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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 2023 ("**Interim Report**") on 29 September 2023. 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

29 September 2023

HAITONG INTERNATIONAL SECURITIES
COMPANY LIMITED

海通國際證券有限公司

Unaudited Interim Report
For the period ended 30 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2023

	NOTES	Six months ended	
		30.6.2023 HK\$	30.6.2022 HK\$
Revenue			
Commission and fee income	4	247,254,890	360,998,004
Interest income	4	436,259,470	312,271,713
Net trading and investment income	4	19,897,006	88,836,090
		703,411,366	762,105,807
Other income and gains or losses	4	35,611,065	47,278,589
		739,022,431	809,384,396
Staff costs		(132,047,487)	(223,375,869)
Commission expenses		(17,609,545)	(15,410,062)
Amortisation and depreciation		(2,757,426)	(2,934,466)
Management and service fees to the immediate holding company and fellow subsidiaries		(347,437,004)	(181,257,991)
Operating expenses		(157,751,407)	(172,849,454)
Finance costs	5	(163,859,550)	(71,089,412)
(Loss) Profit before impairment charges and tax		(82,439,988)	142,467,142
Impairment charges, net of reversal		(282,330,127)	(166,044,917)
Loss before tax	5	(364,770,115)	(23,577,775)
Income tax credit (expense)	6	4,606,748	(1,998,732)
Loss for the period		(360,163,367)	(25,576,507)
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		9,370,969	11,306,657
<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		4,353,375	(2,113,475)
Other comprehensive income for the period		13,724,344	9,193,182
Loss and total comprehensive expense for the period		(346,439,023)	(16,383,325)

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

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	30.6.2023			31.12.2022		
		Current HK\$	Non- current HK\$	Total HK\$	Current HK\$	Non- current HK\$	Total HK\$
ASSETS							
Assets							
Cash and cash equivalents		2,537,836,762	-	2,537,836,762	1,053,860,308	-	1,053,860,308
Cash held on behalf of customers		8,735,831,893	-	8,735,831,893	8,901,302,287	-	8,901,302,287
Financial assets held for trading and market making activities	7	1,016,860,625	-	1,016,860,625	279,139,873	-	279,139,873
Investment securities	13	336,383,038	-	336,383,038	495,768,609	30,377,250	526,145,859
Advances to customers in margin financing	10	8,909,304,341	-	8,909,304,341	11,353,468,236	-	11,353,468,236
Cash collateral on securities borrowed and reverse repurchase agreements	9	1,456,031,828	-	1,456,031,828	1,051,917,460	-	1,051,917,460
Accounts receivable	11	3,284,931,294	-	3,284,931,294	2,522,592,040	-	2,522,592,040
Amounts due from fellow subsidiaries	15	110,941,444	-	110,941,444	105,887,330	-	105,887,330
Amount due from the immediate holding company	15	5,417,148,458	-	5,417,148,458	5,924,500,747	-	5,924,500,747
Prepayments, deposits and other receivables		97,489,465	-	97,489,465	135,377,719	-	135,377,719
Intangible assets		-	6,054,345	6,054,345	-	6,054,345	6,054,345
Other assets		-	161,226,660	161,226,660	-	209,290,908	209,290,908
Property and equipment		-	5,975,798	5,975,798	-	8,733,224	8,733,224
Deferred tax assets		-	41,933,231	41,933,231	-	41,933,231	41,933,231
Tax recoverable		55,824,833	-	55,824,833	-	-	-
Total assets		31,958,583,981	215,190,034	32,173,774,015	31,823,814,609	296,388,958	32,120,203,567
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities	7	178,750,519	-	178,750,519	86,804,917	-	86,804,917
Derivative financial instruments	8	131,473	-	131,473	86,193	-	86,193
Cash collateral on securities lent and repurchase agreements	12	5,579,346,578	-	5,579,346,578	6,108,082,724	-	6,108,082,724
Accounts payable	14	11,176,799,951	-	11,176,799,951	10,531,399,958	-	10,531,399,958
Amounts due to fellow subsidiaries	15	36,142,195	-	36,142,195	38,766,536	-	38,766,536
Bank borrowings	16	388,131,414	-	388,131,414	184,629,720	-	184,629,720
Subordinated loans	17	3,400,000,000	-	3,400,000,000	3,400,000,000	-	3,400,000,000
Other payables, accruals and other liabilities		67,524,222	-	67,524,222	23,392,995	1,497,076	24,890,071
Tax payable		-	-	-	52,156,762	-	52,156,762
Total liabilities		20,826,826,352	-	20,826,826,352	20,425,319,805	1,497,076	20,426,816,881
Equity							
Share capital				11,500,000,000			11,500,000,000
Reserves				(153,052,337)			193,386,686
Total equity				11,346,947,663			11,693,386,686
Total liabilities and equity				32,173,774,015			32,120,203,567

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 2023

	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 2023	11,500,000,000	348,497,823	(168,668,913)	14,057,001	(499,225)	11,693,386,686
Loss and total comprehensive expense for the period	-	-	(360,163,367)	9,370,969	4,353,375	(346,439,023)
At 30 June 2023	<u>11,500,000,000</u>	<u>348,497,823</u>	<u>(528,832,280)</u>	<u>23,427,970</u>	<u>3,854,150</u>	<u>11,346,947,663</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 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK\$	HK\$
NET CASH FROM OPERATING ACTIVITIES	783,152,244	1,247,253,880
NET CASH FROM (USED IN) INVESTING ACTIVITIES	502,298,175	(1,059,548,895)
NET CASH FROM FINANCING ACTIVITIES	<u>198,526,035</u>	<u>310,031,062</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,483,976,454	497,736,047
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>1,053,860,308</u>	<u>1,346,369,080</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>2,537,836,762</u></u>	<u><u>1,844,105,127</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u><u>2,537,836,762</u></u>	<u><u>1,844,105,127</u></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 2023, 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 2023.

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 2023 are the same as those followed in the preparation of the Company's audited financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Company's unaudited financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

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>30.6.2023</u>	<u>30.6.2022</u>
	HK\$	HK\$
Revenue		
Commission and fee income:		
Commission on securities dealing and broking	163,043,526	249,547,264
Commission on futures and options dealing and broking	1,570,598	1,224,189
Commission on underwriting and placing	532,009	24,548,049
Financial advisory and consultancy fee income	1,031,850	2,352,700
Handling, custodian and other service fee income	81,076,907	83,325,802
	<u>247,254,890</u>	<u>360,998,004</u>
Interest income:		
Interest income from advances to customers in margin financing	270,791,397	268,729,594
Interest income from other activities	165,468,073	43,542,119
	<u>436,259,470</u>	<u>312,271,713</u>
Net trading and investment income:		
Net gain from financial assets held for trading and market making activities	28,070,112	88,877,114
Net loss from investment securities at fair value	(8,173,106)	(41,024)
	<u>19,897,006</u>	<u>88,836,090</u>
	<u>703,411,366</u>	<u>762,105,807</u>
Other income and gains or losses		
Others (Note)	<u>35,611,065</u>	<u>47,278,589</u>

Note: Foreign exchange gain (net) of HK\$35 million (six months ended 30 June 2022: foreign exchange gain (net) of HK\$47 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 BEFORE TAX

	Six months ended	
	<u>30.6.2023</u>	<u>30.6.2022</u>
	HK\$	HK\$
Loss before tax has been arrived at after charging:		
Auditor's remuneration (Note)	711,934	681,998
Net impairment charges on:		
Advances to customers in margin financing	287,102,378	165,787,887
Finance costs to:		
- authorised institutions	4,877,539	3,291,649
- the immediate holding company	70,212,330	59,010,959
- repurchase agreements	88,235,605	7,713,554
- others	534,076	1,073,250
	<u>163,859,550</u>	<u>71,089,412</u>

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

6. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	<u>30.6.2023</u>	<u>30.6.2022</u>
	HK\$	HK\$
Current tax		
- Other jurisdictions	1,049,917	1,998,732
Overprovision		
- Hong Kong	<u>(5,656,665)</u>	<u>-</u>
	<u>(4,606,748)</u>	<u>1,998,732</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. FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
<u>Financial assets held for trading and market making activities - at fair value</u>		
Listed equity investments	354,275	13,676,140
Exchange traded funds	22,477,025	23,112,284
Unlisted debt investment	21,928,200	-
Listed debt investments	972,101,125	242,351,449
	<u>1,016,860,625</u>	<u>279,139,873</u>
<u>Financial liabilities held for trading and market making activities - at fair value (Note)</u>		
Listed equity investments	1,705	2,285
Listed debt investments	178,748,814	86,802,632
	<u>178,750,519</u>	<u>86,804,917</u>

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

8. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
<u>LIABILITIES</u>		
Listed warrants	4,984	29,752
Listed callable bull/bear contracts	126,489	56,441
	<u>131,473</u>	<u>86,193</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.

9. CASH COLLATERAL ON SECURITIES BORROWED AND REVERSE REPURCHASE AGREEMENTS

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
Cash collateral on securities borrowed	779,317,703	235,104,492
Reverse repurchase agreements		
Analysed by collateral type:		
Equities	-	461,946,765
Bonds	<u>676,714,125</u>	<u>354,866,203</u>
	<u><u>1,456,031,828</u></u>	<u><u>1,051,917,460</u></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 2023, the fair value of the collateral in respect of reverse repurchase agreements was HK\$964 million (31 December 2022: HK\$1,145 million).

10. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
Margin financing	10,247,501,939	12,404,563,370
Less: Impairment allowance	<u>(1,338,197,598)</u>	<u>(1,051,095,134)</u>
	<u><u>8,909,304,341</u></u>	<u><u>11,353,468,236</u></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.

10. 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 2023, margin financing of HK\$8,909 million (31 December 2022: HK\$11,353 million) were secured by securities pledged by the customers to the Company as collateral with undiscounted market value of HK\$32,147 million (31 December 2022: HK\$36,758 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.

11. ACCOUNTS RECEIVABLE

	<u>30.6.2023</u>	<u>31.12.2022</u>
	HK\$	HK\$
Accounts receivable from:		
- Clients	1,614,922,082	1,592,438,487
- Brokers, dealers and clearing house	1,638,237,672	899,403,746
- Clients for subscription of new shares in IPO	-	1,079,983
- Others	31,771,540	29,669,824
	<u>3,284,931,294</u>	<u>2,522,592,040</u>

12. CASH COLLATERAL ON SECURITIES LENT AND REPURCHASE AGREEMENTS

	<u>30.6.2023</u>	<u>31.12.2022</u>
	HK\$	HK\$
Cash collateral on securities lent	1,537,396,611	1,991,863,037
Repurchase agreements		
Analysed by collateral type:		
Equities	2,586,271,000	3,372,808,023
Bonds	1,455,678,967	743,411,664
	<u>5,579,346,578</u>	<u>6,108,082,724</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.

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

As at 30 June 2023, 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\$4,689 million (31 December 2022: HK\$4,731 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

13. INVESTMENT SECURITIES

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
<u>Investment securities measured at fair value through profit or loss</u>		
Listed equity investments	149,550,592	344,208
Listed debt investments	186,832,446	183,064,966
Unlisted investment fund	-	312,359,435
	<u>336,383,038</u>	<u>495,768,609</u>
<u>Investment securities measured at fair value through other comprehensive income</u>		
Listed equity investments (Note)	-	30,377,250
	<u>336,383,038</u>	<u>526,145,859</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.

14. ACCOUNTS PAYABLE

	<u>30.6.2023</u> HK\$	<u>31.12.2022</u> HK\$
Accounts payable to:		
- Clients	9,997,285,387	9,976,790,705
- Brokers, dealers and clearing house	1,129,686,795	493,315,651
- Others	49,827,769	61,293,602
	<u>11,176,799,951</u>	<u>10,531,399,958</u>

15. 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 2023 and 31 December 2022, 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.

16. BANK BORROWINGS

	<u>30.6.2023</u>	<u>31.12.2022</u>
	HK\$	HK\$
Current liabilities		
- Secured bank loans (Note)	<u>388,131,414</u>	<u>184,629,720</u>

Note: As at 30 June 2023, bank loans of HK\$388 million (31 December 2022: HK\$185 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\$2,099 million (31 December 2022: HK\$1,979 million) at fair value held by the Company.

17. SUBORDINATED LOANS

	<u>30.6.2023</u>	<u>31.12.2022</u>
	HK\$	HK\$
Subordinated loans from		
- the immediate holding company	<u>3,400,000,000</u>	<u>3,400,000,000</u>