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HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

海通國際證券集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 665)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

| Financial Highlights | | | |
|-----------------------------------------------------|---------------------------------------|-------------------|------------------------------|
| Results | For the year ended 31 December | | Percentage change |
| | 2021 | 2020 | Increase / (Decrease) |
| Revenue (HK\$'000) | 5,252,184 | 8,329,747 | (37) |
| - Commission and fee income | 3,257,464 | 2,864,575 | 14 |
| - Interest income | 1,741,000 | 2,464,585 | (29) |
| - Net trading and investment income | 253,720 | 3,000,587 | (92) |
| Profit before impairment charges and tax (HK\$'000) | 1,523,666 | 3,286,707 | (54) |
| Net Profit Attributable to Shareholders (HK\$'000) | 300,826 | 1,932,877 | (84) |
| Per share | | | |
| Basic Earnings Per Share (HK Cents) | 5.10 | 32.97 | (85) |
| Diluted Earnings Per Share (HK Cents) | 5.10 | 32.85 | (84) |
| Financial Position | | | |
| | 31.12.2021 | 31.12.2020 | Percentage change |
| | | | Increase / (Decrease) |
| Shareholders' Funds (HK\$'000) | 27,526,445 | 28,317,169 | (3) |
| Total Assets (HK\$'000) | 104,991,595 | 146,442,516 | (28) |
| Number of Shares in Issue (Note) | 6,037,785,086 | 6,036,035,086 | - |
| NAV Per Share (HK\$) | 4.56 | 4.69 | (3) |

Note:

Certain equity rights conferred on share option holders were exercised during the year. Hence, the total number of shares of the company was increased to 6,037,785,086 as at 31 December 2021.

ANNUAL RESULTS

The board of directors of Haitong International Securities Group Limited (the “Company” or “Haitong International”) (the “Board”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021, with the comparative figures for the preceding year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | NOTES | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------------------------------------------------------|-------|-----------------------|-------------------------|
| Revenue | | | |
| Commission and fee income | 5 | 3,257,464 | 2,864,575 |
| Interest income | 5 | 1,741,000 | 2,464,585 |
| Net trading and investment income | 5 | 253,720 | 3,000,587 |
| | | <u>5,252,184</u> | <u>8,329,747</u> |
| Other income and gains or losses | 5 | 35,166 | 158,697 |
| | | <u>5,287,350</u> | <u>8,488,444</u> |
| Staff costs | 6 | (1,316,396) | (1,564,995) |
| Commission expenses | | (107,562) | (257,958) |
| Amortisation and depreciation | | (284,080) | (252,091) |
| Operating expenses | | (948,809) | (982,182) |
| Finance costs | 8 | (1,106,837) | (2,144,511) |
| | | <u>(3,763,684)</u> | <u>(5,201,737)</u> |
| Profit before impairment charges and tax | | <u>1,523,666</u> | <u>3,286,707</u> |
| Impairment charges, net of reversal | 7 | (800,521) | (986,115) |
| | | <u>723,145</u> | <u>2,300,592</u> |
| Profit before tax | | <u>723,145</u> | <u>2,300,592</u> |
| Income tax expense | 9 | (422,319) | (367,715) |
| Profit for the year attributable to owners of the Company | | <u><u>300,826</u></u> | <u><u>1,932,877</u></u> |
| Earnings per share attributable to owners of the Company | 11 | | |
| - Basic (HK cents per share) | | <u>5.10</u> | <u>32.97</u> |
| - Diluted (HK cents per share) | | <u>5.10</u> | <u>32.85</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------------------------------------------------------------------------------|--------------------------------|------------------|
| Profit for the year attributable to owners of the Company | 300,826 | 1,932,877 |
| Other comprehensive income (expense): | | |
| <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 | (41,182) | (52,380) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Fair value changes on investments in debt instruments at fair value through other comprehensive income | | |
| - Net fair value changes during the year | (780) | (43,436) |
| - Reclassification adjustment to profit or loss on disposal | 31,260 | 13,803 |
| Exchange differences on translating foreign operations | 32,484 | (30,438) |
| Other comprehensive income (expense) for the year | 21,782 | (112,451) |
| Total comprehensive income for the year attributable to owners of the Company | 322,608 | 1,820,426 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 2021 | | | 2020 | | |
|--------------------------------------------------------------------------|-------|---------------------|-----------------------------|-------------------|---------------------|-----------------------------|-------------------|
| | NOTES | Current HK\$'000 | Non- current HK\$'000 | Total HK\$'000 | Current HK\$'000 | Non- current HK\$'000 | Total HK\$'000 |
| ASSETS | | | | | | | |
| Assets | | | | | | | |
| Cash and cash equivalents | | 7,106,485 | - | 7,106,485 | 4,334,925 | - | 4,334,925 |
| Cash held on behalf of customers | | 12,820,396 | - | 12,820,396 | 19,553,711 | - | 19,553,711 |
| Financial assets held for trading and market making activities | | 3,265,941 | - | 3,265,941 | 10,590,827 | - | 10,590,827 |
| Investment securities | | 25,843,187 | 9,363,316 | 35,206,503 | 31,499,248 | 15,267,263 | 46,766,511 |
| Assets acquired for financial products issued | | 16,888,862 | 664,783 | 17,553,645 | 26,532,975 | 5,279,720 | 31,812,695 |
| Derivative financial instruments | | 106,239 | - | 106,239 | 732,110 | - | 732,110 |
| Advances to customers | 12 | 11,461,781 | 626,016 | 12,087,797 | 15,980,978 | 231,403 | 16,212,381 |
| Cash collateral on securities borrowed and reverse repurchase agreements | | 4,799,467 | - | 4,799,467 | 7,738,041 | - | 7,738,041 |
| Receivable from clients for subscription of new shares in IPO | 13 | - | - | - | 562,717 | - | 562,717 |
| Accounts receivable | 13 | 8,027,400 | - | 8,027,400 | 5,014,090 | - | 5,014,090 |
| Tax recoverable | | 525,662 | - | 525,662 | 432,569 | - | 432,569 |
| Prepayments, deposits and other receivables | | 1,756,485 | 39,406 | 1,795,891 | 1,047,322 | 59,131 | 1,106,453 |
| Goodwill and other intangible assets | | - | 451,260 | 451,260 | - | 480,148 | 480,148 |
| Other assets | | - | 199,664 | 199,664 | - | 198,051 | 198,051 |
| Investment property | | - | - | - | - | 70,078 | 70,078 |
| Property and equipment | | - | 855,159 | 855,159 | - | 812,208 | 812,208 |
| Deferred tax assets | | - | 190,086 | 190,086 | - | 25,001 | 25,001 |
| Total assets | | 92,601,905 | 12,389,690 | 104,991,595 | 124,019,513 | 22,423,003 | 146,442,516 |
| LIABILITIES AND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Financial liabilities held for trading and market making activities | | 2,385,995 | - | 2,385,995 | 4,067,271 | - | 4,067,271 |
| Financial products issued at fair value | | 7,500,248 | 269,532 | 7,769,780 | 15,619,109 | 816,545 | 16,435,654 |
| Derivative financial instruments | | 320,368 | - | 320,368 | 819,725 | - | 819,725 |
| Cash collateral on securities lent and repurchase agreements | | 3,077,400 | - | 3,077,400 | 10,680,425 | - | 10,680,425 |
| Accounts payable | 15 | 15,725,062 | - | 15,725,062 | 22,921,539 | - | 22,921,539 |
| Bank borrowings and debt securities in issue | | 30,834,003 | 13,983,988 | 44,817,991 | 44,316,967 | 11,568,173 | 55,885,140 |
| Liabilities arising from consolidation of investment funds | | 975,190 | - | 975,190 | 5,071,585 | - | 5,071,585 |
| Tax payable | | 691,798 | - | 691,798 | 479,154 | - | 479,154 |
| Other payables, accruals and other liabilities | | 1,490,565 | 188,822 | 1,679,387 | 1,542,931 | 197,348 | 1,740,279 |
| Deferred tax liabilities | | - | 22,179 | 22,179 | - | 24,575 | 24,575 |
| Total liabilities | | 63,000,629 | 14,464,521 | 77,465,150 | 105,518,706 | 12,606,641 | 118,125,347 |
| Equity | | | | | | | |
| Share capital | 14 | | | 603,778 | | | 603,603 |
| Reserves | | | | 26,922,667 | | | 27,007,350 |
| Proposed dividends | 10 | | | - | | | 706,216 |
| Total shareholders' equity | | | | 27,526,445 | | | 28,317,169 |
| Total liabilities and shareholders' equity | | | | 104,991,595 | | | 146,442,516 |
| Net current assets | | | | 29,601,276 | | | 18,500,807 |

Notes:

1. GENERAL INFORMATION

Haitong International Securities Group Limited (the “Company”) is a limited liability company incorporated in Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal place of business of the Company is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Company is a holding company and the business segments of the Company and its subsidiaries (collectively referred as the “Group”) include wealth management, corporate finance, asset management, global markets and investment. Details of the business segments of the Group are disclosed in note 4.

The Company's immediate holding company and ultimate holding company are Haitong International Holdings Limited (incorporated in Hong Kong) and Haitong Securities Co., Limited (“HSCL”) (incorporated in the People's Republic of China (“PRC”)) respectively.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company (unless otherwise stated).

Certain comparatives figures have been reclassified or restated to conform with current year presentation.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group 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 2021 for the preparation of the consolidated financial statements:

| | |
|---------------------------------------------------------------------|------------------------------------------|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform - Phase 2 |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures” (“HKFRS 7”).

As at 1 January 2021, the Group has several financial assets and liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial assets and liabilities are shown at their carrying amounts except for investment securities measured at fair value through profit or loss and financial assets and liabilities held for trading and market making activities which are shown at their notional amounts.

| | HKD Hong Kong Interbank Offered Rate HK\$'000 | USD London Interbank Offered Rate HK\$'000 |
|-----------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|
| Financial assets | | |
| Investment securities measured at amortised cost | 3,244,919 | 387,605 |
| Financial assets held for trading and market making activities | - | 129,088 |
| Investment securities measured at fair value through profit or loss | 638,902 | 279,076 |
| Advances to customers | - | 310,084 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 418,684 | - |
| Accounts receivable | - | 398,518 |
| Financial liabilities | | |
| Financial liabilities held for trading and market making activities | - | 54,652 |
| Cash collateral on securities lent and repurchase agreements | 585,000 | 1,713,214 |
| Bank borrowings and debt securities in issue | 36,760,000 | 821,673 |

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for financial assets and financial liabilities measured at amortised cost.

New and amendments to HKFRS in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| HKFRS 17 | Insurance Contracts and the related Amendments ³ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ³ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ³ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| Amendments to HKAS 16 | Property, Plant and Equipment - Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts - Cost of Fulfilling a Contract ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ² |

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, including bank borrowings and debt securities in issue, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

4. SEGMENT INFORMATION

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

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

During the current year, the Group has redefined its key business activities of global markets segment, aiming at providing equity sales and trading, fixed income sales and trading, derivative sales and trading, prime brokerage and equity research services to institutional clients globally and facilitating client transactions across different asset classes in financial markets worldwide, the "Institutional Clients" segment has been renamed as "Global Markets" segment. The Group has also reclassified interest income from financial assets at amortised cost (including investment securities at amortised cost and term financing) held by corporate finance segment and global markets segment to investment segment to better reflect the management view that these assets form part of the investment portfolio held by the Group.

Comparative information on segment revenue and segment expenses (as a result of reclassification of segment revenue) has been restated to conform the current year's presentation.

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

- (a) the wealth management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over-the-counter products, funds, discretionary account management services, securities custodian services, and securities margin financing;
- (b) the corporate finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these financing assets in secondary market;
- (c) the asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients;
- (d) the global markets segment provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. It is also an active player in equity derivative products creation and trading. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets; and
- (e) the investment segment invests in various financial instruments and holds majority of investment securities (at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism.

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

| | Wealth management | | Corporate finance | | Asset management | | Global markets | | Investment | | Consolidated | |
|-------------------------------------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------------|----------------------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|--------------------------|
| | | | | | For the year ended 31 December | | | | | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (Restated) | | (Restated) | | (Restated) | | (Restated) | | (Restated) | | (Restated) |
| Segment revenue: | | | | | | | | | | | | |
| Commission and fee income | 500,946 | 714,296 | 1,781,624 | 1,317,065 | 384,380 | 370,651 | 590,514 | 462,563 | - | - | 3,257,464 | 2,864,575 |
| Interest income | 907,974 | 1,279,773 | 6,112 | 2,108 | - | - | 85,214 | 252,499 | 741,700 | 930,205 | 1,741,000 | 2,464,585 |
| Net trading and investment income | - | - | - | - | - | - | 896,199 | 1,175,534 | (642,479) | 1,825,053 | 253,720 | 3,000,587 |
| Segment revenue | 1,408,920 | 1,994,069 | 1,787,736 | 1,319,173 | 384,380 | 370,651 | 1,571,927 | 1,890,596 | 99,221 | 2,755,258 | 5,252,184 | 8,329,747 |
| Other income and gains (losses) | 24,673 | 52,892 | 2,876 | 3,611 | 70 | 4 | 20,930 | 60,709 | (13,383) ¹ | 41,481 ¹ | 35,166 | 158,697 |
| Segment expenses | 1,433,593 (687,337) | 2,046,961 (1,090,421) | 1,790,612 (541,939) | 1,322,784 (494,506) | 384,450 (198,774) | 370,655 (207,113) | 1,592,857 (1,182,715) | 1,951,305 (1,518,156) | 85,838 (1,152,919) | 2,796,739 (1,891,541) | 5,287,350 (3,763,684) | 8,488,444 (5,201,737) |
| Profit (loss) before impairment charges and tax | 746,256 | 956,540 | 1,248,673 | 828,278 | 185,676 | 163,542 | 410,142 | 433,149 | (1,067,081) | 905,198 | 1,523,666 | 3,286,707 |
| Impairment charges, net of reversal | (574,607) | (380,649) | (385) | (669) | - | - | 1,011 | (427,761) | (226,540) | (177,036) | (800,521) | (986,115) |
| Profit (loss) before tax | 171,649 | 575,891 | 1,248,288 | 827,609 | 185,676 | 163,542 | 411,153 | 5,388 | (1,293,621) | 728,162 | 723,145 | 2,300,592 |
| Income tax expense | | | | | | | | | | | (422,319) | (367,715) |
| Profit for the year | | | | | | | | | | | 300,826 | 1,932,877 |
| Amortisation and depreciation | (89,119) | (77,985) | (26,283) | (16,794) | (10,189) | (7,136) | (146,253) | (139,734) | (12,236) | (10,442) | (284,080) | (252,091) |
| Finance costs | (147,867) | (318,843) | (2,009) | (27,730) | - | - | (108,277) | (346,929) | (848,684) | (1,451,009) | (1,106,837) | (2,144,511) |

¹ This includes net gain (loss) of consolidated investment funds attributable to third-party unit/shareholders.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit / (loss) of each segment without allocation of income tax expenses.

5. REVENUE AND OTHER INCOME AND GAINS OR LOSSES

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

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--------------------------------------------------------------|------------------|------------------|
| Revenue | | |
| Commission and fee income (note (i)): | | |
| Commission on brokerage (note (ii)) | 839,162 | 913,265 |
| Commission on underwriting and placing | 1,461,896 | 1,114,145 |
| Financial advisory and consultancy fee income | 319,728 | 202,920 |
| Asset management fee and performance fee income | 384,380 | 370,651 |
| Handling, custodian and service fee income (note (ii)) | 252,298 | 263,594 |
| | <u>3,257,464</u> | <u>2,864,575</u> |
| Interest income: | | |
| Interest income from advances to customers | | |
| - margin financing | 810,435 | 1,023,115 |
| - term financing | 242,849 | 367,221 |
| Interest income from investment securities at amortised cost | 571,224 | 763,979 |
| Interest income from reverse repurchase agreements | 48,231 | 109,400 |
| Interest income from bank deposits and others | 68,261 | 200,870 |
| | <u>1,741,000</u> | <u>2,464,585</u> |
| Net trading and investment income (note (iii)): | | |
| Net income from financial assets held | | |
| for trading and market making activities | 365,226 | 569,381 |
| Net trading income on financial products | 530,973 | 606,153 |
| Net (loss) gain from investment securities at fair value | (642,479) | 1,825,053 |
| | <u>253,720</u> | <u>3,000,587</u> |
| | <u>5,252,184</u> | <u>8,329,747</u> |
| Other income and gains or losses | | |
| Others (note (iv)) | <u>35,166</u> | <u>158,697</u> |

Notes:

- (i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK\$2,700,018,000 (2020: HK\$2,399,862,000) and HK\$557,446,000 (2020: HK\$464,713,000) respectively.
- (ii) Amounts of commission on brokerage of HK\$464,206,000 (2020: HK\$331,284,000) and handling, custodian and service fee income of HK\$126,308,000 (2020: HK\$131,279,000) have been included in global markets segment and the remaining amount of each category have been included in wealth management segment.

- (iii) Net loss from investment securities at fair value of HK\$642,479,000 (2020: net gain of HK\$1,825,053,000) has been included in investment segment. Net income from financial assets held for trading and market making activities of HK\$365,226,000 (2020: net income of HK\$569,381,000) and net trading income on financial products of HK\$530,973,000 (2020: HK\$606,153,000) have been included in global markets segment.
- (iv) Included in other income and gains or losses is the net gain on remeasurement of the liability in relation to the share of consolidated investment funds attributable to third-party unit/shareholders of HK\$22 million (2020: net loss of HK\$126 million).

Foreign exchange loss (net) of HK\$67 million (2020: foreign exchange gain (net) of HK\$256 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.

6. STAFF COSTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------------------|------------------|------------------|
| Salaries, incentives, bonuses and allowances | 1,268,397 | 1,522,148 |
| Pension scheme contributions (net) | 47,999 | 42,847 |
| | <u>1,316,396</u> | <u>1,564,995</u> |

7. IMPAIRMENT CHARGES, NET OF REVERSAL

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| Net impairment charges / (reversal of impairment charges) on: | | |
| Advances to customers | | |
| - margin financing | 562,271 | 331,816 |
| - term financing | 266,674 | 622,861 |
| Investment securities at amortised cost | (26,474) | 20,909 |
| Accounts receivable and others | (1,950) | 10,529 |
| | <u>800,521</u> | <u>986,115</u> |

8. FINANCE COSTS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Bank loans and overdrafts | 544,417 | 1,245,410 |
| Debt securities in issue: | | |
| - Convertible bonds | 1,752 | 2,116 |
| - Non-convertible bonds | 393,701 | 468,808 |
| - Non-convertible notes | 99,289 | 188,056 |
| Interest on lease liabilities | 11,329 | 11,713 |
| Repurchase agreements and others (note) | 56,349 | 228,408 |
| | <u>1,106,837</u> | <u>2,144,511</u> |

Note:

During the year ended 31 December 2020, included in the “finance costs - repurchase agreement and others” of HK\$228.4 million was the finance costs of HK\$10.7 million on an intercompany unsecured loan advanced from Haitong International Holdings Limited, the immediate holding company of the Company. Such intercompany loan was chargeable at US Dollar LIBOR plus a spread. Such intercompany loan was repaid in April 2020.

9. INCOME TAX EXPENSE

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------------|------------------|------------------|
| Current taxation: | | |
| - Hong Kong | 544,063 | 357,948 |
| - Other jurisdictions | 45,631 | 26,162 |
| | <u>589,694</u> | <u>384,110</u> |
| Under (Over) provision in prior years: | | |
| - Hong Kong | 106 | (19,705) |
| Deferred tax: | | |
| - Current year and prior year | (167,481) | 3,310 |
| | <u>422,319</u> | <u>367,715</u> |

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

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

10. DIVIDENDS

At a meeting of the Board held on 25 August 2021, the Board declared an interim dividend of HK9 cents per share in cash for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company on 13 September 2021. The interim dividend was paid on 24 September 2021, with an approximate total of HK\$543,401,000 cash dividend paid to the shareholders.

At a meeting of the Board held on 28 March 2022, the Board resolved not to declare a second interim dividend for the year ended 31 December 2021. In addition, the Board proposed a bonus issue of shares on the basis of one bonus share for every ten existing shares held by qualifying shareholders whose names appear on the register of members of the Company on 14 June 2022. The proposed bonus issue is subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on 2 June 2022.

11. EARNINGS PER SHARE

Basic earnings per share

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

| | 2021 | 2020 |
|---------------------------------------------------------------------------------------------------------------------------|------------------|-----------|
| Earnings | | |
| Profit for the year attributable to owners of the Company (HK\$'000) | 300,826 | 1,932,877 |
| Number of shares | | |
| Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a)) | 5,896,402 | 5,861,815 |
| Basic earnings per share (HK cents per share) | 5.10 | 32.97 |

Diluted earnings per share

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

| | 2021 | 2020 |
|---------------------------------------------------------------------------------------------------------------------------|------------------|-----------|
| Earnings | | |
| Profit for the year attributable to owners of the Company (HK\$'000) | 300,826 | 1,932,877 |
| Effect of dilutive potential ordinary shares | | |
| - Interest on convertible bonds (net of tax) (HK\$'000) (note (b)) | - | 1,767 |
| Earnings for the purpose of diluted earnings per share (HK\$'000) | 300,826 | 1,934,644 |
| Number of shares | | |
| Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (a)) | 5,896,402 | 5,861,815 |
| Effect of dilutive potential ordinary shares: | | |
| - Convertible bonds (in thousands) (note (b)) | - | 21,781 |
| - Share options (in thousands) (note (c)) | 1,834 | 699 |
| - Share awards (in thousands) | 3,662 | 5,051 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands) | 5,901,898 | 5,889,346 |
| Diluted earnings per share (HK cents per share) | 5.10 | 32.85 |

Notes:

- (a) As at 31 December 2021, the trustee of the share award scheme held 117,409,723 ordinary shares of the Company (31 December 2020: 172,705,979 shares) for the share award scheme, which was adopted by the Board on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK\$270 million (31 December 2020: HK\$390 million).
- (b) On 25 October 2016, the Company issued convertible bonds of HK\$3,880 million with remaining principal amount of HK\$124 million immediate before redemption.

Convertible bonds issued in 2016 that were outstanding and convertible into ordinary shares of the Company at a conversion price of HK\$5.06 immediate before redemption (31 December 2020: HK\$5.55) had been redeemed in full during the current year. In the calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of outstanding convertible bonds into ordinary shares was made from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the year. The net profit is adjusted to eliminate the relevant interest expense less the tax effect. The convertible bond was matured in October 2021 and anti-dilutive in current year.

- (c) The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options with the exercise price lower than the average market price during the years ended 31 December 2021 and 2020 and with the adjustment for the share options lapsed or exercised during the years.

12. ADVANCES TO CUSTOMERS

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------------|-------------------|-------------------|
| Advances to customers: | | |
| - Margin financing | 9,160,201 | 12,327,279 |
| - Term financing | 2,927,596 | 3,885,102 |
| | <u>12,087,797</u> | <u>16,212,381</u> |
| Less: Non-current portion | (626,016) | (231,403) |
| Current portion | <u>11,461,781</u> | <u>15,980,978</u> |

Margin financing

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------|------------------|-------------------|
| Margin financing | 9,925,118 | 13,534,090 |
| Less: Impairment allowance | (764,917) | (1,206,811) |
| | <u>9,160,201</u> | <u>12,327,279</u> |

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

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 31 December 2021, margin financing of HK\$9,160 million (31 December 2020: HK\$12,327 million) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of HK\$46,997 million (31 December 2020: HK\$72,753 million). In determining the allowances for credit impaired loans to margin clients for the current year, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, 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.

As at 31 December 2020, included in the margin financing was a margin loan to an independent customer of gross amount of HK\$602,080,000 with impairment of HK\$576,094,000. One of the major pledged stock of this loan was delisted in December 2020. The impairment provision as at 31 December 2020 represents the difference between gross loan amount and the fair value of other listed stocks pledged to the Group as at 31 December 2020. During the current year, the above-mentioned other listed stocks were disposed, the remaining part of such margin loan was fully impaired and written off.

During the current year, additional individual impairment of HK\$553 million was made against several independent margin customers with carrying amount of HK\$210 million as at 31 December 2021 due to the decrease in the market value of the listed shares pledged to the Group as at 31 December 2021.

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

Term financing

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------|--------------------------------|------------------|
| Term financing | 3,374,834 | 4,129,218 |
| Less: Impairment allowance | (447,238) | (244,116) |
| | 2,927,596 | 3,885,102 |
| Less: Non-current portion | (626,016) | (231,403) |
| Current portion | 2,301,580 | 3,653,699 |

Included in term financing are HK\$3,375 million (31 December 2020: HK\$4,129 million) of advances that are secured.

The majority of these term financing are secured and/or guaranteed with contractual maturity within 1 year from the reporting date and credit limits are set for borrowers.

Collateral held includes equity instruments (listed or unlisted), investment portfolios held by the borrowers, etc. In addition, majority of these advances are also guaranteed by other parties including holding companies or related companies of the borrower, beneficial owner of the borrower, etc. Regular reviews on these term financing are conducted by the Risk Management Department of the Group based on the latest status of these term financing and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its term financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 31 December 2021, there were four past due term financing (31 December 2020: three).

As at 31 December 2021, there was a past due term financing with a gross and carrying amount of HK\$197 million and HK\$118 million (31 December 2020: HK\$197 million and HK\$118 million) respectively that was advanced to an external party for its property development project in the PRC with the due date in July 2021 for the principal and with delay in interest repayment for more than 90 days. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral (at its force sale value), the credit protection structure and the status of enforcement proceedings in the PRC. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

As at 31 December 2021, there was another past due term financing with gross and carrying amounts of HK\$330 million and HK\$198 million (31 December 2020: HK\$356 million and HK\$249 million) respectively that was advanced to a company listed in PRC and HK for its acquisition in the overseas. The loan was matured and the principal and the accrued interest were not repaid as at 31 December 2021 and 31 December 2020. In assessing impairment, the management considered a number of factors including the financial status of the borrower, fair value of the collateral pledged, and the status of enforcement proceedings in the PRC. In the opinion of the directors, the impairment provision for the current year and prior year are appropriate.

A financing with the gross carrying amount of HK\$156 million (31 December 2020: HK\$155 million) with collaterals being listed equities and properties matured in October 2020 (and therefore classified as past due) and the borrower is in the process of repayment of principal and accrued interest, but pending for realisation of the borrower's assets (other than those pledged to the Group). In assessing the impairment, the management considered the collateral value and no impairment was made during the current and prior year.

A financing with gross amount of HK\$220 million (31 December 2020: HK\$220 million) with collaterals being a property development project in the PRC is fully impaired as at 31 December 2021. The loan was matured in November 2021 and the principal was not repaid as at 31 December 2021. In assessing the impairment, the management considered a number of factors including independent valuation of the property development projects, creditworthiness and status of the borrower, and the status of enforcement proceedings in the PRC. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

13. RECEIVABLE FROM CLIENTS FOR SUBSCRIPTION OF NEW SHARES IN IPO AND ACCOUNTS RECEIVABLE

| | 2021 | 2020 |
|--------------------------------------------------------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Receivable from clients for subscription of new shares in IPO (note (i)) | - | 562,717 |
| Accounts receivable | 8,027,400 | 5,014,090 |
| | 8,027,400 | 5,576,807 |
| Accounts receivable from: | | |
| - Clients | 1,834,709 | 1,302,022 |
| - Brokers, dealers and clearing houses | 6,075,851 | 3,086,401 |
| - Immediate holding company (note (ii)) | - | 400,941 |
| - Others (note (iii)) | 116,840 | 224,726 |
| | 8,027,400 | 5,014,090 |

Notes:

- (i) Receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.
- (ii) During the year ended 31 December 2020, the Company advanced a loan to Haitong International Holdings Limited (the immediate holding company of the Company) at an interest rate of US Dollar London Interbank Offer Rate plus a spread. The outstanding principal balance as at 31 December 2020 amounted to US\$51,408,000 (equivalent to HK\$398,518,000) and was fully repaid during the current year.
- (iii) The amount represents the fees receivable from corporate finance, wealth management and asset management business.

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

| | 2021 | 2020 |
|-------------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| Between 0 and 3 months | 7,998,983 | 4,980,650 |
| Between 4 and 6 months | 11,884 | 16,349 |
| Between 7 and 12 months | 4,035 | 5,749 |
| Over 1 year | 12,498 | 11,342 |
| | 8,027,400 | 5,014,090 |

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and that of accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

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

For accounts receivable from clients that are overdue, management ensures that the available cash balance and listed equity investments, listed debt investments and exchange traded funds belonging to clients which the Group holds as custodian are sufficient to cover the amounts due to the Group.

14. SHARE CAPITAL

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------------------------------------------------------------------------|---------------------------------|----------------------------------------|
| Authorised: | | |
| 20,000,000,000 (31 December 2020: 20,000,000,000) ordinary shares of HK\$0.10 each | <u>2,000,000</u> | <u>2,000,000</u> |
| Issued and fully paid: | | |
| 6,037,785,086 (31 December 2020: 6,036,035,086) ordinary shares of HK\$0.10 each | <u>603,778</u> | <u>603,603</u> |
| The movements in issued share capital were as follows: | | |
| | Number of shares in issue | Issued share capital HK\$'000 |
| As at 1 January 2020 | 5,940,583,872 | 594,058 |
| Scrip dividend issued – 2019 second interim dividend | <u>95,451,214</u> | <u>9,545</u> |
| As at 31 December 2020 and 1 January 2021 | 6,036,035,086 | 603,603 |
| New shares issued under exercise of share options | <u>1,750,000</u> | <u>175</u> |
| As at 31 December 2021 | <u>6,037,785,086</u> | <u>603,778</u> |

15. ACCOUNTS PAYABLE

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------------------------|-------------------|-------------------|
| Accounts payable to: | | |
| - Clients | 13,410,306 | 20,007,326 |
| - Brokers, dealers and clearing houses | 2,029,906 | 1,208,756 |
| - Others | 284,850 | 1,705,457 |
| | <u>15,725,062</u> | <u>22,921,539</u> |

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

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

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

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2021 (31 December 2020: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorized institutions of HK\$12,820,396,000 (31 December 2020: HK\$19,553,711,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK\$226,187,000 (31 December 2020: HK\$701,543,000).

SECOND INTERIM DIVIDEND

The Board did not recommend the payment of a second interim dividend for the year ended 31 December 2021 (2020: HK11.7 cents per share).

BONUS ISSUE OF SHARES

The Board proposes to make a bonus issue of one new share for every ten existing shares held by shareholders whose names appear on the register of members of the Company on Tuesday, 14 June 2022. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be dispatched on or about 23 June 2022. For further details, please refer to the separate announcement of the Company relating to the bonus issue dated 28 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, against the backdrop of the global pandemic and volatile financial markets, Haitong International stayed firm, shielded by a sturdy risk management framework, and persisted on its strategic transformation in building a solid fee based business platform with well-rounded investment banking services that generate diversified streams of revenue inflow for long term sustainability. The Group fully supported a steady and robust development of all core businesses, striving to be one of the best information, transactional and capital intermediaries.

Throughout the year, Haitong International adhered to a steady business strategy, strictly controlled risks, further reduced the scale of risk assets, and actively mitigated market risks. After continuous efforts, the Group's fee based business strategy is starting to see positive results with a diversified fee income stream and light-weighted balance sheet with low leverage, and a strong foundation towards strengthening its core businesses to complete and upgrade a well-rounded investment banking services cycle, capture market opportunities and enhance stability and sustainability of profits.

Business Review and Analysis

In 2021, Haitong International achieved an income of HK\$5,252 million with a net profit of HK\$301 million, among which fee income was at its record high of HK\$3,257 million, a remarkable achievement showing an ever stronger revenue stream. Profit attributable to shareholders of the Company decreased by approximately 84% in 2021, mainly driven by the downward fluctuations in the market that took place in the fourth quarter of 2021 that caused a decline of valuations of certain investment funds held by the Group. Nevertheless, the aggregated total of fee income and interest income of HK\$4,998 million was able to cover all costs of the Group with excess. This is an indicator that we have established a sustainable business model and operational structure for stable revenue inflow.

The Group started to see success from the continuous enhancement of the structure of balance sheet, resulted with a lighter weight yet higher quality assets portfolio. As at 31 December 2021, the Group's total assets were HK\$105 billion, 28% lower than the position as at 31 December 2020. Leverage ratio was 3.33 times as at 31 December 2021, decreased from 4.45 times as at 31 December 2020, being the lowest since 2012.

Business achievements

Crafting a well-rounded investment banking business model

In 2021, Haitong International's investment banking team has strived to provide an all-rounded financial services covering full life cycle of enterprises. We have devoted significant effort in the equity and debt capital markets, broadened the presence and participation of capital raising activities, and proactively captured the opportunities of home coming listings of Chinese enterprises in Hong Kong. In 2021, the Group completed 39 IPO projects in Hong Kong, ranked No. 2 among all financial institutions in terms of number of projects. We participated in 6 of the top 10 IPOs (in terms of fundraising amount) in Hong Kong during 2021. Moreover, we were the sponsor of 8 IPOs (excluding listing by way of introduction), ranked No.4 among Hong Kong investment banks. These IPOs included JD Logistics, which was named as "the Best IPO in Asia in 2021" by FinanceAsia, and SenseTime, the first listed AI company in Asia.

Our investment banking team also built presence in foreign markets during the year. In 2021, the Group completed a total of 10 equity financing projects in the United States and India, providing advisory services to clients including local enterprises. These achievements exhibited the Group's recognition in the overseas markets.

On the DCM front, the team upheld on the Group's ESG commitment, completed 40 green and sustainable bond issuances during the year, with total financing amount exceeded US\$11 billion, doubled from 2020 in terms of both number of projects and financing amount, being a forerunner among Chinese financial institutions in the ESG sphere. In the Asian (ex-Japan) G3 high-yield corporate bond market, we ranked No. 2 in terms of number of projects among financial institutions worldwide.

The Group aims at providing comprehensive and customised investment banking services for enterprises in different stages of development through its interconnected worldwide network and a synergised business model. During the year, our loan capital markets team and mergers and acquisitions team took the lead to identify and nurture potential clients and opportunities, reinforcing the network and synergies between our teams and clients from early stages by offering one-stop investment banking services across global financial markets.

Advanced capability in global markets execution

After years of hard work, the Group has established a full cycle of trading, research, and sales platform for institutional clients worldwide that is able to provide comprehensive products and risk management solutions. Headquartered in Hong Kong with a global reach, the Group possesses an advantage to bring worldwide institutional investors into the uprising Chinese investments market through offering insightful financial solutions and advisory. In March 2021, Haitong International's subsidiary in Singapore was admitted as a securities and derivatives clearing member of the Singapore Exchange (SGX) and a depository agent of The Central Depository (Pte) Limited, successfully obtained a full suite of memberships at the SGX. Such membership has undoubtedly sustained our footprint in Singapore, allowing us to widen the scope of services with integrated settlement, clearing and custody services to our institutional clients from the Greater China region and the rest of the world in an efficient and convenient way.

During the year, the Group's cash equities business achieved an aggregated trading volume of over HK\$640 billion, 23% higher than 2020, in global stock markets including Hong Kong, China A-share, the United States, India, and Japan. Among which, a prominent growth of market share was noted in Hong Kong. The success was also contributed by the Group's strong equity research foundation. In 2021, our equity research team had covered around 1,400 worldwide stocks, displaying a growing influence of our insights and outlook on overseas financial markets. Our equity research team topped among 15 best overall and individual categories in Asiamoney Brokers Poll 2021.

Our equity derivatives team had accomplished a notable standing in Hong Kong after years of persistence. During the year, the team had launched 4,469 warrant and CBBCs, nearly 50% higher than that in 2020, ranked No. 2 in the Hong Kong market in terms of trading volume, and being the only Chinese financial institution among the top five standing in the market.

Distinctive asset management strategy backed by forward looking vision

Surrounded within the investment banking circle, Haitong International's asset management team interlinked the service and product platforms of investment banking, trading, and private wealth management teams, and embedded the Group's ESG commitment, to strengthen its investment and research capabilities to establish unique and distinctive investment strategies. The Group also welcomed top talents and expertise in the industry during the year to bring in experienced knowledge and innovative vision to enhance both internal and external strategies. Asset management fee and performance fee income both increased in 2021, with assets under management (AUM) at HK\$54 billion as at the end of the year.

Backed by a well-established platform, the team had extended its innovation and exploration of new products offerings in the European and American ESG markets. In September 2021, our asset management team partnered with a British asset manager to launch the world's first ESG focused Asia ex Japan high yield corporate USD bond ETF. This ESG ETF was also the Group's first listed fund in Europe and first UCITS bond fund. As of December 2021, the AUM of the fund had already exceeded US\$200 million, which was eight times larger than the size since its debut.

Transformation and upgrades of private wealth management services

Aligned with the Group's commitment to complete a full cycle of investment banking services, our private wealth management team spared no effort to build and upgrade product and service level to meet the demands of our entrepreneurial clients, allowing our high net worth clients to enjoy a complete chain of services within the investment banking spectrum offering traditional equities and bonds trading, private equity investment, investments advisory, equity research and ESG investments. During the year, the team focused on expanding the varieties of fund and bond products, and developing customised wealth planning services in view to achieve higher fee income.

Capitalising on our strong presence in Hong Kong and Singapore, and a strong network with our high net worth clients, the Group officially established global family office service in August 2021, offering bespoke one-stop financial services and solutions of private wealth management, investment banking, global markets and asset management, to ultra-high net worth clients and external asset management clients.

In preparation to offer world class private wealth management services as renowned private banks in the market, the Group has engaged in upgrading its operational systems to offer an artificially intelligent and digitalised platform to meet real-time demands of customers.

Stronger Connection of Information Technology and Global Operating Systems

In recent years, we have ride on the rapid advancement in information technology, and took the chance to improve our own information technology and global operational systems to empower the support of all businesses through an innovative, digitalised and automated platform. The global technology and operations team has been continuously integrating external and internal resources to upgrade the Group's infrastructure and systems to boost operational effectiveness and efficiencies while also improving customer experiences.

Building on the Group's determination and beliefs in information technology, the Group's internal operational systems and database have been continuously enhanced. Despite the challenges brought by the pandemic and remote work arrangements in the past two years, the Group maintained its operational efficiencies in its transaction, settlement, valuation, and risk management monitoring around the clock to ensure all businesses and functions operated without disruptions.

Risk Management

We always consider risk management at highest priority. Standing on the risk appetite of "stable to prudent", we have reviewed our businesses and global offices within the risk management framework with three lines of defense to proactively identify, prudently assess, and effectively respond to risk events.

Amid the impact of the global economy and market volatility as imposed by the pandemic in 2021, the Group, with a macro view on the long term horizon, proactively managed the structure of balance sheet, lowered leverage and funding needs, enhanced its assets portfolio to ensure that the Group maintained a high level of resiliency against market events. In March 2021, we incorporated climate change risk into our risk management policy framework that laid a solid foundation for the Group's ESG risk management. Despite the challenges brought by the global economy, we maintained a standing of a "BBB" rating from Standard and Poor's and a "Baa2" rating from Moody's with a steady outlook. The Group is also at its best standing in recent years in terms of the three indicators of risk, capital and liquidity.

ESG Pioneer

We have always been striving to integrate our beliefs in environmental, social and corporate governance philosophy into every part of our businesses and operations. Taking on a unique role of being an information and capital intermediary in investment, financing, financial advisory and equity research, the Group is determined to become one of the world's renowned leading green investment bankers focusing on sustainable finance. Starting from the first quarter of 2021, we have voluntarily disclosed our quarterly results to tighten the communication with stakeholders, investors and the public with more transparency on the Group's financial information and corporate governance.

The Group's outstanding achievement in ESG and sustainable finance was also recognised by the public. In 2021, the Group was granted an upgrade of ESG rating to "A" level by the internationally recognised index agency, MSCI. We have also been included to the FTSE4Good Index by FTSE Russell of the London Stock Exchange, marking a milestone with high recognition by global financial institutions and investment community in the ESG sphere.

As a leading Chinese financial institution in the ESG field, we have actively promoted our thought leadership to enhance the knowledge and implementation of ESG in the financial industry and market as a whole. We are also a reference point of sustainable finance and carbon neutrality to the Hong Kong market and Chinese financial institutions. In 2021, the Group partnered with China-UK Climate and Environmental Information Disclosure Pilot Group and jointly published "Chinese Financial Institutions' Route to Achieving Carbon Neutrality" Report, as well as jointly published "Hong Kong: the International Financial Center for the Future" with the One Country Two Systems Research Institute, advocating to develop Hong Kong as a sustainable financial centre and ESG investment hub in the world.

The Group also fulfilled its social responsibility through various contributions to the Hong Kong society, including the continuous participation in the "Financial Industry Recruitment Scheme for Tomorrow" launched by the Hong Kong Financial Services Development Council, and the "New Graduates-New Opportunities Scheme" by the Hong Kong Chinese Enterprises Association to open opportunities for the current graduates in this uncertain time. Moreover, we are devoted to support local sports development in Hong Kong to groom young athletes and strengthen social cohesion, as evidenced by our long-term sponsorship to the Hong Kong Windsurfing Association. We successfully debuted the first Haitong International Victoria Harbour Windsurfing Race and resumed the Hong Kong Windsurfing Champion Race after two years. We were also the only Chinese financial institution in sponsoring the "Well Dunk!" Basketball league and training scheme run by InspiringHK Sports Foundation in 2021.

For details of our performance and assessment on ESG, please refer to the electronic version of the ESG Report 2021 to be issued in conjunction with our annual report.

Prospect

Looking into 2022, the world is far from optimistic as surrounded by a mist of uncertainties. The volatility of financial markets is likely to remain high with an expediting inflation expectations and tightening of monetary policies by the central banks of different countries, all of which are bearing unforeseen factors in terms of speed and magnitude of changes. The rate hike and tapering of the Federal Reserve in 2022 may trigger capital outflows from the emerging markets, inducing debt or currency crisis in certain economies. The Russia-Ukraine conflict has further increased the complexity and variability of the global geopolitical situation. Changes in assets prices and the sanctions imposed by the United States and Europe on Russia may further damage certain financial institutions, adding on uncertainties to the global financial markets. In contrast, China's economic fundamentals remain stable with a relatively flexible fiscal and monetary policies and a basic equilibrium of balance of international payments, all of which contributed to shielding the country's resilience against global market volatilities. However, China is also facing internal challenges, such as the weakening domestic demands and real estate sector, rising credit risk and employment pressure, all of which cannot be overlooked. Hong Kong, nevertheless, will face an unpredictable outlook and challenges with dual pressure coming from the global financial markets, and the slowdown of China's economic growth, on top of the unsettling pandemic control in the city.

Facing headwinds of the unforeseen global market events, Haitong International will keep a clear head to carry out responsive actions and strategic plans in an objective, prudent, and forward-looking mindset. The Group will operate in a stable business model, maintain a "stable to prudent" risk appetite, adhere to its commitment on "reducing risk by lowering leverage" principles to make judgements, capture opportunities, respond to market changes and challenges. The Group will continue to pursue on its commitment to develop a diversified and strong fee based business platform, unite all businesses to act as a whole, create synergies among investment banking, asset management, private wealth management and global markets, to become an integrated, well-rounded investment bank. The Group, as a role model of Chinese financial institutions, will continue to build on its existing global network, strengthen internal businesses cooperation, and commit on its ESG and sustainable finance strategies to reach the goal of carbon neutrality by 2025.

In 2022, Haitong International will continue to live up to its core values of being "courageous, sincere and innovative". Based in Hong Kong with a global vision, the Group will be engaged in grasping market opportunities to achieve sustainable finance and long term growth, alongside with a strict adherence to

compliance and risk management framework, to become a leading investment bank of the world.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “AGM”) of the Company will be held on Thursday, 2 June 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive), during which period no transfer of shares will be registered. Shareholders are reminded that in order to be entitled to attend and vote at the AGM, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 May 2022.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 2021, the Company has fully complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the “Model Code”) as its code of conduct for securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

Throughout the year ended 31 December 2021, the Company has complied with the requirements of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board and at least one of them possesses appropriate qualifications or accounting or related financial management expertise.

The audit committee of the Company (the “Audit Committee”) has reviewed the accounting principles and practices adopted by the Group and the consolidated results for the year ended 31 December 2021 of the Group. The Audit Committee currently comprises 3 non-executive directors of the Company among whom 2, including the chairman of the Audit Committee (the “Chairman”), are independent non-executive directors. The Chairman has the appropriate professional qualification and experience in financial matters.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021 other than as an agent for clients of the Company or its subsidiaries.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 ON THE WEBSITES OF THE HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of the annual results for the year ended 31 December 2021 is published on the websites of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company (<http://www.htisec.com>). The annual report for the year ended 31 December 2021 of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Haitong International Securities Group Limited
LIN Yong
Deputy Chairman and Chief Executive Officer

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises Mr. LI Jun (Chairman), Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. LI Jianguo (Deputy Chairman), Mr. POON Mo Yiu, Mr. SUN Jianfeng, Mr. SUN Tong, Mr. CHENG Chi Ming Brian*, Mr. ZHANG Xinjun*, Mr. WAN Kam To**, Mr. LIU Swee Long Michael**, Mr. ZHANG Huaqiao** and Ms. LEE Man Yuen Margaret**.*

* *Non-executive Directors*

** *Independent Non-executive Directors*