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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Haitong International Securities Group Limited ("Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

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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)

- (1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES AT
THE RIGHTS ISSUE PRICE OF HK\$3.50 EACH
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;
(2) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
(3) SPECIFIC MANDATES FOR ALLOTMENT AND ISSUE
OF CONVERSION SHARES IN RELATION TO THE CONVERTIBLE BONDS;
AND (4) NOTICE OF SPECIAL GENERAL MEETING

Joint Global Coordinators of the Rights Issue



Joint Bookrunners of the Rights Issue



Joint Underwriters of the Rights Issue



Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 13 to 41 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 68 of this circular.

A notice convening the special general meeting (the "SGM") of Haitong International Securities Group Limited (the "Company") to be held at 10:30 a.m. on Tuesday, 21 April 2015 at Multi-function Room, 19th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong is set out on pages 100 to 103 of this circular. A proxy form for use at the SGM and any adjournment thereof is enclosed with this circular. Such proxy form can also be downloaded from the websites of HKEx (www.hkexnews.hk) and the Company (www.htisec.com). Whether or not you are able to attend the SGM or any adjourned meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to 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 as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional (see the section headed "Conditions of the Rights Issue" herein) and not having been terminated (see the section headed "Termination of the Underwriting Agreement" herein). Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Thursday, 23 April 2015 and that dealing in the Nil-paid Rights will take place from Tuesday, 5 May 2015 to Tuesday, 12 May 2015 (both days inclusive) while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be at 4:00 p.m. on 18 May 2015), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

31 March 2015

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Rights Issue will be approved by the Independent Shareholders at the SGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2015

Latest time for lodging documents regarding transfer of Shares in order to be entitled to vote at the SGM.....	4:30 p.m. on Thursday, 16 April
Register of members of the Company closes to determine the eligibility to vote at the SGM (both dates inclusive).....	Friday, 17 April to Tuesday, 21 April
Latest time for returning and lodging of proxy forms for the SGM	10:30 a.m. on Sunday, 19 April
Record date for determining the eligibility to vote at the SGM.....	Tuesday, 21 April
SGM	10:30 a.m. on Tuesday, 21 April
Announcement of results of the SGM.....	Tuesday, 21 April
Register of members of the Company reopens.....	Wednesday, 22 April
Last day of dealing in Shares on a cum-rights basis	Wednesday, 22 April
First day of dealing in Shares on an ex-rights basis	Thursday, 23 April
Latest time for lodging documents regarding transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 24 April
Register of members of the Company closes for determining entitlements under the Rights Issue (both dates inclusive).....	Monday, 27 April to Wednesday, 29 April
Record Date for determining entitlements under the Rights Issue	Wednesday, 29 April
Register of members of the Company reopens.....	Thursday, 30 April
Despatch of the Prospectus Documents	Thursday, 30 April

EXPECTED TIMETABLE

2015

First day of dealing in the Nil-paid Rights	9:00 a.m. on Tuesday, 5 May
Latest time for splitting the Nil-paid Rights	4:30 p.m. on Thursday, 7 May
Last day of dealing in the Nil-paid Rights	4:00 p.m. on Tuesday, 12 May
Latest time for acceptance of and payment for Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Friday, 15 May
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Monday, 18 May
Announcement of the results of the Rights Issue to be posted on the Stock Exchange's website and the Company's website on or before	Friday, 22 May
Refund cheques for wholly and partially unsuccessful excess applications to be posted on or around	Tuesday, 26 May
Share certificates for fully-paid Rights Shares to be posted	Tuesday, 26 May
Dealing of Rights Shares in fully-paid form commences	9:00 a.m. on Wednesday, 27 May

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied by agreement between the Company and the Joint Underwriters. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a "black" rainstorm warning

EXPECTED TIMETABLE

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Final Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Final Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2013 CBs”	the HK\$776,000,000 1.25% convertible bonds due 2018 issued on 18 July 2013 and the HK\$232,000,000 1.25% convertible bonds due 2018 issued on 10 October 2013 which are listed on the Singapore Stock Exchange
“2013 General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 19 April 2013
“2014 CBs”	the HK\$1,164,000,000 1.25% convertible bonds due 2019 issued on 4 November 2014 which are listed on the Singapore Stock Exchange
“2014 General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 15 April 2014
“Announcement”	the announcement of the Company dated 18 March 2015 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or a day on which typhoon signal no. 8 or a “black” rainstorm warning is hoisted in Hong Kong) on which banks generally are open for business in Hong Kong
“CB Announcements”	the announcements of the Company dated 10 July 2013, 18 July 2013, 19 July 2013, 13 September 2013, 18 September 2013, 10 October 2013, 18 October 2013, 25 April 2014, 9 May 2014 and 1 September 2014 respectively in relation to the 2013 CBs and the announcements of the Company dated 24 October 2014, 4 November 2014 and 5 November 2014 respectively in relation to the 2014 CBs
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the date on which the obligations of the Joint Underwriters under the Underwriting Agreement become unconditional, which is expected to be Monday, 18 May 2015 or such later date as the Company and the Joint Underwriters may agree in writing

DEFINITIONS

“Committed Shares”	the 1,453,087,080 Rights Shares which HTIH has undertaken to take up pursuant to the Underwriting Agreement
“Company”	Haitong International Securities Group Limited (stock code: 665), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Conditional Listing Approval”	the conditional grant of the approval of the listing of, and permission to deal in, the Nil-paid Rights and the Rights Shares on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Shares”	the Shares issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the 2013 CBs and the 2014 CBs
“CSCI”	China Securities (International) Corporate Finance Company Limited, a licensed corporation under the SFO, to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Despatch Date”	Thursday, 30 April 2015 or such later date as may be agreed between the Company and the Joint Underwriters for the despatch of the Prospectus Documents
“Director(s)”	director(s) of the Company
“EAF(s)”	the form of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Joint Underwriters
“Final Acceptance Date”	4:00 p.m. on Friday, 15 May 2015 (or such other date as the Joint Underwriters may agree in writing with the Company as the latest date for acceptance of, and payment for, Rights Shares and application and payment for excess Rights Shares)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“HTIH”	Haitong International Holdings Limited, a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company, holding approximately 64.89% of the issued share capital of the Company as at the Latest Practicable Date
“HTISCL”	Haitong International Securities Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities within the meaning of the SFO
“Increase of Authorised Share Capital”	the proposed increase of the authorised share capital of the Company from HK\$450,000,000 (divided into 4,500,000,000 Shares) to HK\$1,000,000,000 (divided into 10,000,000,000 Shares) by the creation of an additional 5,500,000,000 Shares
“Independent Board Committee”	an independent board committee comprising all the independent non-executive Directors, namely Mr. TSUI Hing Chuen William, Mr. LAU Wai Piu, Mr. LIN Ching Yee Daniel and Mr. WEI Kuo-chiang, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser” or “Industrial Securities”	Industrial Securities (HK) Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholders”	means Shareholders other than HTIH and its associates
“independent third party(ies)”	any person or company and their respective ultimate beneficial owner(s), which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Joint Underwriters”	HTIH, CSCI and Qilu International Securities
“Last Trading Day”	Wednesday, 18 March 2015, being the date of the Underwriting Agreement
“Latest Lodging Date”	4:30 p.m. on Friday, 24 April 2015, the latest time for lodging transfer documents of Shares in order to qualify for the Rights Issue

DEFINITIONS

“Latest Practicable Date”	27 March 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Latest Time for Termination”	5:00 p.m. on the Business Day following the Final Acceptance Date, or such later date as the Company and the Joint Underwriters may agree in writing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nil-paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Rights Issue Price is paid
“Non-Qualifying Shareholders”	those Overseas Shareholders or such other persons whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with their assured entitlements under the Rights Issue
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s) proposed to be despatched to the Qualifying Shareholders on the Despatch Date and any such supplementary prospectus to be despatched to the Qualifying Shareholders (if required)
“Qilu International Securities”	Qilu International Securities Limited, a licensed corporation under the SFO, to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the Record Date, other than the Non-Qualifying Shareholders (if any)

DEFINITIONS

“Record Date”	Wednesday, 29 April 2015, the record date to determine entitlements to the Rights Issue (or such other date as may be agreed between the Company and the Joint Underwriters)
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Remaining Shares”	the number of Underwritten Shares not taken up
“Rights Issue”	the proposed issue of Rights Shares at the Rights Issue Price on the basis of one (1) Rights Share for every one (1) existing Share in issue and held on the Record Date by the Qualifying Shareholders on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents, payable in full upon acceptance
“Rights Issue Price”	HK\$3.50 per Rights Share
“Rights Share(s)”	the new Share(s) to be issued and allotted under the Rights Issue, being not less than 2,239,369,621 Shares and not more than 2,594,686,477 Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 10:30 a.m. on Tuesday, 21 April 2015 at Multi-function Room, 19th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong for the Shareholders to consider and approve, among other things, the Increase of Authorised Share Capital, the Specific Mandates, the Rights Issue and the respective transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Share Option(s)”	the option(s) which are validly vested and exercisable by the holders entitling them to subscribe for a total of 26,136,802 Shares as at the Latest Practicable Date
“Share Option Scheme”	the share option scheme adopted by the Company on Friday, 23 August 2002 for the benefit of certain eligible participants which expired on 22 August 2012

DEFINITIONS

“Singapore Stock Exchange”	the Singapore Exchange Securities Trading Limited
“Specific Mandates”	the specific mandates to be sought from the Shareholders at the SGM to allot and issue any and all conversion shares upon conversion of the outstanding 2013 CBs and the outstanding 2014 CBs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“taken up/take up”	the taking up of those Rights Shares and/or the Underwritten Shares in respect of which the relevant PALs and/or EAFs have been lodged, accompanied by cheques or other remittances, for the full amount payable in respect thereof
“Underwriting Agreement”	the underwriting agreement dated 18 March 2015 entered into among the Company, the Joint Underwriters and HTISCL in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares other than the Committed Shares, severally underwritten by the Joint Underwriters pursuant to the terms of the Underwriting Agreement (being not less than 786,282,541 and not more than 1,141,599,397 Rights Shares)
“%” or “per cent.”	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

The Joint Underwriters shall have the right to rescind or terminate the Underwriting Agreement by notice in writing given by CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) to the Company at any time prior to the Latest Time for Termination, if:

- (a) any matter or circumstance arises as a result of which any of the conditions set out in the Underwriting Agreement has become incapable of satisfaction as at the required time;
- (b) any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Joint Underwriters, or there has been a breach on the part of the Company, HTIH or HTISCL of any other provisions of the Underwriting Agreement, or the Joint Underwriters have cause to believe that any such breach has occurred;
- (c) any statement contained in this circular and/or the Prospectus has become or been discovered to be untrue, inaccurate, incomplete or misleading in any material respect;
- (d) any matter arises or is discovered which would, if the Prospectus was to be issued at the time, constitute material omission therefrom;
- (e) there is any event or change or any other reason (whether or not permanent) which would or may result in that a supplemental prospectus or any document of a similar nature is or will be or is required to be issued in circumstances where the matter to be disclosed, in the absolute opinion of the Joint Underwriters, prejudicially and materially affects or may prejudicially and materially affect the success of the Rights Issue, or makes or may make it inadvisable or inexpedient to proceed with the Rights Issue;
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the sole opinion of the Joint Underwriters acting in good faith is material in the context of the Rights Issue; or
- (g) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any change in, or any event or series of events likely to result in any change in (whether or not permanent) local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory, currency or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States) in Hong Kong, the United States, the European Union, or the PRC;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (ii) any new laws, rules, statutes, ordinances, regulations, guidelines or circulars (in each case, to the extent mandatory or, if not complied with, the basis for legal or regulatory consequences), orders, judgements, decrees or rulings of any governmental authority (the “**Laws**”) or changes in existing Laws or any development including a prospective change in existing Laws in Hong Kong or any other place in which any member of the Group conducts or carries on business;
- (iii) any event of force majeure affecting Hong Kong, the United States, the European Union, or the PRC including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, strike or lock-out (whether or not covered by insurance);
- (iv) the declaration of a banking moratorium by PRC, Hong Kong, European Union or United States authorities;
- (v) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the London Stock Exchange, the New York Stock Exchange or NASDAQ or any major disruption of any securities settlement or clearing services in Hong Kong; or
- (vi) any suspension of dealings in the Shares for a period of more than two Business Days (other than any announcement regarding the Rights Issue),

which, in the sole opinion of the Joint Underwriters: (1) has or will have, or is likely to have, a material adverse effect on the financial condition, prospects, assets, business, results of operations or liabilities of the Group, taken as a whole, whether or not arising in the ordinary course of business or is or will be, or is likely to be, materially adverse to any present or prospective Shareholder in its capacity as such; (2) has or will have or is likely to have a material adverse impact on the success of the Rights Issue or dealings in the Rights Shares in the secondary market; or (3) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in this circular and the Prospectus Documents.

In the event CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) exercise the right to terminate the Underwriting Agreement upon the giving of written notice of termination prior to the Latest Time for Termination, all the obligations of the parties under the Underwriting Agreement shall cease and terminate immediately and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach).

TERMINATION OF THE UNDERWRITING AGREEMENT
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If CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) exercise such right, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Joint Underwriters.



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)

Board of Directors:

Executive Directors

Mr. LI Jianguo (*Deputy Chairman*)
Mr. LIN Yong (*Deputy Chairman and
Managing Director*)
Mr. POON Mo Yiu
Mr. HUI Yee Wilson

Non-executive Directors

Mr. JI Yuguang (*Chairman*)
Mr. CHENG Chi Ming Brian
Ms. WANG Meijuan
Mr. William CHAN

Independent Non-executive Directors

Mr. TSUI Hing Chuen William *JP*
Mr. LAU Wai Piu
Mr. LIN Ching Yee Daniel
Mr. WEI Kuo-chiang

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:

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

31 March 2015

To the Shareholders

Dear Sirs/Madams

**(1) PROPOSED RIGHTS ISSUE OF RIGHTS SHARES AT
THE RIGHTS ISSUE PRICE OF HK\$3.50 EACH
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE;
(2) PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL;
(3) SPECIFIC MANDATES FOR ALLOTMENT AND ISSUE
OF CONVERSION SHARES IN RELATION TO THE CONVERTIBLE BONDS;
AND (4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue.

LETTER FROM THE BOARD

The Company proposes to raise not less than approximately HK\$7,837,793,673.5 but not more than approximately HK\$9,081,402,669.5, before expenses, by way of a rights issue of not less than 2,239,369,621 Rights Shares but not more than 2,594,686,477 Rights Shares to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at a price of HK\$3.50 per Rights Share.

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue, the Increase of Authorised Share Capital and the Specific Mandates; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) a notice convening the SGM.

PROPOSED RIGHTS ISSUE

On Wednesday, 18 March 2015, the Company and the Joint Underwriters entered into the Underwriting Agreement in respect of the proposed Rights Issue.

Rights Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date:	2,239,369,621 Shares
Minimum number of Rights Shares:	2,239,369,621 Rights Shares (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date)
Maximum number of Rights Shares:	2,594,686,477 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date)
Rights Issue Price:	HK\$3.50 per Rights Share
Joint Underwriters:	HTIH, CSCI and Qilu International Securities
Joint Global Coordinators:	HTISCL, CSCI and Qilu International Capital Limited

LETTER FROM THE BOARD

Joint Bookrunners: HTISCL, CSCI, Qilu International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Changjiang Securities Brokerage (HK) Limited

HTIH is the controlling shareholder of the Company (as defined under the Listing Rules) and HTISCL is an indirect wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, each of CSCI and Qilu International Securities is an independent third party. The Joint Bookrunners (other than CSCI) have no underwriting commitment and are not acting as underwriters or otherwise involved in the distribution of the securities of the Company to investors in any way.

Minimum enlarged issued share capital upon completion of the Rights Issue: 4,478,739,242 Shares (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)

Maximum enlarged issued share capital upon completion of the Rights Issue: 5,189,372,954 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)

As at the Latest Practicable Date, there were 26,136,802 Share Options outstanding with the rights to subscribe for 26,136,802 Shares. Assuming full exercise of all outstanding Share Options on or before the Latest Lodging Date, 26,136,802 additional Rights Shares would be issued.

As at the Latest Practicable Date, there were outstanding Convertible Bonds in the aggregate principal amount of HK\$1,652,000,000 convertible into (i) 135,180,055 Shares at the prevailing conversion price of HK\$3.61 per Share (subject to adjustment) and (ii) 193,999,999 Shares at the prevailing conversion price of HK\$6.00 per Share (subject to adjustment). Assuming the full exercise of all conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, 329,180,054 additional Rights Shares would be issued.

Assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date, the 2,239,369,621 Rights Shares proposed to be provisionally allotted represent approximately 100% of the Company's issued share capital as at the Record Date and approximately 50% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

LETTER FROM THE BOARD

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds as detailed above, the Company had no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company on the Record Date; and
2. not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of Shares (together with the relevant share certificates) with the Registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 24 April 2015.

The Company will send the Prospectus Documents to the Qualifying Shareholders on Thursday, 30 April 2015. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the Prospectus to the Non-Qualifying Shareholders, as well as to the holders of the Share Options and the trustee and agent of the holders of the Convertible Bonds for their information only but will not send any PAL or EAF to them.

Holders of outstanding Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with the terms and conditions of the Share Option Scheme so as to enable them to be registered as members of the Company before Friday, 24 April 2015.

Holders of outstanding Convertible Bonds who wish to participate in the Rights Issue should exercise the conversion rights attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds so as to enable them to be registered as members of the Company on or before Friday, 24 April 2015.

Qualifying Shareholders who take up their pro rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Friday, 17 April 2015 to Tuesday, 21 April 2015, both days inclusive for determining the eligibility of the Shareholders to vote at the SGM. The register of members of the Company will be closed from Monday, 27 April 2015 to Wednesday, 29 April 2015, both days inclusive for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during these periods.

LETTER FROM THE BOARD

Rights of Overseas Shareholders

Overseas Shareholders on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

The Company will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that/those place(s), the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of the Nil-paid Rights or allotment of Rights Shares will be made to them. Further information in this connection will be set out in the Prospectus. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only on the Despatch Date, but will not send any PAL and EAF to them. The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Arrangements will be made for Nil-paid Rights which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in the Nil-paid Rights commence and before the last date for dealings in the Nil-paid Rights, if a premium (net of expenses) can be obtained. All the Nil-paid Rights which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be provisionally allotted (in nil-paid form) to HTISCL, and will be sold in the market by HTISCL as an agent. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlements of the Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by the Qualifying Shareholders.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to permit any Shareholder (whether as a direct holder or beneficial owner) whose registered address is in, or who otherwise resides in, a jurisdiction other than Hong Kong to take up Rights Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations in that jurisdiction which would otherwise give rise to restrictions upon the offer or take-up of Rights Shares in that jurisdiction and treat as invalid any acceptances of or applications for the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, such Overseas Shareholders and beneficial owners of the Shares should exercise caution when dealing in the Shares.

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Rights Issue Price

The Rights Issue Price for the Rights Shares is HK\$3.50 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of the Nil-paid Rights applies for the Rights Shares.

The Rights Issue Price represents:

- (a) a discount of approximately 33.71% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 29.6% to the average closing price of HK\$4.972 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (c) a discount of approximately 28.1% to the average closing price of HK\$4.871 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (d) a discount of approximately 20.27% to the theoretical ex-right price of approximately HK\$4.39 per Share based on the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 11.1% to the audited consolidated net asset value attributable to equity holders of the Company per Share as at 31 December 2014 of approximately HK\$3.935;
- (f) a discount of approximately 28.28% to the closing price of HK\$4.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a discount of approximately 16.47% to the theoretical ex-right price of approximately HK\$4.19 per Share based on the closing price of HK\$4.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Each Rights Share will have a par value of HK\$0.10.

The Rights Issue Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company and the current market conditions. Each Qualifying Shareholder will be entitled to subscribe for Rights Shares at the Rights Issue Price in proportion with his/her/its shareholding held on the Record Date.

The Directors (other than the independent non-executive Directors who have provided their views as set out in the Letter from the Independent Board Committee in this circular, after taking into account the advice from the Independent Financial Adviser) consider the terms of

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the Rights Issue, including the Rights Issue Price (and the discounts to the relative values indicated above) to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares with the Registrar on or before the Final Acceptance Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Dividend

Reference is made to the announcement of the Company dated 11 March 2015 in relation to the annual results for the year ended 31 December 2014. Pursuant to the completion of the Rights Issue, the final dividend for the year ended 31 December 2014 will be adjusted from HK\$0.155 per Share to HK\$0.0756 per Share (assuming no new Shares (other than Rights Shares) are issued and no repurchase of shares on or before the Record Date) or to HK\$0.0652 per Share (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date).

Fractions of the Rights Shares

The Company will not provisionally allot and will not accept applications for any fractions of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). All Nil-paid Rights arising from such aggregation will be provisionally allotted (in nil-paid form) to HTISCL, and will be sold in the market by HTISCL as an agent and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses and stamp duty) can be obtained. Any such unsold aggregate fractions of the Nil-paid Rights will be made available for excess application by the Qualifying Shareholders. No odd lot matching services will be provided.

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Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for:

- (a) any unsold Rights Shares which would have been allotted to the Non-Qualifying Shareholders had they been the Qualifying Shareholders;
- (b) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of the Nil-paid Rights; and
- (c) any unsold aggregate fractions of the Nil-paid Rights.

Applications for excess Rights Shares may be made only by the Qualifying Shareholders (including HTIH) and only by completing the EAFs (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by a time which is currently expected to be 4:00 p.m. on Friday, 15 May 2015 or such later time as may be agreed between the Company and the Joint Underwriters. Notwithstanding the provisions in the Prospectus Documents, the Company reserves the right to permit any Shareholder (whether as a direct holder or beneficial owner) whose registered address is in, or who is otherwise resident in, a jurisdiction other than Hong Kong to take up excess Rights Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations in that jurisdiction which would otherwise give rise to restrictions upon the offer or take-up of Rights Shares in that jurisdiction.

The Directors will, upon consultation with the Joint Underwriters allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

1. preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
2. after applying the principle in 1. above, the remaining excess Rights Shares, if any (if preference will be given) or all excess Rights Shares (if no preference will be given) will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares on a pro rata basis with reference to their number of excess Rights Shares applied for, with flexibility to round up to whole board lots at the discretion of the Directors.

In applying principles 1. and 2. above, reference will only be made to the number of excess Rights Shares applied for. No reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Investors with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the

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Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the beneficial owners individually save such beneficial owner(s) the Company shall permit in its absolute discretion. Investors with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) on or prior to the Record Date.

Investors whose Shares are held by their nominee(s) (or which are deposited in CCASS) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Friday, 24 April 2015.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue set out below, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or around Tuesday, 26 May 2015. Each successful applicant will receive one share certificate for all the Rights Shares allotted and issued to him/her/it.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted to the unsuccessful applicants on or around Tuesday, 26 May 2015 by ordinary post to the applicants at their own risk.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Rights Shares in both their nil-paid and fully-paid forms will be traded in board lots of 2,000 Shares.

Save for (i) the Convertible Bonds which are listed on the Singapore Stock Exchange and (ii) the RMB200,000,000 4.50% notes due 26 February 2018 to be issued under the Company's US\$1,000,000,000 medium term note programme which are listed on the Stock Exchange, no part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares

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in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealing and settlement arrangements for the Convertible Bonds on the Singapore Stock Exchange

The Convertible Bonds are traded on the Singapore Stock Exchange in minimum board lots of S\$200,000 or its equivalent in foreign currencies for so long as the Convertible Bonds are listed on the Singapore Stock Exchange. For so long as the Convertible Bonds are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, the Company will appoint and maintain a paying agent in Singapore, where the Convertible Bonds may be presented or surrendered for payment or redemption, in the event that the global certificates of the Convertible Bonds are exchanged for individual certificates of the Convertible Bonds. In addition, in the event that the global certificates of the Convertible Bonds are exchanged for individual certificates of the Convertible Bonds, an announcement of such exchange shall be made by or on behalf of the Company through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the individual certificates of the Convertible Bonds, including details of the paying agent in Singapore.

The Convertible Bonds represented by beneficial interests in the global certificates are registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Beneficial interests in the global certificates of the Convertible Bonds will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream, Luxembourg in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

Stamp duty and other applicable fees and charges

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

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UNDERWRITING ARRANGEMENT

The Underwriting Agreement

Date:	Wednesday, 18 March 2015
Joint Underwriters:	HTIH, CSCI and Qilu International Securities
Joint Global Coordinators:	HTISCL, CSCI and Qilu International Capital Limited
Joint Bookrunners:	HTISCL, CSCI, Qilu International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Changjiang Securities Brokerage (HK) Limited

HTIH is the controlling shareholder of the Company (as defined under the Listing Rules) and HTISCL is an indirect wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, each of CSCI and Qilu International Securities is an independent third party. The Joint Bookrunners (other than CSCI) have no underwriting commitment and are not acting as underwriters or otherwise involved in the distribution of the securities of the Company to investors in any way.

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Total number of Rights
Shares being
underwritten by the
Joint Underwriters:

The Joint Underwriters have conditionally agreed pursuant to the Underwriting Agreement to severally underwrite the Underwritten Shares on a fully underwritten basis to a minimum extent, being not less than 786,282,541 Rights Shares (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date) and to a maximum extent, being not more than 1,141,599,397 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement in the following manner:

- (a) first, HTIH shall subscribe, on the terms of the Prospectus Documents (so far as the same are applicable), for the lesser of (i) 100% of the Remaining Shares, and (ii) such number of Remaining Shares to the effect that (A) the Shares legally and/or beneficially held by HTIH, inclusive of such number of Rights Shares which HTIH has undertaken to accept pursuant to the Underwriting Agreement and any excess Rights Shares it has applied for under the EAFs and been allocated with, shall not exceed 75% of the entire issued share capital of the Company as enlarged by the Rights Shares to be issued under the Rights Issue; and (B) the minimum public float requirement under the Listing Rules is satisfied by the Company, and by no later than the end of the fifth Business Day after the Final Acceptance Date, HTIH shall pay or procure payment to the Company of the aggregate Rights Issue Price for such Shares taken up pursuant to the Underwriting Agreement. Following payment by or on behalf of HTIH pursuant to the Underwriting Agreement, all obligations and liabilities of HTIH as a Joint Underwriter under the Underwriting Agreement shall cease; and

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- (b) thereafter, CSCI and Qilu International Securities shall subscribe or procure subscribers on the terms of the Prospectus Documents (so far as the same are applicable) for any balance of the Remaining Shares (the “**Balance Remaining Shares**”) on a several basis in the manner set out below (together with HTIH’s commitment in paragraph (a) above, the “**Respective Commitment**”) after HTIH has performed its obligations under paragraph (a) above:

Joint Underwriter:	Respective Commitment:
CSCI	50% of the Balance Remaining Shares
Qilu International Securities	50% of the Balance Remaining Shares

For the avoidance of doubt, any Nil-paid Rights not so sold in accordance with the Underwriting Agreement shall be underwritten by the Joint Underwriters in proportion with their Respective Commitment set out above; and

- (c) by no later than 3:00 p.m. on the fifth Business Day after the Final Acceptance Date, each of CSCI and Qilu International Securities shall pay or procure payment to the Company of the aggregate Rights Issue Price for its Respective Commitment taken up pursuant to paragraph (b) above, subject to such deductions as it is permitted to make pursuant to the Underwritten Agreement. Following payment by or on behalf of CSCI and Qilu International Securities under this paragraph, all obligations and liabilities of CSCI and Qilu International Securities (as the case may be) under the Underwriting Agreement shall cease.

The obligations of each Joint Underwriter under the Underwriting Agreement shall be limited to and shall not exceed its Respective Commitment of the Remaining Shares and no Joint Underwriter shall have any liability or obligation in respect of any default by any other Joint Underwriter.

The Board considers the terms of the Underwriting Agreement to be on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned.

HTIH is a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92 of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21

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of the Listing Rules, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CSCI and Qilu International Securities and their respective ultimate holding company are independent third parties.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled:

- (a) publication of the Announcement pursuant to the Listing Rules by no later than 8:30 a.m. on the Business Day following the date of the Underwriting Agreement;
- (b) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Increase of Authorised Share Capital, the Specific Mandates, the Rights Issue (including the allotment and issue of the Rights Shares) and the respective transactions contemplated thereunder;
- (c) (i) the Nil-paid Rights of all Qualifying Shareholders and (ii) the Nil-paid Rights representing the aggregate of fractional entitlements and the entitlements of the Non-Qualifying Shareholders which would otherwise have to be allotted to HTISCL or its nominee/agent to be dealt with in accordance with the terms of the Underwriting Agreement having been provisionally allotted by a resolution of the Board on the terms set out in the Prospectus Documents;
- (d) Conditional Listing Approval having been obtained by no later than the Business Day prior to the first day of dealings in the Nil-paid Rights as set out in the Prospectus, and such permission not being withdrawn prior to the Latest Time for Termination;
- (e) each condition to enable the Nil-paid Rights and the Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the Conditional Listing Approval) having been satisfied not later than the Business Day prior to the first day of dealings in the Nil-paid Rights as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (f) the Stock Exchange issuing a certificate authorising registration of the Prospectus with the Hong Kong Companies Registry under section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Despatch Date (or such later time and/or date as the Company and the Joint Underwriters may agree in writing);

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- (g) a duly certified copy of the Prospectus (and other required documents) having been lodged with the Hong Kong Companies Registry not later than the Despatch Date, and the Hong Kong Companies Registry issuing a confirmation of registration letter not later than the Despatch Date;
- (h) posting of the Prospectus Documents to the Qualifying Shareholders not later than the Despatch Date;
- (i) the representations and warranties of the Company, HTIH and HTISCL contained in the Underwriting Agreement remaining true and accurate in all material respects and none of the undertakings of the Company, HTIH and HTISCL contained in the Underwriting Agreement having been breached;
- (j) compliance by the Company with all of its obligations under the Underwriting Agreement or in relation to the publication of the Announcement;
- (k) compliance by HTIH with all of its obligations under the Underwriting Agreement (save for its obligations regarding its role as an underwriter to the Rights Issue); and
- (l) receipt by the Joint Underwriters (in the form and substance to the satisfaction of the Joint Underwriters) of all relevant documents to be provided by the Company by the times specified in the Underwriting Agreement.

The Company shall use its best endeavours to procure the fulfilment of each of the conditions set out above (except paragraph (k) above), and HTIH shall use its best endeavours to procure the fulfilment of the conditions set out in paragraph (i) above (in respect of the representations, warranties and undertakings given by HTIH) and paragraph (k) above and HTISCL shall use its best endeavours to procure the fulfilment of each of the conditions set out in paragraph (i) above (in respect of the representations, warranties and undertakings given by HTISCL) and in particular the Company and the HTIH shall furnish such information, supply such documents, pay (in the case of the Company) such fees, give such undertakings and do all such acts and things as may reasonably be required by the Joint Underwriters and the Stock Exchange in connection with the listing of the Rights Shares.

The Joint Underwriters may at any time in writing waive any of the conditions set out above (except paragraphs (b), (d), (e), (f) and (g) or extend the time or date for fulfilment of any such condition (in which case a reference in the Underwriting Agreement to the satisfaction of such condition shall be to its fulfilment by the time or date as so extended) and such waiver or extension may be made subject to such terms and conditions as are determined by the Joint Underwriters.

If any of the conditions set out above (which has not previously been waived by the Joint Underwriters if capable of being waived under the Underwriting Agreement) is not fulfilled, or becomes incapable of fulfilment, on or prior to the relevant date specified in the Underwriting Agreement for fulfilment of the relevant condition or, if no such date is so specified or referred to, are not fulfilled on or prior to the Latest Time for Termination (or, in any such case, such later date or dates as the Joint Underwriters may agree with the Company in writing), the Underwriting Agreement (save in respect of certain breach(es) of the specific clause(s) in the

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Underwriting Agreement, and save for certain relevant clauses of the Underwriting Agreement which shall remain in full force and effect and save further that the Company shall pay the fees and expenses specified in the Underwriting Agreement (subject as provided in the relevant clause of the Underwriting Agreement)) shall terminate and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement occurring prior to such termination.

Lock-up provisions of HTIH

HTIH has undertaken that it shall not, without first having obtained the prior written consent of CSCI and Qilu International Securities, transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Share or any interest therein or any option, right or warrant in respect of any Share between the date of the Underwriting Agreement and the Record Date.

HTIH has also undertaken that it shall not, without the prior written consent of CSCI and Qilu International Securities, transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire (except by taking up Rights Shares provisionally allotted in respect of HTIH's beneficial shareholding interest in the Company pursuant to the Rights Issue or pursuant to the Underwriting Agreement or acquiring the Nil-paid Rights or submitting EAFs or as a Joint Underwriter in performance of its obligations under the Underwriting Agreement) any Share or any interest therein between the Record Date and the Final Acceptance Date.

HTIH has further undertaken to the Company and CSCI and Qilu International Securities that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Closing Date, it shall not:

- (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Rights Shares) or any interests therein beneficially owned or held by HTIH or any of its controlled companies or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests;
- (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in paragraph (i) or (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
- (iii) announce any intention to enter into or effect any such transaction described in paragraph (i) or (ii) above,

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unless with the prior written consent of CSCI and Qilu International Securities, provided that the lockup provisions of HTIH shall not apply (a) if the Underwriting Agreement does not become unconditional and is terminated pursuant to the Underwriting Agreement; or (b) the Underwriting Agreement is terminated by the Joint Underwriters pursuant to the Underwriting Agreement.

Lock-up provisions of the Company

The Company has undertaken to the Joint Underwriters, and HTIH has undertaken to CSCI and Qilu International Securities to procure, that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the Closing Date, the Company shall not (except for allotment or issue of Shares (i) pursuant to the Rights Issue; (ii) upon exercise of the outstanding Share Options; or (iii) upon conversion of the outstanding Convertible Bonds by the holders thereof):

- (a) allot or issue or offer to allot or issue or grant any option, right or warrant (save for the Share Options or share awards granted to the Company's employees) to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (b) buy back, cancel, retire, reduce, redeem, re-purchase, purchase or otherwise acquire any Shares;
- (c) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any such transaction described in paragraphs (a) to (c) above,

unless with the prior written consent of CSCI and Qilu International Securities.

Irrevocable Undertaking from HTIH

Pursuant to the Underwriting Agreement, HTIH has irrevocably undertaken to the Company, CSCI and Qilu International Securities to accept or procure the acceptance of the Committed Shares to be provisionally allotted to it in respect of the Shares set out in the Underwriting Agreement which are registered in its name on the date of the Underwriting Agreement and which HTIH undertakes to the Company, CSCI and Qilu International Securities will remain registered in its name on the Record Date. HTIH shall procure that the PALs in respect of the Rights Shares to be provisionally allotted to it shall be lodged with the Registrar with payment therefor in accordance with the terms of the Prospectus Documents by no later than 4:00 p.m. on the Final Acceptance Date and HTIH agrees to deliver or procure the delivery of a certified true copy of such PALs to each of CSCI and Qilu International Securities by no later than 4:00 p.m. on the Final Acceptance Date.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Joint Underwriters shall have the right to rescind or terminate the Underwriting Agreement by notice in writing given by CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) to the Company at any time prior to the Latest Time for Termination, if:

- (a) any matter or circumstance arises as a result of which any of the conditions set out in the Underwriting Agreement has become incapable of satisfaction as at the required time;
- (b) any breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Joint Underwriters, or there has been a breach on the part of the Company, HTIH or HTISCL of any other provisions of the Underwriting Agreement, or the Joint Underwriters have cause to believe that any such breach has occurred;
- (c) any statement contained in this circular and/or the Prospectus has become or been discovered to be untrue, inaccurate, incomplete or misleading in any material respect;
- (d) any matter arises or is discovered which would, if the Prospectus was to be issued at the time, constitute material omission therefrom;
- (e) there is any event or change or any other reason (whether or not permanent) which would or may result in that a supplemental prospectus or any document of a similar nature is or will be or is required to be issued in circumstances where the matter to be disclosed, in the absolute opinion of the Joint Underwriters, prejudicially and materially affects or may prejudicially and materially affect the success of the Rights Issue, or makes or may make it inadvisable or inexpedient to proceed with the Rights Issue;
- (f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group which in the sole opinion of the Joint Underwriters acting in good faith is material in the context of the Rights Issue; or
- (g) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (i) any change in, or any event or series of events likely to result in any change in (whether or not permanent) local, national or international financial, political, economic, military, industrial, legal, fiscal, regulatory, currency or securities market matters or conditions or currency exchange rates or exchange controls (including without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States) in Hong Kong, the United States, the European Union, or the PRC;

LETTER FROM THE BOARD

- (ii) any new laws, rules, statutes, ordinances, regulations, guidelines or circulars (in each case, to the extent mandatory or, if not complied with, the basis for legal or regulatory consequences), orders, judgements, decrees or rulings of any governmental authority (the “**Laws**”) or changes in existing Laws or any development including a prospective change in existing Laws in Hong Kong or any other place in which any member of the Group conducts or carries on business;
- (iii) any event of force majeure affecting Hong Kong, the United States, the European Union, or the PRC including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, strike or lock-out (whether or not covered by insurance);
- (iv) the declaration of a banking moratorium by PRC, Hong Kong, European Union or United States authorities;
- (v) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the London Stock Exchange, the New York Stock Exchange or NASDAQ or any major disruption of any securities settlement or clearing services in Hong Kong; or
- (vi) any suspension of dealings in the Shares for a period of more than two Business Days (other than any announcement regarding the Rights Issue),

which, in the sole opinion of the Joint Underwriters: (1) has or will have, or is likely to have, a material adverse effect on the financial condition, prospects, assets, business, results of operations or liabilities of the Group, taken as a whole, whether or not arising in the ordinary course of business or is or will be, or is likely to be, materially adverse to any present or prospective Shareholder in its capacity as such; (2) has or will have or is likely to have a material adverse impact on the success of the Rights Issue or dealings in the Rights Shares in the secondary market; or (3) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in this circular and the Prospectus Documents.

In the event CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) exercise the right to terminate the Underwriting Agreement upon the giving of written notice of termination prior to the Latest Time for Termination, all the obligations of the parties under the Underwriting Agreement shall cease and terminate immediately and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach).

LETTER FROM THE BOARD

If CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) exercise such right, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Joint Underwriters.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS

The Underwriting Agreement contains provisions granting the Joint Underwriters a right to terminate their obligations under the Underwriting Agreement upon the occurrence of certain events. Please refer to the section headed “Underwriting Arrangement” for further details. The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If this condition is not fulfilled, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 23 April 2015. Dealings in the Nil-paid Rights are expected to take place from Tuesday, 5 May 2015 to Tuesday, 12 May 2015 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Nil-paid Rights is advised to exercise caution when dealing in the Shares and/or the Nil-paid Rights.

Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company under various scenarios.

- (i) Assuming no new Shares (other than the Rights Shares) will be issued and no repurchase of Shares on or before the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders and HTIH take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and HTIH takes up all the Committed Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Joint Underwriters						
(Note 1)						
HTIH (Note 2)	1,453,087,080	64.89	2,906,174,160	64.89	3,357,981,643	74.98
CSCI	—	0	—	0	167,237,529	3.735
Qilu International Securities	—	0	—	0	167,237,529	3.735
Total Directors' interest (Note 3)	1,072,788	0.05	2,145,576	0.05	1,072,788	0.02
Other Shareholders	<u>785,209,753</u>	<u>35.06</u>	<u>1,570,419,506</u>	<u>35.06</u>	<u>785,209,753</u>	<u>17.53</u>
Total	<u>2,239,369,621</u>	<u>100</u>	<u>4,478,739,242</u>	<u>100</u>	<u>4,478,739,242</u>	<u>100</u>

Notes:

- (1) Pursuant to the Joint Underwriters' underwriting obligations under the Underwriting Agreement.
- (2) HTIH is also a controlling shareholder (as defined under the Listing Rules) of the Company and has irrevocably undertaken to take up 1,453,087,080 Rights Shares under the Rights Issue. HTIH may also apply for excess Rights Shares under the Rights Issue. Assuming none of the Rights Shares is taken up by the Qualifying Shareholders, the aggregate shareholding of HTIH immediately after completion of the Rights Issue, taking into account 1,453,087,080 Shares it has irrevocably undertaken to accept, such number of excess Rights Shares it has applied for and been allotted with (if any) and such number of Rights Shares it has to subscribe for pursuant to its underwriting obligations under the Underwriting Agreement, shall not exceed 75% of the enlarged issued share capital of the Company immediately after completion of the Rights Issue.
- (3) The 1,072,788 Shares are held by Mr. Lin Yong as beneficial owner.

LETTER FROM THE BOARD

- (ii) Assuming new Shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders and HTIH take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares and HTIH takes up all Committed Shares	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Joint Underwriters						
<i>(Note 1)</i>						
HTIH <i>(Note 2)</i>	1,453,087,080	64.89	2,906,174,160	56.00	3,883,079,983	74.83
CSCI	—	0	—	0	82,346,787	1.59
Qilu International Securities	—	0	—	0	82,346,787	1.59
Total Directors' interest <i>(Note 6)</i>						
	1,072,788	0.05	2,145,576	0.05	1,072,788	0.02
Other Shareholders	785,209,753	35.06	1,570,419,506	30.26	785,209,753	15.13
Holders of Share Options <i>(Note 3)</i>						
Directors	—	0	15,753,890	0.30	7,876,945	0.15
Employees	—	0	36,519,714	0.70	18,259,857	0.35
Holders of Convertible Bonds <i>(Note 4)</i>						
	—	0	658,360,108	12.69	329,180,054	6.34
Total	<u>2,239,369,621</u>	<u>100</u>	<u>5,189,372,954</u>	<u>100</u>	<u>5,189,372,954</u>	<u>100</u>

Notes:

- (1) Pursuant to the Joint Underwriters' underwriting obligations under the Underwriting Agreement.
- (2) HTIH is also a controlling shareholder (as defined under the Listing Rules) of the Company. HTIH may also apply for excess Rights Shares under the Rights Issue. Assuming none of the Rights Shares is taken up by the Qualifying Shareholders, the aggregate shareholding of HTIH immediately after completion of the Rights Issue, taking into account 1,453,087,080 Shares it has irrevocably undertaken to accept, such number of excess Rights Shares it has applied for and been allotted with (if any) and such number of Rights Shares it has to subscribe for pursuant to its underwriting obligations under the Underwriting Agreement, shall not exceed 75% of the enlarged issued share capital of the Company immediately after completion of the Rights Issue.

LETTER FROM THE BOARD

- (3) Pursuant to the full exercise of the Share Options.
- (4) Pursuant to the full exercise of all the conversion rights attaching to the Convertible Bonds.
- (5) For illustrative purposes only. The Company has implemented internal control measures to ensure that in the event that the public float requirements of the Company pursuant to Rule 8.08 of the Listing Rules cannot be met on or after the date of allotment and issue of the Right Shares, the Company will ensure that HTIH disposes of its Shares prior to the issuance and allotment of Shares to the relevant Share Option holders. Pursuant to Rule 8.08 of the Listing Rules, the Company will maintain a public float of 25% at all times.
- (6) The 1,072,788 Shares are held by Mr. Lin Yong as beneficial owner.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company through its subsidiaries, offers services in six business segments including corporate finance, brokerage and margin financing, investment management, fixed income, currency and commodities, leveraged and acquisition finance and equity derivatives.

The estimated net proceeds of the Rights Issue will not be less than approximately HK\$7,803.31 million (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date) and not more than approximately HK\$9,046.92 million (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date).

The expenses in relation to the Rights Issue (including the underwriting fee, printing, registration, legal, accounting and documentation charges) are estimated to be approximately HK\$34.48 million.

The launch of the Shanghai-Hong Kong Stock Connect jointly developed by Hong Kong Exchanges and Clearing Limited and Shanghai Stock Exchange have driven up investment in A shares. This favourable stock connect initiative has given a boost to the Company's overall trading volume and margin financing scale. With the upcoming Shenzhen-Hong Kong Connect, it is envisaged that the Company's trading volume and margin financing scale will leap further. Hence, the Company intends to apply 60% of the net proceeds from the Rights Issue to support and develop its brokerage and margin financing business.

In an effort to continue to exploit its advantages in RMB product offerings and enhance the scale of its trading platform; and foster the development of RMB dim sum bonds and USD-denominated credit bonds trading and underwriting as well as ETF market making, the Company expects to apply 20% of the net proceeds from the Rights Issue to meet the funding requirements of the fixed income, currency and commodities and equity derivatives segments.

LETTER FROM THE BOARD

The leveraged and acquisition finance segment is mainly engaged in provision of comprehensive investment and financing solutions to listed corporate clients for their corporate actions and shareholder activities. This segment seeks to maximise returns to the Group while keeping business risk in check. The Company expects to apply 10% of the net proceeds from the Rights Issue to support and develop the business of this segment.

The remaining 10% of the net proceeds from the Rights Issue will be used for general working capital purposes.

The Board considers that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs, but will also allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current market price of the Shares. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

TAXATION

The Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Nil-paid Rights or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the Nil-paid Rights on their behalf.

EQUITY FUND RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

The following sets out the equity fund raising activities of the Company during the past twelve months immediately preceding the date of the Announcement and the Latest Practicable Date:

Date of initial announcement	Equity fund-raising activity	Intended use of net proceeds	Actual use of net proceeds
22 April 2014	Rights issue of 697,979,812 rights shares at the rights issue price of HK\$3.80 each on the basis of one rights share for every two existing shares held on 8 May 2014, being the record date	The Group intended to apply 70%, 10% and 20% (or approximately HK\$1,850,000,000, HK\$260,000,000 and HK\$533,423,000) of the net proceeds from the rights issue for further development of the Group's business, refinancing and general corporate purpose respectively	The total net proceeds raised from the rights issue was approximately HK\$2,643.423 million. Approximately 44% and 33% of the raised proceeds have been used to support the Group's derivatives trading and fixed income, currency and commodity activities respectively and the remainder of approximately 23% of the raised proceeds has been used to support the Group's brokerage and margin financing activities.

LETTER FROM THE BOARD

Date of initial announcement	Equity fund-raising activity	Intended use of net proceeds	Actual use of net proceeds
24 October 2014	Issue of the 2014 CBs	To fund the expansion of business operations and for general corporate purposes	The total net proceeds raised from the issue of the 2014 CBs were approximately HK\$1,141.538 million. Approximately 64% of the raised proceeds has been used to support the Group's fixed income, currency and commodity activities and the remainder of 36% of the raised proceeds has been used to support the Group's brokerage and margin financing activities.

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of the Announcement and the Latest Practicable Date.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS AND THE CONVERTIBLE BONDS

As a result of the Rights Issue, (1) the exercise prices of, and/or the number or nominal amount of Shares subject to, the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme, (2) the conversion price of the outstanding 2013 CBs will be adjusted from HK\$3.61 to HK\$3.13 with effect from Thursday, 23 April 2015 in accordance with the terms and conditions of the 2013 CBs and (3) the conversion price of the outstanding 2014 CBs will be adjusted from HK\$6.00 to HK\$5.21 with effect from Thursday, 23 April 2015 in accordance with the terms and conditions of the 2014 CBs. The Company will make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL OF THE COMPANY

The existing authorised share capital of the Company is HK\$450,000,000 divided into 4,500,000,000 Shares, of which 2,239,369,621 Shares were in issue as at the Latest Practicable Date. In order to accommodate future issues of Shares which shall include but not limited to the issue of the Rights Shares and the issue of new Shares pursuant to (i) exercise of the outstanding Share Options and (ii) conversion of the outstanding Convertible Bonds, the Board proposes to increase the authorised share capital of the Company to HK\$1,000,000,000 divided into 10,000,000,000 Shares, by the creation of an additional 5,500,000,000 Shares. Save for the above, the Directors have no present intention of issuing any part of the authorised share capital of the Company proposed to be increased.

The Increase of Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

LETTER FROM THE BOARD

SPECIFIC MANDATES FOR ALLOTMENT AND ISSUE OF CONVERSION SHARES IN RELATION TO THE CONVERTIBLE BONDS

Background

Reference is made to the CB Announcements.

On 18 July 2013 and 10 October 2013 respectively, the Company issued two tranches of the 2013 CBs in an aggregate principal amount of HK\$1,008,000,000. As at the Latest Practicable Date, the Company has outstanding 2013 CBs in an aggregate principal amount of HK\$488,000,000, which entitle the holders thereof to convert the outstanding 2013 CBs into a total of 135,180,055 Conversion Shares at the prevailing conversion price of HK\$3.61 per Share, among which 130,730,626 and 4,449,429 Conversion Shares were to be issued by the Company under the 2013 General Mandate and the 2014 General Mandate, respectively.

On 4 November 2014, the Company issued the 2014 CBs in an aggregate principal amount of HK\$1,164,000,000. As at the Latest Practicable Date, the Company had outstanding 2014 CBs in an aggregate principal amount of HK\$1,164,000,000, which entitle the holders thereof to convert the outstanding 2014 CBs into a total of 193,999,999 Conversion Shares at the prevailing conversion price of HK\$6.00 per Share, among which 193,999,999 Conversion Shares would be issued by the Company under the 2014 General Mandate.

As at the Latest Practicable Date, the 2013 General Mandate had been fully utilised and save for the 4,449,429 Conversion Shares to be issued pursuant to the 2013 CBs and the 193,999,999 Conversion Shares to be issued pursuant to the 2014 CBs, the 2014 General Mandate had not been otherwise utilised. The number of remaining Shares to be issued pursuant to the 2014 General Mandate was 80,742,496 Shares.

Procedures for conversion of the 2013 CBs

To exercise its conversion right, a holder of the 2013 CBs shall complete, execute and deposit at its own expense, a notice of conversion together with the relevant bond certificate and confirmation that amounts payable by the holder of the 2013 CBs pursuant to the terms and conditions of the 2013 CBs have been paid.

Regarding the exercise of the conversion rights attaching to the 2013 CBs in respect of which a duly completed notice of conversion and the relevant bond certificate have been delivered and any amounts payable by the holder of the 2013 CBs have been paid in accordance with the terms and conditions of the 2013 CBs, the Company will as soon as practicable, and in any event not later than five Stock Exchange business days after the conversion date, register the person or persons designated for the purpose in the notice of conversion as holder(s) of the relevant number of Shares in the Company's share register.

The Company will, if the holders of the 2013 CBs so request and to the extent permitted under applicable law and rules and procedures of CCASS, take all necessary action to procure that Shares are delivered through CCASS for so long as the Shares are listed on the Stock Exchange, or make such certificate(s) available for collection at the Company's share registrar in Hong Kong whose address is specified in the terms and conditions of the 2013 CBs, or

LETTER FROM THE BOARD

cause its share registrar to mail (at the risk, and if sent at the request of such person otherwise than by ordinary mail, at the expense of, the person to whom such share certificate(s) are sent) such share certificate(s) to the person and at the place specified in the notice of conversion.

Adjustment of conversion price of the 2013 CBs and the 2014 CBs and reasons for the proposed grant of the Specific Mandates

As disclosed in the CB Announcements, the conversion price of the 2013 CBs and the 2014 CBs is subject to adjustment from time to time upon, amongst other things, the occurrence of (i) consolidation, subdivision or reclassification of Shares, (ii) capitalisation of profits or reserves, (iii) capital distributions, (iv) rights issues of Shares or options over Shares, (v) rights issues of other securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares), (vi) issues of any Shares (other than Shares issued on the exercise of the conversion rights of the 2013 CBs or the 2014 CBs or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than the current market price, (vii) other issues at less than the current market price, (viii) modification of rights of conversion, (ix) other offers to shareholders and other dilutive events, and (x) at the determination by the Company.

As disclosed in the CB Announcements, the conversion price of the 2013 CBs had been adjusted on various occasions, resulting in the number of Conversion Shares to be issued upon full conversion of the 2013 CBs exceeding the 2013 General Mandate. As a result of the Rights Issue and consequently the possible downward adjustment to the conversion price of the 2013 CBs:

- (a) the number of Conversion Shares which may be issued upon full conversion of the outstanding 2013 CBs will result in the 2013 General Mandate being further exceeded; and
- (b) the number of Conversion Shares which may be issued upon full conversion of the outstanding 2013 CBs and 2014 CBs may result in the 2014 General Mandate being exceeded.

Further, in the event that the conversion price of the Convertible Bonds is further adjusted downwards in the future, the remaining Shares available for issue under the Company's general mandate may not be sufficient to cover all Conversion Shares which may be issued upon full conversion of the relevant Convertible Bonds. In such circumstances, the Company may be in breach of its obligations under the terms and conditions of the Convertible Bonds to use reasonable endeavours to obtain and maintain a listing for all the Shares issued upon conversion of the Convertible Bonds and to deliver the Conversion Shares as and when required.

In light of the above, the Company will seek the Specific Mandates from its Shareholders at the SGM for the approval of the allotment and issue of any and all Conversion Shares upon the full conversion of the outstanding 2013 CBs and 2014 CBs.

LETTER FROM THE BOARD

The Directors consider that the grant of the Specific Mandates is necessary for the Company to fulfill its obligations under the terms and conditions of the Convertible Bonds. The Directors (including the independent non-executive Directors) are of the view that the allotment and issue of any and all Conversion Shares upon conversion of outstanding 2013 CBs and the outstanding 2014 CBs pursuant to the Specific Mandates sought is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue shall be conditional on approval by Shareholders at a general meeting.

Pursuant to Rule 7.19(6) of the Listing Rules, any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions relating to the Rights Issue. As at the Latest Practicable Date, HTIH controlled or was entitled to exercise control over the voting rights in respect of 1,453,087,080 Shares, representing approximately 64.89% of the issued share capital of the Company and is thus a controlling shareholder of the Company. Accordingly, HTIH and its associates will abstain from voting in favour of the resolution relating to the Rights Issue at the SGM. HTIH does not have any intention to vote against the resolution relating to the Rights Issue at the SGM.

The Rights Issue is conditional on, among other things, being approved by the Independent Shareholders at the SGM. The Independent Board Committee has been established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the SGM. In this connection, Industrial Securities (HK) Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

There is no Shareholder who is required to abstain from voting in respect of the resolutions to approve the Increase of Authorised Share Capital or the Specific Mandates.

SGM

A notice convening the SGM to be held at 10:30 a.m. on Tuesday, 21 April 2015 at Multi-function Room, 19th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong is set out on pages 100 to 103 of this circular. A proxy form for use at the SGM and any adjournment thereof is enclosed with this circular. Such proxy form can also be downloaded from the websites of HKEx (www.hkexnews.hk) and the Company (www.htisec.com).

Whether or not you are able to attend the SGM or any adjourned meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to 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 as soon as possible and in any event not less than 48 hours before the time appointed for

LETTER FROM THE BOARD

holding the SGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 44 to 68 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

The Directors are of the opinion that the proposals for the Increase of Authorised Share Capital and the Specific Mandates are in the best interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the proposed resolutions approving the Increase of Authorised Share Capital and the Specific Mandates.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



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)

31 March 2015

To the Independent Shareholders

Dear Sirs or Madams

**PROPOSED RIGHTS ISSUE OF RIGHTS SHARES AT
THE RIGHTS ISSUE PRICE OF HK\$3.50 EACH
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the circular dated 31 March 2015 (the “**Circular**”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the terms of the Rights Issue and to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect thereof at the SGM. In this connection, Industrial Securities (HK) Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 44 to 68 of the Circular which contains, inter alia, its advice and recommendation to us and the Independent Shareholders regarding the terms of the Rights Issue with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE
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Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Rights Issue are fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully

**Independent Board Committee of
Haitong International Securities Group Limited**

Mr. TSUI Hing Chuen William

Mr. LIN Ching Yee Daniel

Mr. LAU Wai Piu

Mr. WEI Kuo-chiang

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Industrial Securities to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



30/F
AIA Central
1 Connaught Road Central
Hong Kong

31 March 2015

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

PROPOSED RIGHTS ISSUE OF RIGHTS SHARES AT THE RIGHTS ISSUE PRICE OF HK\$3.50 EACH ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 31 March 2015, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 18 March 2015, the Company announced that the Company proposes to raise not less than approximately HK\$7,837,793,673.5 but not more than approximately HK\$9,081,402,669.5, before expenses, by way of a rights issue of not less than 2,239,369,621 Rights Shares but not more than 2,594,686,477 Rights Shares to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at a price of HK\$3.50 per Rights Share. Further, on 18 March 2015, the Company and the Joint Underwriters entered into the Underwriting Agreement in respect of the proposed Rights Issue.

According to the Board Letter, as at the Latest Practicable Date, there were 26,136,802 Share Options outstanding with the rights to subscribe for 26,136,802 Shares. Assuming full exercise of all outstanding Share Options on or before the Latest Lodging Date, 26,136,802 additional Rights Shares would be issued.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, there were outstanding Convertible Bonds in the aggregate principal amount of HK\$1,652,000,000 convertible into (i) 135,180,055 Shares at the prevailing conversion price of HK\$3.61 per Share (subject to adjustment) and (ii) 193,999,999 Shares at the prevailing conversion price of HK\$6.00 per Share (subject to adjustment). Assuming the full exercise of all conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, 329,180,054 additional Rights Shares would be issued.

Assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date, the 2,239,369,621 Rights Shares proposed to be provisionally allotted represent approximately 100% of the Company's issued share capital as at the Record Date and approximately 50% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

Save for the outstanding Share Options and Convertible Bonds as detailed above, as at the Latest Practicable Date, the Company had no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares.

As at the Latest Practicable Date, HTIH controlled or was entitled to exercise control over the voting rights in respect of 1,453,087,080 Shares, representing approximately 64.89% of the issued share capital of the Company and is thus a controlling shareholder and connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction of the Company. Pursuant to Rule 14A.92 of the Listing Rules, as arrangements have been made in relation to excess applications in compliance with Rule 7.21 of the Listing Rules, the Underwriting Agreement is exempted from all reporting, announcement and independent shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, CSCI and Qilu International Securities and their respective ultimate holding company are independent third parties.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue shall be conditional on approval by Shareholders at a general meeting. Pursuant to Rule 7.19(6) of the Listing Rules, any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions relating to the Rights Issue. As HTIH is a controlling shareholder of the Company, HTIH and its associates will abstain from voting in favour of the resolutions relating to the Rights Issue at the SGM. HTIH does not have any intention to vote against the resolution relating to the Rights Issue at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. TSUI Hing Chuen William, Mr. LAU Wai Piu, Mr. LIN Ching Yee Daniel and Mr. WEI Kuo-chiang, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to voting in respect thereof at the SGM.

We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Rights Issue at the SGM.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have not acted as the independent financial adviser to the Company's other transactions. Apart from normal professional fees in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate up to the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion, and we have discussed with the management of the Company so as to assess the fairness and reasonableness of the terms of the Rights Issue. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs of the Group. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken the following principal factors and reasons into consideration:

A. Background Information and Prospects of the Group

(a) Principal Business

As set out in the Board Letter, the Company through its subsidiaries, offers services in six business segments including corporate finance, brokerage and margin financing, investment management, fixed income, currency and commodities, leveraged and acquisition finance and equity derivatives.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Historical Financial Information

Set out below is a summary of (i) the announced consolidated financial results of the Group for the year ended 31 December 2014, as extracted from the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**") dated 11 March 2015; (ii) the audited consolidated financial results of the Group for the year ended 31 December 2013, as extracted from the Company's annual report for the year ended 31 December 2013 (the "**2013 Annual Report**"); and (iii) the unaudited consolidated interim financial results of the Group for the six months ended 30 June 2014 and 30 June 2013 respectively, as extracted from the Company's interim reports for the six months ended 30 June 2014 and for the six months ended 30 June 2013 respectively (the "**Interim Reports**"):

Consolidated Statement of Profit or Loss

	For the year ended 31 December		For the six months ended 30 June	
	2014	2013	2014	2013
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2,713,291	1,646,814	1,077,357	702,260
Brokerage and margin financing	1,181,294	802,310	493,561	352,309
Corporate finance	396,294	167,854	130,531	58,084
Investment management	123,457	92,346	61,033	46,330
Leveraged and acquisition finance (Structured financing) (<i>Note 1</i>)	421,206	401,029	242,603	174,101
Fixed income, currency and commodities	233,953	187,390	135,139	76,437
Equity derivatives (<i>Note 2</i>)	196,417	(8,156)	—	—
Investment holdings (<i>Note 3</i>)	160,670	4,041	—	—
Others	—	—	14,490	(5,001)
Profit for the year attributable to the owners of the Company	<u>1,018,269</u>	<u>529,152</u>	<u>351,719</u>	<u>220,292</u>

Note 1: As stated in the 2014 Annual Report, during the year ended 31 December 2014, in order to more accurately reflect the activities of the "Structured financing" segment, this segment is renamed as "Leveraged and acquisition finance".

Note 2: As stated in the 2014 Annual Report, owing to the rapid expansion of the "Equity derivatives" segment and its positive contribution to the Group's result, this segment is separately reported for the year ended 31 December 2014. Comparative figures for the year ended 31 December 2013 have been restated.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 3: As stated in the 2014 Annual Report as the “Others” segment mainly comprises investment activities with remarkable performance, it is properly named as “Investment holdings” segment for the year ended 31 December 2014. Comparative figures for the year ended 31 December 2013 have been restated.

Consolidated Statement of Financial Position

	For the year ended 31 December		For the six months ended 30 June	
	2014	2013	2014	2013
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	4,230,761	2,722,899	2,496,425	2,254,407
Total current assets	43,929,212	26,715,205	33,204,685	16,519,578
Total equity	8,596,502	4,920,252	7,743,804	4,535,657
Total non-current liabilities	6,994,275	1,407,686	1,423,460	17,202
Total current liabilities	32,569,196	23,110,166	26,533,846	14,221,126

As shown in the above tables, for the year ended 31 December 2014, the Group recorded a total revenue of approximately HK\$2,713.29 million and a total profit for the year attributable to the owners of the Company of approximately HK\$1,018.27 million, representing a year-on-year increase of approximately 64.76% and approximately 92.43% respectively, from a total revenue of approximately HK\$1,646.81 million and a total profit for the year attributable to the owners of the Company of approximately HK\$529.15 million for the year ended 31 December 2013. For the year ended 31 December 2014, total assets and total equity of the Group amounted to approximately HK\$48,159.97 million and approximately HK\$8,596.50 million, representing an increase of approximately 63.60% and approximately 74.72%, respectively over the corresponding period of the previous year. Moreover, all the business segments of the Group recorded an increase in their respective revenue for the financial year 2014 over the corresponding period of the previous year.

For the six months ended 30 June 2014, the Group recorded a total revenue of approximately HK\$1,077.36 million and a total profit for the year attributable to the owners of the Company of approximately HK\$351.72 million, representing an increase of approximately 53.41% and approximately 59.67% as compared to the corresponding amounts for the six months ended 30 June 2013 respectively. For the six months ended 30 June 2014, total assets and total equity of the Group amounted to approximately HK\$35,701.11 million and approximately HK\$7,743.80 million, representing an increase of approximately 90.16% and approximately 70.73%, respectively over the corresponding period of the previous year. Moreover, all the business segments of the Group recorded an increase in their respective revenue for the six months ended 30 June 2014 over the corresponding period of the previous year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the 2014 Annual Report and advised by the management of the Company, we note that the growth in the Group's revenues and business for the financial year 2014 was mainly attributed to the following aspects:

- (i) the Group completed the transformation from a traditional brokerage firm to a comprehensive financial institution two years ago, as a result, its revenue structure and business mix has turned more diversified. On the basis of the existing major business segments which have already taken shape, the Group encourages and supports each of the business segments to expand in breadth and depth through proactive innovation and to identify new growing points for further business development factoring in market conditions, customer needs and their respective competitive edges;
- (ii) in 2014, with the launch of the Shanghai-Hong Kong Stock Connect jointly developed by Hong Kong Exchanges and Clearing Limited (“**HKEx**”) and Shanghai Stock Exchange, overseas investors have been driven to scramble for A shares. The Group, as an “Renminbi (“**RMB**”) investment and financing expert”, has witnessed marked growth in its asset management scale, doubling turnover from equities and derivatives market making as well as increase in trading commission from retail customers by making efforts to seize opportunities from new business growth points identified from the favourable stock connect initiative;
- (iii) during 2014, the Group continued to expand its financing channels in order to earmark ample funds for future business uses, altogether raising HK\$11.8 billion by way of syndicated loans, rights issue and issuance of convertible bonds and USD-denominated bonds, in turn lifting the leverage ratio from 3.37 times as at the end of 2013 to 3.96 times, a level which still remains healthy and sustainable. The Group has effectively deployed its capital to proactively expand its customer base for the brokerage and margin financing segment to tap opportunities arising from the launch of the stock connect. The efforts made to innovate business training and to upgrade and optimise online trading platform and system coupled with the marketing initiatives for new products and services through multi-channels have given a boost to overall trading volume and also to the rapid growth of the margin financing scale. Furthermore, the leveraged and acquisition finance segment, which is principally engaged in provision of comprehensive investment and financing solutions to listed corporate clients for their corporate actions and shareholder activities, mainly derives its revenue from interest income and arrangement, as well as advisory fee. During 2014, the segment set up a “five-grade risk assessment system” to track the risk exposure of each particular project, with risk indicators set for such factors as collateral, industry breakdown, project duration and project size for the sake of keeping business risk in check while seeking to maximise returns to the Group;

- (iv) during 2014, due to the opening-up of China's capital market and internationalisation of RMB, the Group, as a leading RMB product player in the Hong Kong market, has leveraged its competitive edge on the path of RMB internationalisation to develop its business in the investment management segment and the fixed income, currency and commodities segment; and
- (v) in the second half of 2014, the Group sought to expand its presence in the world's markets by moves such as initiating and facilitating the acquisition of Japaninvest, an independent equity research broker listed on the Tokyo Stock Exchange. The move marks a key step for the Group's foray into the global market, enabling the Group to extend the reach of its business network to London, New York and Tokyo and to establish an extensive institutional client base through research report releases, in turn presenting new business opportunities for its corporate finance, research sales and asset management segments.

(c) Prospects of the Group

As stated in the 2014 Annual Report and advised by the management of the Company, the Shanghai-Hong Kong Stock Connect has presented new opportunities to both PRC and Hong Kong brokerage firms, and has also brought intense competition to Hong Kong's financial industry. Meanwhile, as China's financial market reform has been speeding up, the pace of RMB internationalization will quicken as well. In addition, the Directors considers that the upcoming Shenzhen-Hong Kong Stock Connect would become the market's spotlight in the near future offering investors across the border and elsewhere with more diversified opportunities. In this context, the Group will continue to seek development geared towards customers' needs, broaden its client base into the international market and expand the depth and breadth of its various operations and business. In addition, the Group will ride fully the trend of RMB internationalisation and financial innovation and to promote its capital deployment capability further, with an ultimate aim of providing customers with a comprehensive set of quality financial services and creating value for all Shareholders, investors and customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Reasons for the Rights Issue and Use of the Proceeds

(a) Use of the Proceeds

As set out in the Board Letter, the estimated net proceeds of the Rights Issue will not be less than approximately HK\$7,803.31 million (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date) and not more than approximately HK\$9,046.92 million (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date). The expenses in relation to the Rights Issue (including the underwriting fee, printing, registration, legal, accounting and documentation charges) are estimated to be approximately HK\$34.48 million.

The Group intends to apply the net proceeds of the Rights Issue in the following manner:

- (i) 60% of the net proceeds from the Rights Issue will be applied to support and develop its brokerage and margin financing business. As stated in the Board Letter, the launch of the Shanghai-Hong Kong Stock Connect jointly developed by HKEx and Shanghai Stock Exchange has driven up investment in A shares. This favourable stock connect initiative has given a boost to the Company's overall trading volume and margin financing scale. With the upcoming Shenzhen-Hong Kong Connect, it is envisaged that the Company's trading volume and margin financing scale will leap further;
- (ii) 20% of the net proceeds from the Rights Issue will be applied to meet the funding requirements of the fixed income, currency and commodities and equity derivatives segments to enhance the scale of the Group's trading platform, to foster the development of RMB dim sum bonds and USD-denominated credit bonds trading and underwriting as well as exchange traded funds market making. As stated in the 2014 Annual Report, in order to exploit the Group's advantages in RMB product offering, the Group has taken dim sum bonds and USD-denominated Chinese credit bonds as the focus of market making transactions and bond underwriting. The bond underwriting team of the Group has completed a number of sizable issuance and further issuance of bonds to cater for the Group's business development, with its sales network expanded to cover over 300 institutional clients within and outside the PRC. In December 2014, the sub-segment regarding the currency and commodity-related business of the Group was designated by the HKEx as one of the market makers for the first batch of London Aluminium/Zinc/Copper Mini Futures Contracts;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

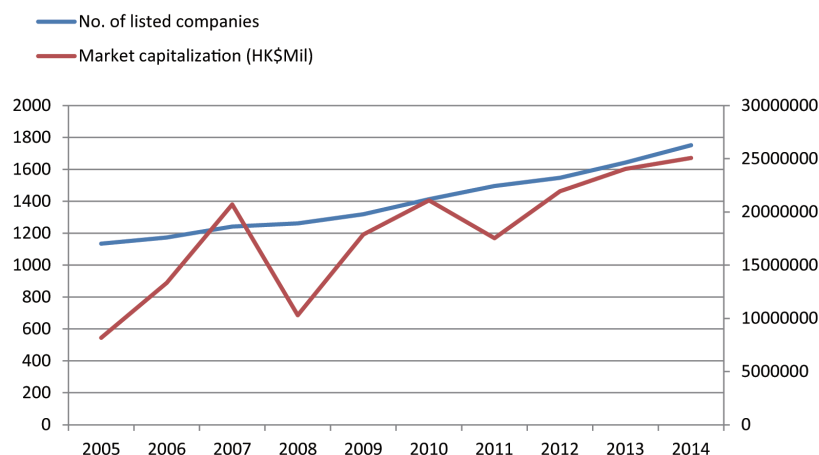
- (iii) 10% of the net proceeds from the Rights Issue will be applied to support and develop the business of the leveraged and acquisition finance segment. As set out in the Board Letter, the leveraged and acquisition finance segment is mainly engaged in provision of comprehensive investment and financing solutions to listed corporate clients for their corporate actions and shareholder activities. This segment seeks to maximize returns to the Group while keeping business risk in check. As discussed in the section headed “Historical Financial Information”, during 2014, the segment set up a “five-grade risk assessment system” to track the risk exposure of each particular project, with risk indicators set for such factors as collateral, industry breakdown, project duration and project size for the sake of keeping business risk in check while seeking to maximise returns to the Group; and
- (iv) the remaining 10% of the net proceeds from the Rights Issue will be applied for general working capital purposes.

(b) Overview of the Hong Kong securities market

Since the Company intends to apply the net proceeds of the Rights Issue for the development of its business mainly in the Hong Kong securities market, we have researched on the publication and data officially released by HKEx with respect to the securities market in Hong Kong accordingly.

According to the HKEx fact book for the year 2014 released by the Stock Exchange and the data published in the website of The Growth Enterprise Market (GEM) (www.hkgem.com) for the latest ten years from year 2005 to year 2014, we have drawn the charts, for the illustrative purpose, in relation to the (i) the total number of listed companies in the Stock Exchange and the total market capitalization; and (ii) the total equity funds raised in the year, including listed companies of Mainboard and GEM board, as set out below:

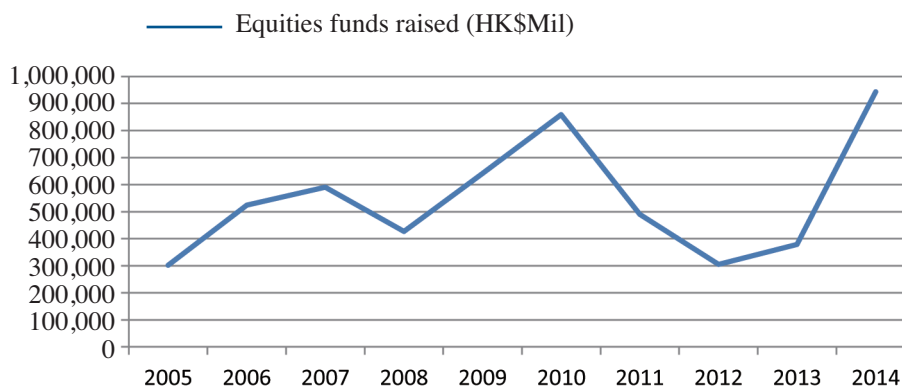
Total number of listed companies and total market capitalization



Source: HKEx fact book for the year 2014 and website of GEM

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Total equities funds raised



Source: HKEx fact book for the year 2014 and website of GEM

As shown in the above charts, we note that the total number of listed companies in Mainboard and GEM board increased from 1,135 as at the end of year 2005 to 1,752 as at the end of year 2014, representing an increase of approximately 54.36%, and the total market capitalization increased from HK\$ 8,179.93 billion for the year 2005 to HK\$ 25,071.83 billion for the year 2014, representing an increase of approximately 206.50% and a compound annual growth rate of approximately 13.25% in the latest ten years. In addition, during the year 2005 to 2014, the total equities funds raised from listed companies in Mainboard and GEM board recorded the highest of HK\$ 942.72 billion for the year 2014, representing an approximately 2.12 times as compared for the year 2005. As such, taking into consideration of the above and the prevailing market conditions such as the launch of Shanghai-Hong Kong Stock Connect and the upcoming Shenzhen-Hong Kong Stock Connect as discussed, we concur with the Directors view that the outlook of securities market in Hong Kong remains positive.

In view of the above, particularly, (i) the intended utilisation of the net proceeds to be raised from the Rights Issue is in line with the principal activities and business expansion strategy of the Group as stated in the 2014 Annual Report; (ii) further opening-up of China's capital markets, strengthening trend of RMB internationalisation and launch of Shanghai-Hong Kong Stock Connect, and the upcoming Shenzhen-Hong Kong Stock Connect would brought development opportunities for the Company; and (iii) the growing trend and positive outlook of the Hong Kong securities industry, we consider that the intended utilisation of the estimated net proceeds from the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) Financing Alternatives

As set out in the Board Letter, during the past twelve months immediately preceding the Latest Practicable Date, the Company has carried out two equity fund raising activities by way of a rights issue of 697,979,812 rights shares at the price of HK\$3.80 per Share and issue of the 2014 CBs. We are advised by the management of the Company that the Group has utilised all the net proceeds from the two equity fund raising activities as intended. Details of the actual use of respective net proceeds are stated in the Board Letter. Save as these two equity fund raising activities, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

We have discussed with the management of the Company and the Directors consider that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs, but will also allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current market price of the Shares.

Having considered that, (i) debts financing alternatives will incur additional finance costs and thus will increase the Group's liabilities burden; (ii) placing of new Shares will result in immediate dilution to the shareholding interests of the Qualifying Shareholders and placement on best-efforts basis has relatively more uncertainty than the Rights Issue on a fully underwritten basis.; (iii) the Rights Issue could allow the Group to strengthen its capital base and enhance its financial position without facing the increasing interest rates and the increasing liabilities burden; (iv) all the Qualifying Shareholders are offered an equal and fair opportunity to participate in the Rights Issue to maintain their pro rata shareholding interests in the Company and in the future development of the Company; and (v) the Shareholders who do not participate in the fund raising of the Company can dispose of their rights shares entitlements in the market in nil-paid form, we concur with the Directors' view that the Rights Issue allows the Group to strengthen its capital base and enhance its financial position without facing the increasing finance cost, which may facilitate long-term growth of the Group, and thus, we are of the view that the Rights Issue is in the interests of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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C. Principal Terms of the Rights Issue

(a) Issue Statistics

The table below summaries the issue statistics of the Rights Issue:

Basis of the Rights Issue:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date:	2,239,369,621 Shares
Minimum number of Rights Shares:	2,239,369,621 Rights Shares (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date)
Maximum number of Rights Shares:	2,594,686,477 Rights Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date)
Rights Issue Price:	HK\$3.50 per Rights Share
Joint Underwriters:	HTIH, CSCI and Qilu International Securities
Joint Global Coordinators:	HTISCL, CSCI and Qilu International Capital Limited

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Joint Bookrunners: HTISCL, CSCI, Qilu International Capital Limited, GF Securities (Hong Kong) Brokerage Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Changjiang Securities Brokerage (HK) Limited.

HTIH is the controlling shareholder of the Company (as defined under the Listing Rules) and HTISCL is an indirect wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, each of CSCI and Qilu International Securities is an independent third party. The Joint Bookrunners (other than CSCI) have no underwriting commitment and are not acting as underwriters or otherwise involved in the distribution of the securities of the Company to investors in any way.

Minimum enlarged issued share capital upon completion of the Rights Issue: 4,478,739,242 Shares (assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)

Maximum enlarged issued share capital upon completion of the Rights Issue: 5,189,372,954 Shares (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)

As at the Latest Practicable Date, there were 26,136,802 Share Options outstanding with the rights to subscribe for 26,136,802 Shares. Assuming full exercise of all outstanding Share Options on or before the Latest Lodging Date, 26,136,802 additional Rights Shares would be issued.

As at the Latest Practicable Date, there were outstanding Convertible Bonds in the aggregate principal amount of HK\$1,652,000,000 convertible into (i) 135,180,055 Shares at the prevailing conversion price of HK\$3.61 per Share (subject to adjustment) and (ii) 193,999,999 Shares at the prevailing conversion price of HK\$6.00 per Share (subject to adjustment). Assuming the full exercise of all conversion rights attaching to the Convertible Bonds on or before the Latest Lodging Date, 329,180,054 additional Rights Shares would be issued.

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Assuming no new Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the Record Date, the 2,239,369,621 Rights Shares proposed to be provisionally allotted represent approximately 100% of the Company's issued share capital as at the Record Date and approximately 50% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds as detailed above, the Company had no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares.

(b) Rights Issue Price

The Rights Issue Price for the Rights Shares is HK\$3.50 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of the Nil-paid Rights applies for the Rights Shares. The Rights Issue Price represents:

- (a) a discount of approximately 33.71% to the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 29.61% to the average closing price of HK\$4.972 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day;
- (c) a discount of approximately 28.15% to the average closing price of HK\$4.871 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the Last Trading Day;
- (d) a discount of approximately 20.27% to the theoretical ex-right price of approximately HK\$4.39 per Share based on the closing price of HK\$5.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 11.05% to the audited consolidated net asset value attributable to equity holders of the Company per Share as at 31 December 2014 of approximately HK\$3.935;
- (f) a discount of approximately 28.28% to the closing price of HK\$4.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a discount of approximately 16.47% to the theoretical ex-right price of approximately HK\$4.19 per Share based on the closing price of HK\$4.88 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Each Rights Share will have a par value of HK\$0.10.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, the Rights Issue Price was determined by the Directors with reference to the market price of the Shares prior to and including the Last Trading Day, the financial conditions of the Company and the current market conditions. Each Qualifying Shareholder will be entitled to subscribe for Rights Shares at the Rights Issue Price in proportion with his/her/its shareholding held on the Record Date.

As discussed in the section headed “Historical Financial Information”, for the year ended 31 December 2014, the Group recorded a total revenue of approximately HK\$2,713.29 million and a total profit attributable for the year to the owners of the Company of approximately HK\$1,018.27 million, representing a year-on-year increase of approximately 64.76% and approximately 92.43% respectively, from a total revenue of approximately HK\$1,646.81 million and a total profit for the year attributable to the owners of the Company of approximately HK\$529.15 million for the year ended 31 December 2013. For the year ended 31 December 2014, total assets and total equity of the Group amounted to approximately HK\$48,159.97 million and approximately HK\$8,596.50 million, representing an increase of approximately 63.60% and approximately 74.72% respectively over the corresponding period of the previous year. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors consider that the discount of the Rights Issue Price would allow all Qualifying Shareholders the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the current market price of the Shares.

To assess the fairness and reasonableness of the Rights Issue Price, we have compared the Rights Issue Price with reference to, (i) the recent price performance of the Shares; (ii) the trading liquidity of the Shares; and (iii) the market comparable analysis, as set out below.

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 19 March 2014, up to and including 18 March 2015, being the Last Trading Day and the date of the Underwriting Agreement, (the “**Review Period**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Recent Price Performance of the Shares

The below chart shows the daily closing price of the Shares during the Review Period for the illustrative purpose:

Daily Closing Price of the Shares during the Review Period



Source: The Stock Exchange

As shown in the chart above, during the Review Period, the lowest closing price of the Shares was HK\$3.74 per Share recorded on 5 June 2014, and the highest closing prices of the Shares was HK\$5.85 per Share recorded on 8 December 2014, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period was approximately HK\$4.49 per Share. The Rights Issue Price is below the daily closing prices per Share throughout the Review Period and represents (i) a discount of approximately 6.42% from the lowest closing price of the Shares; (ii) a discount of approximately 40.17% from the highest closing price of the Shares; and (iii) a discount of approximately 22.05% from the average daily closing price of the Shares during the Review Period.

We note that the closing price of the Shares gradually increased from HK\$4 per Share at the beginning of the Review Period on 19 March 2014 to HK\$4.533 per Share on 10 April 2014, then gradually decreased to HK\$3.847 per Share on 25 April 2014. Thereafter, the closing price of the Shares fluctuated slightly and dropped to the lowest point of HK\$3.74 per Share on 5 June 2014. Since then, the closing price of the Shares was on a general rising trend to the highest point of HK\$5.85 per Share on 8 December 2014. After then, the closing price of the Shares decreased to HK\$4.73 per Share on 24 December 2014, and then fluctuated and closed at HK\$5.28 per Share on 18 March 2015, being the Last Trading Day. As confirmed by the management of the Company, they are not aware of any reasons for the fluctuating trend in the Share price during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the section headed “Comparison with Other Rights Issues” below, we note that it is a common market practice that, for the purpose of increasing the attractiveness of the rights issues and encouraging the shareholders to participate in the rights issues, the rights issue price is normally set at a discount to the prevailing market prices of the relevant shares.

(ii) Trading Liquidity of the Shares

Regarding the trading liquidity of the Shares, for the illustrative purpose, a table showing the average daily volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares as at the Last Trading Day during the Review Period is stated as below:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Number of issued Shares as at the end of the month/ period	Percentage of average daily trading volume to total number of issued Shares as at the end of the month/period (%)
2014					
March (since 19 March)	7,789,067	9	865,452	1,395,959,624	0.06
April	113,101,500	20	5,655,075	1,395,959,624	0.41
May	36,901,416	20	1,845,071	1,395,959,624	0.13
June	48,973,245	20	2,448,662	2,093,939,436	0.12
July	124,979,885	22	5,680,904	2,093,939,436	0.27
August	169,664,814	21	8,079,277	2,104,313,656	0.38
September	101,367,324	21	4,827,015	2,109,853,822	0.23
October	86,681,311	21	4,127,681	2,112,623,904	0.20
November	143,140,125	20	7,157,006	2,129,244,397	0.34
December	253,457,783	21	12,069,418	2,184,397,016	0.55
2015					
January	136,131,724	21	6,482,463	2,194,646,316	0.30
February	62,495,302	18	3,471,961	2,229,470,351	0.16
March (up to and including the Last Trading Day)	168,487,230	13	12,960,556	2,237,149,572	0.58

Source: The Stock Exchange

As shown in the table above, throughout the Review Period, the average daily trading volume of the Shares per month/period ranged from approximately 0.06% to approximately 0.58% of the total number of issued Shares as at the end of the relevant month/period. We are of the view that the Shares were traded at thin liquidity during the Review Period with less than 1% to the then total number of issued Shares as at the end of relevant month/period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Comparison with Other Rights Issues

To further assess the fairness and reasonableness of the Rights Issue, we have selected and identified 28 rights issue transactions firstly announced by companies (the “**Comparables**”) listed on the Stock Exchange during the six-month period from 19 September 2014 up to and including the Last Trading Day (the “**Comparable Period**”), which is considered to be relevant and comprehensive for comparison purpose. We note that although the Comparables vary from the Company in terms of their business nature, financial positions and future prospects, the Comparables could be used to provide a general reference to the common market practice in rights issue transactions by the listed companies in Hong Kong. Since the Comparables are the most recent rights issue transactions announced to the public, we consider that the Comparables could represent the recent market conditions and provide a general reference to the terms of the Rights Issue in the prevailing market conditions. Details of our findings are summarized as below table:

Date of announcement	Company name	Stock code	Basis of entitlement	Rights issue price HK\$	Closing price as quoted on the Stock Exchange on the respective last trading day HK\$	Premium/ (Discount) of rights issue price over/(to) the closing price on the respective last trading day (%)	Theoretical ex-entitlement price HK\$	Premium/ (Discount) of rights issue price over/(to) the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission (%)	Excess application (Yes/No)
2015.02.27	Joy City Property Ltd	207.HK	1 for 2	1.35	1.43	(5.60)	1.40	(3.60)	NA (Note 4)	0.00	Yes
2015.02.24	Get Holdings Ltd	8100.HK	3 for 1	0.35	0.87 (Note 1)	(59.80)	0.48	(27.10)	75.00	3.50	Yes
2015.02.17	Get Nice Holdings Ltd	64.HK	1 for 2	0.28	0.355	(21.13)	0.33	(15.15)	33.33	1.00	Yes
2015.02.02	Easyknit Enterprises Holdings Ltd	616.HK	20 for 1	0.65	4.52 (Note 1)	(85.56)	0.83	(21.68)	95.24	1.00	Yes
2015.01.08	China Agri-Products Exchange Ltd	149.HK	8 for 1	0.30	1.712 (Note 1)	(82.48)	0.457	(34.35)	88.89	2.50	Yes
2014.12.24	Petro-King Oilfield Services Ltd	2178.HK	1 for 7	0.98	1.33	(26.32)	1.286	(23.81)	12.50	2.00	Yes
2014.12.12	Evershine Group Holdings Ltd	8022.HK	1 for 2	0.30	0.315	(4.76)	0.31	(3.23)	33.33	2.50	No
2014.12.08	China Jinhai International Group Ltd	139.HK	6 for 1	0.15	1.38	(89.13)	0.3257	(53.95)	85.71	3.00	Yes
2014.11.28	Kantone Holdings Ltd	1059.HK	3 for 10	1.00	0.87	14.90	0.90	11.10	23.08	2.50	Yes
2014.11.28	Shenyin Wanguo (H.K.) Ltd	218.HK	1 for 2	2.342	4.89	(52.11)	4.041	(42.04)	33.33	0.00	Yes
2014.11.27	Hsin Chong Construction Group Ltd	404.HK	3 for 10	1.00	0.94	6.38	0.954	4.84	23.08	2.00	Yes
2014.11.24	Renhe Commercial Holdings Company Ltd	1387.HK	1 for 2	0.32	0.47	(31.91)	0.42	(23.81)	33.33	2.00	Yes
2014.11.23	Pan Asia Mining Ltd	8173.HK	3 for 10	0.50	0.34	47.06	0.33	51.52	23.08	3.00	No
2014.11.20	Sky Forever Supply Chain Management Group Ltd	8047.HK	2 for 1	0.45	0.74	(39.20)	0.55	(18.20)	66.67	2.50	Yes
2014.11.20	China Environmental Energy Investment Ltd	986.HK	8 for 1	0.195	1.11	(82.43)	0.2967	(34.28)	88.89	1.00	Yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Basis of entitlement	Rights issue price HK\$	Closing price as quoted on the Stock Exchange on the last trading day HK\$	Premium/ (Discount) of rights issue price over/(to) the closing price on the respective last trading day (%)	Theoretical ex-entitlement price HK\$	Premium/ (Discount) of rights issue price over/(to) the theoretical ex-entitlement price (%)	Maximum dilution (%)	Underwriting commission (%)	Excess application (Yes/No)
2014.11.11	Pacific Andes International Holdings Ltd	1174.HK	1 for 2	0.18	0.325	(44.60)	0.277	(35.00)	33.33	3.50	Yes
2014.11.04	PICC Property and Casualty Company Ltd	2328.HK	0.9 for 10	7.46	14.18	(47.40)	13.63	(45.30)	8.26	Not disclosed (Note 2)	Yes
2014.11.03	Jingrui Holdings Ltd	1862.HK	3 for 100	3.51	3.51	0.00	3.51	0.00	2.91	0.00	Yes
2014.10.31	Mongolian Mining Corporation	975.HK	3 for 2	0.28	1.03	(72.80)	0.58	(51.70)	60.00	3.00	Yes
2014.10.23	Shangri-La Asia Ltd	69.HK	1 for 7	11.10	11.10	0.00	11.10	0.00	12.50	1.00	Yes
2014.10.22	China Strategic Holdings Ltd	235.HK	1 for 2	0.08	0.199	(59.80)	0.159	(49.69)	33.33	2.50	Yes
2014.10.20	Roma Group Ltd	8072.HK	3 for 1	0.09	0.208	(56.73)	0.12	(25.00)	75.00	2.25	Yes
2014.10.15	Agile Property Holdings Ltd	3383.HK	1 for 8	3.80	4.16	(8.65)	4.12	(7.77)	11.11	1.75	Yes
2014.10.10	China Taiping Insurance Holdings Company Ltd	966.HK	21 for 100	11.89	17.94	(33.70)	16.89	(29.60)	17.36	Fixed amount HK\$9.5 million (Note 2)	Yes
2014.10.10	Unlimited Creativity Holdings Ltd	8079.HK	5 for 2	0.08	0.165	(51.52)	0.104	(23.08)	71.43	2.50	No
2014.09.29	Tonly Electronics Holdings Ltd	1249.HK	1 for 2	5.10	6.45	(20.93)	6.00	(15.00)	33.33	0.00	Yes
2014.09.22	Agile Property Holdings Ltd	3383.HK	1 for 5	4.00	5.81	(31.15)	5.51	(27.40)	16.67	1.75	Yes
2014.09.18	First Credit Finance Group Ltd	8215.HK	3 for 1	0.238	1.08 (Note 3)	(78.00)	0.449	(47.00)	75.00	2.50	No
		Maximum				47.06		51.52	95.24	3.50	
		Minimum				0.00		0.00	2.91	0.00	
		Average				(36.33)		(21.08)	43.17	1.89	
		Maximum Discount				(89.13)		(53.95)	N/A	N/A	
		Minimum Discount				0.00		0.00	N/A	N/A	
	The Company	1 for 1		3.5	5.28	(33.71)	4.39	(20.27)	50.00	1.00%	Yes

Source: The Stock Exchange

Note 1: Adjusted for the effect of the capital reorganisation of the respective Comparables.

Note 2: As these two samples either did not disclose the underwriting commission in the respective announcement or had disclosed a fixed amount of underwriting commission, and thus, they are excluded from the calculation of maximum, minimum and average underwriting commission in term of percentage.

Note 3: Adjusted for the effect of the share consolidation of the respective Comparables.

Note 4: The controlling shareholder of the sample will partially take up its entitlement of rights shares for the purpose of maintaining a public float of 25% immediately upon completion of the rights issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As indicated in the above table, we note that the premium/discount to the respective closing price per share on the respective last trading day represented by the Comparables ranged from a premium of approximately 47.06% to a discount of approximately 89.13%, with an average discount of approximately 36.33%. The discount of the Rights Issue Price of the Rights Issue to the closing price per Share on the Last Trading Day is approximately 33.71%, which falls within the range and represents a lower discount than the corresponding average discount of the Comparables.

In terms of the rights issue prices to the theoretical ex-entitlement prices per share based on the closing prices on the respective last trading days prior to the release of the announcements, we note that the premium/discount to the theoretical ex-entitlement price per share represented by the Comparables ranged from a premium of approximately 51.52% to a discount of approximately 53.95%, with an average discount of approximately 21.08%. The discount of the Rights Issue Price of the Rights Issue to the theoretical ex-entitlement price per Share based on the closing price on the Last Trading Day is approximately 20.27%, which falls within the range and represents a slightly lower discount than the corresponding average discount of the Comparables.

Taking into account of (i) the funding needs of the Group to raise proceeds to further develop its business and capture future opportunities from further opening-up of China's capital markets, strengthening trend of RMB internationalisation and launch of Shanghai-Hong Kong Stock Connect and the upcoming Shenzhen-Hong Kong Stock Connect as discussed in the above section headed "Use of the Proceeds"; (ii) common market practice that the rights issue price of a rights issue is normally set at various degrees of discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to take part in the rights issue; (iii) the discounts of the Rights Issue Price of the Rights Issue to the closing price per Share and to the theoretical ex-entitlement price based on the closing price per Share on the Last Trading Day falling within the range of discounts represented by the Comparables; (iv) thin trading liquidity of the Shares of the Company during the Review Period; (v) the equal opportunity offered by the Rights Issue to all of the Qualifying Shareholders to subscribe for their pro rata provisional entitlement of the Rights Shares and hence avoids dilution, as well as to participate as fully as they wish in the future development of the Company through application for excess Rights Shares; and (vi) the Rights Issue Price is a commercial decision arrived at after arm's length negotiation between the Company and the Joint Underwriters, we consider that the Rights Issue Price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Underwriting Commission

With reference to the section headed “Comparison with Other Rights Issues” above, we note that the rates of underwriting commission for the Comparables range from nil to 3.50% with an average rate of approximately 1.89%. Pursuant to the Underwriting Agreement, we note that two of the three Joint Underwriters of the Rights Issue, CSCI and Qilu International Securities, will receive an underwriting commission of 1% of the aggregate Rights Issue Price of their Respective Commitment, which is within the range and lower than the average of the underwriting commission rate of the Comparables. Pursuant to the Underwriting Agreement, HTIH, being the controlling shareholder of the Company, will not receive any underwriting commission for the Rights Issue. We are also confirmed by the management of the Company that the underwriting commission rate was determined after arm’s length negotiations between the Company and the Joint Underwriters by reference to the size of the Rights Issue, the current and expected market conditions, as well as the Respective Commitment of each of the Joint Underwriters. Accordingly, we are of the view that the commission charged by the Joint Underwriters is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(b) Termination of the Underwriting Agreement

As stated in the Board Letter, the Rights Issue will not proceed if the Joint Underwriters exercise their rights under the Underwriting Agreement to rescind or terminate the Underwriting Agreement by notice in writing given by CSCI and Qilu International Securities jointly (on behalf of the Joint Underwriters) to the Company at any time prior to the Latest Time for Termination. Details of the provisions granting the Joint Underwriters such termination rights are included in the section headed “Termination of the Underwriting Agreement” in the Board Letter. After reviewing the respective announcement and/or the circular of the Comparables regarding the rights issue transactions, we note that the inclusion of such provisions is on normal commercial terms and in line with the market practice.

(c) Application for Excess Rights Shares

According to the Board Letter, Qualifying Shareholders shall be entitled to apply, by way of excess application, for, (i) any unsold Rights Shares which would have been allotted to the Non-Qualifying Shareholders had they been the Qualifying Shareholders; (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise subscribed for by renouncees or transferees of the Nil-paid Rights; and (iii) any unsold aggregate fractions of the Nil-paid Rights. The Directors will, upon consultation with the Joint Underwriters, allocate the excess Rights Shares at their discretion on a fair and equitable basis, with preference given to round up odd-lot holdings to whole-lot holdings. Further details of the basis of allocation of excess Rights Shares are set forth in the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the rights issue transactions conducted by the Comparables as listed in the table in the above section headed “Comparison with Other Rights Issues”, 24 out of 28 Comparables made arrangements for application for excess rights shares. Based on our review of the basis and principals of allocation of the excess Rights Shares under the Rights Issue by the Company, we are not aware of any unusual arrangement as compared to the Comparables. Furthermore, as each Qualifying Shareholder is entitled to take part in the Rights Issue proportionate to their shareholding interests in the Company, application for excess Rights Shares would not be prejudicial to the interests of the Independent Shareholders if they accept their entitlement fully under the Rights Issue. Thus, we consider the application for excess Rights Shares to be consistent with normal market practice.

D. Possible Financial Effects of the Rights Issue

(a) Net Tangible Assets Value

As set out in the “Unaudited Pro Forma Financial Information of the Group” contained in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2014 was approximately HK\$8,580.04 million. After taking into account the estimated net proceeds of approximately HK\$7,803.31 million from the Rights Issue of minimum number of 2,239,369,621 Rights Shares and the estimated net proceeds of approximately HK\$9,046.92 million of maximum number of 2,594,686,477 Rights Shares, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the completion of the Rights Issue will be increased to approximately HK\$16,383.36 million and approximately HK\$17,626.96 million respectively.

As at 31 December 2014, the consolidated net tangible assets per Share attributable to the owners of the Company amounted HK\$3.93 per Share. Immediately upon the completion of the Rights Issue of minimum number of 2,239,369,621 Rights Shares, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company will be approximately HK\$3.70 per Share, representing a decrease of approximately 5.85% from the consolidated net tangible assets per Share attributable to the owners of the Company as at 31 December 2014. Immediately upon the completion of the Rights Issue of maximum number of 2,594,686,477 Rights Shares, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company will be approximately HK\$3.69 per Share, representing a decrease of approximately 6.11% from the consolidated net tangible assets per Share attributable to the owners of the Company as at 31 December 2014.

(b) Working Capital

With reference to the 2014 Annual Report, the audited net current assets of the Group amounted to approximately HK\$11,360.02 million as at 31 December 2014. Upon completion of the Rights Issue, the net current assets of the Group would increase by the estimated net proceeds of approximately HK\$7,803.31 million raised from the Rights Issue of minimum number of 2,239,369,621 Rights Shares, or the net current assets of the Group would increase by the estimated net proceeds of approximately HK\$9,046.92 million raised from the Rights Issue of the maximum number of 2,594,686,477 Rights Shares. As such, we are of the view that the Rights Issue will enhance the liquidity position of the Group.

(c) Leverage Ratio

As disclosed in the 2014 Annual Report, the leverage ratio (being total assets excluding accounts payable to clients over shareholder's funds as defined in the 2014 Annual Report) of the Group as at 31 December 2014 was approximately 3.96. Additional liquidity in the form of equity will be brought into the Group by the Rights Issue, resulting in improvement in the financial position and increase in the total equity of the Group. With the enlarged cash resources and capital base, the Company's leverage ratio is expected to be improved.

In view of the above, after taking into consideration the enhancement on the working capital and the net tangible assets value as well as the improvement of the leverage ratio, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole. It should be noted that the abovementioned analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

E. Potential Dilution Effect of the Rights Issue on the Shareholding Interests

As stated in the Board Letter, Qualifying Shareholders who take up their pro rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted to a maximum extent of 50%.

As the Rights Issue is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportionate shareholding interests in the Company if they take up in full their respective entitlements under the Rights Issue. Any Qualifying Shareholders who determine not to take up in full their entitlements will have their shareholdings in the Company diluted by up to a maximum of 50% upon completion of the Rights Issue. The possible dilution effect of the Rights Issue on shareholding interests of the Company under various scenarios is set out in the section headed "Shareholding Structure of the Company" in the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table in the section headed “Comparison with Other Rights Issues”, the dilution effect of the Comparables ranged from 2.91% to 95.24% with an average of approximately 43.17%. The maximum dilution effect of the Rights Issue of 50% falls within the range of the dilution effect of the Comparables.

Having considered that (i) the Independent Shareholders are offered an opportunity to attend and vote for or against the relevant resolutions to approve the Rights Issue at the SGM; (ii) the Rights Issue would enable the Group to strengthen its capital base, enhance its financial positions, improve its liquidity position and satisfy the development funding needs of the Group; (iii) each Qualifying Shareholder is offered an equal and fair opportunity of participating in the Rights Issue in proportion to their respective shareholding interests in the Company and has opportunities sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits; (iv) the Rights Issue normally has inherent dilutive nature; (v) other fund raising alternatives than the Rights Issue will incur additional liabilities burden to the Company; (vi) lower Rights Issue Price at a discount to the closing price of the Share on the Last Trading Day and to the theoretical ex-entitlement price per Share may likely to attract the Qualifying Shareholders to participate in the Rights Issue, we are of the view that the potential dilution effect on the shareholding interests in the Company, which may only happen to the Non-Qualifying Shareholders and the Qualifying Shareholders who do not take up in full their respective entitlements, is acceptable and is not prejudicial to the interests of the Independent Shareholders if they accept their entitlement fully under the Rights Issue.

RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Industrial Securities (HK) Capital Limited

Leung Kin Cheong, Laurent

General Manager

Lu Ting Pong, Johnny

Director

Mr. Leung Kin Cheong, Laurent is a licensed person and the principal and the responsible officer of Industrial Securities (HK) Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

Mr. Lu Ting Pong, Johnny is a licensed person and the responsible officer of Industrial Securities (HK) Capital Limited registered with the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 is disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.htisec.com):

- (a) annual report of the Company for the year ended 31 December 2014 published on 27 March 2015 (pages 76 to 204);
- (b) annual report of the Company for the year ended 31 December 2013 published on 13 March 2014 (pages 110 to 255); and
- (c) annual report of the Company for the year ended 31 December 2012 published on 15 March 2013 (pages 92 to 207).

2. INDEBTEDNESS STATEMENT

At the close of business on 28 February 2015, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the details of the Group's outstanding borrowings were set out as follows:

	<i>HK\$'000</i>
Non-current	
Convertible bonds — unsecured	1,628,944
Non-convertible bonds and notes — unsecured	<u>10,162,333</u>
	11,791,277
Current	
Bank loans — secured	3,585,904
Bank loans — unsecured	6,692,833
Other loans — unsecured	<u>1,487,874</u>
	11,766,611
Total	<u><u>23,557,888</u></u>

All the convertible bonds, non-convertible notes and other loans above are unguaranteed. The non-convertible bonds and certain bank loans are guaranteed by the Group's companies.

In addition, at 28 February 2015, the Group has outstanding authorised but unissued non-convertible notes of approximately US\$967,509,000.

Bank loans of HK\$3,585,904,000 are secured by the listed shares with the fair value of HK\$9,059,359,000 as at 28 February 2015 held by the Group as security for advances to customers in margin financing with the customers' consent.

Save as aforesaid or as otherwise disclosed herein, as at the close of business on 28 February 2015, the Group did not have any outstanding loan capital or debt securities or non-convertible notes issued or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, taking into account the financial resources available to the Group, including the internally generated funds, the available banking facilities and the estimated net proceeds of the Rights Issue, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

Business Review

Over the past few years, the Group successfully built a fully optimised business structure with six business segments including corporate finance, brokerage and margin financing, investment management, fixed income, currency and commodities ("FICC"), structured financing and equity derivatives, which translated into better results performance throughout the years. Taking advantage by the launch of the Shanghai-Hong Kong Stock Connect jointly developed by the Stock Exchange and Shanghai Stock Exchange, the Company's brokerage and margin financing business has improved satisfactorily. With the Company's advantages in RMB product offerings, the trading and market making business, including FICC and Equity Derivatives segments has been well developed. Corporate finance and the leveraged and acquisition finance have posted outstanding results in 2014. These two segments continuously contribute stable revenue to the Company.

Prospects

Amid the intense competition in the ever-changing financial market, the Group will continue to seek development geared towards customers' needs. Setting foot in Hong Kong and deeply rooted in China, the Group is committed to its strategic foray into the international market. To this end, the Group will make every effort to exploit its advantageous position of being a Chinese securities firm in Hong Kong. With its sound customer base, strong product innovation capability, reputable brand and its ever-growing sales network both at home and abroad, the Group will ride fully the trend of RMB internationalisation and financial innovation and to promote its capital deployment capability further, with an ultimate aim of providing customers with a comprehensive set of quality financial services and creating value for all shareholders, investors and customers.

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Rights Issue as if it had taken place on 31 December 2014. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 31 December 2014 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2014	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue	Consolidated net tangible assets per Share attributable to the owners of the Company as at 31 December 2014	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue
	<i>HK\$'000</i> (Note 1)	<i>HK\$'000</i> (Note 2)	<i>HK\$'000</i>	<i>HK\$</i> (Note 3)	<i>HK\$</i> (Note 4)
Rights Issue of minimum number of Rights Shares of 2,239,369,621 to be issued at subscription price of HK\$3.50 per Rights Share	8,580,039	7,803,316	16,383,355	3.93	3.70
Rights Issue of maximum number of Rights Shares of 2,594,686,477 to be issued at subscription price of HK\$3.50 per Rights Share	8,580,039	9,046,925	17,626,964	3.93	3.69

Notes:

- (1) The consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2014 is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2014 of HK\$8,596.502 million, with adjustments for goodwill of HK\$9.854 million and other intangible assets of HK\$6.609 million as extracted from the published annual report of the Group for the year ended 31 December 2014.
- (2) The estimated net proceeds from the Rights Issue are based on (i) minimum number of Rights Shares of 2,239,369,621 to be issued and (ii) maximum number of Rights Shares of 2,594,686,477 to be issued as defined in this Circular at the subscription price of HK\$3.5 per Rights Share, after deduction of the related expenses of approximately HK\$34.48 million.

- (3) The consolidated net tangible assets per Share attributable to the owners of the Company as at 31 December 2014 was HK\$3.93, which was based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2014 of HK\$8,580.039 million and 2,184,397,016 Shares in issue as at 31 December 2014.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the bases that (i) 4,423,766,637 Shares, which represents 2,184,397,016 Shares in issue as at 31 December 2014 and 2,239,369,621 minimum number of Rights Shares to be issued, and (ii) 4,779,083,493 Shares, which represents 2,184,397,016 Shares in issue as at 31 December 2014 and 2,594,686,477 maximum number of Right Shares to be issued, pursuant to the Right Issue, were in issue assuming that the Right Issue had been completed on 31 December 2014, but does not take into account of any Shares which may be issued upon the exercise of options granted under the Share Option Scheme, any Shares which may be issued upon the conversion of the outstanding Convertible Bonds or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate and the repurchase mandate.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group does not take into account the issue of 54,016,605 Shares due to the conversion of the outstanding convertible bonds into Shares of the Company at conversion price of HK\$3.61 during the period from 1 January 2015 to the Latest Practicable Date (the "Conversion of the Outstanding Convertible Bonds").

Had the Conversion of the Outstanding Convertible Bonds during the period from 1 January 2015 to the Latest Practical Date been completed on 31 December 2014, the consolidated net tangible assets of the Group attributable to owners of the Company would increase from HK\$8,580.039 million to HK\$8,775.039 million after adjusting for decrease in convertible bonds of approximately HK\$195 million calculated based on the conversion price of HK\$3.61. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue would be HK\$16,578.355 million and HK\$17,821.964 million respectively after adjusting for estimated proceeds stated in note 2 under minimum number and maximum number of Rights Shares to be issued respectively. Consequently, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company under (i) minimum number of Rights Shares to be issued and (ii) maximum number of Rights Shares to be issued would be HK\$3.70 and HK\$3.69 assuming the Rights Issue has been completed on 31 December 2014.

- (6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

The unaudited pro forma adjusted consolidated net tangible assets of the Group does not take into account the final dividend of HK\$338.582 million (or final dividend of HK15.5 cents per Share on the basis that 2,184,397,016 Shares were in issue as at 31 December 2014) proposed for the year ended 31 December 2014 as recommended by the Board on 11 March 2015, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and will be paid on or about 7 July 2015.

Should the Rights Issue be completed on 31 December 2014, the final dividend per Share under (i) minimum number of Rights Shares and (ii) maximum number of Rights Shares would have been HK 7.66 cents and HK 7.09 cents respectively on the basis that (i) 2,184,397,016 Shares were in issue as at 31 December 2014 and minimum number of 2,239,369,621 Rights Shares and (ii) maximum number of 2,594,686,477 Rights Shares were issued under the Rights Issue assuming the Rights Issue has been completed on 31 December 2014.

**2. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION OF THE GROUP**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF HAITONG INTERNATIONAL SECURITIES GROUP
LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of Haitong International Securities Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2014 and related notes as set out on pages 72 to 73 of Appendix II to the circular issued by the Company dated 31 March 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 72 to 73 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue as defined in the Circular on the Group's financial position as at 31 December 2014 as if the Rights Issue had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Reporting Accountant's Responsibilities — continued

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the completion of the Rights Issue were and are expected to be as follows:

(a) As at the Latest Practicable Date:

HK\$

Authorised share capital

<u>4,500,000,000</u> Shares	<u>450,000,000</u>
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Issued share capital

<u>2,239,369,621</u> Shares	<u>223,936,962.1</u>
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(b) Upon completion of the Rights Issue:

HK\$

Authorised share capital

<u>10,000,000,000</u> Shares	<u>1,000,000,000</u>
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Rights Shares to be issued

2,239,369,621	Shares (assuming no other Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)	223,936,962.1
2,594,686,477	Shares (assuming new Shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)	259,468,647.7

HK\$

Shares in issue upon completion of the Rights Issue

4,478,739,242	Shares (assuming no other Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)	447,873,924.2
5,189,372,954	Shares (assuming new Shares have been issued on or before the Record Date pursuant to the full exercise of all outstanding Share Options and the full exercise of all the conversion rights attaching to the Convertible Bonds on or prior to the Latest Lodging Date, but otherwise no other Shares (other than the Rights Shares) are issued and no repurchase of Shares on or before the completion of the Rights Issue)	518,937,295.4

All of the Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds disclosed in this circular, the Company had no outstanding convertible securities, options, or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds disclosed in this circular, none of the capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Class of shares	Personal Interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
JI Yuguang	Share options	—	576,077 (Note 1)	576,077	0.03
LI Jianguo	Share options	—	921,722 (Note 1)	921,722	0.04
LIN Yong	Ordinary shares/ share options	1,072,788 (Note 2)	921,722 (Note 1)	1,994,510	0.09
POON Mo Yiu	Share options	—	1,382,583 (Note 1)	1,382,583	0.06
HUI Yee Wilson	Share options	—	2,346,610 (Note 3)	2,346,610	0.10
CHENG Chi Ming Brian	Share options	—	576,077 (Note 1)	576,077	0.03
TSUI Hing Chuen William	Share options	—	576,077 (Note 1)	576,077	0.03
LAU Wai Piu	Share options	—	576,077 (Note 1)	576,077	0.03

Notes:

- Those Shares would be allotted and issued to the relevant Director upon the exercise in full of the Share Options granted to the relevant Director under the Share Option Scheme. Those Share Options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$4.208 per share during the period from 3 March 2011 to 2 March 2019.
- Those Shares are held by Mr. LIN Yong as beneficial owner.
- Those Shares would be allotted and issued to Mr. HUI Yee Wilson (“**Mr. HUI**”) upon the exercise in full of the share options granted to Mr. HUI under the Share Option Scheme. Those Share Options, all of which remained exercisable as at the Latest Practicable Date, were exercisable as to (i) 1,194,457

Share Options at the subscription price of HK\$5.098 per share during the period from 1 June 2008 to 31 May 2016; and (ii) 1,152,153 Share Options at the subscription price of HK\$4.208 per share during the period from 3 March 2011 to 2 March 2019.

Save as disclosed above, as at the Latest Practicable Date, no options over Shares had been granted to the current Directors under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, Shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which could fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of substantial shareholders	Notes	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
		Direct	Deemed			
Haitong Securities Co., Ltd. ("HSCL")	1, 3	—	3,355,724,358	—	3,355,724,358	75.00
HTIH	1, 3	3,355,724,358	—	—	3,355,724,358	75.00
Cheng Yu Tung Family (Holdings) Limited ("CYTF")	2	—	144,480,897	—	144,480,897	6.61
Cheng Yu Tung Family (Holdings II) Limited ("CYTF II")	2	—	144,480,897	—	144,480,897	6.61
Chow Tai Fook Capital Limited ("CTFC")	2	—	144,480,897	—	144,480,897	6.61
Chow Tai Fook (Holding) Limited ("CTFH")	2	—	144,480,897	—	144,480,897	6.61
Chow Tai Fook Enterprises Limited ("CTFE")	2	—	144,480,897	—	144,480,897	6.61
New World Development Company Limited ("NWD")	2	—	144,480,897	—	144,480,897	6.61
NWS Holdings Limited ("NWS")	2	—	144,480,897	—	144,480,897	6.61

Name of substantial shareholders	Notes	Number of shares held and nature of interests		Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
		Direct	Deemed			
NWS Service Management Limited (incorporated in the Cayman Islands) ("NWSSM (Cayman)")	2	—	144,480,897	—	144,480,897	6.61
NWS Service Management Limited (incorporated in the British Virgin Islands) ("NWSSM (BVI)")	2	—	144,480,897	—	144,480,897	6.61
NWS Financial Management Services Limited ("NWSFM")	2	144,480,897	—	—	144,480,897	6.61

Notes:

1. HSCL held the entire issued share capital of HTIH. By virtue of the provisions of the SFO, HSCL is deemed to be interested in the Shares in which HTIH is interested.
2. CYTF and CYTF II held respectively an interest of 48.98% and 46.65% in CTFC, which in turn held an interest of approximately 78.58% in CTFH and CTFH in turn held the entire issued share capital of CTFE. CTFE and its subsidiaries held an interest of approximately 43.35% in NWD, which in turn and its subsidiaries held approximately 61.31% of the issued share capital of NWS. NWS, through its wholly-owned subsidiary, NWSSM (Cayman), held the entire issued share capital of NWSSM (BVI), which in turn held the entire issued share capital of NWSFM. By virtue of the provisions of the SFO, each of CYTF, CYTF II, CTFC, CTFH, CTFE, NWD, NWS, NWSSM (Cayman) and NWSSM (BVI) is deemed to be interested in the Shares in which NWSFM is interested.
3. The number of Shares included the maximum number of Rights Shares underwritten by HTIH pursuant to the Underwriting Agreement. The approximate percentage of the total issued Shares was calculated based on the number of Shares which were expected to be issued upon completion of the Rights Issue as at the date of the Underwriting Agreement, being 2,237,149,572 Shares (on the assumption that none of Rights Shares would be taken up by the Qualifying Shareholders and no new Shares (other than Rights Shares) would be issued and no repurchase of Shares on or before the completion of the Rights Issue).

As at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had, directly or indirectly, any interest in any

assets which have since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. EXPERTS AND CONSENT

The following is the qualification of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu (“ Deloitte ”)	Certified Public Accountants
Industrial Securities (HK) Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, each of Deloitte and Industrial Securities (HK) Capital Limited did not have any direct or indirect shareholdings in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group, respectively, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Each of Deloitte and Industrial Securities (HK) Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, no Director had a service contract with the Company or any of its subsidiaries which is for a duration that may exceed three years or which requires the Company to, in order to terminate such contract, give a notice period of more than one year or pay compensation or make other payments equivalent to more than one year's emoluments.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (1) the facility agreement dated 16 May 2013 entered into among (i) the Company; (ii) HTIH; (iii) The Hongkong Shanghai Banking Corporation Limited (“**HSBC**”) and Standard Chartered Bank (Hong Kong) Limited as mandated lead arrangers and bookrunners; (iv) Hang Seng Bank Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Dah Sing Bank, Limited, Industrial and Commercial Bank of China (Asia) Limited, Taipei Fubon Commercial Bank Co., Ltd., Fubon Bank (Hong Kong) Limited, First Commercial Bank, Ltd., Hong Kong Branch and Taishin International Bank as mandated lead arrangers; (v) China Construction Bank (Asia) Corporation Limited, The Bank of East Asia, Limited, China Everbright Bank Co., Limited, Hong Kong Branch, China Merchants Bank Co., Ltd., Hong Kong Branch, China Citic Bank International Limited, Malayan Banking Berhad, Hong Kong Branch and Wing Hang Bank, Limited as lead arrangers; (vi) Sumitomo Mitsui Banking Corporation, Chang Hwa Commercial Bank Ltd. Offshore Banking Branch, E.Sun Commercial Bank, Ltd., Hong Kong Branch, Mega International Commercial Bank Co., Ltd., Hong Kong Branch, Taiwan Business Bank Hong Kong Branch, Taiwan Cooperative Bank, Ltd., Hong Kong Branch and Taiwan Cooperative Bank, Offshore Banking Branch as arrangers; (vii) the financial institutions listed in part II of schedule 1 to the facility agreement as lenders; and (viii) HSBC as agent of the finance parties as mentioned in the facility agreement, in relation to a revolving loan facility in an aggregate amount of HK\$3,000,000,000 for a term of up to 3 years;
- (2) the subscription agreement dated 9 July 2013 entered into between the Company and HSBC as lead manager in relation to the HK\$776,000,000 1.25% convertible bonds due 2018;
- (3) the paying, conversion and transfer agency agreement dated 18 July 2013 entered into between the Company and HSBC as registrar, principal agent and trustee in relation to the paying, conversion and transfer of the HK\$776,000,000 1.25% convertible bonds due 2018;
- (4) the trust deed dated 18 July 2013 entered into between the Company and HSBC as trustee in relation to the HK\$776,000,000 1.25% convertible bonds due 2018;
- (5) the subscription agreement dated 17 September 2013 entered into between the Company and HSBC as lead manager in relation to the HK\$232,000,000 1.25% convertible bonds due 2018 to be consolidated and form a single series with the HK\$776,000,000 1.25% convertible bonds due 2018 issued on 18 July 2013;
- (6) the supplemental agency agreement dated 10 October 2013 entered into between the Company and HSBC as registrar, principal agent and trustee in relation to the HK\$232,000,000 1.25% convertible bonds due 2018 to be consolidated and form a single series with the HK\$776,000,000 1.25% convertible bonds due 2018;

- (7) the supplemental trust deed dated 10 October 2013 entered into between the Company and HSBC as trustee in relation to the HK\$232,000,000 1.25% convertible bonds due 2018 to be consolidated and form a single series with the HK\$776,000,000 1.25% convertible bonds due 2018;
- (8) the underwriting agreement dated 22 April 2014 entered into among the Company, HTIH, Qilu International Securities and HTISCL in relation to the underwriting arrangement in respect of the rights issue of the Company in 2014;
- (9) the facility agreement dated 23 May 2014 entered into among (i) the Company; (ii) HTIH; (iii) Bank of China (Hong Kong) Limited, HSBC, Hang Seng Bank Limited, China Construction Bank (Asia) Corporation Limited, Chong Hing Bank Limited and Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch as mandated lead arrangers and bookrunners; (iv) Fubon Bank (Hong Kong) Limited and Malayan Banking Berhad as mandated lead arrangers; (v) China CITIC Bank International Limited, First Commercial Bank, Ltd., Hong Kong Branch, Wing Hang Bank, Limited, The Bank of East Asia, Limited, Hua Nan Commercial Bank, Ltd., Hong Kong Branch and Taishin International Bank as arrangers; (vi) the financial institutions listed in part II of schedule 1 of the facility agreement as original lenders; and (vii) HSBC as agent whereby the Company obtained a term loan facility in an amount of HK\$1,336,000,000 and a revolving loan facility in an amount of HK\$2,004,000,000 for a term of up to 36 months;
- (10) the agency agreement dated 20 June 2014 entered into between the Company and HSBC as fiscal agent, transfer agent, calculation agent, paying agent, CMU lodging agent and registrar in relation to the medium term notes to be issued by the Company from time to time (the “**Notes**”) pursuant to its US\$1,000,000,000 medium term note programme;
- (11) the dealer agreement dated 20 June 2014 entered into between (i) the Company and (ii) HTISCL and HSBC each as arranger and dealer in relation to, among other things, the Notes;
- (12) the deed of covenant dated 20 June 2014 executed by the Company by way of deed poll in relation to, among other things, to make arrangements for the protection of the interests of the relevant account holders as mentioned in the deed of covenant to the Notes;
- (13) the agency agreement dated 22 August 2014 entered into among (i) Haitong International Products & Solutions Limited (“**HTIPS**”) as issuer; (ii) the Company as guarantor; (iii) Haitong International Financial Solutions Limited (“**HTIFS**”) and Haitong International Financial Products Limited as calculation agent; (iv) Citibank, N.A., London Branch as issuing and paying agent, transfer agent and registrar; and (v) Citicorp International Limited as fiscal agent, CMU lodging and paying agent, CMU transfer agent and CMU registrar in relation to the structured notes to be issued by HTIPS from time to time (the “**HTIPS Notes**”) pursuant to its US\$1,000,000,000 structured note programme;

- (14) the deed of covenant (the “**HTIPS Deed of Covenant**”) dated 22 August 2014 executed by HTIPS by way of deed poll for, among other things, the benefit of the relevant account holders as mentioned in the HTIPS Deed of Covenant from time to time in relation to the HTIPS Notes;
- (15) the deed of guarantee dated 22 August 2014 executed by the Company by way of deed poll in favour of the relevant account holders as mentioned in the HTIPS Deed of Covenant and the holders of the HTIPS Notes (each relevant account holder and each holder of a HTIPS Note is referred as a “**Holder**”), pursuant to which, among other things, the Company irrevocably and unconditionally guarantees the payment of amount payable by HTIPS to such Holder under the HTIPS Deed of Covenant;
- (16) the subscription agreement dated 29 August 2014 entered into between HTIPS as issuer and HTIFS as initial subscriber, pursuant to which, among other things, HTIFS agreed to subscribe for, or procure the subscription of, each series of the HTIPS Notes;
- (17) the dealer agreement dated 29 August 2014 entered into between HTIFS as initial subscriber and HTISCL as dealer, pursuant to which, among other things, HTIFS appointed HTISCL as its dealer for the purpose of the distribution of any particular series of the HTIPS Notes;
- (18) the subscription agreement dated 3 September 2014 entered into among (i) Haitong International Finance 2014 Limited (a wholly-owned subsidiary of the Company) as issuer, (ii) the Company as guarantor, (iii) Haitong Securities Co., Ltd. and (iv) HTISCL, Deutsche Bank AG, Singapore Branch and KGI Asia Limited as managers, in relation to the US\$600,000,000 3.99% guaranteed bonds due 2019;
- (19) the agency agreement dated 11 September 2014 entered into among Haitong International Finance 2014 Limited as issuer, the Company as guarantor and HSBC as trustee, principal paying agent and transfer agent and registrar in relation to the US\$600,000,000 3.99% guaranteed bonds due 2019;
- (20) the keepwell deed dated 11 September 2014 entered into among Haitong International Finance 2014 Limited as issuer, the Company as guarantor, Haitong Securities Co., Ltd. and HSBC as trustee in relation to the US\$600,000,000 3.99% guaranteed bonds due 2019;
- (21) the trust deed dated 11 September 2014 entered into among Haitong International Finance 2014 Limited as issuer, the Company as guarantor, Haitong Securities Co., Ltd. and HSBC as trustee in relation to the US\$600,000,000 3.99% guaranteed bonds due 2019;
- (22) the term loan agreement dated 19 September 2014 entered into between Hao Ding International Limited as borrower and Haitong International Finance Company Limited (an indirect wholly-owned subsidiary of the Company) as lender in relation to a loan facility of up to US\$600,000,000;

- (23) the placing agreement dated 24 October 2014 entered into between the Company and HTISCL as the placing agent in connection with the issue and offering of HK\$776,000,000 1.25% convertible bonds due 2019 and the granting of an option to the placing agent to place all or some of the additional HK\$388,000,000 1.25% convertible bonds due 2019;
- (24) the trust deed dated 4 November 2014 entered into between the Company and the Bank of New York Mellon, London Branch as trustee in connection with the issue and offering of HK\$776,000,000 1.25% convertible bonds due 2019 and additional HK\$388,000,000 1.25% convertible bonds due 2019;
- (25) the paying, conversation and transfer agency agreement dated 4 November 2014 entered into among (i) the Company; (ii) the Bank of New York Mellon, London Branch as trustee and principal paying and conversion agent; and (iii) the Bank of New York Mellon (Luxembourg) S.A. as registrar and transfer agent in connection with the issue and offering of HK\$776,000,000 1.25% convertible bonds due 2019 and additional HK\$388,000,000 1.25% convertible bonds due 2019;
- (26) the amended and restated exempted limited partnership agreement dated 28 November 2014 entered into between, inter alia, Haitong International New Energy II Limited (an indirect wholly-owned subsidiary of the Company) and China Auto Caymans GenPar I, Inc. as general partner, pursuant to which Haitong International New Energy II Limited agreed to make an investment of HK\$2.1 billion in Newbridge China Auto Caymans L.P. for a 38.87% interest as a limited partner;
- (27) the Confirmation of Total Return Swap dated 28 November 2014 issued by Haitong International New Energy II Limited to Huge Group Holdings Limited in relation to the total return swap transaction relating to the interest of Haitong International New Energy II Limited in Newbridge China Auto Caymans L.P.;
- (28) the trust deed dated 19 December 2014 entered into between the Company and Teeroy Limited as trustee in respect of the share award scheme of the Company;
- (29) the subscription agreement dated 22 January 2015 entered into among (i) Haitong International Finance 2015 Limited (an indirect wholly-owned subsidiary of the Company) as issuer, (ii) the Company as guarantor and (iii) Deutsche Bank AG, Singapore Branch, HTISCL, HSBC and Huatai Financial Holdings (Hong Kong) Limited as managers in relation to the US\$700,000,000 4.2% guaranteed bonds due 2020;
- (30) the trust deed dated 29 January 2015 entered into among (i) Haitong International Finance 2015 Limited as issuer, (ii) the Company as guarantor and (iii) HSBC as trustee in relation to the US\$700,000,000 4.2% guaranteed bonds due 2020;
- (31) the agency agreement dated 29 January 2015 entered into among (i) Haitong International Finance 2015 Limited as issuer, (ii) the Company as guarantor; (iii) HSBC as trustee and principal paying and transfer agent and registrar in relation to the US\$700,000,000 4.2% guaranteed bonds due 2020;

(32) the amended and restated trust deed dated 6 March 2015 entered into between the Company and Teeroy Limited as trustee in respect of the share award scheme of the Company; and

(33) the Underwriting Agreement.

10. CORPORATE INFORMATION

Registered office of the Company	Clarendon House 2 Church Street, Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	22nd Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Authorised representatives	LAU Yik Chi 22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong POON Mo Yiu 22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Company secretary	LAU Yik Chi, qualified solicitor in Hong Kong, England & Wales
Legal advisers to the Company as to Bermuda laws	Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Company in relation to the Rights Issue	Paul Hastings 22/F, Bank of China Tower 1 Garden Road Hong Kong
Legal advisers to the Joint Underwriters in relation to the Rights Issue	Clifford Chance 27th Floor, Jardine House 1 Connaught Place Central Hong Kong

Auditor	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
Reporting accountant	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
Share registrar and transfer office of the Company in Hong Kong	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 13/F., Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 23/F., HSBC Main Building 1 Queen's Road Central Hong Kong Bank of China (Hong Kong) Limited 33/F., Bank of China Tower 1 Garden Road Hong Kong Hang Seng Bank Limited 11/F., 83 Des Voeux Road Central Hong Kong The Bank of East Asia, Limited 18/F., 10 Des Voeux Road Central Hong Kong China Construction Bank (Asia) Corporation Limited 28/F., CCB Tower 3 Connaught Road Central Central, Hong Kong

Industrial and Commercial Bank of China
(Asia) Limited
33/F., ICBC Tower
3 Garden Road, Central
Hong Kong

China CITIC Bank International Limited
80/F., International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Chong Hing Bank Limited
6/F., Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Fubon Bank (Hong Kong) Limited
3/F., Fubon Bank Building
38 Des Voeux Road Central
Hong Kong

Public Bank (Hong Kong) Limited
1/F., Public Bank Centre
120 Des Voeux Road Central
Hong Kong

Oversea-Chinese Banking Corporation Limited
9/F., Nine Queen's Road Central
Hong Kong

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
18/F., The Centre
99 Queen's Road Central
Hong Kong

Dah Sing Bank, Limited
35/F., Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street, Central
Hong Kong

11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address of our Directors and senior management

Name	Address
<i>Executive Directors</i>	
Mr. LI Jianguo	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. LIN Yong	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. POON Mo Yiu	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. HUI Yee Wilson	35/F., Infinitus Plaza 199 Des Voeux Road Central Hong Kong
<i>Non-executive Directors</i>	
Mr. JI Yuguang	12/F., Haitong Securities Tower 689 Guangdong Road Shanghai China
Mr. CHENG Chi Ming Brian	28/F., New World Tower 18 Queen's Road Central Hong Kong
Ms. WANG Meijuan	Unit 2606, Haitong Securities Tower 689 Guangdong Road Shanghai PRC
Mr. William CHAN	#15-02 GB Building 143 Cecil Street Singapore 069542

Name**Address***Independent Non-executive Directors*

Mr. TSUI Hing Chuen William	Suites 1706–1708, 17th Floor China Merchants Tower Shun Tak Centre 168–200 Connaught Road Central Hong Kong
Mr. LAU Wai Piu	c/o Maximus Consulting (Hong Kong) Ltd. Room 708, 7/F., Kornhill Plaza-Office Tower No. 1 Kornhill Road Quarry Bay Hong Kong
Mr. LIN Ching Yee Daniel	c/o Grant Thornton Hong Kong Limited Level 12 28 Hennessy Road Wanchai Hong Kong
Mr. WEI Kuo-chiang	c/o Department of Finance School of Business and Management The Hong Kong University of Science and Technology Clear Water Bay Kowloon Hong Kong

Senior Management

Mr. ZHANG Xinjun	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. SUN Jianfeng	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. SUN Tong	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. LO Wai Ho	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Name	Address
Mr. ZHANG Yibin	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. SHI Ping	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Mr. KONG Weipeng	22/F., Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

(b) Profiles of Directors and senior management

Executive Directors

Mr. LI Jianguo, aged 51, was appointed as an Executive Director of the Company on 13 January 2010 and a Deputy Chairman of the Board on 10 March 2010. He is also a member of the Strategic Development Committee of the Company. He has worked at the Group for over five years. Mr. Li holds a Doctorate Degree in Economics from Xi'an Jiaotong University. He has 23 years of experience in the securities industry. Mr. Li was a general manager of Henan Securities Co., Ltd. from 1992 to 1998. He joined Haitong Securities Co., Ltd. ("HSCL") in 1998 and served as the deputy general manager of HSCL from 1998 to 1999. Mr. Li was the vice president and the general manager of Fullgoal Fund Management Co., Ltd. from 1999 to 2008. Mr. Li has been the assistant to the general manager of HSCL and the chairman of the board of directors of HTIH (formerly known as "Hai Tong (HK) Financial Holdings Limited") since 2008 and the deputy chairman of the board of directors of HTIH since 9 August 2010.

Mr. LIN Yong, aged 45, was appointed as an Executive Director of the Company on 23 December 2009 and the Joint Managing Director of the Company on 10 March 2010. He has been a Deputy Chairman of the Board and the Managing Director of the Company as well as the Chief Executive Officer of the Group since 29 April 2011. He is also the Chairman of the Executive Committee as well as a member of the Strategic Development Committee of the Company. In addition, Mr. Lin is the chairman of the board of directors or a director of various subsidiaries of the Company and a responsible officer of Hai Tong Capital (HK) Limited and Haitong International Capital Limited under the SFO. He has worked at the Group for over five years. Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. Lin joined HSCL in 1996 and was a general manager of the Investment Banking Department of HSCL from 2001 to 2007. He has been appointed as an assistant to general manager of HSCL with effect from 30 December 2014 and the chief executive officer of HTIH since 2007. He is responsible for the overall

operation of HTIH and the business development of the Group. Mr. Lin also concurrently serves as a member of the advisory committee of the SFC. In 2006, Mr. Lin was named “2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai” (2006年上海首屆十大金融傑出青年) and was honoured as the “2014 Shanghai Financial Industry Leader” (2014滬上金融行業領袖) in 2014. He acts as an adjunct professor in Management College of Xiamen University since 12 May 2010. Mr. Lin has been appointed as an independent non-executive director of Zhongsheng Group Holdings Limited (“Zhongsheng Group”) with effect from 31 March 2014, the shares of Zhongsheng Group are listed on the Stock Exchange.

Mr. POON Mo Yiu, aged 50, joined the Group in August 2008 and was appointed as an Executive Director of the Company on 1 July 2009. He is the Chief Operating Officer of the Group as well as a member of the Executive Committee of the Company. He is also a director of various subsidiaries of the Company. He has worked at the Group for over six years. Mr. Poon holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and a member of the Institute of Chartered Accountants in England & Wales. Mr. Poon has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Group, Mr. Poon worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

Mr. HUI Yee Wilson, aged 56, joined the Group in 1995 and was appointed as an Executive Director of the Company on 29 April 2011. He is the Director of Sales and Marketing for the Group as well as a member of the Executive Committee of the Company. In addition, Mr. Hui is the Managing Director of Haitong International Futures Limited and HTISCL. He is also a director of various subsidiaries of the Company and a responsible officer of Haitong International Futures Limited, HTISCL and Haitong International Consultants Limited under the SFO. Mr. Hui is responsible for the development and management of the Group’s retail brokerage business. He has worked at the Group for over 19 years. Mr. Hui holds a Bachelor Degree in Economics and Management Studies from The University of Hong Kong. Before joining the Group, Mr. Hui possessed 14 years of experience in the banking and securities industries. He is currently a member of The Hong Kong Institute of Directors and the Hong Kong Securities Institute as well as a director of The Hong Kong Association of Online Brokers Limited.

Non-executive Directors

Mr. JI Yuguang, aged 57, was appointed as a Non-executive Director of the Company on 13 January 2010 and the Chairman of the Board on 29 April 2011. He is also the Chairman of the Nomination Committee and the Strategic Development Committee and a member of the Remuneration Committee of

the Company. He has worked at the Group for over five years. Mr. Ji obtained a bachelor's degree in economics from Beijing Finance and Commerce College in July 1983 and graduated with a major in economy management as a postgraduate from Party School of Central Committee of CPC in June 1999. He has 32 years of experience in the finance and commerce industry. Mr. Ji had worked for Beijing Municipal Planning Economy Committee (currently known as "Beijing Municipal Commission of Development and Reform") for 6 years and Bank of Communications Beijing Branch for 8 years. Mr. Ji joined HSCL in 1995 and was the general manager of HSCL Beijing Langjiayuan Branch from 1995 to 1997. Mr. Ji has been the deputy general manager of HSCL since 1997 and a director of the Overseas Business Committee of HSCL since February 2011. In addition, Mr. Ji has been a director of HTIH since 9 August 2010 and the chairman of the board of directors of HTIH since 17 March 2011.

Mr. CHENG Chi Ming Brian, aged 32, joined the Group in June 2009 and was appointed as an Executive Director of the Company on 1 July 2009. He was re-designated as a Non-executive Director of the Company on 13 January 2010. Mr. Cheng is also a member of the Remuneration Committee and the Strategic Development Committee of the Company. He has worked at the Group for over five years. Mr. Cheng holds a Bachelor of Science Degree from Babson College in Massachusetts in the United States. Mr. Cheng is currently an executive director of NWS Holdings Limited, chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited, non-executive director of Newton Resources Ltd., Wai Kee Holdings Limited and Beijing Capital International Airport Company Limited. The shares of all these companies are listed on the Stock Exchange. Mr. Cheng is also a director of certain subsidiaries of NWS Holdings Limited. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Holdings Limited and its subsidiaries. In addition, Mr. Cheng is a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited as well as a director of a number of companies in Mainland China. Mr. Cheng has previously worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

Ms. WANG Meijuan, aged 50, was appointed as a Non-executive Director of the Company on 1 September 2012 and is a member of the Audit Committee of the Company. She has worked at the Group for over two years. She holds a Bachelor Degree and a Master Degree from the Shanghai University of Finance and Economics. Ms. Wang is a senior accountant in the PRC and possesses the qualification of securities practitioner in the PRC. She has worked as a lecturer for the department of management engineering of the Shanghai Institute of Building Materials and the senior manager of Da Hua Certified Public Accountants Co. Ltd. Ms. Wang has over 14 years of experience in the securities industry. From May 2001 to June 2003, she worked respectively as the assistant to the general manager and the deputy general manager of the audit department of Haitong Securities Company Limited. After joining HSCL in July 2003, Ms. Wang has worked as the deputy general manager of the monitoring and audit department, the deputy general manager

of the risk control headquarters and the chief inspector and the deputy general manager for risk control. Currently, Ms. Wang is respectively a director and the chief supervisor of Haitong Capital Investment Co., Ltd. and Haitong Futures Co., Ltd., the group companies of HSCL, and a member of the Brokerage Business Committee of HSCL and the general manager of the audit department of HSCL.

Mr. William CHAN, aged 48, was appointed as a Non-executive Director and a member of the Strategic Development Committee of the Company on 2 January 2015. He is also the Chief Executive Officer and Chief Investment Officer of Harveston Asset Management Pte. Ltd., a joint venture company of Haitong International Investment (Singapore) Pte. Ltd., an indirect wholly-owned subsidiary of the Company. He has worked at the Group for about three months. Mr. Chan was awarded a Master of Business Administration Degree from National University of Singapore and a Bachelor Degree in Shipbuilding from Dalian University of Technology in China. He is currently the investment director of Tze San Investment Pte Ltd and has extensive experience in equity and bond analysis, trading and portfolio construction, currency trading, distress investment, quantitative research and derivative trading. Mr. Chan previously worked for China Aviation Oil (Singapore) Pte Ltd as Head of Strategic Investment. He was also previously the Credit and Finance Manager of treasury department and financial risk unit for Asia Pacific of Dow Chemical Singapore.

Independent Non-executive Directors

Mr. TSUI Hing Chuen William JP, aged 63, was appointed as an Independent Non-executive Director of the Company on 1 July 2004 and is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. He has worked at the Group for over ten years. Mr. Tsui is the founder partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1980 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of the Law Society of Hong Kong in 2013. Mr. Tsui is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited (formerly known as “New World Mobile Holdings Limited”). The shares of all these companies are listed on the Stock Exchange.

Mr. LAU Wai Piu, aged 51, was appointed as an Independent Non-executive Director of the Company on 1 December 2006 and is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He has worked at the Group for over eight years. Mr. Lau is a member of the HKICPA and a fellow of the Association of Chartered Certified Accountants. He possesses over 20 years of extensive experience in accounting and financial

management. Mr. Lau is currently an independent non-executive director of International Entertainment Corporation, Mongolia Energy Corporation Limited and Vision Values Holdings Limited (formerly known as “New World Mobile Holdings Limited”). The shares of all these companies are listed on the Stock Exchange.

Mr. LIN Ching Yee Daniel, aged 52, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is the Chairman of the Audit Committee of the Company. He has worked at the Group for over two years. Mr. Lin graduated from the University of Oxford and obtained a Master of Arts in Engineering Science. He is a Certified Public Accountant (Practising) in Hong Kong and a member of the HKICPA and the Institute of Chartered Accountants in England and Wales. Mr. Lin is currently the managing partner of Grant Thornton Hong Kong Limited, a member firm of Grant Thornton International Ltd. During working in London of the United Kingdom and Hong Kong, he has gained over 29 years of experience in auditing, initial public offering, financial consulting and management and has been a partner in various large international accounting firms in Hong Kong. Mr. Lin is currently a member of the Professional Conduct Committee, the Audit Profession Reform Working Group, the Mainland Development Strategies Advisory Panel and the Convenor of the Editorial Advisory Group of the HKICPA.

Mr. WEI Kuo-chiang, aged 64, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is a member of the Remuneration Committee of the Company. He has worked at the Group for over two years. He was awarded a Doctor of Philosophy Degree in Finance from the University of Illinois at Urbana-Champaign in the United States, a Master of Business Administration Degree in Finance from the National Chengchi University in Taiwan, and a Bachelor of Engineering Degree in Industrial Management from the National Taiwan University of Science and Technology. Mr. Wei is currently the Chair Professor of Finance and Director of Value Partners Center for Investing at the Department of Finance at The Hong Kong University of Science and Technology (“HKUST”). He previously acted as professor, associate professor and assistant professor of finance at a number of prestigious universities, including the University of Mississippi, the University of Miami and the Indiana University at Bloomington/Indianapolis in the United States as well as the HKUST, and also served as Director of the Center for Asian Financial Markets and Director of Master of Science (Financial Analysis)/(Investment Management) Programs at the HKUST for many years. Mr. Wei has written a number of research papers on issues such as the United States and Global Capital Markets and Pricing of Assets and he was also a column writer on Hong Kong stock market and warrant trading for Hong Kong Economic Journal for many years. Moreover, he assisted to develop wealth management and investment models for, among others, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited and also organized and conducted a consultancy project for the Government of Hong Kong and Asia-Pacific Economic Cooperation. Mr. Wei has been a council member of the Chinese Finance Annual Meeting and the Global Chinese Real Estate Congress since 2004 and 2008 respectively.

Senior Management

Mr. ZHANG Xinjun, aged 39, joined the Group in April 2010 and was appointed as the Chief Financial Officer of the Group in September 2010. He is also a member of the Executive Committee of the Company as well as a director of various subsidiaries of the Company. He has worked at the Group for over four years. Mr. Zhang holds a postgraduate Master Degree in Management from the Department of Accounting of Nankai University. He is a Chinese Middle Grade Accountant and has extensive experience in financial accounting, finance management and merger and acquisition. Prior to joining the Group, Mr. Zhang worked at the Finance and Accounting Department of HSCL and has been the chief financial officer of HTIH since January 2008.

Mr. SUN Jianfeng, aged 38, joined the Group in 2010 and is responsible for the development and management of the Group's corporate finance division and leveraged and acquisition finance division. He is also a member of the Executive Committee of the Company. In addition, Mr. Sun is a director of various subsidiaries of the Company as well as a responsible officer of Hai Tong Capital (HK) Limited and Haitong International Capital Limited under the SFO. He has worked at the Group for over four years. Mr. Sun holds a Master of Economics from Xi'an Jiaotong University and is a chartered sponsor representative in the PRC equity market. He possesses extensive experience in the corporate finance industry. He participated and completed a number of IPOs in Hong Kong and China.

Mr. SUN Tong, aged 38, joined the Group in June 2010 and is a member of the Executive Committee of the Company, the head of the global market operations division of the Group, the Managing Director of HTISCL as well as a responsible officer of HTISCL and Haitong International Investment Services Limited under the SFO. He is currently mainly responsible for managing the equity derivatives and institutional sales businesses, and for assisting the Chief Executive Officer of the Group in promoting the concerted development of the fixed income, currency and commodity businesses along with other relevant departments of the Group. He has worked at the Group for over four years. Mr. Sun graduated with a Bachelor Degree in Computer Science from Nanjing Normal University and finished a Postgraduate Program of Finance at Shanghai Fudan University. He has 14 years of experience in the securities industry. Mr. Sun joined HSCL in 2000. He was the senior manager of the president office and the secretary to the president of HSCL from 2007 to April 2010. Mr. Sun has been the assistant general manager of HTIH since 2010 and is responsible for frontline business.

Mr. LO Wai Ho, aged 52, joined the Group in April 2004 and is the Finance Director of the Group, a member of the Executive Committee of the Company and a director of various subsidiaries of the Company. He is responsible for the financial management and accounting function of the Group. He has worked at the Group for over ten years. From July 2012 to April 2014, Mr. Lo worked as the Company Secretary of the Company and the Group. He holds a Master of Business Administration Degree from Columbia Southern University in the United States and

a Professional Diploma in Accountancy from The Hong Kong Polytechnic University. Mr. Lo has over 25 years of experience in the securities and futures industry. Prior to joining the Group, he has held senior positions in regional financial institutions in Hong Kong. Mr. Lo is a member of the Institute of Chartered Accountants in England and Wales and a member of the HKICPA.

Mr. ZHANG Yibin, aged 43, joined the Group in 2010 and is currently mainly responsible for the Group's asset management, private wealth management, research sales and overseas business development. He was appointed as the Managing Director of Hai Tong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited in 2012. He is also a member of the Executive Committee of the Company and a responsible officer of Hai Tong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited under the SFO. He has worked at the Group for over four years. Prior to joining the Group, Mr. Zhang worked at China Merchants Fund in Shenzhen, China as Head of International Business in 2009 and 2010. Mr. Zhang holds a Doctor of Philosophy Degree in Financial Economics from Duke University in the United States. Before relocating back to China, he worked at various financial services companies in New York, including Moody's KMV, UBS and Fitch Ratings.

Mr. SHI Ping, aged 44, joined the Group on 3 October 2012 and is responsible for the Group's corporate finance and related businesses. Mr. Shi has been appointed as a member of the Executive Committee of the Company since 11 November 2014. He is also a director of Hai Tong Capital (HK) Limited and a director as well as a responsible officer of Haitong International Capital Limited, both being subsidiaries of the Group. He has worked at the Group for over two years. Mr. Shi has over 22 years of experience in the investment banking industry. Prior to joining the Group, Mr. Shi had held senior positions at Standard Chartered Asia Limited, Cazenove Asia Limited and Standard Chartered Bank since 1992 and took a leading role in a dozen of overseas listings and merger and acquisition transactions for mainland enterprises, with a number of them being elected by authoritative journals as the Deal of The Year. Mr. Shi holds a Bachelor Degree in Economics from China Institute of Finance and a Master of Business Administration from Fudan University. Mr. Shi has chartered lawyer and CPA qualifications in the PRC.

Dr. KONG Weipeng, aged 39, joined the Group in July 2010. Dr. Kong currently serves as the Head of the Fixed Income, Currency and Commodities (FICC) Department of the Group. He has been appointed as a member of the Executive Committee of the Company since 11 November 2014. He has over 10 years of market experience in trading and investing of fixed income, currency and commodities. Before serving his current position, Dr. Kong was the Deputy Chief Investment Officer and responsible officer of Haitong International Asset Management Limited. He is currently a responsible officer of HTISCL and a director of various subsidiaries of the Company. Dr. Kong was among the key responsible persons of Haitong International Asset Management Limited for the first tranche of offshore Renminbi bond funds approved by the Hong Kong SFC. He has worked at

the Group for over four years. Before joining the Group, Dr. Kong had worked as a proprietary trader at the New York headquarters of Bear Stearns and the chief fixed income strategist at Penghua Fund Management Co., Ltd. Dr. Kong holds a Doctorate Degree in Finance from The Pennsylvania State University in the United States and a Bachelor Degree in International Economics from Beijing University.

12. MISCELLANEOUS

This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

13. EXPENSES

The expenses in relation to the Rights Issue (including the underwriting fee, printing, registration, legal, accounting and documentation charges) are estimated to be approximately HK\$34.48 million and will be payable by the Company.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during business hours on any weekday (except Saturdays, Sunday and public holidays) at the principal place of business in Hong Kong of the Company at 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong for 14 days from the date of this circular:

- (a) the memorandum of association and the Bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014, respectively;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 44 to 68 of this circular;
- (e) the report on the unaudited pro forma financial information of the Group issued by Deloitte set out in Appendix II to this circular;
- (f) the material contracts disclosed in the section headed “Material Contracts” in this appendix;
- (g) the written consent from the expert as referred to in the section headed “Expert and Consent” in this appendix; and
- (h) this circular.

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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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Haitong International Securities Group Limited (the “**Company**”) will be held at Multi-function Room, 19th Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong on 21 April 2015 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) subject to the fulfilment of the conditions set out in the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:

For the purpose of this resolution, “Rights Issue” means the proposed issue by way of rights of not less than 2,239,369,621 shares of HK\$0.10 each in the Company (“**Shares**”) and not more than 2,594,686,477 Shares (the “**Rights Shares**”) at a subscription price of HK\$3.50 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of one (1) Rights Share for every one (1) Share then held and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**” including all supplemental agreements related thereto) dated 18 March 2015 and made among the Company, Haitong International Holdings

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Limited, China Securities (International) Corporate Finance Company Limited, Qilu International Securities Limited and Haitong International Securities Company Limited (a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for the purpose of identification);

- (b) the board of directors of the Company (the “**Board**”) be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as he/she deems necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (c) any Director be and is hereby authorised to sign and execute such documents, instruments and agreements (and if such documents are required to be affixed with the common seal, any two directors of the Board be and are hereby authorised to sign and to affix the common seal on such documents) and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Underwriting Agreement or the Rights Issue as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the Underwriting Agreement, the Rights Issue and the issue of the Rights Shares and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in the opinion of the Board, in the interests of the Company and its shareholders as a whole.”

2. “**THAT**

the authorised share capital of the Company be and is hereby increased from HK\$450,000,000 divided into 4,500,000,000 ordinary shares to HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares by the creation of an additional 5,500,000,000 ordinary shares of par value of HK\$0.10 each in the capital of the Company, and the board of directors of the Company be and is hereby authorised to do all such acts and things and execute all documents which it considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the increase of authorised share capital.”

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3. “**THAT:**

- (a) the board of directors of the Company (the “**Board**”) be and is hereby granted a specific mandate to exercise all the powers of the Company to allot and issue any and all conversion shares as may be required to be allotted and issued upon exercise of the conversion rights attaching to the outstanding HK\$776,000,000 1.25% convertible bonds due 2018 and HK\$232,000,000 1.25% convertible bonds due 2018 issued by the Company on 18 July 2013 and 10 October 2013, respectively (the “**2013 CBs**”), subject to and in accordance with the terms and conditions of the 2013 CBs; and
- (b) the Board be and is hereby granted a specific mandate to exercise all the powers of the Company to allot and issue any and all conversion shares as may be required to be allotted and issued upon exercise of the conversion rights attaching to the outstanding HK\$1,164,000,000 1.25% convertible bonds due 2019 issued by the Company on 4 November 2014 (the “**2014 CBs**”), subject to and in accordance with the terms and conditions of the 2014 CBs.”

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

Hong Kong, 31 March 2015

Principal Place of Business in Hong Kong:
22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Notes:

- 1. Every shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote in his/her stead. A shareholder who is the holder of two or more Shares may appoint more than one proxy. A proxy need not be a shareholder of the Company.
- 2. In order to be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be deposited 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 not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof.
- 3. The proxy form for use at the SGM is enclosed in the circular. Completion and delivery of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the SGM or any adjourned meeting thereof if the shareholder of the Company so desires, and in such event, the proxy form will be deemed to be revoked.
- 4. Where there are joint registered holders of any Share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto, but if more than one of such joint registered holders are present at the SGM personally or by proxy, then one of the registered

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holders so present whose name stands first on the register of members of the Company in respect of such Share, or his/her proxy, shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holders in respect thereof.

5. The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the SGM, from Friday, 17 April 2015 to Tuesday, 21 April 2015, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the SGM, unregistered holders of the Shares should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 April 2015.

As at the date of this notice, the board of directors of the Company 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*