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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)

(Stock Code: 665)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Financial Highlights			
Results	Six months ended		Percentage change
	30.6.2019	30.6.2018	Increase / (Decrease)
Revenue (HK\$ '000) (Note 1)	4,108,628	3,557,157	16
- Commission and fee income	895,310	1,235,251	(28)
- Interest income	1,404,896	1,211,339	16
- Net investment gains	1,808,422	1,110,567	63
Net Profit Attributable to Shareholders (HK\$ '000)	1,038,885	859,141	21
Per share			
Basic Earnings Per Share (HK Cents)	18.04	15.53	16
Diluted Earnings Per Share (HK Cents)	16.61	14.78	12
Share Price			
- Highest (HK\$)	3.73	5.96	(37)
- Lowest (HK\$)	2.29	3.50	(35)
Financial Position			
	30.6.2019	31.12.2018	Percentage change
			Increase / (Decrease)
Shareholders' Funds (HK\$ '000)	26,740,141	25,810,337	4
Total Assets (HK\$ '000)	157,446,529	151,181,085	4
Number of Shares in Issue (Note 2)	5,792,329,147	5,789,746,388	-
NAV Per Share (HK\$)	4.62	4.46	4

Notes:

- Comparison on revenue and results between six months ended 30 June 2019 and six months ended 31 December 2018 is as below:

	Six months ended		Percentage change
	30.6.2019	31.12.2018	Increase / (Decrease)
Revenue (HK\$ '000)	4,108,628	2,771,625	48
- Commission and fee income	895,310	895,083	-
- Interest income	1,404,896	1,364,378	3
- Net investment gains	1,808,422	512,164	253

- 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 5,792,329,147 as at 30 June 2019.

INTERIM RESULTS

The board of directors (the “Board”) of Haitong International Securities Group Limited (the “Company” or “Haitong International”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2019, with the comparative figures for the preceding six months ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	Six months ended	
		30.6.2019	30.6.2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue			
Commission and fee income	5	895,310	1,235,251
Interest income	5	1,404,896	1,211,339
Net investment gains	5	1,808,422	1,110,567
		<u>4,108,628</u>	<u>3,557,157</u>
Other income and gains or losses	5	(15,423)	29,034
		<u>4,093,205</u>	<u>3,586,191</u>
Salaries and allowances, bonuses and pension	6	(677,548)	(599,804)
Commission expenses	6	(90,925)	(145,354)
Amortisation and depreciation		(102,654)	(46,037)
Impairment losses, net of reversal	7	(205,903)	(38,552)
Operating expenses		<u>(321,156)</u>	<u>(446,211)</u>
		<u>(1,398,186)</u>	<u>(1,275,958)</u>
Finance costs	8	(1,455,257)	(1,092,212)
Share of result of investments accounted for using the equity method		-	(196,240)
		<u>-</u>	<u>(196,240)</u>
Profit before tax		1,239,762	1,021,781
Income tax expense	9	(200,877)	(162,640)
		<u>(200,877)</u>	<u>(162,640)</u>
Profit for the period attributable to owners of the Company		1,038,885	859,141
		<u>1,038,885</u>	<u>859,141</u>
Earnings per share attributable to owners of the Company	11		
- Basic (HK cents per share)		<u>18.04</u>	<u>15.53</u>
- Diluted (HK cents per share)		<u>16.61</u>	<u>14.78</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	1,038,885	859,141
Other comprehensive (expense) income:		
<i>Items 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	(602)	-
<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	(586)	-
Changes in fair value of derivatives designated in cash flow hedge	-	7,169
Exchange differences on translating foreign operations	(15,821)	(67,925)
Other comprehensive expense for the period	(17,009)	(60,756)
Total comprehensive income for the period attributable to owners of the Company	1,021,876	798,385

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30.6.2019 (unaudited)			31.12.2018 (audited)		
		Current	Non-current	Total	Current	Non-current	Total
	NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS							
Cash and cash equivalents		8,617,689	-	8,617,689	7,088,829	-	7,088,829
Cash held on behalf of customers		15,796,480	-	15,796,480	15,998,360	-	15,998,360
Financial assets held for trading and market making activities		33,134,599	-	33,134,599	34,314,567	-	34,314,567
Investment securities		16,519,096	20,643,359	37,162,455	10,295,263	15,850,602	26,145,865
Assets acquired for financial products issued		17,367,514	5,442,069	22,809,583	25,484,416	2,268,434	27,752,850
Derivative financial instruments		158,157	-	158,157	540,563	-	540,563
Advances to customers in margin financing	12	14,386,582	-	14,386,582	15,952,460	-	15,952,460
Advances to customers for merger and acquisition activities	13	4,256,248	193,969	4,450,217	2,477,467	1,094,666	3,572,133
Asset-backed financing to customers	14	2,139,980	117,419	2,257,399	5,113,873	224,744	5,338,617
Reverse repurchase agreements		2,907,936	-	2,907,936	4,343,561	-	4,343,561
Accounts receivable	15	12,150,086	-	12,150,086	6,968,476	-	6,968,476
Tax recoverable		257,669	-	257,669	213,656	-	213,656
Prepayments, deposits and other receivables		1,776,930	125,074	1,902,004	1,529,261	53,050	1,582,311
Investments accounted for using the equity method		-	-	-	-	154,440	154,440
Goodwill and other intangible assets		-	497,919	497,919	-	473,391	473,391
Other assets		-	86,713	86,713	-	76,296	76,296
Investment property		-	192,471	192,471	-	231,539	231,539
Property and equipment		-	666,784	666,784	-	420,968	420,968
Deferred tax assets		-	11,786	11,786	-	12,203	12,203
Total assets		129,468,966	27,977,563	157,446,529	130,320,752	20,860,333	151,181,085
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities		1,716,479	-	1,716,479	4,405,866	-	4,405,866
Financial products issued at fair value		13,637,391	1,923,895	15,561,286	13,315,922	638,846	13,954,768
Derivative financial instruments		508,559	-	508,559	505,496	-	505,496
Repurchase agreements		25,074,689	-	25,074,689	24,089,043	-	24,089,043
Accounts payable	17	22,383,263	-	22,383,263	20,974,552	-	20,974,552
Bank loans and other borrowings		39,167,394	-	39,167,394	33,776,139	-	33,776,139
Debt securities in issue		17,506,256	5,443,442	22,949,698	15,803,992	9,243,635	25,047,627
Other liabilities arising from consolidation of investment funds		424,469	-	424,469	483,781	-	483,781
Tax payable		474,068	-	474,068	260,633	-	260,633
Other payables, accruals and other liabilities		2,257,288	162,936	2,420,224	1,259,472	586,189	1,845,661
Deferred tax liabilities		-	26,259	26,259	-	27,182	27,182
Total liabilities		123,149,856	7,556,532	130,706,388	114,874,896	10,495,852	125,370,748
Equity							
Share capital	16			579,233			578,975
Reserves				25,639,598			25,150,306
Proposed dividends	10			521,310			81,056
Total shareholders' equity				26,740,141			25,810,337
Total liabilities and shareholders' equity				157,446,529			151,181,085
Net current assets				6,319,110			15,445,856

Notes:

1. GENERAL

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 an investment holding company and its subsidiaries are principally engaged in wealth management, corporate finance, asset management, institutional clients and investment. Details of the business segments of the Company and its subsidiaries (collectively referred as the "Group") are disclosed in note 4.

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

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 changes in accounting policies resulting from application of new and 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 2019 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2018.

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

Application of new and amendments to HKFRSs

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

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position 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 changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of billboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease liabilities recognised are included in "Other payables, accruals and other liabilities".

The lease payments relevant to the Group include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong/PRC and Singapore was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying applicable transition guidance under HKFRS 16.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4%.

	<u>At 1.1.2019</u> HK\$'000
Operating lease commitments disclosed as at 31 December 2018	215,112
Lease liabilities discounted at relevant incremental borrowing rates	202,210
Add: Lease liabilities resulting from lease modifications of existing leases [#]	15,367
Less: Recognition exemption - short-term leases	(6,628)
Lease liabilities as at 1 January 2019	<u>210,949</u>
Analysed as:	
Current	88,490
Non-current	122,459
	<u>210,949</u>

[#] The Group renewed the leases of commercial properties by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<u>Right-of- use assets</u> HK\$'000
Right-of-use assets recognised upon application of HKFRS 16	<u>203,234</u>
By class:	
Leasehold land and buildings	<u>203,234</u>

Note:

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. The application of the discounting effect on 1 January 2019 has no material impact on the Group's financial position and performance at the initial application of HKFRS 16. Accordingly, there is no adjustment on the opening condensed consolidated statement of financial position and condensed consolidated statement of changes in equity.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK\$'000
Impact at 1 January 2019	<u>7,715</u>

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts reported at 31 December 2018 HK\$'000	Adjustments HK\$'000	Carrying amounts previously under HKFRS 16 at 1 January 2019 HK\$'000
Non-current Assets			
Property and equipment	420,968	203,234	624,202
Capital and Reserves			
Reserves	25,150,306	(7,715)	25,142,591
Current Liabilities			
Other payables, accruals and other liabilities	1,259,472	88,490	1,347,962
Non-current liabilities			
Other payables, accruals and other liabilities	586,189	122,459	708,648

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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.

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 engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include broking and dealing in securities, futures and options contracts, foreign exchange trading, over-the-counter products and risk management instruments sales, investment advisory service, financial planning service and investment funds distribution services, custodian services as well as the provision of securities margin financing to clients;
- (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 advisory service and financing solutions to corporate clients for their corporate actions such as mergers and acquisitions as well as assets restructuring, etc. The directors considered that underwriting and placing services provided to corporate customers is solely handled by this segment, and, therefore, decided that all commission and underwriting and placing shall be recognized in this segment. Comparative information has been reclassified to conform the current period's presentation.
- (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 engages in provision of cash equities sales and trading, prime brokerage, stock borrowing and lending, equity research, and investment and financing solutions, issuance and market making for a wide variety of financial instruments, such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivative products in major financial centers across the world for global institutional clients; and
- (e) the investment segment aims to enhance and intensify the synergies among various business segments of the Group through investing in investment funds and private equity investments. It focuses on exploring investment opportunities with reasonable returns, thereby expanding customer relationships and promoting the overall growth of the Group's business.

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

	Wealth management		Corporate finance		Asset management		Institutional clients		Investment		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)				(Restated)				
Segment revenue:												
Commission and fee income	271,108	401,323	412,656	588,488	106,947	138,464	104,599	106,976	-	-	895,310	1,235,251
Interest income	744,769	615,305	230,479	214,683	-	-	420,803	373,538	8,845	7,813	1,404,896	1,211,339
Net investment gains	56,596	66,360	27,826	45,456	-	-	1,110,097	514,037	613,903	484,714	1,808,422	1,110,567
Segment revenue	1,072,473	1,082,988	670,961	848,627	106,947	138,464	1,635,499	994,551	622,748	492,527	4,108,628	3,557,157
Other income and gains or losses	3,792	17,750	1,278	2,067	-	-	399	22,523	(20,892)	(13,306)	(15,423)	29,034
Segment expenses	1,076,265	1,100,738	672,239	850,694	106,947	138,464	1,635,898	1,017,074	601,856	479,221	4,093,205	3,586,191
	(786,963)	(682,820)	(327,666)	(230,034)	(63,902)	(90,236)	(1,265,274)	(982,726)	(409,638)	(382,354)	(2,853,443)	(2,368,170)
Segment results	289,302	417,918	344,573	620,660	43,045	48,228	370,624	34,348	192,218	96,867	1,239,762	1,218,021
Share of results of investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	(196,240)	-	(196,240)
Profit (loss) before tax	289,302	417,918	344,573	620,660	43,045	48,228	370,624	34,348	192,218	(99,373)	1,239,762	1,021,781
Income tax expense											(200,877)	(162,640)
Profit for the period											1,038,885	859,141
Amortisation and depreciation	(30,028)	(10,929)	(5,770)	(2,208)	(2,028)	(1,091)	(63,492)	(31,658)	(1,336)	(151)	(102,654)	(46,037)
Impairment losses, net of reversal	(209,372)	(102,199)	(374)	68,647	-	-	1,489	(5,000)	2,354	-	(205,903)	(38,552)
Finance costs	(238,292)	(256,506)	(106,658)	(137,596)	-	-	(780,703)	(469,014)	(329,604)	(229,096)	(1,455,257)	(1,092,212)

5. 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	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Commission and fee income (note (i)):		
Commission on securities dealing and broking	187,749	270,750
Commission on futures and options dealing and broking	45,133	69,239
Commission on underwriting and placing	334,131	496,336
Financial advisory and consultancy fee income	162,598	216,051
Asset management fee and performance fee income	106,947	138,464
Handling, custodian and other service fee income	58,752	44,411
	<u>895,310</u>	<u>1,235,251</u>
Interest income:		
Interest income from advances to customers in margin financing	592,797	523,259
Interest income from investment securities at amortised cost	317,826	172,699
Interest income from advances to customers for merger and acquisition activities	165,436	108,596
Interest income from asset-backed financing to customers	142,851	270,619
Interest income from bank deposits and others	185,986	136,166
	<u>1,404,896</u>	<u>1,211,339</u>
Net investment gains (note (ii)):		
Net gain from distribution of over-the-counter products	56,596	66,360
Net gain from financial product issuance	380,961	149,956
Net gain from trading and market making of fixed income securities and equity derivatives	729,136	364,081
Net gain from financial assets/liabilities at fair value	641,729	530,170
	<u>1,808,422</u>	<u>1,110,567</u>
	<u>4,108,628</u>	<u>3,557,157</u>
Other income and gains or losses		
Others (note (iii))	<u>(15,423)</u>	<u>29,034</u>

Notes:

- (i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net investment gains are under the scope of HKFRS 9.

- (ii) As detailed in the Group's audited consolidated financial statements for the year ended 31 December 2018, to better reflect the major revenue sources in the "Net investment gains" of the Group, the Group has decided to present the revenue items of "Net investment gains" in accordance with its business activities. Comparative information has been reclassified to conform with the current period's presentation.

Of HK\$84 million recognised and presented in "Dividend income" during the prior period, HK\$42 million and HK\$42 million were included in "Net gain from financial assets/liabilities at fair value" and "Net gain from trading and market making of fixed income securities and equity derivatives".

During the current period, HK\$34 million and HK\$32 million of dividend income has been classified as "Net gain from financial assets/liabilities at fair value" and "Net gain from trading and market making of fixed income securities and equity derivatives".

- (iii) 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\$26 million (six months ended 2018: net loss of HK\$17 million).

6. EMPLOYEE BENEFIT COSTS

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, bonuses and allowances	662,678	586,503
Pension scheme contributions (net)	14,870	13,301
	<u>677,548</u>	<u>599,804</u>
Commission to accounts executives (note)	77,030	131,181
	<u>754,578</u>	<u>730,985</u>

Note: Included in commission expenses of HK\$90,925,000 (2018: HK\$145,354,000) is commission to accounts executives of HK\$77,030,000 (2018: HK\$131,181,000)

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment losses (reversal of impairment losses) on:		
- advances to customers in margin financing	199,675	102,199
- advances to customers for merger and acquisition activities	(43)	(68,647)
- asset-backed financing to customers	7,955	5,000
- others	(1,684)	-
	<u>205,903</u>	<u>38,552</u>

8. FINANCE COSTS

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank loans and overdrafts	610,524	489,613
Debt securities in issue:		
Convertible bonds	34,841	31,662
Non-convertible bonds	227,205	226,146
Non-convertible notes	203,883	123,218
Repurchase agreements	349,922	218,906
Other payables, accruals and other liabilities:		
Lease liabilities	3,756	-
Others	25,126	2,667
	<u>1,455,257</u>	<u>1,092,212</u>

9. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current taxation		
- Hong Kong	191,507	127,029
- Other jurisdictions	9,876	26,385
	<u>201,383</u>	<u>153,414</u>
Deferred tax		
- Current period	(506)	9,226
	<u>200,877</u>	<u>162,640</u>

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.

10. DIVIDENDS

At a meeting of the Board held on 22 March 2019, the Board declared a second interim dividend of HK1.4 cents per share in cash for the year ended 31 December 2018. The second interim dividend was paid on 25 April 2019, with a total of HK\$81,092,000 cash dividend paid to the shareholders.

At the meeting of the Board on 23 August 2019, the Board declared an interim dividend of HK9 cents per share in cash for the six months ended 30 June 2019 to shareholders whose names appear on the register of members of the Company on 11 September 2019. The shareholders are 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 25 October 2019. The overall amount of cash dividends under distribution was calculated according to such actual number of shares of the Company in issue on the record date for the cash dividend distribution.

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	
	30.6.2019	30.6.2018
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	1,038,885	859,141
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,759,506	5,530,498
Basic earnings per share (HK cents per share)	18.04	15.53

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	
	30.6.2019	30.6.2018
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (HK\$'000)	1,038,885	859,141
Effect of dilutive potential ordinary shares		
- Interest on convertible bonds (net of tax) (note (b)) (HK\$'000)	29,093	26,438
Earnings for the purpose of diluted earnings per share (HK\$'000)	1,067,978	885,579

Number of shares

Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a))	5,759,506	5,530,498
Effect of dilutive potential ordinary shares:		
- Convertible bonds (in thousands) (note (b))	668,823	455,824
- Share options (in thousands) (note (c))	211	2,347
- Share awards (in thousands)	1,443	3,135
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	6,429,983	5,991,804
Diluted earnings per share (HK cents per share)	16.61	14.78

Notes:

- (a) As at 30 June 2019, the trustee of the share award scheme held 42,405,142 ordinary shares of the Company (30 June 2018: 21,870,909 ordinary 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\$163 million (30 June 2018: HK\$151 million).

During the current period, 6,757,440 awarded shares (30 June 2018: 7,010,493 awarded shares) were granted by the Company. There were 37,744 awarded shares lapsed in respect of such grant, while 239,159 awarded shares (30 June 2018: Nil) in respect of the grant by the Company on 28 May 2018, 41,237 awarded shares (30 June 2018: 21,556 awarded shares) in respect of the grant by the Company on 28 April 2017, and 29,820 awarded shares (30 June 2018: 105,150 awarded shares) in respect of the grant by the Company on 11 March 2016 were lapsed during the six months ended 30 June 2019. In addition, 134,000 awarded shares (30 June 2018: Nil) were vested during the current six-month period in relation to the grant made by the Company on 11 January 2019, 2,199,883 awarded shares (30 June 2018: Nil) were vested during the current six-month period in relation to the grant made by the Company on 28 May 2018, 1,259,541 awarded shares (30 June 2018: 1,318,237 awarded shares) were vested during the current six-month period in relation to the grant made by the Company on 28 April 2017 and 2,133,343 awarded shares (30 June 2018: 2,252,593 awarded shares) were vested during the current six-month period in relation to the grant made by the Company on 11 March 2016.

- (b) On 18 July 2013 and 10 October 2013, the Company issued convertible bonds of HK\$776 million and HK\$232 million respectively, which had been combined legally and constitute a single series. On 4 November 2014, the Company issued convertible bonds of HK\$1,164 million. On 25 October 2016, the Company further issued convertible bonds of HK\$3,880 million.

Convertible bonds issued in 2013 that were outstanding and convertible into ordinary shares of the Company at a conversion price of HK\$2.76 as at 31 December 2017 had been converted in full into shares during 2018. As at 30 June 2019, the convertible bonds issued in 2014 and 2016 that remain outstanding are convertible into ordinary shares of the Company at a conversion price of HK\$4.32 (31 December 2018: HK\$4.32) and HK\$6.09 (31 December 2018: HK\$6.09) respectively, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the earnings per share. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares was made from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the 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 with the exercise price lower than the average market price during the six months ended 30 June 2019 and with the adjustment for the share options lapsed or exercised during the period.

12. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Loans to margin clients	15,201,619	16,567,822
Less: Impairment allowance	(815,037)	(615,362)
	<u>14,386,582</u>	<u>15,952,460</u>

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 and Risk Management Committee are 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 2019, advances to customers in margin financing of HK\$14,387 million (31 December 2018: HK\$15,952 million) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$59,673 million (31 December 2018: HK\$71,407 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 individually taking into account of subsequent settlement or executable settlement plan and restructuring arrangements in assessing the expected credit loss. In the opinion of the directors of the Company, the impairment provision for the current year is sufficient.

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.

13. ADVANCES TO CUSTOMERS FOR MERGER AND ACQUISITION ACTIVITIES

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Advances to customers for merger and acquisition activities	4,459,007	3,580,966
Less: Impairment allowance	(8,790)	(8,833)
	<u>4,450,217</u>	<u>3,572,133</u>
Less: Non-current portion	(193,969)	(1,094,666)
Current portion	<u>4,256,248</u>	<u>2,477,467</u>

Included in advances to customers for merger and acquisition activities are HK\$4,376 million (31 December 2018: HK\$3,379 million) of advances that are secured.

The majority of these advances to customers for merger and acquisition activities are secured and/or guaranteed with contractual maturity within 1 year from the reporting date and credit limits are set for borrowers. Regular reviews on these advances to customers for merger and acquisition activities are conducted by the Risk Management Department and the Risk Management Committee of the Group based on the latest status of these advances to customers for merger and acquisition activities, 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 also seeks to maintain effective control over its advances to customers for merger and acquisition activities in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 30 June 2019 and 31 December 2018, there was no past due advances to customers for merger and acquisition activities, except for a loan amounting to HK\$200 million that was advanced to an external party for its property development project in the PRC and was past due for more than 360 days in 2017. During the year ended 31 December 2017, an impairment loss of HK\$109 million was recognised given a number of factors including substantial delay in repayment, recoverable amount of the collateral (at its force sale value), and the credit protection structure.

During 2018, the above-mentioned borrower with the property development project has completed a debt restructuring by introducing an independent new lender for additional funding to complete the property development project and a revised syndicated loans agreement was entered among the borrower, new lender and the existing lenders, which includes the Group, with the extended maturity date in 2021. The management considered that the development project has entered the final stage and valuation can be estimated reliably after the debt restructuring with new funding injected. Based on current creditworthiness, the completion of debt restructuring and sufficient expected collateral value, the management determined that the credit risk of default has been significantly reduced in 2018, therefore, the relevant impairment provision has been reversed.

Interest income derived from advances to customers for merger and acquisition activities was recognised as "interest income from advances to customers for merger and acquisition activities" as set out in note 5. The carrying value of advances to customers for merger and acquisition activities is approximate to their fair value.

14. ASSET-BACKED FINANCING TO CUSTOMERS

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Asset-backed financing to customers	2,272,845	5,447,616
Less: Impairment allowance	(15,446)	(108,999)
	2,257,399	5,338,617
Less: Non-current portion	(117,419)	(224,744)
Current portion	2,139,980	5,113,873

Included in asset-backed financing to customers are HK\$2,273 million (31 December 2018: HK\$5,448 million) that are secured.

These asset-backed financing to customers are secured and/or guaranteed and credit limits are set for borrowers. The majority of these asset-backed financing to customers are having contractual maturity within 1 year from the reporting date. Regular reviews on these asset-backed financing to customers are conducted by the Risk Management Department and the Risk Management Committee of the Group based on the latest status of these asset-backed financing to customers 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 asset-backed financing to customers in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 30 June 2019 and 31 December 2018, there was no past due asset-backed financing to customers, except for 2 advances.

A corporate loan with outstanding balance of HK\$103 million was impaired during the year ended 31 December 2016 after the Group assessed the recoverability by referencing to the fair value of the collateral pledged by the borrower. The loan was written off during the current period as the borrower was declared bankrupt during the current period.

An impairment loss of HK\$11 million was recognised for a loan with outstanding balance of HK\$27 million given a number of factors including delay in repayment and recoverable amount of collateral.

Interest income derived from asset-backed financing to customers was recognised as "interest income from asset-backed financing to customers" as set out in note 5. The carrying value of the asset-backed financing to customers is approximate to their fair value.

15. ACCOUNTS RECEIVABLE

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Accounts receivable from:		
- Clients	461,793	696,902
- Brokers, dealers and clearing house	10,820,795	5,179,109
- Collaterals paid under stock borrowing agreements	563,452	688,739
- Clients for subscription of new shares in IPO	7,669	2,273
- Others (note i)	296,377	401,453
	12,150,086	6,968,476

Note:

- (i) The amount represents the fees receivable from corporate finance, wealth management and assets management business.

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

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Between 0 and 3 months	12,127,380	6,939,488
Between 4 and 6 months	6,638	13,634
Between 7 and 12 months	11,960	8,687
Over 1 year	4,108	6,667
	12,150,086	6,968,476

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. Collateral paid under stock borrowing agreements is repayable upon expiry of relevant stock borrowing agreements and the relevant stocks borrowed are returned to the lender. 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.

Accounts receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules. As at 30 June 2019, the settlement dates are in the range of 2 to 7 days.

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.

16. SHARE CAPITAL

The issued shares of the Company were increased from 5,789,746,388 to 5,792,329,147 during the current six-month period due to the exercise of share options under the share option scheme.

During the six months ended 30 June 2019, the Trustee acquired 14,761,000 ordinary shares (30 June 2018: 6,175,000 ordinary shares) for the share award scheme, which was adopted by the Board on 19 December 2014, through purchase in the open market with total cost (including transaction cost) approximately HK\$35 million (30 June 2018: HK\$22 million). During the current six-month period, 6,757,440 awarded shares were granted by the Company while 5,726,767 awarded shares were vested during the six months ended 30 June 2019 in relation to the grant by the Company during the current period and prior years. 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 2018 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

17. ACCOUNTS PAYABLE

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 HK\$'000 (audited)
Accounts payable to:		
- Clients	19,583,874	17,710,600
- Brokers, dealers and clearing house	1,301,273	1,153,352
- Collaterals received under stock lending agreements	1,040,381	1,708,575
- Others	457,735	402,025
	<u>22,383,263</u>	<u>20,974,552</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.

Collateral received under stock lending agreement are repayable upon expiry of relevant stock lending agreements and the relevant stocks lent are returned by the borrower.

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 2019 (31 December 2018: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients include those payables placed in segregated accounts with authorised institutions of HK\$15,796,480,000 (31 December 2018: HK\$15,998,360,000), HKFE Clearing Corporation Limited, the SEHK and other futures dealers totalling HK\$967,177,000 (31 December 2018: HK\$1,060,245,000).

REVIEW AND ANALYSIS OF RESULTS

In the first half of 2019, Haitong International braved the challenges presented by the external environment like Sino-US trade war by redefining its business development strategies from time to time to keep all its business lines on a healthy growth track, hit new heights in terms of its international investment banking, investment, trading and operating capabilities, improve its risk management framework, maintain the debt structure at a reasonable level and keep its capital sufficient to address obscurity of the global market. During the period, the revenue of the Group stood at HK\$4.108 billion with a net profit of HK\$1.039 billion, representing a year-on-year increase of 16% and 21% respectively.

1. A Leading Financial Institution Ready to Serve the Globe

For global ECM business, Haitong International has successfully closed 24 IPO deals and topped the list among the investment banks in Hong Kong in terms of number of projects with a market share of around 33%. The Group forged ahead in the U.S. capital market and completed 3 equity financing projects during the period, among which, Luckin Coffee represents the largest IPO for an Asian company listed on the Nasdaq for the year. For global DCM business, the Company has clinched 125 bond issuance deals, and ranked second and third among financial institutions in the world in Offshore China Bonds League Table in terms of number of deals and underwriting amount. Haitong International also topped the list of the Asian (ex Japan) G3 high yield bond issuance among the financial services providers in the world in terms of number of bond deals and underwriting amount. For global leverage and acquisition financing, Haitong International successfully completed 5 projects during the period and set its foot in the Middle Eastern market for the first time and participated in the acquisition of Kuwait Energy PLC by a Hong Kong-listed company United Energy Group Limited.

2. Augmenting Global Investment Capabilities

For primary market, Haitong International's private equity business crew has been prioritizing "New Economy" industries like consumption, healthcare and TMT and has completed 17 investment projects in aggregate in 2 years. It has exited investment from some of its projects, in the form of H shares and US shares, and reaped excellent returns. Haitong International aggressively devotes its efforts in investment and fund raising to expand its business territories.

For secondary market, Haitong International's assets under management (AUM) exceeded HK\$48 billion with outstanding performances of a number of funds, among which, Haitong China A-Share Investment Fund saw a net increase of more than 20%, staying ahead of similar funds. Merited by its well-reputed brand name and strong connections in the Hong Kong market, Haitong International has launched Haitong Asian High Yield Bond Fund which is the first northbound fund issued by a Chinese financial services provider in Hong Kong.

3. A surge of Global Execution Capabilities

Acquitting itself well as the first-ever Chinese market maker on Nasdaq, Haitong International has constructed a cross-border, cross-market and cross-department trading and settlement system with the number of underlying U.S securities increasing more than fivefold during the period. The Group also provides clients with cross-asset investment offerings and solutions; the number of exchange traded options covered for market making has reached 75, rendering Haitong International No.5 in the market. Thanks to its growing electronic trading execution capability, Haitong International has almost 100 institutional clients on board using algorithmic trading.

For fixed income, currency and commodities ("FICC") business, Haitong International offered credit products, macro and synthetic products and institutional client solutions with increasing management efficacy. During the first half, the income from FICC saw a year-on-year increase of over 150%; for interest and credit product businesses, Haitong International provides 670 institutional clients around the world with bilateral liquidity quotations every day; for each of its New York and London platforms, steady income has been registered and the two centres are expected to become new profit drivers outside the Asian Pacific region.

For derivatives business, Haitong International has solidified its leadership in Hong Kong market. During the first half, the Company launched 1,397 warrants and CBBCs with a turnover of up to HK\$380 billion, and ranked second in the Hong Kong market. As the first Chinese financial institution to issue inline warrants on the Stock Exchange of Hong Kong, Haitong International is geared up to provide diversified listed structured products for clients. At present, the Group can provide quotations for more than 60 structured products covering notes, OTC swaps and OTC options in different markets in the world. It is also an active market maker who provides services on overseas bourses including the Stock Exchange, Singapore Exchange and Nasdaq.

4. Full-fledged Global Operating and IT Infrastructure

The Group never swerves from the efforts to strengthen its global overall operational capabilities, bring the system upgrade into full play and put the development of automatic operation in a fast track on the strength of the central management of business data around the world with the application of its Central Data Management System (CDMS).

The Group spares no pains to improve its IT infrastructure. As a case in point, it has built a Big Data platform and has been modifying it from time to time and endeavors to build a central global institutional trading platform. More than this, attempts have been made on artificial intelligence and process automation to bring the Company's smart and digital services to the new levels, and eventually contributes to the all-new fin-tech ecosystem.

Prospects

In the second half of 2019, the global economic growth will still be threatened by the looming downside risk and there is a gesture of loose monetary policies ahead. Plagued by a barrage of external factors like Sino-U.S. trade friction, Brexit and spats between Italy and EU, the global economic growth is left in the extreme volatility. To counteract the economic slowdown, China may prefer relative loose monetary policies and aggressive fiscal policies in future.

Haitong International will step up its efforts to reinforce its fee-based businesses and expand its professional crews with adequate training and recruitment. Built on its clients lusting for investment banking services, Haitong international will revisit the ways of development on which the renowned private banks rely and to capture new client groups. Expanding its sales and research teams, adjusting incentive mechanism in a flexible way and giving support to the Group's transformation and upgrades will be the items on the agenda.

Looking forward, Haitong International will adhere to its core values of being "Courageous, Sincere and Innovative", demonstrate its professionalism, gather and train up a crew of high-caliber talents, raise the bar of its management, fulfill the compliance requirements and, develop and demonstrate its strengths to create values for employees, customers, shareholders and investors.

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 2019, 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.

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 2019.

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 2019 of the Group. The Audit Committee currently comprises 5 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 2019 other than as an agent for clients of the Company or its subsidiaries.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2019 ON THE WEBSITES OF THE HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of the interim results for the six months ended 30 June 2019 is published on the websites of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company at www.htisec.com. The Interim Report for the six months ended 30 June 2019 of the Company containing 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 Chief Executive Officer

Hong Kong, 23 August 2019

As at the date of this announcement, the Board comprises Mr. QU Qiuping (Chairman), Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. LI Jianguo (Deputy Chairman), Mr. POON Mo Yiu, Mr. SUN Jianfeng, Mr. SUN Tong, Mr. CHENG Chi Ming Brian*, Ms. WANG Meijuan*, Mr. ZHANG Xinjun*, Mr. William CHAN*, Mr. TSUI Hing Chuen William**, Mr. LAU Wai Piu**, Mr. WEI Kuo-chiang**, Mr. WAN Kam To** and Ms. LIU Yan**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*