015

As at the date of this announcement, the Board comprises Mr. JI Yuguang (Chairman), Mr. LI Jianguo (Deputy Chairman), Mr. LIN Yong (Deputy Chairman and Managing Director), Mr. POON Mo Yiu, Mr. HUI Yee Wilson, Mr. CHENG Chi Ming Brian*, Ms. WANG Meijuan*, Mr. William CHAN*, Mr. TSUI Hing Chuen William**, Mr. LAU Wai Piu**, Mr. LIN Ching Yee Daniel** and Mr. WEI Kuo-chiang**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*