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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 2022

Financial Highlights			
Results	For the year ended 31 December		Percentage change
	2022	2021	Increase / (Decrease)
Revenue (<i>HK\$'000</i>)			
- Commission and fee income	1,542,901	3,257,464	(53)
- Interest income	1,787,537	1,741,000	3
- Net trading and investment income	(4,720,892)	253,720	N/A
Net (Loss)/Profit Attributable to Shareholders (<i>HK\$'000</i>)	(6,540,510)	300,826	N/A
Per share			
Basic (Loss)/Earnings Per Share (<i>HK Cents</i>)	(100.43)	4.64	N/A
Diluted (Loss)/Earnings Per Share (<i>HK Cents</i>)	(100.43)	4.63	N/A
Financial Position	31.12.2022	31.12.2021	Percentage change Increase / (Decrease)
Shareholders' Funds (<i>HK\$'000</i>)	20,688,808	27,526,445	(25)
Total Assets (<i>HK\$'000</i>)	89,097,202	104,991,595	(15)
Number of Shares in Issue (<i>Note</i>)	6,641,563,594	6,037,785,086	10
NAV Per Share (<i>HK\$</i>)	3.12	4.56	(32)

Note:

A bonus issue was made on the basis of one bonus share for every ten existing shares in issue held by the qualifying shareholders during the year. Hence, the total number of shares of the Company was increased to 6,641,563,594 as at 31 December 2022.

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 2022, with the comparative figures for the preceding year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue			
Commission and fee income	5	1,542,901	3,257,464
Interest income	5	1,787,537	1,741,000
Net trading and investment income	5	(4,720,892)	253,720
		<u>(1,390,454)</u>	<u>5,252,184</u>
Other income and gains or losses	5	193,487	35,166
		<u>(1,196,967)</u>	<u>5,287,350</u>
Staff costs	6	(1,156,425)	(1,316,396)
Commission expenses		(11,305)	(107,562)
Amortisation and depreciation		(234,199)	(284,080)
Operating expenses		(753,651)	(948,809)
Finance costs	8	(1,349,102)	(1,106,837)
		<u>(3,504,682)</u>	<u>(3,763,684)</u>
(Loss)/Profit before impairment charges and tax		<u>(4,701,649)</u>	<u>1,523,666</u>
Impairment charges, net of reversal	7	(1,587,839)	(800,521)
		<u>(6,289,488)</u>	<u>723,145</u>
(Loss)/Profit before tax		<u>(6,289,488)</u>	<u>723,145</u>
Income tax expense	9	(251,022)	(422,319)
		<u>(6,540,510)</u>	<u>300,826</u>
(Loss)/Earnings per share attributable to owners of the Company			
- Basic (HK cents per share)	11	<u>(100.43)</u>	<u>4.64</u>
			(restated)
- Diluted (HK cents per share)		<u>(100.43)</u>	<u>4.63</u>
			(restated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022	2021
	HK\$'000	HK\$'000
(Loss)/Profit for the year attributable to owners of the Company	<u>(6,540,510)</u>	<u>300,826</u>
Other comprehensive (expense)/income:		
<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	(315,321)	(41,182)
<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)
- Reclassification adjustment to profit or loss on disposal	-	31,260
Exchange differences on translating foreign operations	(4,986)	32,484
Other comprehensive (expense)/income for the year	<u>(320,307)</u>	<u>21,782</u>
Total comprehensive (expense)/income for the year attributable to owners of the Company	<u><u>(6,860,817)</u></u>	<u><u>322,608</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2022			2021		
		Current	Non-current	Total	Current	Non-current	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS							
Cash and cash equivalents		5,002,861	-	5,002,861	7,106,485	-	7,106,485
Cash held on behalf of customers		9,059,437	-	9,059,437	12,820,396	-	12,820,396
Financial assets held for trading and market making activities		903,855	-	903,855	3,265,941	-	3,265,941
Investment securities		24,209,788	10,821,498	35,031,286	25,843,187	9,363,316	35,206,503
Assets acquired for financial products issued		10,562,194	2,422	10,564,616	16,888,862	664,783	17,553,645
Derivative financial instruments		185,760	-	185,760	106,239	-	106,239
Advances to customers	12	13,944,015	1,104,108	15,048,123	11,461,781	626,016	12,087,797
Cash collateral on securities borrowed and reverse repurchase agreements		1,404,392	-	1,404,392	4,799,467	-	4,799,467
Receivable from clients for subscription of new shares in IPO	13	1,080	-	1,080	-	-	-
Accounts receivable	13	4,704,423	-	4,704,423	8,027,400	-	8,027,400
Tax recoverable		656,019	-	656,019	525,662	-	525,662
Prepayments, deposits and other receivables		1,423,609	100,574	1,524,183	1,756,485	39,406	1,795,891
Goodwill and other intangible assets		-	431,308	431,308	-	451,260	451,260
Other assets		-	223,826	223,826	-	199,664	199,664
Investment properties		-	3,405,900	3,405,900	-	-	-
Property and equipment		-	875,388	875,388	-	855,159	855,159
Deferred tax assets		-	74,745	74,745	-	190,086	190,086
Total assets		72,057,433	17,039,769	89,097,202	92,601,905	12,389,690	104,991,595
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities held for trading and market making activities		125,875	-	125,875	2,385,995	-	2,385,995
Financial products issued at fair value		2,879,886	2,450	2,882,336	7,500,248	269,532	7,769,780
Derivative financial instruments		187,631	-	187,631	320,368	-	320,368
Cash collateral on securities lent and repurchase agreements		5,859,415	-	5,859,415	3,077,400	-	3,077,400
Accounts payable	15	10,601,632	-	10,601,632	15,725,062	-	15,725,062
Bank borrowings and debt securities in issue		36,175,110	10,884,538	47,059,648	30,834,003	13,983,988	44,817,991
Liabilities arising from consolidation of investment funds		361,940	-	361,940	975,190	-	975,190
Tax payable		181,206	-	181,206	691,798	-	691,798
Other payables, accruals and other liabilities		956,925	169,597	1,126,522	1,490,565	188,822	1,679,387
Deferred tax liabilities		-	22,189	22,189	-	22,179	22,179
Total liabilities		57,329,620	11,078,774	68,408,394	63,000,629	14,464,521	77,465,150
Equity							
Share capital	14			664,156			603,778
Reserves				20,024,652			26,922,667
Total shareholders' equity				20,688,808			27,526,445
Total liabilities and shareholders' equity				89,097,202			104,991,595
Net current assets				14,727,813			29,601,276

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).

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.

As at 31 December 2022, the net assets of the Group amounted to HK\$20,689 million (31 December 2021: HK\$27,526 million) and the Group incurred a net loss of HK\$6,541 million (2021: net profit of HK\$301 million) for the year then ended. In light of the above circumstances, the directors have performed an evaluation of the future liquidity and performance and sources of finance available to the Group to assess the adoption of going concern basis in preparation of the consolidated financial statements of the Group. In order to strengthen and enhance the Group’s liquidity and cash flows in the foreseeable future to operate as a going concern, the Group has either implemented or is in the process of implementing the following measures:

(i) To secure financial support from the controlling shareholders

The Group has obtained letters of support from its ultimate controlling shareholder, HSCL and immediate controlling shareholder, Haitong International Holdings Limited (“HIHL”), respectively, which have explicitly confirmed their intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from HSCL and HIHL will continue to be forthcoming. On 17 March 2023, HSCL, through its investee entity and HIHL, have subscribed for the subordinated perpetual securities of US\$200 million issued by the Group to help enhance the Group’s equity base and financial position for future operations and development. Such issuance of subordinated perpetual securities was completed on 21 March 2023. In addition, on 28 March 2023, the Board has resolved to propose a rights issue of the Company on the basis of three rights shares for every ten existing shares, to raise share capital in the amount of approximately HK\$1.0 billion to 1.5 billion.

(ii) To dispose of marketable listed equity securities and exchange traded funds

In respect of the listed equity securities of HK\$1,368 million, exchange traded funds of HK\$1,340 million in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated financial position as at 31 December 2022, the Directors are of the opinion that the Group would be able to dispose of such investments in the near future as and when it is necessary to alleviate the Group’s liquidity pressure.

(iii) To recover cashflows from various projects, to control operating expenses and capital expenditures

The Group will take active measures to improve its cash inflow through focus of recovering cashflows from existing projects and investments in the upcoming year. At the same time, the Group will continue to take active measures to reduce its operating and capital expenses.

The Directors have reviewed the Group's cash flow projections prepared by management for a period of not less than 15 months from 31 December 2022. In the opinion of the directors after taking into account the abovementioned plans and measures, the Group will have sufficient equity base and working capital to secure continuous banking financing and to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 2022 for the preparation of the consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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.

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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

Except for the 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 "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 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:

- 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.
- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, 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.

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. 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 instruments and holds majority of investment securities (measured 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, alternative investments (such as real estate investments through investment funds and subsidiaries) 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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Segment revenue:												
Commission and fee income	191,515	500,946	550,755	1,781,624	292,656	384,380	507,975	590,514	-	-	1,542,901	3,257,464
Interest income	908,041	907,974	30,049	6,112	-	-	67,171	85,214	782,276	741,700	1,787,537	1,741,000
Net trading and investment income	-	-	-	-	-	-	376,140	896,199	(5,097,032)	(642,479)	(4,720,892)	253,720
Segment revenue	1,099,556	1,408,920	580,804	1,787,736	292,656	384,380	951,286	1,571,927	(4,314,756)	99,221	(1,390,454)	5,252,184
Other income and gains (losses)	(41,231)	24,673	751	2,876	(39)	70	15,108	20,930	218,898 ¹	(13,383) ¹	193,487	35,166
Segment expenses	1,058,325 (616,640)	1,433,593 (687,337)	581,555 (464,200)	1,790,612 (541,939)	292,617 (279,347)	384,450 (198,774)	966,394 (936,864)	1,592,857 (1,182,715)	(4,095,858) (1,207,631)	85,838 (1,152,919)	(1,196,967) (3,504,682)	5,287,350 (3,763,684)
Profit (loss) before impairment charges and tax	441,685	746,256	117,355	1,248,673	13,270	185,676	29,530	410,142	(5,303,489)	(1,067,081)	(4,701,649)	1,523,666
Impairment charges, net of reversal	(434,106)	(574,607)	(98,205)	(385)	-	-	(6,677)	1,011	(1,048,851)	(226,540)	(1,587,839)	(800,521)
Profit (loss) before tax	7,579	171,649	19,150	1,248,288	13,270	185,676	22,853	411,153	(6,352,340)	(1,293,621)	(6,289,488)	723,145
Income tax expense											(251,022)	(422,319)
(Loss)/Profit for the year											(6,540,510)	300,826
Amortisation and depreciation	(84,209)	(89,119)	(29,224)	(26,283)	(9,309)	(10,189)	(95,984)	(146,253)	(15,473)	(12,236)	(234,199)	(284,080)
Finance costs	(200,473)	(147,867)	(10,759)	(2,009)	-	-	(128,651)	(108,277)	(1,009,219)	(848,684)	(1,349,102)	(1,106,837)

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. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. REVENUE AND OTHER INCOME AND GAINS OR LOSSES

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

	2022 HK\$'000	2021 HK\$'000
Revenue		
Commission and fee income (note (i)):		
Commission on brokerage (note (ii))	470,185	839,162
Commission on underwriting and placing	355,084	1,461,896
Financial advisory and consultancy fee income	195,671	319,728
Asset management fee and performance fee income	292,656	384,380
Handling, custodian and service fee income (note (ii))	229,305	252,298
	<u>1,542,901</u>	<u>3,257,464</u>
Interest income:		
Interest income from advances to customers		
- margin financing	690,719	810,435
- term financing	194,068	242,849
Interest income from investment securities measured at amortised cost	667,011	571,224
Interest income from reverse repurchase agreements	64,169	48,231
Interest income from bank deposits and others	171,570	68,261
	<u>1,787,537</u>	<u>1,741,000</u>
Net trading and investment income (note (iii)):		
Net (loss) / gain from financial assets held for trading and market making activities	(87,708)	365,226
Net trading income on financial products	463,848	530,973
Net loss from investments (note (v))	(5,097,032)	(642,479)
	<u>(4,720,892)</u>	<u>253,720</u>
	<u>(1,390,454)</u>	<u>5,252,184</u>
Other income and gains or losses		
Others (note (iv))	<u>193,487</u>	<u>35,166</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\$1,169,051,000 (2021: HK\$2,700,018,000) and HK\$373,850,000 (2021: HK\$557,446,000) respectively.
- (ii) Amounts of commission on brokerage of HK\$355,541,000 (2021: HK\$464,206,000) and handling, custodian and service fee income of HK\$152,434,000 (2021: HK\$126,308,000) have been included in global markets segment and each of the remaining amounts of these categories have been included in wealth management segment.

- (iii) Net loss from investments of HK\$5,097,032,000 (2021: net loss of HK\$642,479,000) has been included in investment segment. Net loss from financial assets held for trading and market making activities of HK\$87,708,000 (2021: net gain of HK\$365,226,000) and net trading income on financial products of HK\$463,848,000 (2021: net trading income of HK\$530,973,000) 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\$275 million (2021: net gain of HK\$22 million).
- Foreign exchange loss (net) of HK\$152 million (2021: foreign exchange loss (net) of HK\$67 million) was also included in the other income and gains or losses. This amount relates to gain or loss 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.
- (v) For the purpose of the disclosure on net loss from investments, investments include net loss from investment securities measured at fair value of HK\$5,597 million (2021: net losses of HK\$642 million) and net revaluation gain of HK\$500 million (2021: nil) in investment properties. During the current year, included in net loss from investments is a revaluation gain of HK\$500 million (2021: nil) in relation to investment properties. This revaluation gain from investment properties has been included in investment segment.

6. STAFF COSTS

	2022 HK\$'000	2021 HK\$'000
Salaries, incentives, bonuses and allowances	1,107,421	1,268,397
Pension scheme contributions (net)	49,004	47,999
	<u>1,156,425</u>	<u>1,316,396</u>

7. IMPAIRMENT CHARGES, NET OF REVERSAL

	2022 HK\$'000	2021 HK\$'000
Net impairment charges / (reversal of impairment charges) on:		
Advances to customers		
- margin financing	427,402	562,271
- term financing	347,408	266,674
Investment securities measured at amortised cost	416,606	(26,474)
Accounts receivable and others	396,423	(1,950)
	<u>1,587,839</u>	<u>800,521</u>

8. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Bank loans and overdrafts	766,133	544,417
Debt securities in issue:		
- Convertible bonds	-	1,752
- Non-convertible bonds	417,529	393,701
- Non-convertible notes	70,893	99,289
Interest on lease liabilities	11,047	11,329
Repurchase agreements and others	83,500	56,349
	<u>1,349,102</u>	<u>1,106,837</u>

9. INCOME TAX EXPENSE

	2022 HK\$'000	2021 HK\$'000
Current taxation:		
- Hong Kong	56,685	544,063
- Other jurisdictions	70,047	45,631
	<u>126,732</u>	<u>589,694</u>
Under provision in prior years:		
- Hong Kong	8,939	106
Deferred tax:		
- Current year and prior year	115,351	(167,481)
	<u>251,022</u>	<u>422,319</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 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 share was approved by the shareholders at the annual general meeting of the Company on 2 June 2022 and subsequently the bonus shares were issued on 23 June 2022.

At a meeting of the Board held on 24 August 2022, the Board resolved not to declare an interim dividend for the 6 months ended 30 June 2022.

At a meeting of the Board held on 28 March 2023, the Board resolved not to declare a second interim dividend for the year ended 31 December 2022.

11. (LOSS) / EARNINGS PER SHARE

Basic (loss)/earnings per share

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

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK\$'000)	<u>(6,540,510)</u>	<u>300,826</u>
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	<u>6,512,825</u>	<u>6,486,042</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(100.43)</u>	<u>4.64</u>

Diluted (loss)/earnings per share

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

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK\$'000)	<u>(6,540,510)</u>	<u>300,826</u>
Effect of dilutive potential ordinary shares		
- Interest on convertible bonds (net of tax) (HK\$'000) (note (c))	<u>-</u>	<u>-</u>
(Loss)/earnings for the purpose of diluted (loss) earnings per share (HK\$'000)	<u>(6,540,510)</u>	<u>300,826</u>
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	<u>6,512,825</u>	<u>6,486,042</u>
Effect of dilutive potential ordinary shares:		
- Convertible bonds (in thousands) (note (c))	<u>-</u>	<u>-</u>
- Share options (in thousands) (note (d))	<u>-</u>	<u>1,808</u>
- Share awards (in thousands) (note (d))	<u>-</u>	<u>6,494</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands)	<u>6,512,825</u>	<u>6,494,344</u>
Diluted (loss)/earnings per share (HK cents per share)	<u>(100.43)</u>	<u>4.63</u>

Notes:

- (a) On 23 June 2022, 603,778,508 shares were issued as bonus share on the basis one bonus share for every ten existing shares held by the shareholders of the Company. The effect of the bonus share has been included within the calculation of basic and diluted loss per share for the current year. Basic and diluted earnings per share for the year ended 31 December 2021 have been restated to take into account the effects of the bonus issue.
- (b) As at 31 December 2022, the trustee of the share award scheme held 117,064,122 ordinary shares of the Company (31 December 2021: 117,409,723 ordinary shares) for the share award scheme, which was adopted by the Board on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK\$231 million (31 December 2021: HK\$270 million).
- (c) Convertible bonds issued on 25 October 2016 that were outstanding and convertible into ordinary shares of the Company at a conversion price of HK\$5.06 immediate before redemption had been redeemed in full during the year ended 31 December 2021. In the calculation of the diluted earnings per share, the convertible bonds were assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding was 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 was adjusted to eliminate the relevant interest expense less the tax effect. No such adjustment was made for the diluted loss per share for the year ended 31 December 2022.
- (d) The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of the Company's outstanding share options and share awards as their assumed exercise would result in a decrease in loss per share. The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options and share awards with the exercise price lower than the average market price during the year ended 31 December 2021 and with the adjustment for the share options lapsed or exercised during the year.

12. ADVANCES TO CUSTOMERS

	2022 HK\$'000	2021 HK\$'000
Advances to customers:		
- Margin financing	12,219,979	9,160,201
- Term financing	2,828,144	2,927,596
	<u>15,048,123</u>	<u>12,087,797</u>
Less: Non-current portion	(1,104,108)	(626,016)
Current portion	<u>13,944,015</u>	<u>11,461,781</u>
<u>Margin financing</u>		
	2022 HK\$'000	2021 HK\$'000
Margin financing	13,366,123	9,925,118
Less: Impairment allowance	(1,146,144)	(764,917)
	<u>12,219,979</u>	<u>9,160,201</u>

The financial accommodation provided to margin clients are determined with reference to 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 2022, margin financing of HK\$12,220 million (31 December 2021: HK\$9,160 million) were secured by securities pledged by the customers to the Group as collateral with market value of HK\$38,898 million (31 December 2021: HK\$46,997 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 expected cash flows, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

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

	2022	2021
	HK\$'000	HK\$'000
Term financing	3,402,650	3,374,834
Less: Impairment allowance	(574,506)	(447,238)
	2,828,144	2,927,596
Less: Non-current portion	(1,104,108)	(626,016)
Current portion	1,724,036	2,301,580

As at 31 December 2022, the term financing of HK\$3,403 million (31 December 2021: HK\$3,375 million) are secured.

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 and the Investment Committee 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 2022, there were six past due term financing (31 December 2021: four).

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK\$197 million and HK\$32 million (31 December 2021: 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. 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. An additional impairment provision of HK\$86 million was made during the current year. 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 2022, there was another past due term financing with a gross amount of EUR37 million (31 December 2021: EUR37 million) (equivalent to approximately HK\$310 million (31

December 2021: HK\$330 million)) that was advanced to a company listed in PRC and HK for its acquisition in the overseas. The loan matured and the principal and the accrued interest were not repaid as at 31 December 2022 and 31 December 2021. An impairment provision of HK\$132 million was made as at 31 December 2021. In assessing the impairment provision as at 31 December 2022, after the management considered there to be a decrease in the fair value of the collateral pledged and the borrower to be subject to enforcement proceedings in the PRC, an additional impairment of HK\$178 million was provided, which the loan was fully impaired as at 31 December 2022. 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 2021: HK\$156 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 value of collateral pledged and no impairment was made during the current and prior year.

As at 31 December 2022, there were two term financing with gross and carrying amount of HK\$780 million and HK\$709 million (31 December 2022: HK\$780 million and HK\$780 million) respectively with the same borrower and the collateral being unlisted shares. During the year ended 31 December 2022, the borrower was credit impaired in other credit exposures with the Group, and the two term financing were also determined to be credit impaired due to the event of default of the borrower. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. An impairment provision of HK\$71 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK\$20 million and HK\$17 million (31 December 2021: HK\$20 million and HK\$20 million) respectively that was advanced to an external party for its investing activities. The loan was past due and the principal and the accrued interest were not repaid as at 31 December 2022. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower and recoverable amount of the collateral (at its force sale value). An additional impairment provision of HK\$3 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

During the current year, the Group completed the acquisition of three real estate properties in Hong Kong from three independent corporates at HK\$360 million which were owned by a margin loan customer of the Group with the outstanding balance of HK\$168 million. The consideration for the acquisition of these properties was partially settled by the Group by cash of HK\$192 million while the remaining consideration was settled with the outstanding margin loan of HK\$168 million during the year. A repurchase arrangement was included in these properties acquisitions, in which the sellers were granted with an option to repurchase the three properties by March 2025 at HK\$360 million plus a fixed rate of interest from the date of acquisition to the date of repurchase. The transaction was recognised as a term financing considering the Group is subject to a contractual obligation to resell the properties at cost plus fixed rate interest.

As at 31 December 2021, included in the term financing was a financing with gross amount of HK\$220 million with collaterals being unlisted shares of entities holding a property development project in the PRC. In assessing the impairment as at 31 December 2021, 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. The outstanding balance was fully impaired as at 31 December 2021. In the opinion of the directors of the Company, after considering the borrower to be in severe difficulty and there to be no realistic prospect of recovery, including the credibility of the borrower and the status of enforcement proceedings, the above-mentioned financing was fully written off in June 2022.

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

	2022 HK\$'000	2021 HK\$'000
Receivable from clients for subscription of new shares in IPO (note (i))	1,080	-
Accounts receivable	4,704,423	8,027,400
	<u>4,705,503</u>	<u>8,027,400</u>
Accounts receivable from:		
- Clients	1,534,335	1,834,709
- Brokers, dealers and clearing houses	3,066,063	6,075,851
- Others (note (ii))	104,025	116,840
	<u>4,704,423</u>	<u>8,027,400</u>

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) 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 as at the reporting date:

	2022 HK\$'000	2021 HK\$'000
Between 0 and 3 months	4,584,987	7,998,983
Between 4 and 6 months	96,698	11,884
Between 7 and 12 months	5,276	4,035
Over 1 year	17,462	12,498
	<u>4,704,423</u>	<u>8,027,400</u>

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, 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

	2022 HK\$'000	2021 HK\$'000
Authorised:		
20,000,000,000 (31 December 2021: 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:		
6,641,563,594 (31 December 2021: 6,037,785,086) ordinary shares of HK\$0.10 each	<u>664,156</u>	<u>603,778</u>
The movements in issued share capital were as follows:		
	Number of shares in issue	Issued share capital HK\$'000
As at 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 and 1 January 2022	6,037,785,086	603,778
New shares issued upon bonus issue	<u>603,778,508</u>	<u>60,378</u>
As at 31 December 2022	<u>6,641,563,594</u>	<u>664,156</u>

15. ACCOUNTS PAYABLE

	2022 HK\$'000	2021 HK\$'000
Accounts payable to:		
- Clients	9,803,365	13,410,306
- Brokers, dealers and clearing houses	530,253	2,029,906
- Others	268,014	284,850
	<u>10,601,632</u>	<u>15,725,062</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 2022 (31 December 2021: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorised institutions of HK\$9,059,437,000 (31 December 2021: HK\$12,820,396,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK\$133,327,000 (31 December 2021: HK\$226,187,000).

SECOND INTERIM DIVIDEND

The Board did not recommend the payment of a second interim dividend for the year ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The convergence of multiple crises in 2022 continued to weigh on global economic growth. The geopolitical tensions brought by the ongoing Russia-Ukraine conflict, the soaring inflation in the wake of the epidemic, coupled with interest rate hikes by major central banks to combat inflation, have sent global markets into tailspins, and Hong Kong was no exception. The Hang Seng Index closed at 19,781 points in and dropped by 15.46% or 3,616 points as at the end of 2022, turning in its worst performance since 2011. Like a rollercoaster ride, the index exceeded 25,000 points in February but experienced a free fall to 14,597 points in October. The Hang Seng China Enterprises Index declined for the third consecutive year with a drop of 18.59% over the year. The Hang Seng Technology Index plunged by 27.19%, while the iBoxx USD Asia ex-Japan China Index fell by 27.38% over the year. The momentum of Hong Kong's IPO market also slowed down significantly, with only 90 IPO deals completed throughout the year, a significant decline of 67.43% in total fundraising amount compared with the previous year.

Facing complex global market conditions and bouts of challenges, the Group's financial performance was inevitably impacted during the year. In 2022, Haitong International recorded core income (the aggregated fee and interest income) of HK\$ 3,330 million, down 33.37% year-on-year; total cost of HK\$ 3,505 million, declined by 6.9% versus 2021. Meanwhile, the Group enhanced its cost control and efficiency improvements to offset the rising finance cost in the interest hike environment. The significant loss in 2022 was primarily attributable to (i) drop in commission and fee income, by 52.6% to HK\$1.54 billion in 2022, which was in turn due to the drop in both IPO fundraising amount and spot market daily turnover in Hong Kong market; (ii) investment loss, comprising (a) loss of HK\$3.44 billion in relation to investment in equity and debt securities traded in the secondary markets, while the Group has been compressing the size of its relevant investments, and (b) fair value loss of HK\$1.65 billion in relation to private debt and equity investment as well as alternative investments, as valuation of the relevant investment dropped in response to changes in market capitalization of comparable companies and condition of underlying assets, and (iii) impairment of HK\$1.59 billion, as market price or valuation of collateral decreased, resulting in increase in expected credit loss.

Nevertheless, relying on its core businesses as a strong foundation, Haitong International keeps going forward with a stable long-term development strategy. In line with the "One Haitong" philosophy, the Group further synergizes with its parent company and made progress in enriching the investment banking ecosystem which includes asset management, private wealth management and global market businesses around its core investment banking business. In 2022, the Group continued to optimize its asset structure, as of 31 December 2022, the Group's total assets were HK\$ 89.10 billion, with net assets of HK\$ 20.69 billion. The leverage ratio was 3.83 times as of December 2022, at a moderate level of the industry.

Enriching the investment banking ecosystem

In 2022, Haitong International's investment banking team acted proactively to live up to the philosophy of "One Haitong", continued to enrich the investment banking ecosystem, deepened cross-departmental and cross-regional collaboration and business innovation, and enabled companies to access international capital market, and thereby accelerated the internationalization process of Chinese enterprises. In the Hong Kong market, Haitong International completed 30 equity financing deals during the year, ranked No. 3 by number of deals. In the overseas market, the Group completed 1 Special Purpose Acquisition Company (SPAC) listing deal in the United States. This is the first-ever SPAC underwritten by a Chinese investment bank through its entity in the United States. In conjunction with its parent company Haitong Securities, Haitong International actively participated in the global depositary receipt (GDR) business during the year and completed 4 European GDR projects; in the Southeast Asian market, Haitong international also completed 2 financial advisory projects for enterprises in India.

The Group has maintained its market leadership in Hong Kong debt capital market. As of 31 December 2022, Haitong International ranked No. 3 among global financial institutions in the Asia (ex-Japan) G3 high-yield corporate bond market by number of deals. The DCM team upheld the Group's ESG and sustainable finance commitment and completed 24 green and sustainable bond issuances during the year, with a total financing

amount exceeding US\$ 8 billion. At the same time, the team took further steps in developing its debt management business and completed a total of 19 debt management projects in 2022 and ranked top in Bloomberg's APAC Liability Management Bonds League Table.

With years of experience in investment banking, cross-regional and cross-divisional business advantages and exceptional performances in green finance in the Hong Kong market, Haitong International was recognized as the "Best Securities House of the Year (Hong Kong)" by Asiamoney, a leading international financial media for the sixth consecutive year.

Global Markets further enhanced cross-border transaction capabilities

In the midst of geopolitical conflicts and changing monetary policies, global equity markets were highly volatile and lost momentum in 2022. Major indices in global equity markets showed a downward trend with shrinking absolute yields on bond assets and surging volatility, resulting in a bleak investment sentiment. The average daily trading volume of the Hong Kong stock market was approximately HK\$124.9 billion in 2022, a year-on-year decrease of 25%.

Amid the challenging market conditions, Haitong International's global markets team continued to expand its services and provide efficient and professional trading, research and sales services to institutional clients, resulting in another increase in the market share of the Hong Kong equity sales and trading business. During the year, the Group made a breakthrough in its cross-border total return swap (TRS) business and opened up a collaborative trading channel with its parent company Haitong Securities which further satisfied the cross-border investment needs of institutional clients.

The equity research team continuously consolidated its cross-border research platform and enhanced research capabilities. During the year, 1,650 stocks across the world were included in its research portfolio covering the Greater China region, Japan, the United States, India, South Korea and others with professional, in-depth, timely and internationally focused research and advisory services delivered to clients. In recognition of its accomplishments, 17 awards, in overall and individual categories, were granted to the Group in Asiamoney Brokers Poll 2022. During the year, Haitong International's equity research team and Hong Kong Trade Development Council (HKTDC) jointly released a research report entitled "Future Prospects of Healthcare Industry in Mainland China and Hong Kong", in Chinese and English, which successfully gained tremendous attention from both domestic and international investors and industry practitioners.

The fixed income and sales trading team timely adjusted its business in response to market conditions, strengthened cross-departmental collaboration and focused on primary and secondary sales and trading of fixed income securities and products throughout the year. With stringent risk control, the team became an active player in the investment grade bond market evident by a greater commission income contribution.

Optimize asset management portfolio

In 2022, Haitong International's asset management team reinforced cross-departmental business collaboration around the Group's core investment banking business and stepped up efforts to develop innovative products and integrated solutions to address clients' needs, including the launch of Haitong Spark Global Multi-Asset Fund S.P. for high-net-worth clients and set up a tailor-made SPAC fund in conjunction with the Group's SPAC business in United States and Hong Kong markets. At the same time, the team proactively consolidated and optimized the product portfolio according to market conditions.

The team also actively promoted ESG-themed investment products, including the world's first ESG focused Asian ex Japan high yield corporate USD bond ETF listed in Europe in 2021. It has achieved net inflows of over US\$220 million in 2022, topping the list of European-listed high yield bond ETFs in terms of net inflows.

During the year, funds managed under Haitong International won a number of industry recognitions, such as multiple Hong Kong Pension Funds Awards at Refinitiv Lipper Fund Awards, Professional Investment Awards by Insights and Mandate, and the Most Innovative ETF of Triple A Sustainable Investment Awards by The Asset.

Upgraded Private Wealth Management Services and Products

Haitong International's private wealth management team continued to improve the business model during the year, strengthened its collaboration with the investment banking, asset management and global market teams, to

provide professional, efficient and tailor-made private wealth management services and products to entrepreneurs and high-net-worth clients.

Leveraging the investment banking ecosystem, the private wealth management team further accelerated the enhancement of its integrated service capabilities to capture market opportunities and meet the needs of clients. Throughout the year, SPAC funds, flexible asset management products and discretionary accounts have achieved significant synergistic results. The team also accelerated the development of wealth management system and ramped up its digital transformation. During the year, the team successfully rolled out the Employee Stock Ownership Plan (ESOP) system and E-FUND platform, to provide clients with efficient combination of online and offline services.

In 2022, the private wealth management team also enhanced its investment advisory services by organizing regular Chief Investment Officer (CIO) online seminars to share global market trends and investment insights, supporting clients to grasp investment opportunities in a timely manner, as well as increasing client stickiness and business communication. During the period, the team was again awarded the High Net Worth Individual (Service/Product) Excellence Award by Bloomberg Businessweek.

ESG Practice

Recognizing itself as an intermediary in financing, advisory and research spheres, Haitong International has always integrated environmental, social and corporate governance (ESG) concepts into all aspects of its business operations, and is committed to promoting ESG and sustainable finance with an aim to become a leading international green investment bank. In 2022, Haitong International was included in the FTSE4Good Index by FTSE Russell, a global indexing arm of the London Stock Exchange, and was reaffirmed by MSCI with an A rating for ESG, demonstrating its leadership in the industry.

In 2022, Haitong International participated in the issuance of 24 green and sustainable bond projects with a total financing amount exceeding US\$8 billion. Many of these green bond projects were highly regarded and recognized by the market for their innovations in green financing framework design and mode of issuance, which helped issuers develop in a green and sustainable manner. Taking a number of globally accepted ESG rating systems into consideration, Haitong International's equity research team also gave scores of ESG performance to all listed companies covered and the summary results are provided on the first page of the research report as an easy reference for investors.

During the reporting period, the Group actively supported the Hong Kong Government in the fight against the epidemic by donating supplies to help frontline healthcare workers, the grassroots community and the general public through various charity organizations and community groups. Haitong International has been supporting local sports and youth development in Hong Kong for many years. This year, Haitong International joined hands with the Hong Kong Windsurfing Association to organize a mega international event - Haitong International iQFOiL Asian Windsurfing Championships and Hong Kong Open Windsurfing Championships, and top players from the United States, South Korea, Japan, Singapore, Thailand and other regions were invited to join the event in Hong Kong. The finals welcomed over 1,000 Hong Kong residents. In 2022, the Group continued to support the "Well Dunk!" Basketball league and training scheme run by InspiringHK Sports Foundation, to enhance community cohesion in Hong Kong through sports activities and exchanges with youth.

In 2022, the Group launched a global ESG campaign named "Green Thinking, Sustainable Living" for its offices across the world. It comprises a series of activities such as low-carbon commute challenge, environmental workshops, plogging day and tree care day, with which employees were urged to live up to the Group's ESG commitments in their daily lives.

For details of the Group's ESG performance and assessment, please refer to the electronic version of the ESG Report 2022 published in conjunction with the Annual Report.

Prospect

Looking into 2023, the outlook for the global markets remains volatile and challenging. The economic impact of successive interest rate hikes in the United States, as a tool to curb inflation, has already surfaced, while the geopolitical conflict-induced energy crunch in Europe will continue to cause inflation and slow economic growth in the coming year. In this critical period, the Chinese government has introduced a series of fiscal and monetary policies to stimulate its economy with proven positive outcomes, and is expected to provide an impetus for a

rapid economic recovery. With the easing of anti-COVID restrictions and the resumption of normal traveler clearance between Hong Kong and Mainland, local business and tourism activities are expected to rebound strongly, leading to a revival of local consumption and retail trade. However, Hong Kong is susceptible to interest rate hikes and rising finance costs in terms of market sentiment and investment appetite. How fast and well global markets will recover remains to be uncertain.

At this turning point, Haitong International will continue to follow the “One Haitong” philosophy, bolster business collaboration with its parent company, grasp the market opportunities of connectivity, enhance the strengths of investment banking business and drive the development of global market, asset management and private wealth management business. The Group will continue to strengthen its risk management and optimize asset structure, enhance efficiency and cost control, and implement ESG strategy.

Regardless of any environment, staff of Haitong International as a whole will remain steadfast and adhere to the core values of “Courageous, Sincere and Innovative”, strengthen its strengths and seize market opportunities with agility, to achieve the goal of long-term sustainable development.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “AGM”) of the Company will be held on Friday, 2 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 29 May 2023.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance practices within the Group. Throughout the year ended 31 December 2022, 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 2022.

Throughout the year ended 31 December 2022, 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 2022 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 2022 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 2022 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 2022 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 2022 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 2022 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.

QUARTERLY FINANCIAL STATEMENTS

Taking into account the impact on financial statements brought by short term fluctuations in the financial market, the management consider annual report and interim report can better reflect the long term operating performance of the Group. With reference to practice generally adopted by other practitioners in the industry, the Group will no longer publish quarterly financial statements since 2023.

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

Hong Kong, 28 March 2023

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*