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Non-Collateralised Structured Products

issued by



Haitong International Securities Company Limited

("Issuer")

(incorporated with limited liability in Hong Kong)

Announcement for Publication of Interim Report

The Issuer has released its unaudited interim report for the six months ended 30 June 2022 ("**Interim Report**") on 28 September 2022. A copy of the Interim Report is included at the end of this announcement. References to page numbers in the Interim Report are to pages therein and not to pages in this announcement.

This announcement, which includes the Interim Report, is also available on our website at www.htiwarrants.com/en/announcement/warrant.

Haitong International Securities Company Limited

28 September 2022

HAITONG INTERNATIONAL SECURITIES
COMPANY LIMITED

海通國際證券有限公司

Unaudited Interim Report
For the period ended 30 June 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

	NOTES	Six months ended	
		30.6.2022 HK\$	30.6.2021 HK\$
Revenue			
Commission and fee income	4	360,998,004	694,313,118
Interest income	4	312,271,713	507,626,709
Net trading and investment income	4	88,836,090	369,474,512
		762,105,807	1,571,414,339
Other income and gains or losses	4	47,278,589	20,566,332
		809,384,396	1,591,980,671
Staff costs		(223,375,869)	(191,542,988)
Commission expenses		(15,410,062)	(98,370,488)
Amortisation and depreciation		(2,934,466)	(1,593,544)
Management and service fees to an intermediate holding company and fellow subsidiaries		-	(437,924,268)
Management and service fees to the immediate holding company and fellow subsidiaries		(143,480,346)	-
Operating expenses		(172,849,454)	(282,754,815)
Finance costs	5	(108,867,057)	(241,583,111)
Profit before impairment charges and tax		142,467,142	338,211,457
Impairment charges, net of reversal		(166,044,917)	(210,666,101)
(Loss)/Profit before tax	5	(23,577,775)	127,545,356
Income tax (expense)/credit	6	(1,998,732)	5,445,276
(Loss)/Profit for the period		(25,576,507)	132,990,632
Other comprehensive income/(expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		11,306,657	(1,926,639)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value changes on investments in equity instruments at fair value through other comprehensive income		(2,113,475)	-
Other comprehensive income/(expense) for the period		9,193,182	(1,926,639)
Total comprehensive (expense)/income for the period		(16,383,325)	131,063,993

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	NOTES	30.6.2022			31.12.2021		
		Current HK\$	Non- current HK\$	Total HK\$	Current HK\$	Non- current HK\$	Total HK\$
ASSETS							
Assets							
Cash and cash equivalents		1,844,105,127	-	1,844,105,127	1,346,369,080	-	1,346,369,080
Cash held on behalf of customers		12,001,317,751	-	12,001,317,751	14,361,565,457	-	14,361,565,457
Financial assets held for trading and market making activities	8	892,283,088	-	892,283,088	609,749,353	-	609,749,353
Investment securities	14	193,257,257	28,763,000	222,020,257	377,280	-	377,280
Derivative financial instruments	9	9,111,886	-	9,111,886	27,195,146	-	27,195,146
Advances to customers in margin financing	11	10,199,829,266	-	10,199,829,266	9,138,579,452	-	9,138,579,452
Cash collateral on securities borrowed and reverse repurchase agreements	10	1,919,619,335	-	1,919,619,335	2,052,912,650	-	2,052,912,650
Accounts receivable	12	3,202,376,932	-	3,202,376,932	2,988,605,946	-	2,988,605,946
Amounts due from fellow subsidiaries	16	93,711,019	-	93,711,019	107,490,236	-	107,490,236
Amount due from the immediate holding company	16	6,929,761,234	-	6,929,761,234	5,856,433,122	-	5,856,433,122
Prepayments, deposits and other receivables		76,448,030	-	76,448,030	24,071,545	-	24,071,545
Other intangible assets		-	6,054,345	6,054,345	-	6,054,345	6,054,345
Other assets		-	166,157,409	166,157,409	-	181,325,258	181,325,258
Property and equipment		-	10,249,521	10,249,521	-	13,599,322	13,599,322
Deferred tax assets		-	5,876,971	5,876,971	-	5,876,971	5,876,971
Total assets		37,361,820,925	217,101,246	37,578,922,171	36,513,349,267	206,855,896	36,720,205,163
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities	8	132,267,365	-	132,267,365	131,111,004	-	131,111,004
Derivative financial instruments	9	15,157,281	-	15,157,281	296,419,048	-	296,419,048
Cash collateral on securities lent and repurchase agreements	13	6,356,236,933	-	6,356,236,933	2,956,261,479	-	2,956,261,479
Accounts payable	15	13,923,142,923	-	13,923,142,923	16,488,795,904	-	16,488,795,904
Amounts due to fellow subsidiaries	16	1,061,254,113	-	1,061,254,113	1,170,366,024	-	1,170,366,024
Bank borrowings	17	499,616,680	-	499,616,680	78,289,792	-	78,289,792
Subordinated loans	18	3,400,000,000	-	3,400,000,000	3,400,000,000	-	3,400,000,000
Other payables, accruals and other liabilities		12,615,656	-	12,615,656	20,716,251	4,869,253	25,585,504
Tax Payable		52,154,639	-	52,154,639	30,516,502	-	30,516,502
Total liabilities		25,452,445,590	-	25,452,445,590	24,572,476,004	4,869,253	24,577,345,257
Equity							
Share capital				11,500,000,000			11,500,000,000
Reserves				626,476,581			642,859,906
Total equity				12,126,476,581			12,142,859,906
Total liabilities and equity				37,578,922,171			36,720,205,163

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

	Share capital HK\$	Contribution reserve HK\$	Retained earnings HK\$	Exchange reserve HK\$	Investment revaluation reserve HK\$	Total HK\$
At 1 January 2022	11,500,000,000	348,497,823	302,476,939	(8,114,856)	-	12,142,859,906
Loss and total comprehensive expense for the period	-	-	(25,576,507)	11,306,657	(2,113,475)	(16,383,325)
At 30 June 2022	<u>11,500,000,000</u>	<u>348,497,823</u>	<u>276,900,432</u>	<u>3,191,801</u>	<u>(2,113,475)</u>	<u>12,126,476,581</u>
At 1 January 2021	11,500,000,000	348,497,823	336,634,539	(2,595,987)	-	12,182,536,375
Profit and total comprehensive income for the period	-	-	132,990,632	(1,926,639)	-	131,063,993
Dividend declared (Note 7)	-	-	(450,000,000)	-	-	(450,000,000)
At 30 June 2021	<u>11,500,000,000</u>	<u>348,497,823</u>	<u>19,625,171</u>	<u>(4,522,626)</u>	<u>-</u>	<u>11,863,600,368</u>

HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
海通國際證券有限公司

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

	Six months ended	
	30.6.2022	30.6.2021
	HK\$	HK\$
NET CASH FROM OPERATING ACTIVITIES	1,247,253,880	351,725,382
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,059,548,895)	670,502,067
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>310,031,062</u>	<u>(247,389,135)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	497,736,047	774,838,314
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>1,346,369,080</u>	<u>648,279,066</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>1,844,105,127</u>	<u>1,423,117,380</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>1,844,105,127</u>	<u>1,423,117,380</u>

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

Haitong International Securities Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 22/F., Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

During the period ended 30 June 2022, the Company was involved in securities brokerage and dealing, investment holding, the provision of securities margin financing, placing and underwriting services and other consultancy and advisory services.

The Company is licensed under the Securities and Futures Commission to conduct the regulated activities on dealing in securities and advising on securities during the period ended 30 June 2022.

As of 30 June 2022, in the opinion of the Board of the Company, the parent company of the Company is Haitong International Securities Group Limited, which is incorporated in the Bermuda and listed in Hong Kong, and the ultimate holding company of the Company is Haitong Securities Co., Ltd., which is incorporated in the People's Republic of China ("PRC") and listed in both the PRC and Hong Kong.

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

2. BASIS OF PREPARATION

The unaudited financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Company's audited financial statements for the year ended 31 December 2021.

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

Application of amendments to HKFRSs

In the current interim period, the Company has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Company's unaudited financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Company's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited financial statements.

4. REVENUE AND OTHER INCOME AND GAINS OR LOSSES

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

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$	HK\$
Revenue		
Commission and fee income:		
Commission on securities dealing and broking	249,547,264	475,553,112
Commission on futures and options dealing and broking	1,224,189	2,049,963
Commission on underwriting and placing	24,548,049	122,129,442
Financial advisory and consultancy fee income	2,352,700	-
Handling, custodian and other service fee income	83,325,802	94,580,601
	<u>360,998,004</u>	<u>694,313,118</u>
Interest income:		
Interest income from advances to customers in margin financing	268,729,594	452,830,541
Interest income from other activities	43,542,119	54,796,168
	<u>312,271,713</u>	<u>507,626,709</u>
Net trading and investment income:		
Net gain from financial assets held for trading and market making activities	88,877,114	369,994,992
Net loss from investment securities at fair value	(41,024)	(520,480)
	<u>88,836,090</u>	<u>369,474,512</u>
	<u>762,105,807</u>	<u>1,571,414,339</u>
Other income and gains or losses		
Others (Note)	<u>47,278,589</u>	<u>20,566,332</u>

Note: Foreign exchange gain (net) of HK\$47 million (six months ended 30 June 2021: foreign exchange gain (net) of HK\$19 million) was also included in the other income and gains or losses. This amount relates to loss or gain arising from translation of foreign currency denominated assets and liabilities (other than financial assets / liabilities measured at fair value through profit or loss) into Hong Kong dollar, while the gain or loss arising from translation of financial assets / liabilities at fair value through profit or loss is recognised within net trading and investment income.

5. (LOSS)/PROFIT BEFORE TAX

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$	HK\$
(Loss) profit before tax has been arrived at after charging:		
Auditor's remuneration (Note)	681,998	372,699
Net impairment charges on:		
Advances to customers in margin financing	165,787,887	212,040,359
Finance costs to:		
- authorised institutions	3,291,649	18,065,019
- an intermediate holding company	-	200,148,396
- the immediate holding company	96,788,604	-
- repurchase agreements	7,713,554	22,114,468
- others	1,073,250	1,255,228
	<u>108,867,057</u>	<u>241,583,111</u>

Note: Auditor's remuneration for both periods are settled by Haitong International Securities Group Limited

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$	HK\$
Current tax		
- Other jurisdictions	1,998,732	1,879,235
Deferred tax		
- Current period	-	(7,324,511)
	<u>1,998,732</u>	<u>(5,445,276)</u>

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

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

7. DIVIDENDS

	Six months ended	
	<u>30.6.2022</u>	<u>30.6.2021</u>
	HK\$	HK\$
Interim dividend of HK\$ Nil (2021: HK\$0.0391) per ordinary share	-	450,000,000
	<u> </u>	<u> </u>

8. FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	<u>30.6.2022</u>	<u>31.12.2021</u>
	HK\$	HK\$
<u>Financial assets held for trading and market making activities - at fair value</u>		
Listed equity investments	87,967,796	510,003,318
Exchange traded funds	62,103,140	52,619,569
Listed debt investments	742,212,152	47,126,466
	<u>892,283,088</u>	<u>609,749,353</u>
 <u>Financial liabilities held for trading and market making activities - at fair value (Note)</u>		
Listed equity investments	9,875,810	58,050,371
Listed debt investments	122,391,555	73,060,633
	<u>132,267,365</u>	<u>131,111,004</u>

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>30.6.2022</u>	<u>31.12.2021</u>
	HK\$	HK\$
<u>ASSETS</u>		
Listed options/warrants	<u>9,111,886</u>	<u>27,195,146</u>
 <u>LIABILITIES</u>		
Listed options/warrants	9,494,812	79,842,287
Listed callable bull/bear contracts	5,662,469	216,576,761
	<u>15,157,281</u>	<u>296,419,048</u>

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial liabilities in the statement of financial position.

10. CASH COLLATERAL ON SECURITIES BORROWED AND REVERSE REPURCHASE AGREEMENTS

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
Cash collateral on securities borrowed	295,509,698	53,679,080
Reverse repurchase agreements		
Analysed by collateral type:		
Equities	494,278,468	426,516,765
Bonds	1,129,831,169	1,572,716,805
	<u>1,919,619,335</u>	<u>2,052,912,650</u>

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Company and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Company is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the unaudited financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 30 June 2022, the fair value of the collateral in respect of reverse repurchase agreements was HK\$1,683 million (31 December 2021: HK\$2,843 million).

11. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
Margin financing	11,022,359,432	9,841,496,707
Less: Impairment allowance	(822,530,166)	(702,917,255)
	<u>10,199,829,266</u>	<u>9,138,579,452</u>

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Company, where the Company maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Company's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

11. ADVANCES TO CUSTOMERS IN MARGIN FINANCING - continued

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 30 June 2022, margin financing of HK\$10,200 million (31 December 2021: HK\$9,139 million) were secured by securities pledged by the customers to the Company as collateral with undiscounted market value of HK\$39,780 million (31 December 2021: HK\$46,961 million). In determining the allowances for credit impaired loans to margin clients for the current period, the management of the Company also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including subsequent settlements, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

12. ACCOUNTS RECEIVABLE

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
Accounts receivable from:		
- Clients	1,832,108,729	1,843,206,358
- Brokers, dealers and clearing house	1,340,449,954	1,077,257,244
- Clients for subscription of new shares	1,664,645	-
- Others	28,153,604	68,142,344
	<u>3,202,376,932</u>	<u>2,988,605,946</u>

13. CASH COLLATERAL ON SECURITIES LENT AND REPURCHASE AGREEMENTS

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
Cash collateral on securities lent	2,229,623,465	1,089,380,809
Repurchase agreements		
Analysed by collateral type:		
Equities	1,780,000,000	1,070,947,200
Bonds	2,346,613,468	795,933,470
	<u>6,356,236,933</u>	<u>2,956,261,479</u>

Cash collateral received under securities lending agreement are repayable upon expiry of relevant securities lending agreements and the relevant stocks lent are returned by the borrower. Repurchase agreements are transactions in which the Company sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Company is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the unaudited financial statements but regarded as "collateral" for the liabilities because the Company retains substantially all the risks and rewards of these securities.

13. CASH COLLATERAL ON SECURITIES LENT AND REPURCHASE AGREEMENTS -
 continued

As at 30 June 2022, the Company entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at fair value through profit or loss with carrying amount of HK\$4,493 million (31 December 2021: HK\$2,202 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

14. INVESTMENT SECURITIES

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
<u>Investment securities measured at fair value through profit or loss</u>		
Listed equity investments	484,427	377,280
Listed debt investments	192,772,830	-
	<u>193,257,257</u>	<u>377,280</u>
<u>Investment securities measured at fair value through other comprehensive income</u>		
Listed equity investments (Note)	28,763,000	-
	<u>222,020,257</u>	<u>377,280</u>

Note: The Company invested in listed equity investments. The directors of the Company expect to realise not within twelve months after each reporting period.

15. ACCOUNTS PAYABLE

	<u>30.6.2022</u> HK\$	<u>31.12.2021</u> HK\$
Accounts payable to:		
- Clients	12,940,560,592	14,934,844,297
- Brokers, dealers and clearing house	975,521,157	1,486,535,212
- Others	7,061,174	67,416,395
	<u>13,923,142,923</u>	<u>16,488,795,904</u>

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts due from related companies are unsecured, repayable on demand and non-interest bearing.

As at 30 June 2022 and 31 December 2021, the directors have reviewed and assessed the amounts due from related companies using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are considered as immaterial.

The amount due to related companies are unsecured, non-interest bearing and repayable on demand.

17. BANK BORROWINGS

	<u>30.6.2022</u>	<u>31.12.2021</u>
	HK\$	HK\$
Current liabilities		
- Secured bank loans (Note)	339,616,680	78,289,792
- Unsecured bank loans	160,000,000	-
	<u>499,616,680</u>	<u>78,289,792</u>

Note: As at 30 June 2022, bank loans of HK\$340 million (31 December 2021: HK\$78 million) were secured by the listed shares (held by the Company as security for advances to customers in margin financing with the customers' consent) of HK\$1,770 million (31 December 2021: HK\$2,437 million) at fair value held by the Company.

18. SUBORDINATED LOANS

	<u>30.6.2022</u>	<u>31.12.2021</u>
	HK\$	HK\$
Subordinated loans from		
- the immediate holding company	<u>3,400,000,000</u>	<u>3,400,000,000</u>