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***本公告及本文所述上市文件乃按香港聯合交易所有限公司證券上市規則規定僅供參考，並不屬於提呈出售或收購任何證券的要約或招攬購買任何證券的要約。本公告及本文所述任何內容（包括上市文件）並非任何合約或承諾的依據。**為免生疑，刊發本公告及本文所述的上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言根據發行人（定義見下）或其代表刊發的招股章程提出的證券發售要約，亦不屬於香港法例第571章證券及期貨條例所指其中載有向公眾人士發出邀請以訂立或建議訂立有關購買、出售、認購或包銷證券的協議的廣告、邀請或文件。*

***香港投資者謹請注意：**發行人確認債券（定義見下）擬僅供專業投資者（定義見香港聯合交易所有限公司證券上市規則第37章）購買，並按該基準於香港聯合交易所上市。因此，發行人確認債券不適合作為香港散戶之投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司
（於百慕達註冊成立的有限公司）
（股份代號：665）
（「發行人」）

300,000,000美元於2026年到期之利率2.125%之債券（「債券」）
（股份代號：40688）

聯席全球協調人、聯席賬簿管理人及聯席牽頭經辦人

海通國際　　交通銀行　　滙豐　　瑞穗證券

聯席賬簿管理人及聯席牽頭經辦人
(按英文字母排序)

中國農業銀行 股份有限公司 香港分行	澳新銀行	東亞銀行 有限公司	上銀國際	中信銀行 (國際)	中國光大銀行 香港分行
光大證券國際	中國民生銀行 股份有限公司 香港分行	平證證券(香港) 有限公司	民銀資本	工銀亞洲	興業銀行股份 有限公司 香港分行

東方證券(香港)	華僑銀行	上海浦東發展 銀行香港分行	浦銀國際	渣打銀行

本公告乃根據香港聯合交易所有限公司證券上市規則第37.39A條刊發。

請參閱本公告隨附的日期為2021年5月11日的該債券相關發售通函(「**發售通函**」)。發售通函僅以英文刊發,並無刊發發售通函中文版。

承董事會命
海通國際證券集團有限公司
公司秘書
盧偉浩

香港,2021年5月21日

於本公告日期,發行人的董事會由瞿秋平先生(主席)、林涌先生(副主席兼行政總裁)、李建國先生(副主席)、潘慕堯先生、孫劍峰先生、孫彤先生、鄭志明先生*、張信軍先生*、曾煒先生*、徐慶全先生**、劉偉彪先生**、魏國強先生**、尹錦滔先生**及劉艷女士**組成。*

* *非執行董事*

** *獨立非執行董事*

目錄

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Offering Circular. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE BONDS (THE "BONDS") AS DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

The communication of the attached document and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Notification under Section 309B(1)(c) of the SFA – the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prohibition of Sales to EEA Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Haitong International Securities Group Limited (the "**Issuer**"), each of Haitong International Securities Company Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and Mizuho Securities Asia Limited (collectively, the "**Joint Global Coordinators**"), Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, BOSC International Company Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Everbright Securities (HK) Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China PA Securities (Hong Kong) Company Limited, CMBC Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Orient Securities (Hong Kong) Limited, Oversea-Chinese Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited and Standard Chartered Bank (collectively, the "**Joint Bookrunners and Joint Lead Managers**" and, together with the Joint Global Coordinators, the "**Managers**") that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Managers, the Trustee or the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Issuer, the Managers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer and the Managers.

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You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

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Strictly Confidential

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Exchange Stock Code: 665)

US$300,000,000 2.125 per cent. Bonds due 2026

Issue Price: 99.934 per cent.

The 2.125 per cent. senior bonds due 2026 in the aggregate principal amount of US$300,000,000 (the "**Bonds**") will be issued by Haitong International Securities Group Limited (Hong Kong Stock Exchange Stock Code: 665) (the "**Issuer**" or the "**Company**"). The Issuer is a subsidiary of Haitong Securities Co., Ltd. ("**Haitong Securities**"), which held approximately 64.91% of the total issued shares of the Issuer as at 31 December 2020.

The Bonds will bear interest from and including 20 May 2021 at the rate of 2.125 per cent. per annum. Interest on the Bonds will be payable semi-annually in arrear on 20 May and 20 November of each year, commencing on 20 November 2021. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4 of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Bermuda, Hong Kong or the PRC (as defined herein) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. See "*Terms and Conditions of the Bonds – Taxation*."

The Bonds will mature on 20 May 2026 Hong Kong at their principal amount. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders at their principal amount (together with interest accrued to the date fixed for redemption) in the event of certain changes affecting taxes of Bermuda, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax. At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*."

The Bonds are expected to be assigned a rating of "BBB" by Standard & Poor's Rating Services ("**S&P**") and "Baa2" by Moody's Investors Service, Inc. ("**Moody's**"). The Issuer has been assigned a corporate rating of "BBB" long-term credit rating with a stable outlook by S&P and "Baa2" long-term credit rating with a stable outlook by Moody's. These ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by S&P or Moody's.

Investing in the Bonds involves certain risks. See "Risk factors" beginning on page 9 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in reliance of Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled "Subscription and Sale" on page 71.

For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*." The denomination of the Bonds shall be US$200,000 each and integral multiples of US$1,000 in excess thereof.

Application will be made to the Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. **This document is for distribution to Professional Investors only.**

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on SEHK on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this Offering Circular other than to ensure that the prescribed form disclaimer and responsibility statement, and a statement limiting the distribution of this Offering Circular to Professional Investors only, have been reproduced in this Offering Circular. Listing of the Bonds on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, or quality of disclosures in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for issuance of Foreign Debt by Enterprise (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) promulgated by the National Development and Reform Commission (the "**NDRC**") of the PRC on 14 September 2015 which came into effect on the same day, we have registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC dated 29 May 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Bonds to be reported to the NDRC within 10 PRC working days after the issue of the Bonds.

The Bonds will be represented initially by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 20 May 2021 (the "**Issue Date**") with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Haitong International	**Bank of Communications**	**HSBC**	**Mizuho Securities**

Joint Bookrunners and Joint Lead Managers

Agricultural Bank of China Limited Hong Kong Branch	**ANZ**	**The Bank of East Asia, Limited**	**BOSC International**
China CITIC Bank International	**China Everbright Bank Hong Kong Branch**	**Everbright Securities International**	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**
China PA Securities (Hong Kong) Company Limited	**CMBC Capital**	**ICBC (Asia)**	**Industrial Bank Co., Ltd. Hong Kong Branch**

Orient Securities (Hong Kong)	**OCBC Bank**	**Shanghai Pudong Development Bank Hong Kong Branch**	**SPDB International**	**Standard Chartered Bank**

11 May 2021

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET OUT IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE OF THIS OFFERING CIRCULAR.

The attached document is not a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129, including as the same forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.

The communication of the attached document and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Bonds offered hereby are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Notification under Section 309B(1)(c) of the SFA – the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON ITS BEHALF) MAY, PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED AND ORIENT SECURITIES (HONG KONG) LIMITED SHALL NOT BE APPOINTED AND ACTING AS THE STABILISATION MANAGER, SUBJECT TO ALL APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prohibition of Sales to EEA Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**");

or (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (together, the "**Group**") and the Bonds, which is material in the context of the issue and offering of the Bonds; (ii) the statements contained in it relating to the Issuer and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, each of Haitong International Securities Company Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Mizuho Securities Asia Limited (collectively, the "**Joint Global Coordinators**"), Agricultural Bank of China Limited Hong Kong Branch, Australia and New Zealand Banking Group Limited, The Bank of East Asia, Limited, BOSC International Company Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Everbright Securities (HK) Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China PA Securities (Hong Kong) Company Limited, CMBC Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Orient Securities (Hong Kong) Limited, Oversea-Chinese Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SPDB International Capital Limited and Standard Chartered Bank (collectively, the "**Joint Bookrunners and Joint Lead Managers**" and together with the Joint Global Coordinators, the "**Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including but not limited to, the United States, the United Kingdom, Hong Kong, Singapore, the People's Republic of China, Japan and Bermuda and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale."

Each prospective purchaser of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer and the Managers shall have any responsibility therefor.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Managers, the Trustee or the Agents (as defined herein).

This Offering Circular is intended solely for use in connection with the proposed offering of the Bonds, and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Trust Deed and other transaction documents described herein. The information provided is not all-inclusive. The market information in this Offering Circular has been obtained by the Issuer from publicly available sources deemed by them to be reliable.

Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers, The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**") or The Hongkong and Shanghai Banking Corporation Limited (the "**Principal Paying Agent**", the "**Transfer Agent**" and "**Registrar**" and collectively, the "**Agents**" and each an "**Agent**") to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is personal to the prospective investors to whom it has been delivered by the Managers and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Investors may not reproduce or distribute this Offering Circular, in whole or in part, and investors may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer, is prohibited. By accepting delivery of this Offering Circular, the prospective investor agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

To the fullest extent permitted by law, none of the Managers, the Trustee or any Agent or any of their respective affiliates, directors, officers, employees, representatives or agents or any person who controls any of them or their advisers accepts any responsibility for the contents of this Offering Circular or for any statements made or purported to be made by any such person or on its behalf in connection with the Issuer, the Group and the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives and agents and each person who controls any of them and their advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statements.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers. None of the Managers, the Trustee and the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them and their advisers has independently verified any of the information contained in this Offering Circular and can give any assurance that this information is accurate, truthful or complete. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them and their advisers undertake to review the financial condition and affairs of the Issuer following the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

None of the Issuer, the Managers, the Trustee, the Agents, or any of their respective affiliates, advisers, directors, employees, officers, agents or representatives, any person who controls any of them and their advisers is or are making any representation to investors regarding the legality of an investment in the Bonds by them under any legal, investment or similar laws or regulations. The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, agents, any person who controls any of them and their advisers, and none of the Issuer, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, agents, any person who controls any of them and their advisers make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on any Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, any person who controls any of them or their advisers in connection with its investigation of the accuracy of such information or its investment decision.

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any person affiliated with the Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee, the Agents or any of their respective directors, officers, affiliates, employees, representatives, agents and advisers, and none of the Issuer, the Managers, the Trustee, the Agents and their respective directors, officers, affiliates, employees, representatives, agents and advisers makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

PRESENTATION OF FINANCIAL INFORMATION

The Group's published audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are incorporated by reference in this Offering Circular, have been audited by Deloitte Touche Tohmatsu ("**Deloitte**"). Such financial statements of the Issuer were prepared and presented in accordance with HKFRS.

In April 2020, Haitong International Securities published its unaudited and unreviewed consolidated first-quarter financial statements as of and for the three months ended 31 March 2021 (with the inclusion, for comparison purposes, of similar information for the three months ended 31 March 2020 and as of 31 December 2020, as applicable) (the "**31 March Financial Statements**"), which are not included in and do not form a part of this offering circular except to the extent set out below under the subtitle "*Recent Developments – Financial results as of and for the three months ended 31 March 2021".* The 31 March Financial Statements have not been audited or reviewed by our independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed.

Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. See "Risk Factors – Risks Relating to the Group's Business – Our unaudited and unreviewed consolidated financial statements as of and for the three months ended 31 March 2021 have not been audited or reviewed by our auditor and are not contained in and do not form part of this offering circular" in this offering circular. The 31 March Financial Statements should not be taken as an indication of our expected financial condition or results of operations for the full financial year ended 31 December 2021.

EXCHANGE RATE INFORMATION

The Issuer's consolidated financial statements are presented in Hong Kong dollars. For convenience only and unless otherwise noted, all translations from Hong Kong dollars into U.S. dollars in this Offering Circular were made at the rate of HKD7.7534 to US$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020. No representation is made that the Hong Kong dollars amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, and *vice versa*. For further information relating to exchange rates, see "Exchange Rate Information".

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless otherwise specified or the contact otherwise requires, references to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; and references to "Hong Kong" are to the Hong Kong Special Administrative Region of China.

In this Offering Circular, unless otherwise specified or the contact otherwise requires, references to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC; references to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**HKD**" are to the lawful currency of Hong Kong; and references to "**U.S. dollars**", "**US$**" or "**USD**" are to the lawful currency of the United States of America.

In this Offering Circular, references to:

- "**A share(s)**" are to shares that denominated and traded in Renminbi
- "**associate(s)**" are to the meaning ascribed to it under the Listing Rules
- "**B shares**" are to shares denominated in Renminbi, subscribed for and traded in foreign currency on the Shanghai Stock Exchange or the Shenzhen Stock Exchange
- "**Bloomberg**" are to a premier site for business and financial market news
- "**Bondholders**" are to the holders of the Bonds
- "**China**" or "**PRC**" are to the People's Republic of China, excluding, for the purpose of this Offering Circular, Hong Kong, Macau and Taiwan
- "**CSI 300 Index**" are to a capitalisation-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which is compiled by the China Securities Index Company, Ltd. (中證指數有限公司)
- "**CSRC**" are to the China Securities Regulatory Commission (中國證券監督管理委員會)
- "**Director(s)**" are to director(s) of the Issuer
- "**EU**" are to European Union
- "**FICC**" are to fixed income, currency and commodities
- "**FTT**" are to financial transactions tax
- "**GRM**" are to the Group Risk Management Department
- "**Group**" are to the Issuer and its subsidiaries
- "**Haitong Group**" are to Haitong Securities and its subsidiaries excluding the Group
- "**Haitong International Holdings**" are to Haitong International Holdings Limited (海通國際控股有限公司), a wholly-owned subsidiary of Haitong Securities incorporated in Hong Kong
- "**Haitong Securities**" are to Haitong Securities Co., Ltd. (海通證券股份有限公司)
- "**Haitong UK**" are to Haitong (UK) Limited, a wholly-owned subsidiary incorporated in the United Kingdom of the Company and a subsidiary of Haitong Bank, S.A. before the acquisition by the Company, currently known as Haitong International (UK) Co. Limited
- "**Haitong USA**" are to Haitong Securities USA LLC, a wholly-owned subsidiary incorporated in the U.S. of the Company and a subsidiary of Haitong Bank, S.A. before the acquisition of the Company
- "**HK$**", "**HKD**" or "**HK dollars**" are to Hong Kong dollars, the lawful currency of Hong Kong
- "**HKEx**" are to Hong Kong Exchanges and Clearing Limited
- "**HKFRS**" are to Hong Kong Financial Reporting Standards
- "**HKICPA**" are to Hong Kong Institute of Certified Public Accountants
- "**Hong Kong Stock Exchange**" or "**HKSE**" are to The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

- "**IPO**" are to initial public offering
- "**Issuer**", "**Haitong International Securities**" or "**Company**" are to Haitong International Securities Group Limited (海通國際證券集團有限公司)
- "**IT**" are to information technology
- "**Korea**" are to the Republic of Korea
- "**Listing Rules**" are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
- "**Macau**" are to the Macau Special Administrative Region of the PRC
- "**Nasdaq**" are to National Association of Securities Dealers Automated Quotations
- "**NYSE**" are to The New York Stock Exchange
- "**PRC Government**" are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them
- "**QFII**" are to Qualified Foreign Institutional Investor (合格境外機構投資者)
- "**Regulation S**" are to Regulation S under the U.S. Securities Act
- "**RQFII**" are to Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a programme launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the domestic securities market
- "**RQFLP**" are to Renminbi Qualified Foreign Limited Partner (人民幣合格境外有限合夥人)
- "**S&P**" are to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.
- "**SAFE**" are to State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
- "**Securities and Futures Ordinance**" or "**SFO**" are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
- "**SFC**" are to the Securities and Futures Commission of Hong Kong
- "**SGD**" are to Singapore dollars, the lawful currency of Singapore
- "**SGX**" are to Singapore Exchange Limited
- "**Shanghai Stock Exchange**" are to the Shanghai Stock Exchange (上海證券交易所)
- "**Shenzhen Stock Exchange**" are to the Shenzhen Stock Exchange (深圳證券交易所)
- "**stock index futures**" are to cash-settled standardised futures contracts on the value of a particular stock market index
- "**UK**" are to the United Kingdom of Great Britain and Northern Ireland
- "**U.S.**", "**US**" or "**United States**" are to the United States of America, its territories, its possessions and all areas subject to its jurisdiction

- "**US$**", "**USD**" or "**US dollars**" are to the U.S. dollars, the lawful currency of the United States.

- "**U.S. Securities Act**" are to the United States Securities Act of 1933, as amended, and the rules and regulations promulgated

*In this Offering Circular, the terms "**associate**", "**connected transaction**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Offering Circular in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

INCORPORATION BY REFERENCE

The following documents filed with the SEHK are deemed to be incorporated by reference into, and to form part of, this Offering Circular:

(a) the Group's published audited annual consolidated financial statements as at and for the financial years ended 31 December 2019 and 2020, which have been prepared in accordance with HKFRS (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations); and

(b) the auditor's report in respect of such financial statements, which have been audited by Deloitte Touche Tohmatsu, the Group's independent auditor, in accordance with the Hong Kong Standards on Auditing issued by HKICPA.

Each document incorporated herein by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Issuer and the Group, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date. Any statement contained therein shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a subsequent statement contained in another incorporated document herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Prospective investors are advised to obtain and read the documents incorporated by reference herein before making their investment decision in relation to the Bonds.

FORWARD-LOOKING STATEMENTS

The Issuer has made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- industry risks;
- general economic, political, social conditions and developments primarily in the PRC and Hong Kong;
- the Group's business and operating strategies;
- the Group's capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group's operations and business prospects;
- the Group's financial condition and results of operations;
- availability and charges of bank loans and other forms of financing;
- changes in competitive conditions and the ability to compete under these conditions;
- changes in currency exchange rates; and
- other risks identified in the section entitled "Risk Factors" in this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and any other member of the Group undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information contained elsewhere and the financial statements incorporated by reference in this Offering Circular. The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

THE GROUP

Haitong International Securities is an international financial institution incorporated in Bermuda with a rapidly expanding network across the world. It is a subsidiary of Haitong International Holdings, a company incorporated in Hong Kong and wholly owned by Haitong Securities. Haitong International Securities strives to serve as a bridge linking up the PRC and overseas capital markets.

As at the date of this Offering Circular, Haitong International Securities is well-positioned to serve corporate, institutional, as well as retail and high-net-worth clients worldwide. Its well-established financial services platform provides a full spectrum of financial offerings including wealth management, corporate finance, asset management, institutional clients and investment businesses. Haitong International Securities possesses a sound risk management system that is in line with international standards. It was assigned a "Baa2" long-term issuer rating and a "BBB" long-term credit rating by Moody's and S&P, respectively.

Haitong International Securities has a global financial servicing network covering the world's major financial markets, including Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai, thereby making it to be a world-class Chinese financial institution with international competitiveness, systematic importance and brand influence.

COMPETITIVE STRENGTHS

The Group believes that the following represent the Group's key strengths:

- Well-established international platform, strong brand recognition and continuous support from Haitong Securities;
- Diversified and integrated business platform with extensive product offering and quality customer service;
- Strong local market expertise with a substantial and stable customer base in the Greater China Region;
- A pioneer in product innovation to capture growing cross-border business opportunities;
- Advanced digital and smart operation capabilities, prudent corporate governance and multi-layered risk management and internal control systems; and
- Experienced and stable management team with a highly proficient professional workforce.

BUSINESS STRATEGIES

The Group aims to become a leading financial institution with international competitiveness, systemic importance and brand influence by pursuing the following strategies:

- Diversify income streams, asset risks and product offering to maintain market-leading position;
- Attract professional talents to join the Group;
- Achieve ESG integration and become an industry leader in Sustainable Finance;
- Enhance business stability and profitability; and
- Practice stricter risk management, internal control to support business operations.

CORPORATE STRUCTURE

The following chart sets forth the simplified corporate structure of the Group as at 31 December 2020:

Note: This chart is a simplified corporate structure chart and some intermediate companies are not shown.

RECENT DEVELOPMENT

Financial results as of and for the three months ended 31 March 2021

In April 2020, Haitong International Securities published its unaudited and unreviewed consolidated first-quarter financial statements as of and for the three months ended 31 March 2021 (with the inclusion, for comparison purposes, of similar information for the three months ended 31 March 2020 and as of 31 December 2020, as applicable).

For the three months ended 31 March 2021, our total revenue, commission and fee income, and net profit for the period attributable to owners of the Company increased significantly as compared with the corresponding period in 2020. As of 31 March 2021, our cash and cash equivalents increased as compared with the respective amounts as of 31 December 2020. As of 31 March 2021, our total liability decreased as compared with the respective amounts as of 31 December 2020. As of 31 March 2021, our total assets decreased as compared with the respective amounts as of 31 December 2020.

No audit or review has been performed on the financial result as of and for the three months ended 31 March 2021 and it is not indicative of our financial condition or results of operations for the full year ending 31 December 2021. The financial result as of and for the three months ended 31 March 2021 do not form part of this offering circular and should not be relied upon by prospective investors to provide the same type or quality of information associated with information that has been subject to an audit or review by an independent auditor.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a detailed description of the Bonds, see the section entitled "Terms and Conditions of the Bonds." The Terms and Conditions of the Bonds prevail to the extent of any inconsistency set forth in this summary. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Defined terms used in this summary shall have the meanings given to them in the section entitled "Terms and Conditions of the Bonds."

Issuer	Haitong International Securities Group Limited (665.HK).
Issue	US$300,000,000 in aggregate principal amount of 2.125 per cent. Bonds due 2026 (the "Bonds").
Issue Price	99.934 per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including 20 May 2021 at the rate of 2.125 per cent. per annum, payable semi-annually in arrear in equal instalments of US$10.625 per Calculation Amount (as defined in the Terms and Conditions of the Bonds) on 20 May and 20 November of each year, commencing on 20 November 2021.
Issue Date	20 May 2021.
Maturity Date	20 May 2026.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4 of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, as further described in Condition 3 of the Terms and Conditions of the Bonds. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds contain a negative pledge provision, as further described in Condition 4 of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions, as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Bermuda, Hong Kong, the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in the receipt by the Bondholders of such amount as would have been received by them had no such withholding or deduction been required.

Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 20 May 2026.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders at their principal amount (together with interest accrued to the date fixed for redemption), in the event of certain changes affecting taxes of Bermuda, Hong Kong, the PRC or any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control	At any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented initially by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for, Euroclear and Clearstream. Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
ISIN	XS2338405991.
Common Code	233840599.
Governing Law and Jurisdiction	English law with the submission to the exclusive jurisdiction of the courts of Hong Kong.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Ratings	The Bonds are expected to be rated "BBB" by S&P and "Baa2" by Moody's. The Issuer has been assigned a corporate rating of "BBB" with a stable outlook by S&P and "Baa2" with a stable outlook by Moody's. These ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by S&P or Moody's.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

Further Issues	The Issuer may from time to time, without the consent of the Bondholders, create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue, as further described in Condition 16 of the Terms and Conditions of the Bonds.
Use of Proceeds	See the section entitled "Use of Proceeds."
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see the section entitled "Risk Factors."
LEI	549300Q1JC7X89PPGN26.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from the Group's published audited consolidated financial statements as at and for the year ended 31 December 2019 and 2020. The information set out below should be read in conjunction with the relevant consolidated financial statements of the Issuer, including the notes thereto, which are incorporated by reference in this Offering Circular.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and 2020 have been prepared and presented in accordance with HKFRSs and have been audited by Deloitte Touche Tohmatsu, the Group's independent auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December			
	2018	**2019**	**2020**	**2020**
	HK$'000	**HK$'000**	**HK$'000**	**US$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)**
Revenue				
Commission and fee income	2,164,616	2,291,922	2,864,575	369,460
Interest income	2,575,717	2,941,593	2,464,585	317,872
Net trading and investment income	1,588,449	3,010,459	3,000,587	387,003
	6,328,782	8,243,974	8,329,747	1,074,335
Other income and gains or losses	28,868	(38,809)	(97,311)	(12,551)
	6,357,650	8,205,165	8,232,436	1,061,784
Staff costs *(Note)*	(1,154,662)	(1,380,918)	(1,564,995)	(201,846)
Commission expenses	(254,517)	(179,351)	(257,958)	(33,270)
Amortisation and depreciation	(98,144)	(225,566)	(252,091)	(32,514)
Operating expenses	(731,825)	(804,439)	(726,174)	(93,659)
Finance costs	(2,473,278)	(3,129,773)	(2,144,511)	(276,590)
Share of results of investments accounted for using the equity method	(226,869)	–	–	–
Impairment charges, net of reversal	(238,771)	(634,489)	(986,115)	(127,185)
Profit before tax	1,179,584	1,850,629	2,300,592	296,720
Income tax expense	(156,746)	(299,771)	(367,715)	(47,426)
Profit for the year attributable to owners of the Company	1,022,838	1,550,858	1,932,877	249,294
Earnings per share attributable to owners of the Company				
– Basic (HK cents per share)	18.25	26.85	32.97	4.25
– Diluted (HK cents per share)	17.27	26.45	32.85	4.24

Note: The line item named "salaries and allowances, bonuses and pension" used in the audited consolidated financial statements for the years ended 31 December 2018 and 2019 has been renamed as "staff costs" in the audited consolidated financial statements for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			
	2018	2019	2020	2020
	HK$'000	HK$'000	HK$'000	US$'000
	(audited)	(audited)	(audited)	(translated)
Profit for the year attributable to owners of the Company	1,022,838	1,550,858	1,932,877	249,294
Other comprehensive (expense) income:				
Item that will not be reclassified subsequently to profit or loss:				
Fair value changes on investments in equity instruments at fair value through other comprehensive income	–	(11,077)	(52,380)	(6,756)
Items that may be reclassified subsequently to profit or loss:				
Fair value changes on investments in debt instruments at fair value through other comprehensive income	–	(847)	(29,633)	(3,822)
Changes in fair value of derivatives designated as cash flow hedge	7,169	–	–	–
Exchange differences on translating foreign operations	(122,578)	(27,100)	(30,438)	(3,926)
Other comprehensive expense for the year	(115,409)	(39,024)	(112,451)	(14,504)
Total comprehensive income for the year attributable to owners of the Company	907,429	1,511,834	1,820,426	234,790

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December											
	2018			2019			2020			2020		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	US$'000	US$'000	US$'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(translated)	(translated)	(translated)
ASSETS												
Cash and cash equivalents	7,088,829	–	7,088,829	4,269,608	–	4,269,608	4,334,925	–	4,334,925	559,100	–	559,100
Cash held on behalf of customers	15,998,360	–	15,998,360	15,134,126	–	15,134,126	19,553,711	–	19,553,711	2,521,953	–	2,521,953
Financial assets held for trading and market making activities	34,314,567	–	34,314,567	28,459,878	–	28,459,878	10,590,827	–	10,590,827	1,365,959	–	1,365,959
Investment securities	10,295,263	15,850,602	26,145,865	19,191,146	18,389,524	37,580,670	31,499,248	15,267,263	46,766,511	4,062,637	1,969,106	6,031,743
Assets acquired for financial products issued	25,484,416	2,268,434	27,752,850	29,756,276	2,629,569	32,385,845	26,532,975	5,279,720	31,812,695	3,422,108	680,955	4,103,063
Derivative financial instruments	540,563	–	540,563	340,153	–	340,153	732,110	–	732,110	94,424		94,424
Advances to customers *(Note 1)*	–	–	–	19,469,052	1,114,087	20,583,139	15,980,978	231,403	16,212,381	2,061,157	29,845	2,091,002
Advances to customers in margin financing *(Note 1)*	15,952,460	–	15,952,460	–	–	–	–	–	–	–	–	–
Advances to customers for merger and acquisition activities *(Note 1)*	2,477,467	1,094,666	3,572,133	–	–	–	–	–	–	–	–	–
Asset-backed financing to customers *(Note 1)*	5,113,873	224,744	5,338,617	–	–	–	–	–	–	–	–	–
Cash collateral on securities borrowed and reverse repurchase agreements *(Note 2)*	–	–	–	5,324,550	–	5,324,550	7,738,041	–	7,738,041	998,019	–	998,019
Reverse repurchase agreements	4,343,561	–	4,343,561	–	–	–	–	–	–	–	–	–
Accounts receivable	6,968,476	–	6,968,476	8,683,114	–	8,683,114	5,576,807	–	5,576,807	719,272	–	719,272
Tax recoverable	213,656	–	213,656	230,117	–	230,117	432,569	–	432,569	55,791	–	55,791
Prepayments, deposits and other receivables	1,529,261	53,050	1,582,311	1,687,520	75,261	1,762,781	1,047,322	59,131	1,106,453	135,079	7,626	142,705
Investments accounted for using the equity method	–	154,440	154,440	–	–	–	–	–	–	–	–	–
Goodwill and other intangible assets	–	473,391	473,391	–	485,916	485,916	–	480,148	480,148	–	61,927	61,927
Other assets	–	76,296	76,296	–	103,128	103,128	–	198,051	198,051	–	25,544	25,544
Investment property	–	231,539	231,539	–	192,471	192,471	–	70,078	70,078	–	9,038	9,038
Property and equipment	–	420,968	420,968	–	706,275	706,275	–	812,208	812,208	–	104,755	104,755
Deferred tax assets	–	12,203	12,203	–	32,731	32,731	–	25,001	25,001	–	3,225	3,225
Total assets	130,320,752	20,860,333	151,181,085	132,545,540	23,728,962	156,274,502	124,019,513	22,423,003	146,442,516	15,995,499	2,892,021	18,887,520

	As at 31 December											
	2018			2019			2020			2020		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	US$'000	US$'000	US$'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(translated)	(translated)	(translated)
LIABILITIES AND EQUITY												
Liabilities												
Financial liabilities held for trading and market making activities	4,405,866	–	4,405,866	1,945,382	–	1,945,382	4,067,271	–	4,067,271	524,579	–	524,579
Financial products issued at fair value	13,315,922	638,846	13,954,768	17,103,333	1,926,905	19,030,238	15,619,109	816,545	16,435,654	2,014,485	105,314	2,119,799
Derivative financial instruments	505,496	–	505,496	545,139	–	545,139	819,725	–	819,725	105,725	–	105,725
Cash collateral on securities lent and repurchase agreements *(Note 2)*	–	–	–	27,455,006	–	27,455,006	10,680,425	–	10,680,425	1,377,515	–	1,377,515
Repurchase agreements	24,089,043	–	24,089,043	–	–	–	–	–	–	–	–	–
Accounts payable	20,974,552	–	20,974,552	19,107,219	–	19,107,219	22,921,539	–	22,921,539	2,956,321	–	2,956,321
Bank borrowings	33,776,139	–	33,776,139	36,872,917	–	36,872,917	38,015,606	–	38,015,606	4,903,089	–	4,903,089
Debt securities in issue	15,803,992	9,243,635	25,047,627	12,791,450	8,626,979	21,418,429	6,301,361	11,568,173	17,869,534	812,722	1,492,013	2,304,735
Other liabilities arising from consolidation of investment funds	483,781	–	483,781	421,238	–	421,238	5,071,585	–	5,071,585	654,111	–	654,111
Tax payable	260,633	–	260,633	559,082	–	559,082	479,154	–	479,154	61,799	–	61,799
Other payables, accruals and other liabilities	1,259,472	586,189	1,845,661	1,660,778	199,498	1,860,276	1,542,931	197,348	1,740,279	199,001	25,453	224,454
Deferred tax liabilities	–	27,182	27,182	–	28,995	28,995	–	24,575	24,575	–	3,170	3,170
Total liabilities	114,874,896	10,495,852	125,370,748	118,461,544	10,782,377	129,243,921	105,518,706	12,606,641	118,125,347	13,609,347	1,625,950	15,235,297
Equity												
Share capital			578,975			594,058			603,603			77,850
Reserves			25,150,306			26,181,078			27,007,350			3,483,291
Proposed dividends			81,056			255,445			706,216			91,085
Total shareholders' equity			25,810,337			27,030,581			28,317,169			3,652,226
Total liabilities and shareholders' equity			151,181,085			156,274,502			146,442,516			18,887,523
Net current assets			15,445,856			14,083,996			18,500,807			2,386,152

Note 1: To better reflect the business operations and activities of the Group in relation to advances to customers, the directors of the Company decided to present and group the "Advances to customers in margin financing", "Advances to customers for merger and acquisition activities" and "Asset-backed financing to customers" under "Advances to Customers" in the consolidated statement of financial position from 2019 onward. There is no financial impact on the consolidated statement of financial position.

Note 2: As at 31 December 2019, cash collateral on securities borrowed and lent were presented in "accounts receivable" and "accounts payable" respectively. For the year ended 31 December 2020, the Group revisited the business model of its trading and market making activities and financial product issuance activities and considered that the cash collateral on securities borrowed and lent shall be presented together with "reverse repurchase agreements" and "repurchase agreements" respectively to better reflect the proximity of the business model. Accordingly, certain financial data related thereto in the audited consolidated financial statements as at 31 December 2019 has been restated for comparative purposes as reflected in the tables above.

An investment in the Bonds is subject to significant risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below before deciding to invest in the Bonds. The following describes some of the significant risks that could affect the Group and the value of the Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could be material. All of these may materially and adversely affect the Group's business, financial condition, results of operations and prospects. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESSES

The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by downturns in the financial markets of the PRC, Hong Kong and Macau ("Greater China Region") as well as the United States, which in turn may be affected by volatility and downturns in the global capital markets

The Group's businesses, including its wealth management business, corporate finance business, asset management business, institutional clients business, and investment business, are highly dependent on economic and market conditions in the Greater China Region, primarily in the PRC and Hong Kong. In addition, global market conditions may adversely affect market conditions in the Greater China Region. Volatility in the financial markets in the United States, Europe, Japan and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Due to various factors such as a shift in economic development from high-speed growth to high-quality development, stricter financial regulation and a slow recovery in global economy, profound changes occurred to the securities market and the level of volatility of the securities market fluctuated for the past three years. For example, SSE Composite Index kept rising from 3,234.68 as at the end of 2014 and peaked at 5,166.35 in 12 June 2015. However, the PRC A share market fell sharply from mid-June 2015 with SSE Composite Index closing at 2,737.60 on 29 January 2016. Through 2016 to 2017, SSE Composite Index saw a slow growth closing at 3,307.17 on 29 December 2017, which nevertheless represented a decrease of 35.99% compared to 5,166.35 on 12 June 2015. In the first half of 2018, the PRC A share market volatility increased and investors' risk appetites reduced on deepened leveraging and escalated trade friction. While financial markets in Hong Kong also saw a steady recovery and growth through 2016 to 2017, the Hang Seng Index became volatile and unstable since early February 2018, following multiple interest hikes by the U.S. government, currency depreciations of emerging markets, escalated China-U.S. trade friction and the recent outbreak of coronavirus ("COVID-19"). Hardly hit by the COVID-19 in 2020, the global financial market was thrown into a recession with a spike of unemployment rate and wobbling financial markets. To avoid this abrupt health crisis, governments in this world threw out jumbo size easing policies. Upheld by such bailout, the stock markets around the world rebounded with fierce rally of prices for all kinds of assets. Three major stock indexes hit record highs one after another. The recovery of the virus-plagued global economy was pale in contrast when compared with the stock markets. The asset prices are greatly divergent with the economic fundamentals. Market volatility, especially in the PRC and Hong Kong equity markets, are expected to materially and negatively impact the Group's business, results of operations, financial conditions and prospects.

Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European sovereign debt crisis, the withdrawal of the United Kingdom from the European Union and uncertainties surrounding the terms of the withdrawal, China-U.S. trade friction and the escalation of bilateral tariffs on imports imposed by both countries, and the recent outbreak of COVID-19 may adversely affect investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group provides underwriting and financial advisory services. Any decline in the number of corporate financing transactions in Hong Kong due to unfavourable financial or economic conditions would adversely affect the Group's businesses.

In addition, market volatility and adverse financial or economic conditions may adversely affect the Group's wealth management business. These conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. These conditions in turn may adversely affect the Group's brokerage revenue and may increase the risk of default in the margin loan financing the Group provides to its clients.

The Group's proprietary trading may also be adversely affected by the reduction in the value of its trading and investment positions, which in turn would adversely affect the Group's results of operations and financial position and access to liquidity.

Under adverse financial or economic conditions, the value of the Group's asset management portfolio may be adversely affected and therefore reduce the fees it earns from its asset management business, and the Group may face an influx of client redemptions in its asset management portfolio, which in turn could also adversely affect the Group's asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less fee revenue for the Group.

The Group operates in the highly competitive financial services industry

The financial services industry in Hong Kong houses a large number of participants and is highly competitive. The industry is a low-barrier entry industry as new participants are able to enter, provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the SFO.

The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including traditional and online brokerage services, asset management, corporate finance, fixed income and wealth management businesses. Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the brokerage market in Hong Kong had become more saturated, banks and brokerage firms rolled out prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this sector. The Group expects that competition in securities brokerage, one of the Group's core business operations, will continue to be intense.

There can be no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. Under those circumstances, the Group's business and financial performance would be adversely affected.

The Group's businesses are highly regulated

As a participant in the financial services industry, the Group is subject to extensive laws, regulations and codes of relevant regulatory authorities and faces the risk of significant intervention by regulatory authorities in Hong Kong and other jurisdictions in which it operates, such as the PRC or Singapore. Key regulations in Hong Kong governing the financial services industry include the SFO, the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong), the HKSE Rules and The Codes on Takeovers and Mergers and Share Buy-backs (the "Takeovers Code"). In addition, the Group's engagement in China B shares trading business is subject to the applicable PRC laws and regulations. A failure to comply with these rules and regulations may subject the Group to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension of licences. The Group has resolved the issues relating to any non-compliance of regulatory requirements in the past and none of the Company's directors and senior management were subject to any regulatory investigations by competent authorities in the past few years. However, if the Group fails to comply with any regulatory requirements in the future, the Group and its employees may become the subject of inquiries or investigations by relevant regulatory authorities. Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, there is a risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to the Group's businesses or those of its clients could be imposed on a limited subset of financial institutions (either based on size, activity, geography or other criteria), which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

The Group's businesses are vulnerable to stock price volatility and illiquidity of securities and the Group may incur substantial loss

The Group provides margin financing to its clients. Margin financing is particularly vulnerable to stock price volatility and the illiquidity of those securities which are pledged as security for loans. In a volatile market, if the stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet its margin call, the Group is entitled to sell the relevant pledged securities and use the sale proceeds toward repayment of the loans. As proceeds from forced selling of pledged securities may not result in sufficient proceeds to cover the amount of margin loan outstanding, failure of a client to make up for such a shortfall could adversely affect the Group's businesses and financial performance. The Group's businesses and financial performance may also be adversely affected if any borrower fails to repay the amount owed to the Group.

Clients entering into securities transactions are required to settle their transactions before the prescribed period of time. If a client fails to do so, the Group will be required to use its own funds to cover the shortfall. If the Group has insufficient funds to do so, the licences issued by SFC may be suspended.

All futures exchanges prescribe the minimum margin deposit for opening of each futures and option contract. Clients of the Group are required to maintain the minimum margin deposit with the Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, the Group may close out the futures and/or option contract. In the event that the client's margin deposit with the Group is unable to cover the loss arising from closing out of the futures and/or option contract, the Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

The Group also provides loan facilities to clients backed by collateral (including shares of listing companies or private companies or other assets) provided by the clients through the wealth management and other business teams. The Group may incur substantial loss if the clients fail to repay the loan and/or the collateral provided by the clients sustains a loss in value or cannot be liquidated in due course. Each such financing transaction is subject to the Group's Credit Approval Committee's review and approval and each such transaction is monitored by the Group's risk management team. However, the existing risk control measures may not fully prevent a client's default in repayment or its failure to provide additional collateral in the case of a loss in value especially during times of volatility.

A reduction in brokerage commission rates or trading activities by the Group's clients may materially and adversely affect the Group's business, financial condition, results of operations and prospects

In 2017, the Group has transformed and upgraded its brokerage business and renamed it as wealth management business. Revenue from wealth management business segment is primarily derived from the commissions the Group charges its clients for their trading activities. Accordingly, revenue from the Group's wealth management business depends significantly on trading volume, which in turn is influenced by market conditions in the Greater China Region. For the years ended 31 December 2019 and 2020, revenue from the Group's wealth management business accounted for 25.3% and 23.9% of total revenue, respectively.

In addition, the Group's wealth management business could also be adversely affected by a reduction in brokerage commission rates because of increased competition in the Hong Kong brokerage markets. As a result, the Group reduced its reliance on the brokerage business by transforming this segment from traditional brokerage to wealth management with a wide variety of financial services and investment solutions offering. However, there can be no assurance that the Group's revenue derived from wealth management segment can be sustained.

The Group faces risks associated with the underwriting of securities offerings

The Group is exposed to transaction-specific execution risks for each securities offering it sponsors or underwrites. The Group generally receives payment of sponsor fees or underwriting commissions only after it successfully completes a transaction. If a project the Group sponsors is not completed as scheduled or at all for any reason, including weak investor interests and a failure to receive listing approval, the Group may not receive payment for its corporate finance services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group has investment risk on securities it underwrites on a firm commitment basis and may suffer additional losses as a member of an underwriting syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions when the securities underwritten by the Group are undersubscribed and the Group and other underwriters/sub-underwriters are required to take up unsubscribed securities. If the Group fails to sell the securities it underwrites, it would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially and adversely affecting its business, financial condition, results of operations and prospects. Further, the Group has litigation, reputation and other risks from the securities offerings in which it participates, even after the completion of the offerings, if controversies, disputes and claims arise from the offerings, including but not limited to securities class actions and regulatory investigations about alleged securities fraud and other causes of action.

In addition, companies that wish to list their securities in Hong Kong require an investment bank to act as sponsor to assist with their listing application. When the Group acts as a sponsor, it is required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors. Furthermore, the SFC published the "Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers" (Appendix I to the "Fit and Proper Guidelines") in October 2013 on enhancing the regulatory regime of sponsors in Hong Kong, which will result in more stringent regulatory requirements and increased liability for IPO sponsors. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's revenue may be adversely affected by reductions in its assets under management caused by market declines

The Group's revenue from its asset management business principally consists of investment management fees, which are based on the value of its assets under management. Consequently, investment performance affects the amount of the assets under the Group's management and is one of the most important factors in retaining clients and competing for new asset management business. Poor investment performance could adversely affect the Group's revenue and business growth because:

- existing clients might withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in a reduction of management fees for the Group;

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's incentive fees (if any), which are based on a percentage of investment returns, would decline.

There can be no assurance that the Group would be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The Group may incur substantial losses in connection with its FICC business

In 2017, the Group has merged its previous FICC segment and institutional equities segment into the new institutional clients segment. For the years ended 31 December 2019 and 2020, revenue generated from the Group's FICC business accounted for 15.4% and 6.8% of its total revenue, respectively. As each type of product the Group trades presents a different risk and return profile, it is exposed to risks that are specific to each investment product, and the Group could incur substantial losses from its investments.

The Group may be subject to claims of mis-selling

The Group offers a number of financial products directly to retail and institutional investors and to private investors through intermediaries or distributors. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Group on the basis of allegations that the financial products were mis-sold or that the prospectuses, offering circulars or other marketing materials contained misleading information or failed to disclose material information, the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Group to guide employees on the appropriate selling procedures, it is possible that the Group has fraudulent employees who do not comply with such policies. A potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and prospects of the Group. Any claim for mis-selling may also result in a regulatory investigation and censure and may damage the reputation of the Group.

The Group's business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital

In the course of the Group's business, the Group often commits substantial amounts of capital to certain types of businesses or asset classes, including the Group's wealth management business, corporate finance business, institutional clients business and investment business. This commitment of capital exposes the Group to concentration risks, including market risk, in the case of the Group's holdings of concentrated or illiquid positions in a particular asset class, and credit risk. Any decline in the value of such assets may reduce the Group's revenues or result in losses.

The Group may suffer significant losses from credit exposures from its clients and counterparties

The Group's wealth management business is subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

Although the Group regularly reviews credit exposures to specific clients and counterparties and to specific industries that the Group believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties.

The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business, financial results and prospects

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's product and service offering exposes the Group to various risks, and the Group may misjudge the implementation of a new product group or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data

As the Group continually expands its business and adjusts its business strategies in the changing market, it may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of and changes to the product range exposes the Group to a number of risks and challenges, including the following:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;
- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;
- the new products and services may give rise to potential disputes or claims from customers;
- the Group may face greater risk of potential compliance issues such as mis-selling when dealing with less sophisticated counterparties and investors;
- the Group may need to hire additional qualified personnel who may not be available; and
- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

For example, the Group may suffer losses on the stock index futures contracts the Group enters into if stock prices move unfavourably. The Group is also subject to substantial risks in the Group's margin financing business, if borrowers of margin loans default on payments or the value of the collateral for the loans is insufficient to cover the margin loan amount.

Furthermore, to the extent its business model and practices are unfamiliar to regulatory authorities, the Group may encounter unexpected restrictions on its planned activities. If the Group is unable to achieve the intended results from the expansion of its range of products and services, it may make an error of judgement in the conception, planning and/or implementation of these strategies and methods, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, competition for highly skilled business, technical and other personnel is high due to the increasing competition in the financial services industry. Accordingly, the Group's personnel expenses may increase or the Group may have difficulty in recruiting and retaining properly qualified personnel. There can be no assurance that the Group will be able to achieve the administrative, systems and logistical improvements necessary to achieve its goals and other aspects of its growth effectively.

The Group's business is subject to the risks associated with international expansion

The Group plans to continue to expand its Hong Kong operations and explore entry into other international markets in the future. For examples, in 2016, the Group completed the acquisition of Haitong Securities India Private Limited, with which a financial servicing network was set up to cover the world's major capital markets including Hong Kong, Singapore, New York, London, Tokyo and Mumbai; in 2017, the Group purchased the entire share capitals of Haitong UK and Haitong USA from Haitong Bank, S.A to further consolidate its licenses and businesses so as to identify more new customers for the positive development of overseas market. The purchase was completed in 2018. Focusing on New York, London, Singapore and Hong Kong markets, the Company is also expanding its presence to other major Asia – Pacific capital market including Tokyo, Sydney and Bombay. In expanding its business internationally, the Group intends to enter into markets in which it has limited or no experience. The Group may not be able to attract a sufficient number of clients due to its limited presence in these markets. Furthermore, the Group may fail to anticipate competitive conditions in new markets that are different from those in its existing markets. These competitive conditions may make it difficult or impossible for the Group to effectively operate in these markets. In addition, such expansion may increasingly subject the Group to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recessions;
- approval or licence requirements;
- obligation to comply with foreign laws and other regulatory requirements;
- potential adverse tax consequences;
- political instability;
- change in tariffs;
- difficulties in administering foreign operations generally;
- limited protection for intellectual property rights;
- increased risk of exposure to terrorist activities;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- difficulties in recruiting and retaining qualified personnel.

In particular, despite its efforts to comply with all applicable regulations in all the jurisdictions in which the Group operates or plan to operate, there may be instances in which the Group fails to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against the Group or its employees, representatives, agents and third party service providers. If the Group is unable to manage the risks resulting from its expansion outside the PRC, its business, financial condition, results of operations and prospects may be adversely affected.

The Group's investment consultants and professionals are critical to its ability to attract and retain customers

Hiring and retaining highly skilled professionals is critical to the Group's ability to attract and retain customers. The market for investment management and other professionals, including underwriting sponsors, research analysts, traders, marketing and customer support staff and information technology and other operations personnel in the Asia-Pacific region, is highly competitive and has grown more so recently as customers focus increasingly on investment performance and as employers such as investment banks and hedge funds increase their recruitment activity. As a result, movement of such individuals among different firms has become more frequent.

The Group endeavours to provide its employees with competitive compensation and benefits. However, it may not be successful in hiring or retaining key personnel. Failure to obtain or retain the services of key personnel may materially and adversely affect the performance of the Group's products, its ability to develop new products and the attractiveness of its services to potential and current customers.

Damage to reputation or brand, including as a result of negative publicity with respect to other companies affiliated with the "Haitong" brand or the Group, may materially and adversely affect the Group's business, financial condition, results of operations and prospects

The Group operates in an industry where customer trust and confidence are paramount. This makes the Group vulnerable to negative publicity and market perceptions that may be difficult or impossible for it to control. The Group's reputation and brand are accordingly vital to the success of its business. If its reputation or brand is damaged, the Group could lose existing customers and find it difficult to cultivate new business. Reports of investigations, claims, enforcement actions, fines or other sanctions against the Group, or reports of mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Haitong Securities, which indirectly holds 64.91% interests in the Company through its wholly-owned subsidiary Haitong International Holdings as at 31 December 2020, is a leading full-service securities firm in the PRC, offering securities and futures brokerage (including margin financing and securities lending), investment banking, asset management, proprietary trading and direct investment services. As the "Haitong" brand name is also used by other members of the Haitong Group, if any of these entities takes any action that damages the "Haitong" brand name, or any negative publicity is associated with any of these entities, the Group's business, financial condition, results of operations and prospects may be adversely affected.

Misuse of, or failure to properly control, customers' personal or financial information could prove harmful to the Group

The Group is subject to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) which regulates "data users" such as finance companies that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data. The Group acquires a large amount of personal and financial information relating to its customers. In addition, certain third party vendors provide services to the Group using personal and financial information of the Group's customers that the Group provides to them. In particular, as the Group relies on third party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of the Personal Data (Privacy) Ordinance and other applicable laws, harming the Group's reputation and business. The Group takes precautionary measures, including internal compliance procedures, to prevent and detect misuse or unauthorised or accidental disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors.

The Group's business might be affected by the operational failure of its employees

The Group faces the risk of the operational failure of the its employees, which mainly includes accidents or errors that take place in the course of the day-to-day operation of wealth management, corporate finance, asset management, institutional clients and financial products and services businesses. Although the Group has implemented internal control measures including strengthened transaction review and enhanced standard operation training to prevent against the risk of employee operational failure, the Group may not be able to completely avoid the occurrence of or timely detect any operational failure. Any future operational failure of employees or any termination of employment relationship in relation to operational failure could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

Employee misconduct such as fraud could adversely affect the Group's business and reputation

Employee misconduct, which can include violations of laws or regulations concerning the offering and sale of the Group's financial products and fraudulent or otherwise improper activity, could result in regulatory violations and sanctions which could harm the Group's reputation and business, particularly since many of the Group's employees are involved in direct dealing with customers. Common weaknesses that facilitate fraud include the failure to implement effectively a centralised management and supervision, inadequate segregation of duties, insufficient access controls and certain actions taken by employees which are not consistent with the Group's internal control policies. While the Group's compliance programmes are intended to reduce the risk of employee misconduct and outside parties' misconduct and fraud, the Group may not always be able to timely detect or prevent such misconduct, and this risk cannot be completely eliminated. Instances of employee misconduct in the future could have consequences that materially and adversely affect the Group's business, reputation and prospects.

The Group's businesses and prospects may be materially and adversely affected if it fails to maintain its risk management and internal control systems or these systems are proved to be ineffective or inadequate

The Group has established risk management and internal control systems and procedures. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and noncompliance with rules and regulations.

The Group's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to its risk management system. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

A failure to identify and address conflicts of interest appropriately could adversely affect the Group's business

As the Group continues to expand its business scope and client base, it is critical for the Group to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within the Group's business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

A failure in the Group's operations and IT systems could impair its liquidity, disrupt its businesses, result in the leakage of confidential information, damage its reputation and cause losses

The Group's business is highly dependent on its ability to process, on a daily basis, a large number of transactions, some of which are highly complex and time sensitive. Consequently, the Group relies heavily on its financial, account, data processing or other operating systems and facilities. If any of these systems fails to operate properly or becomes disabled as a result of events that are wholly or partially beyond the Group's control, its ability to process the transactions may be adversely affected. The inability of the Group's systems to accommodate an increasing volume of transactions could also constrain its ability to expand its businesses. Although the Group has invested significant resources into upgrading its systems to reduce the risk of potential failure in its systems and expects to continue to do so, there can be no assurance that such upgrades will be effective in preventing future system failures or that the revenue generated from such upgrades will yield an adequate return on its investment.

The Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks and may be vulnerable to unauthorised access, computer viruses or other malicious programmes and other events that have an adverse effect on security. If one or more of such events occur, this potentially could jeopardise confidential information processed and stored in and transmitted through the Group's computer systems and networks, or otherwise cause interruptions or malfunctions in its operations, which could result in reputational damage, litigation and/or financial losses.

The Group routinely transmits and receives personal, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that its clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. An interception or mishandling of personal, confidential or proprietary information being sent to or received from these third parties could result in legal liability, regulatory action and reputational harm, and the Group's efforts to ensure that these third parties have appropriate controls in place may not be successful.

The Group may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and adversely affect its business

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Hong Kong, the PRC and other jurisdictions in which it operates. These laws and regulations require the Group, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Group has adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent the Group may fail to comply fully with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group, which may adversely affect its business.

The Group's clients and counterparties may be unable to perform their obligations as a result of deterioration in their credit quality or defaults

The Group enters into derivatives and foreign exchange under which counterparties have obligations to make payments to it. The Group also extends credit to clients through margin financing or other arrangements that are secured by physical or financial collateral, the value of which may at times be insufficient to cover fully the loan repayment amount. As a result, the Group is exposed to the risks that third parties may default on their obligations because of bankruptcy, lack of liquidity, operational failures or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group. The Group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the Group to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Although the Group regularly reviews credit exposures to specific clients, counterparties and industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties.

The Group's business is susceptible to the operational failure of third parties

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. However, any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

The risk of an unfavourable outcome to litigation against the Group could adversely affect the Group's business, financial condition, results of operations and prospects

The Group is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Interest rate fluctuations may adversely affect the Group's businesses

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases the Group's costs of capital, may also limit the Group's interest income from its margin financing and leveraged and acquisition finance business thus adversely affecting the Group's business and financial results.

Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on the Group's business performance.

Our unaudited and unreviewed consolidated financial statements as of and for the three months ended 31 March 2021 have not been audited or reviewed by our auditor and are not contained in and do not form part of this offering circular

On 28 April 2020, we published our 31 March Financial Statements on HKEX's website. The 31 March Financial Statements have not been audited or reviewed by our independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. The 31 March Financial Statements are not included in and do not form a part of this offering memorandum except to the extent set out under the subtitle "*Recent Development – Financial results as of and for the three months ended 31 March 2021*". Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. In addition, the 31 March Financial Statements should not be taken as an indication of our expected financial condition or results of operations for the full financial year ending 31 December 2021.

Limitations on access to liquidity and capital resources could adversely affect the ability to implement the Group's expansion plans

A number of the Group's activities are subject to various statutory liquidity requirements as prescribed by the SFC in accordance with the SFO.

The Group derives the funds that it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The ability of the Group to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In recent years, global credit markets have tightened significantly with the failure or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. While the Group has not experienced any material difficulty in procuring funds, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase its funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all and its options for obtaining liquidity. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce its profitability.

The Group may incur losses as a result of unforeseen or catastrophic events, or poor performance of its investments

The Group, its suppliers and customers may experience shutdowns of their respective operations as a result of severe communicable diseases, such as avian influenza (bird flu), H7N9 flu, MERS, the Zika Virus and COVID-19, which may have an adverse effect on the Group's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. In particular, the on-going COVID-19 outbreak on a global scale has resulted in increased travel restrictions and extended shutdown of some businesses, which may result in adverse impact on the Group's businesses. The occurrence of such diseases, unforeseen violence resulting from protests, strikes or demonstrations or any other unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions or lead to operational difficulties (including travel limitations) that could impair the Group's ability to manage its businesses and expose its business activities to significant losses. Our businesses include wealth management, corporate finance, asset management, institutional clients and investment, our financial performance highly correlates with the performance of the financial markets. Since the outbreak of COVID-19, prices of equity and debt securities, including equity and/or debt securities that the Group has invested in, have fluctuated significantly.

In addition, the performance of the Group's investment portfolio companies may be materially impacted in recent periods due to factors that are beyond the Group's control, which may in turn materially and adversely affect the Group's financial condition and results of operations.

Legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect the operations of the Issuer

During 2017, the European Union Economic and Financial Affairs Council ("ECOFIN") released a list of non-cooperative jurisdictions for tax purposes. The stated aim of this list, and accompanying report, was to promote good governance worldwide in order to maximize efforts to prevent tax fraud and tax evasion. To address concerns relating to economic substance, Bermuda enacted The Economic Substance Act 2018 which came into effect on 31 December 2018 and amended by the Economic Substance Amendment Act 2019 and the Economic Substance Amendment (No. 2) Act 2019 on 28 June 2019 and 24 December 2019 respectively. Such legislation requires certain entities in Bermuda engaged in "relevant activities" to maintain a substantial economic presence in Bermuda and to satisfy economic substance requirements. The list of "relevant activities" includes carrying on as a business any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service center, intellectual property and holding entities. The introduction of the substance regime in Bermuda may present difficulties for the Issuer. As a result of the introduction of such legislation the Issuer may be required to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain physical offices and premises in Bermuda or perform core income-generating activities in Bermuda. To the extent the Issuer is required to increase its substance in Bermuda to satisfy such requirements, it could result in additional costs that could adversely affect its financial condition or results of operations.

The Financial Institutions (Resolution) Ordinance may adversely affect the Bonds

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant Resolution authorities, which may include the Company as the issuer of the Bonds. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Bonds or the principal amount of, or interest on, the Bonds, and powers to amend or alter the contractual provisions of the Bonds, all of which may adversely affect the value of the Bonds, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Bonds (whether senior or subordinated) may become subject to and bound by the FIRO.

RISKS RELATING TO THE BONDS

The Bonds are unsecured obligations

The Bonds are unsecured obligations of the Issuer. The repayment of the Bonds may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets might not be sufficient to pay amounts due on the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof

The Issuer may at its option, and at maturity or at any time following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds) will be required to, redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, and/or the Group's other indebtedness.

If the Issuer is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's debt to be accelerated

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer under one debt agreement may cause the acceleration of repayment of debt, or result in a default, under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the Issuer's indebtedness, or that the Issuer would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer.

The liquidity and price of the Bonds following this offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Changes in market interest rates may adversely affect the value of the Bonds

The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with the fluctuations in the U.S. dollar interest rates. If a holder of the Bonds tries to sell such Bonds before their maturity, the Bondholder may receive an offer that is less than his/her investment.

International financial markets and world economic conditions may adversely affect the market price of the Bonds

If the international financial markets and world economic conditions decline, the market price of the Bonds may be adversely affected. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. While economic conditions differ across nations, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. In addition, the ongoing U.S.-China trade war may have an adverse effect on the Chinese economy resulting in continuing uncertainties for the overall prospects of the Chinese economy since 2019 and beyond. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers.

The ratings of the Bonds may be downgraded or withdrawn

The Bonds are expected to be assigned a rating of "BBB" by S&P and "Baa2" by Moody's. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform its obligations under the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's ability to access the debt capital markets.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws

Under the Enterprise Income Tax Law of the PRC ("**EIT Law**") and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" refers to an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar

As the Issuer is incorporated under the laws of Bermuda, any insolvency proceeding relating to the Issuer would likely involve Bermuda insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Exchange rate risks and exchange controls may result in a Bondholder receiving less interest or principal than expected

The Issuer will pay principal and interest on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Bondholder may receive less interest or principal than expected, or no interest or principal.

If the Issuer fails to complete the post-issuance report to the NDRC in connection with the Bonds, NDRC may impose penalties or other administrative procedures on the Issuer or the Group

On 14 September 2015, the NDRC promulgated the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)), the "**NDRC Circular**") pursuant to which if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the bonds to the NDRC within 10 business days upon the completion of the bond issue (the "**Post-Issuance Report**").

The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Bonds. Similarly, there is no clarity on the legal consequences of noncompliance with the Post-Issuance Report requirement under the NDRC Circular. Additional guidance has been issued by the NDRC (《企業境外發行債券指引》, the "**NDRC Circular Guidelines**") on 18 December 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions.

The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Bondholders, in the event of a noncompliance by the Issuer with the NDRC Circular. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed period under the NDRC Circular.

There is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or the Post-Issuance Report to the NDRC. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. The Issuer has completed the pre-issue registration with the NDRC and obtained the pre-issue registration certificate on 29 May 2020. If the Issuer does not report the post issuance information with respect to the Bonds within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Issuer or the Group which may have a material adverse impact on the Bonds and the investors in the Bonds, or to its business, financial condition or results of operations.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 14 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of the Bondholders, agree to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 31 December 2020 on an actual basis and on an adjusted basis to reflect the issue of Bonds. The following table should be read in conjunction with the Issuer's audited consolidated financial statements and related notes thereto incorporated by reference in this Offering Circular.

	As at 31 December 2020			
	Actual	**Actual**	**As adjusted**	**As adjusted**
	(audited)	**(translated)**		
	(HK$'000)	**(US$'000)(4)**	**(HK$'000)**	**(US$'000)**
Cash and cash equivalents	4,334,925	559,100	6,660,945	859,100
Short-term borrowings(1)				
Debt securities in issue				
Convertible bonds	125,385	16,172	125,385	16,172
Non-convertible notes	6,175,976	796,551	6,175,976	796,551
Long-term borrowings(1)				
Bonds to be issued	–	–	2,326,020	300,000
Non-convertible bonds	11,568,173	1,492,013	11,568,173	1,492,013
Bank loans and other borrowings				
Secured	949,087	122,409	949,087	122,409
Unsecured	37,066,519	4,780,679	37,066,519	4,780,679
Equity				
Equity attributable to owners of the Company	28,317,169	3,652,226	28,317,169	3,652,226
Total equity(2)	28,317,169	3,652,226	28,317,169	3,652,226
Total capitalisation(3)	39,885,342	5,144,239	42,211,362	5,444,239

Notes:

(1) The total borrowings are affected by borrowings and debt financing activities of the Group incurred after 31 December 2020, mainly including the US$115 million 0.9% notes due 08 April 2021 issued by the Issuer on 08 January 2021, the US$110 million 0.9% notes due 13 April 2021 issued by the Issuer on 12 January 2021, the US$200 million 1.2% notes due 15 December 2021 issued by the Issuer on 13 January 2021, the US$40 million 0.7% notes due 24 May 2021 issued by the Issuer on 22 February 2021, the US$100 million 0.9% notes due 30 November 2021 issued by the Issuer on 25 February 2021, the US$100 million 0.9% notes due 08 December 2021 issued by the Issuer on 25 February 2021, the US$381 million 0.75% notes due 09 September 2021 issued by the Issuer on 09 March 2021, the US$63 million 0.63% notes due 15 June 2021 issued by the Issuer on 15 March 2021, the US$50 million 0.72% notes due 10 January 2022 issued by the Issuer on 8 April 2021 and a revolving credit facility in an amount of HK$6,000 million obtained by the Company in March 2021.

(2) Total equity includes share capital, reserves and proposed dividend.

(3) Total capitalisation includes total long-term borrowings plus total equity.

(4) The translation of HK dollar amounts into U.S. dollar amounts has been made at the rate of HK$7.7534 to US$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System).

Except as otherwise disclosed above, there has been no material change in the Group's consolidated capitalisation and indebtedness since 31 December 2020.

USE OF PROCEEDS

The gross proceeds from the issue of the Bonds are US$300,000,000 and will be used for refinancing and general corporate purposes.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive Certificates evidencing the Bonds:

The issue of US$300,000,000 2.125 per cent. bonds due 2026 (the "**Bonds**", which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by resolutions of the board of directors of Haitong International Securities Group Limited (the "**Issuer**") passed on 10 May 2021. The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 20 May 2021 (the "**Issue Date**") between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**" which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed and of the Agency Agreement (the "**Agency Agreement**") dated on or about 20 May 2021 relating to the Bonds between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**"), as initial principal paying agent (the "**Principal Paying Agent**") and as transfer agent (the "**Transfer Agent**") and any other agents appointed from time to time pursuant to the Agency Agreement, are available (on prior written notice and upon satisfactory proof of holdings) during normal office hours from the specified office of the Principal Paying Agent, at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong. The "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions ("**these Conditions**") will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

2 TRANSFERS OF BONDS

(a) **Transfer**: A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with prior written notice to the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice (as defined in Condition 6(c)) has been deposited in respect of such Bonds pursuant to Condition 6(c), (iii) after any such Bond has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 STATUS

(a) **Status**: The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 NEGATIVE PLEDGE

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not and shall ensure that none of its Subsidiaries (as defined below in this Condition 4 will, create or, permit to be outstanding any mortgage, charge, lien, pledge or other security interest (other than a lien arising by operation of law) (each a "**Security Interest**") upon, or with respect to, the whole or any part of its business undertaking, revenues or assets (including any uncalled capital), present or future, to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer shall, in the case of the creation of such Security Interest, before or at the same time and, in any other case, promptly, taking any and all action necessary to ensure that: (A) all amounts payable under the Bonds are secured by such Security Interest equally and rateably with the Relevant Indebtedness, except for any Permitted Security Interest, or benefit from a guarantee or indemnity in substantially identical terms thereto; or (B) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**Relevant Indebtedness**" means any indebtedness in the form of or represented by any note, bond, debenture, debenture stock, loan stock or other similar security which (with the consent of the issuer of the indebtedness) is for the time being, or is capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market;

"**Permitted Security Interest**" means any of the following:

(a) any Security over or affecting any asset acquired by a member of the Issuer Group after the Issue Date if:

  (i) the Security is in existence at the date of acquisition and was not created in contemplation of the acquisition of that asset by a member of the Issuer Group;

  (ii) the assets concerned are solely listed or unlisted equity investments made in the ordinary course of its business; and

  (iii) the principal amount secured does not exceed the amount secured as at the date of such acquisition;

(b) any Security over any or affecting any asset of a member of the Issuer Group created for the purposes of that member of the Issuer Group's equities, derivatives and structured products issuance business, which, in each case, save for such Security does not otherwise have recourse against any member of the Issuer Group;

(c) any Security created for the securities margin financing business, fixed income business, stock borrowing and lending business (including, without limitation, pursuant to transactions entered into under global master securities lending agreements consistent with the form of the Global Master Securities Lending Agreement published, from time to time, by the International Securities Lending Association (or any successor person) and under global master repurchase agreements consistent with the form of the Global Master Repurchase Agreement published, from time to time, by the International Capital Market Association (or any successor person)) or any back-to-back financial instrument created for client transactions of a member of the Issuer Group, which, in each case, save for such Security does not otherwise have recourse against any member of the Issuer Group, provided that such Security shall be limited to the underlying shares or instruments under the relevant securities margin financing, stock borrowing and lending or fixed income scheme in accordance with the Issuer Group's margin financing, stock borrowing or lending or fixed income policy, as the case may be;

"**Security**" means a mortgage, charge, pledge, lien assignment or other security interest securing any obligation of any person or any other agreement having a similar effect.

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, and (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 20 May 2021 at the rate of 2.125 per cent. per annum, payable semi-annually in arrear in equal instalments of US$10.625 per Calculation Amount (as defined below) on 20 May and 20 November of each year (each an "**Interest Payment Date**"), commencing on 20 November 2021.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until the Relevant Date (as defined in Condition 8).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 20 May 2026 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Tax Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Bermuda, Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 May 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Before the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by the sole director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

(c) **Redemption for Change of Control**: At any time following the occurrence of a Change of Control (as defined below in this Condition 6(c)), the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Change of Control or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the fourteenth day or if such day is not a business day the next following business day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable without the prior consent in writing of the Issuer and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c) and shall give brief details of the Change of Control.

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be responsible for or liable to Bondholders, the Issuer or Haitong Securities (as defined below) for any loss or liability arising from any failure to do so.

In this Condition 6(c):

a "**Change of Control**" occurs when:

(i) the Controlling Person (as defined below) and any other person Controlled by the Controlling Person, together cease to be the largest holder of the issued share capital of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where (x) such person(s) is/are Controlled (as defined below), directly or indirectly, by the Controlling Person, or (y) the consolidation, merger, sale or transfer will not result in any other person or persons acquiring Control over the Issuer;

"**Controlling Person**" means Haitong Securities or any successor entity;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include:

(i) the Issuer's board of directors or any other governing board; and

(ii) the Issuer's wholly-owned direct or indirect subsidiaries;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the nomination or designation of no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements and the terms "Controlling" and "Controlled" have meaning correlative to the foregoing;

"**Haitong Securities**" means Haitong Securities Co., Ltd. (海通證券股份有限公司); and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

References to "**principal**" in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(c).

(d) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) **Purchase**: The Issuer, Haitong Securities and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price.

(f) **Cancellation**: All Bonds purchased by or on behalf of the Issuer, Haitong Securities or their respective Subsidiaries may be surrendered for cancellation by surrendering the Certificates representing such Bonds to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest will be made by transfer to the registered account of the Bondholder.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Where payment is to be made by transfer to the registered account of a Bondholder in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Bermuda, Hong Kong, the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If the Issuer is required to make a deduction or withholding in respect of the PRC, Hong Kong or Bermuda tax, in such event the Issuer shall pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the holders of the Bonds after such withholding or deduction shall equal the respective amounts of principal, premium (if any) and interest which would otherwise have been receivable in respect of the Bonds, except that no such additional amounts shall be payable in respect of any Bond:

(a) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Bermuda, Hong Kong or the PRC other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on surrendering the Certificate representing such Bond for payment on the last day of such thirtieth day; or

(c) **Alternative presentation**: presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

In these Conditions, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders in accordance with Condition 16 that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender;

Neither the Trustee nor any of the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such tax, duty, charge, withholding or other payment is payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay such tax, duty, charges, withholding or other payment.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: If default is made in the payment of any principal, premium (if any) or interest due in respect of the Bonds or any of them and, in the case of interest only, such default continues for a period of more than five days; or

(b) **Breach of Other Obligations**: the Issuer fails to perform or observe any of its other obligations under these Conditions, the Bonds, the Trust Deed and (except in any case where the failure is incapable of remedy when no such continued failure or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default**: (i) the Issuer or any of its Subsidiaries shall default in making any payment in respect of any Indebtedness for Borrowed Money when due or, if applicable, within any period of grace provided in respect thereof; or (ii) the Issuer or any of its Subsidiaries shall fail to honour when due and called upon any guarantee and/or indemnity of any Indebtedness for Borrowed Money; or (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries shall become (or shall become capable of being declared) due and payable prior to its specified maturity by reason of any actual or potential default or event of default or the like (howsoever described), provided that no event described in this Condition 9(c) shall constitute an Event of Default if the aggregate amount of the relevant amount of Indebtedness for Borrowed Money, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred is less than HK$500,000,000 or the equivalent thereof in another currency or currencies; or

(d) **Enforcement Proceedings**: a distress, attachment, execution, any seizure before judgment or other legal process shall be sued out, levied, or enforced upon or against a substantial part of the property, assets, revenues or undertaking of the Issuer or any of its Material Subsidiaries and shall not be stayed or discharged within 30 days of being sued out, levied or enforced; or

(e) **Security Enforced**: a secured party takes possession, or a receiver, administrative receiver, administrator, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking or assets of the Issuer or any of its Material Subsidiaries and shall not be discharged within 30 days of being enforced; or

(f) **Insolvency**: (i) the Issuer or any of its Material Subsidiaries becomes (or is deemed by law or a court to be) insolvent or bankrupt or is unable to pay its debts as they fall due, (ii) the Issuer or any of its Material Subsidiaries stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, (iii) the Issuer or any of its Material Subsidiaries proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally, or (iv) a moratorium is agreed or declared in respect of or affecting all or any substantial part of the debts of the Issuer or any of its Material Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (except for a member's voluntary solvent winding-up of any of its Material Subsidiaries), or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations (except, (i) for the purposes of an amalgamation, reorganisation or restructuring the terms of which have previously been approved by an Extraordinary Resolution of Bondholders and (ii) in the case of a Material Subsidiary of the Issuer, whereby all or substantially all of the assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer or any of its Subsidiaries); or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a substantial part of the assets of the Issuer or any of its Material Subsidiaries, provided that the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the total assets of the Issuer Group (as defined below); or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of these Conditions, the Bonds or the Trust Deed; or

(k) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(f) to 9(h) (both inclusive).

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and none of them shall be responsible or liable to the Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

In these Conditions,

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities;

"**Material Subsidiary**" means any Subsidiary of the Issuer, whose total amount of gross assets or revenue (excluding intra-group items) represents 5 per cent. or more of the gross assets or revenue of the Issuer Group (as defined below) calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Issuer Group, or determined by reference to the most recent compliance certificate delivered by the Issuer certifying its Material Subsidiaries; and

"**Issuer Group**" means the Issuer and its Subsidiaries.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within ten years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar and/or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation, the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders holding not less than 10 per cent. in nominal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent, in the nominal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the nominal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the date of maturity of the Bonds or any date for payment of interest on the Bonds, (ii) to reduce or cancel the nominal amount of, any premium payable on redemption of the Bonds, (iii) to reduce the rate or rates of interest in respect of the Bonds, (iv) to vary the currency of payment of the Bonds, or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than two-third or at any adjourned meeting not less than one-third in nominal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed and whether or not they voted at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds for the time being outstanding or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of Agreements and Deeds**: The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed and Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee**: In connection with the exercise of its trusts, functions, rights, powers, authorities and discretions (including, without limitation, any modification, waiver, authorization, determination or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

13 NOTIFICATION TO NDRC

The Issuer undertakes to file or cause to be filed with the National Development and Reform Commission (the "**NDRC**") the requisite information and documents within the prescribed timeframe in accordance with the Circular on Promoting the Reform of the Administration on the Filing and Registration System for Foreign Debt Issued by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (Fa Gai Wai Zi [2015] No. 2044)) issued by the NDRC which came into effect on 14 September 2015 and any implementation rules, regulations, certificates, circulars or notices as issued by the NDRC from time to time (the "**NDRC Post-Issuance Filing**") and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-Issuance Filing.

14 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions or proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same under the Trust Deed and the Agency Agreement and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled (but not obliged) to rely on any direction, request or resolution of Bondholders given by holders of the requisite nominal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice or opinion of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, in such event, such report, confirmation, information, certificate, advice or opinion shall be binding on the Issuer and the Bondholders.

16 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them, the timing for complying with the post-issue filing required by the NDRC) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 16 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

17 NOTICES

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by these Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available apart from such Act.

19 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed and the Bonds and any non-contractual obligations arising out of, or in connection with, them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds or the Trust Deed ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Service of Process**: The Issuer irrevocably agrees to receive service of process at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong, in any proceedings in Hong Kong.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions. Defined terms used in this section shall have the meanings given to them in the Terms and Conditions of the Bonds (the "Conditions" or "Terms and Conditions of the Bonds").

The Bonds will be represented by the Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payments: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Meetings: For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds.

Bondholder's Redemption: The Bondholder's redemption options in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer's Redemption: The option of the Issuer provided for in Condition 6(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions except that the notice shall not be required to contain the certificate numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required.

Transfers: Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation: Cancellation of any Bond represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Global Certificate.

Trustee's Powers: In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate is evidence of entitlement only. Title to the Bonds passes only on due registration in the register of Bondholders and only the duly registered holder is entitled to payments on Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

DESCRIPTION OF THE GROUP

OVERVIEW

Haitong International Securities is an international financial institution incorporated in Bermuda with a rapidly expanding network across the world. It is a subsidiary of Haitong International Holdings, a company incorporated in Hong Kong and wholly owned by Haitong Securities. Haitong International Securities strives to serve as a bridge linking up the PRC and overseas capital markets.

As at the date of this Offering Circular, Haitong International Securities is well-positioned to serve corporate, institutional, as well as retail and high-net-worth clients worldwide. Its well-established financial services platform provides a full spectrum of financial offerings including wealth management, corporate finance, asset management, institutional clients and investment businesses. Haitong International Securities possesses a sound risk management system that is in line with international standards. It was assigned a "Baa2" long-term issuer rating and a "BBB" long-term credit rating by Moody's and S&P, respectively.

Haitong International Securities has a global financial servicing network covering the world's major financial markets, including Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai, thereby making it to be a world-class Chinese financial institution with international competitiveness, systematic importance and brand influence.

The Group's principal business segments include:

Wealth Management	Provides financial advisory services and customized 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, securities custodian services, and securities margin financing.
Corporate Finance	Provides 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.
Asset Management	Provides investment management services on diversified and comprehensive investment products, including public funds, private funds and mandatory provident funds to individual, corporate and institutional clients.
Institutional Clients	Serves institutional clients globally through sales and trading of both equity and fixed income products, financing, structuring products, offering risk management solutions and providing 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 specializes in listed equities in Asian financial markets.
Investment	Invests in various financial instruments, primarily on listed equities, investment funds and private equity investments, to explore investment opportunities with reasonable returns.

The Group has established prudent corporate governance and multi-layered risk management and internal control systems to reduce its exposure to credit, operational, liquidity and market risks in the securities and financial services industry.

The Group's comprehensive and high-quality products and services have been widely recognized by the financial services industry, and the Group has received numerous honours and awards, including, among others:

- "Best ESG Manager (Hong Kong)" from Insights & Mandate Professional Investment Awards 2021;
- "Top Market Maker – ETP Turnover" award from HKEX ETF Awards 2020 & 2020;
- "Best Asian Investment Bank" from GlobalCapital Asia Awards 2020;
- "Best for Cross Border ECM" from Asiamoney 2020 China Corporate & Investment Banking Awards;
- "Securities House of the Year" from Asia Risk Awards 2017-2020;
- "Securities House of the Year" from Asiamoney Best Securities Houses Awards 2018-2020;
- "Best Broker" from FinanceAsia Country Award 2019 & 2020;
- "Top Market Maker – ETP Turnover" award from HKEx ETF Awards 2020;
- "Derivatives Provider of the Year – Excellence" from Bloomberg BusinessWeek Financial Institution Awards 2020;
- "Best Wealth Manager (Hong Kong)" from The Asset Triple A Private Banking and Wealth Management Awards 2019 & 2020;
- "Best Fund House, China Offshore" from AsianInvestor Asset Management Awards 2020;
- "New Product of the Year – Haitong MSCI China A ESG ETF" award from 2020 HKCAMA-Bloomberg Offshore China Fund Awards;
- "Best Companies to Work for in Hong Kong" from HR Asia 2017-2020;
- "Hong Kong's Best Investment Bank" in the "Euromoney Awards for Excellence 2018" organized by Euromoney;
- "Hong Kong House of the Year" from Asia Risk Awards 2018;
- "Best RMB Manager – Hong Kong" from Asia Asset Management Best of the Best Awards 2018.

As at 31 December 2019 and 2020, the Group had total assets of HK$156,274.5 million and HK$146,442.5 million (US$18,887.5 million), respectively, and total equity of HK$27,030.6 million and HK$28,317.2 million (US$3,652.2 million), respectively. For the years ended 31 December 2019 and 2020, the Group's total revenue was HK$8,244.0 million and HK$8,329.7 million (US$1,074.3 million), respectively, and its net profit was HK$1,550.9 million and HK$1,932.9 million (US$249.3 million), respectively.

Competitive Strengths

The Group believes that the following represent the Group's key strengths:

Well-established international platform, strong brand recognition and continuous support from Haitong Securities

The Group's comprehensive and high-quality products and services have been widely recognised by numerous international and local awards. Currently, there are only a small number of PRC securities firms which have listed business platforms and branch networks in Hong Kong, among which the Group has the longest operating history, with the most extensive distribution network in Hong Kong. The Group's full-service business platform and its overseas customer base and extensive network have allowed the Group to be in a better position to capture increasing cross-border business and to meet increasingly changing customer demands in the Greater China Region.

Haitong Securities is one of the largest securities companies in the PRC. As one of the overseas business platforms of Haitong Securities, the Group continuously receives supports from its parent company on business expansion, client referral and cross selling opportunities. PRC customers of Haitong Securities are able to utilise the international platform provided by the Group, while international customers can leverage Haitong Securities' extensive network in the PRC and its leading market positions across multiple business lines.

Diversified and integrated business platform with extensive product offering and quality customer service

The Group has a well-balanced business structure with diverse revenue sources. The Group offers diversified products and premium services to enhance customer loyalty and distinguish itself from those low-price-oriented competitors, in particular:

- the Group is an equity house in Hong Kong with an extensive branch network and professional sales and marketing teams providing diversified products and comprehensive services.

- the Group is a leader in corporate finance business according to Bloomberg's Hong Kong IPO Underwriters League Table. From 2012 to 2020, the Group ranked first in the Hong Kong capital market in terms of the total number of IPO participated. In 2020, the Group ranked first among Hong Kong's financial institutions in terms of the number of Hong Kong IPOs underwritten according to the Bloomberg League Tables.

- The Group has served in the role of sole or joint bookrunner, sole or joint sponsors and sole or joint global coordinators in 51 IPO projects in 2020, 44 IPO projects in 2019 and 37 IPO projects in 2018. Particularly, in 2020, the Group, successfully completed several blockbuster IPOs including three largest Hong Kong IPOs in 2020: JD Health International Inc. with a deal value of U.S.$4 billion, China Bohai Bank Co., Ltd. with a deal value of U.S.$2.05 billion and Evergrande Property Services Group Limited with a deal value of U.S.$1.84 billion. The Group also ranked top and third among financial service providers all over the world in terms of number and underwriting amount in Asian (excluding Japan) G3 high yield corporate bond issuance.

In February 2018, the Group has completed the purchase of entire share capitals of Haitong UK and Haitong USA from Haitong Bank, S.A. to further consolidate its licenses and businesses to identify more new customers for the positive development of overseas market. The acquisition has perceptualized the Group's capability to provide professional financial services to global investors. With enhanced overall operating capacities, the Group believes that it has created synergies among its different business lines which are well-positioned to enjoy healthy and stable growth under various economic conditions.

Strong local market expertise with a substantial and stable customer base in the Greater China Region

The Group demonstrates its strong local market expertise with a stable and extensive network throughout the Greater China Region, including three branches in Hong Kong and one in Macau. Currently, the Company also operates in many other major international capital markets, including in Singapore, New York, London, Tokyo, Sydney and Mumbai. In 2014, the Group expanded to Singapore by setting up a subsidiary Haitong International Securities Group (Singapore) Pte. Ltd. In 2016, the Group further expanded its network to Mumbai, India by completing the acquisition of Haitong India. In 2018, the Group's acquisition of Haitong USA and Haitong UK heralded a new chapter of its global presence. In 2018, the London subsidiary of the Company became one of the first London Stock Exchange member firms who are designated brokers for the Shanghai-London Stock Connect between the Shanghai Stock Exchange and the London Stock Exchange. The New York subsidiary of the Company received the Nasdaq membership qualification and the approval from Financial Industry Regulatory Authority (FINRA) of the U.S. for participation in investment banking activities and became the first Chinese market maker on Nasdaq in 2018. In February 2020, the Company has become the first Chinese securities firm to obtain an Australian Financial Services Licence (AFSL) from the Australian Securities and Investments Commission through direct application. In March 2020, the Singapore office launched its debut fund focusing on REITs listed across Asia-Pacific markets, broadening the range of the Group's fund products. In November 2020, the Mumbai office completed the INR64.8 billion IPO of Gland Pharma Ltd., the largest pharma IPO in India to date. During 2020, the New York subsidiary of the Company completed four IPOs including Lufax Holding Ltd, Yalla Group Limited, Xpeng Inc. and Guangzhou LiZhi INC. and two additional issuances. In Asiamoney Brokers Poll 2020, the Group's Japanese analysts were voted No. 1 in eight sectors covering Small/Mid-Caps, Consumer, Real Estate, Software and Internet, etc.

With these branches and networks, the Company forms a financial service network centring New York, London, Singapore and Hong Kong and expanding to major Asia-Pacific capital markets such as Tokyo, Mumbai and Sydney and possesses a global investment banking, investment, transaction execution and operating capabilities. As of 31 December 2020, the Group has 1,355 staff members globally, with 144 in Mainland China; 1012 in Hong Kong; 82 in Singapore; 46 in Mumbai; 11 in Tokyo; 6 in Sydney; 21 in London and 33 in New York.

The Group has been able to benefit from a diversified customer base, covering local and global investors, as well as customer referrals from Haitong Securities in the PRC. Haitong International Securities successfully built up an infrastructure as a full-service investment banking services provider based on the demands of three categories of clients: corporate, institutional and retail/high-net-worth clients and witnessed fast growth in all business segments.

In 2017, Haitong International Securities expanded its wealth management business for high-net-worth professional investors by establishing an all-new Private Wealth Management Department in October 2017 and operating a Private Wealth Management Centre in February 2018 to provide high net-worth customers and professional investors with top-notch investment solutions so as to maximize returns. Besides traditional products such as securities and futures, the Group also provides an array of wealth management products including fixed income, structured products, funds, leveraged investment and financing solutions for high-net-worth professional investors. To further address clients' demand of global investment, the Company upgraded its U.S. stock trading platform in December 2018, which enables clients to trade US stocks, HK stocks and A shares and share the facility of margin financing in a consolidated account.

A pioneer in product innovation to capture growing cross-border business opportunities

The Group is a pioneer in cross-border RMB business and has been able to capture various business opportunities from financial market reforms, such as RMB internationalisation, exchange rate reform, interest rate liberalisation and capital accounts liberalisation. The Group is the first financial services company in Hong Kong to successfully launch a Renminbi-denominated and settled public fund in 2010. Its parent company, Haitong International Holdings, was among the first batch of financial institutions to receive RQFII qualification in 2012. The Group was also the first PRC-funded institution in Hong Kong to be awarded the QFII and RQFLP qualifications in 2012. In March 2014, the Group launched Haitong CSI300 Index ETF, becoming the first company with Chinese securities firm background in Hong Kong to issue an RQFII ETF. The Group also has a proven track record in the expansion of its leveraged and acquisition finance and sector fund businesses. In July 2018, the Company launched three equity funds covering the world's biggest economies – the United States, China and Japan.

The Company launched its warrants and callable bull/bear contracts ("**CBBCs**") business in March 2016, making it the only listed Chinese securities company to have issued warrants and CBBCs approved by HKEx. During the year of 2020, the Group issued warrants and CBBCs with a total amount of HK$462 billion, ranking the fourth in the Hong Kong market in terms of the warrants and CBBC's transaction amount.

In 2018, Haitong International Securities further expanded the G10 bond market-making business to cover major offshore markets globally; from the Greater China Region to the US, Latam, Europe, Singapore, India, Korea, Japan and Australia, whilst also covering CNY, HKD and SGD denominated bonds.

Advanced digital and smart operation capabilities, prudent corporate governance and multi-layered risk management and internal control systems

The Group is dedicated to developing an all-rounded global operational capability. In 2018, the Group upgraded its operational and management system, building an overseas business global operational centre based in Hong Kong. Boasting its Central Database Management System (CDMS), the Group realised central management of global business data. By setting up an innovative trading system facilitates, the interconnection of trading among Asian Pacific, European and U.S. markets is achieved. Business information around the world can therefore be processed and managed centrally and effectively. In addition, the Group upgraded its U.S. trading platform, enabling users to trade US stocks, HK stocks and A shares in a consolidated account and share one margin financing facility. With advanced IT infrastructure in place, the Group strives to provide staunch security for its customers and products in the future. In recognising the Group's IT infrastructure, the Group received various awards on IT governance and quality assurance.

The Group has also adopted stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market, operation, legal and compliance, technology and reputation in all major operations. The Group proactively kept all kinds of risks at bay with a prudent approach and weathered all challenges in the market. A comprehensive and stringent risk management framework in line with the international practices was established in the Group as the basis for risk management. In 2017, Haitong International Securities was assigned a Baa2 long-term issuer and Prime-2 short-term issuer ratings by Moody's and the rating were kept intact in 2020. The Group also maintains high-standard and well-balanced corporate governance practices, which have been evidenced by excellent corporate governance awards.

Experienced and stable management team with a highly proficient professional workforce

The Group's management team has an average of 22 years of experience in the financial industry. The members of the Group's management team are stable and dedicated, and majority of the members have been serving the Group for more than ten years. The strength and capability of the management team are evidenced by numerous awards that the senior management has won. For instance, Dr. Lin Yong, Deputy Chairman of the Board of Directors and Chief Executive Officer of the Company, was appointed as a member of the board of directors of Financial Services Development Council since January 2020, a non-executive director of Financial Reporting Council since October 2019, a member of Mainland Opportunities Committee of Financial Services Development Council since April 2019, the chairman of Chinese Securities Association of Hong Kong since February 2019 and was honoured as the "Prominent Figure" by Hexun.com for three consecutive years from 2014 to 2016, "2014 Shanghai Financial Industry Leader" by Xinhua News Agency, "2012 Best Financial Leadership Diamond Award" by Institutional Investor in 2013 and "2006 Top Ten Outstanding Young Persons of Financial Sector in Shanghai" by the Shanghai Communist Youth League and Shanghai Financial Office in 2006.

The Group recognises the importance of realising the personal value of its employees and adopted various initiatives in hiring and retaining professionals, such as promoting staff learning, career development and employee-friendly policies and developed a corporate culture which fosters innovation, knowledge, communication and continuous improvement.

Business Strategies

The Group aims to become a leading financial institution with international competitiveness, systemic importance and brand influence by pursuing the following strategies:

Diversify income streams, asset risks and product offering to maintain market-leading position

Adhering to its development direction to diversify income streams, asset risks and product offering with professional talents on board, the Group strictly controls its leverage ratio, broadens its income streams, and improves income quality with total assets maintained at a stable level to achieve a growth of income and profit while risks are mitigated and returns on asset are boosted significantly. Among the incomes, the fee-based income accounted for over 33% of the total income, becoming a strong driver for the Group's stable income in 2020.

Throughout 2020, the Group took an active initiative to cut down on its leverage ratio and size of high-risk assets while setting aside more provisions for contingency. In this way, it achieved stable and eye-catching growth of total income and net profit, showcasing fruitful results of its successful business transformation and upgrade with a boom in quality and efficiency. The outcomes also serve as solid bedrocks and pave the way for the less asset-heavy Group to go to the next level with endogenous development. With risks on a short leash and pinpointing its efforts on creating new products, blazing new trails of businesses, forming new teams, fast-tracking changeover of products and establishing new models & global operating frameworks, building a springboard for its next leapfrog and long-lasting growth.

Attract professional talents to join the Group

The Group has always been treasuring its employees as its core resource. In 2020, the Group shoved more resources to human capital to train up, incentivise and recruit professional talents. During the year, the Company kicked off the whole new "SAIL Programme" to groom future management to prepare ahead for the Group's development engine. In support of the Hong Kong government's employment support calling, the Group also launched a "graduate intern" scheme and recruited over 50 interns to walk with Hong Kong in this difficult time. In 2020, Haitong International Securities was named one of the "Best Employers to work for in Asia" and "Best Caring Company for the Year" by HR Asia.

Achieve ESG integration and become an industry leader in Sustainable Finance

The Group has been keeping its ESG responsibilities and commitments to clients, shareholders, employees, community and the natural environment. In 2020, Haitong International Securities set up an ESG committee and adopted its ESG philosophy into each part of the Group's operations.

In 2020, Haitong International Securities issued Haitong International ESG Statement to pledge zero net carbon emission by the end of 2025 to the public, becoming the first Chinese financial institution to vow for carbon neutrality with definite schedule. Meanwhile, the Group will provide a total of US$20 billion to support ESG as well as sustainable financing and investment funds by 2025 to practice "impact investment" and "responsible investment". Recently, Haitong International Securities was granted an A rating in MSCI ESG rating, setting a good example for Chinese financial institutions.

Enhance business stability and profitability

The Group will fully utilized its experience gained to stride on the path of higher stability and profitability, more healthy gearing ratio, stricter compliance and risk management and more professional crews by adhering to its core values of being "courageous, sincere and innovative" to create values for the community, employees, clients, shareholders and investors. In the face of torrents of new climates and challenges, the Group will position its strategic business development with better income structure, restrained leverage size and stronger risk management capability to seek a more resilient commercial and profitability model amidst the highly volatile market conditions in the world.

Practice stricter risk management, internal control to support business operations

An effective and robust risk management system and internal controls are essential to the Group's business expansion and maintaining its market leadership.

The Group plans to enhance its overall risk management, internal control and financial management capabilities to keep abreast of prevailing international standards. The Group intends to optimise its organisational structure, models and information systems to monitor, evaluate and manage its risk exposure. Further, the Group intends to strengthen its compliance and audit functions to ensure full compliance with applicable laws and regulations.

In 2020, risk management was set as a top priority for the Group. Taking a "stable to prudent" risk appetite, the Group set up a multi-layered risk management structure. It forecasted the impacts brought by the virus coupled with the deteriorating economy, and performed a stress test with the use of its self-developed risk management models to keep its scale of assets and liabilities under active control, reduce its leverage ratio and refine its high-risk asset structure. Amidst the gloomy outlook for the global economy and market conditions, the Group acquired the BBB rating with a stable outlook from Standard and Poor's and the Baa2 rating from Moody's, with major risk indicators kept at the optimized level over the past 5 years.

Corporate History and Milestones

The following list traces the Group's history back to 1973 and sets forth the key milestones across the Group's 48 years of operations:

1973	• Haitong International Securities Company Limited, one of the main subsidiaries of the Group, was established in Hong Kong
1996	• Listed on Hong Kong Stock Exchange, stock code: 665.HK
	• Commenced corporate finance business
2000	• Launched online trading platform to provide innovative and flexible stock trading and investment services
2007	• Became one of the first batch of Chinese brokers that are approved to establish subsidiaries in Hong Kong by CSRC
2009	• Haitong International Holdings became the Group's major shareholder
	• During the period from late 2009 to early 2010, the Group successfully acquired Taifook Securities, the largest local brokerage firm in Hong Kong then and became the first Chinese broker to have acquired a Hong Kong-listed broker
2010	• Formally registered as Haitong International Securities Group Limited and a brand-new corporate identity was launched with the objective of becoming a truly leading international financial institution
	• Launched the first RMB-denominated and settled fund in Hong Kong – Haitong Global RMB Income Fund
2012	• Becoming the world's only Mainland-funded financial institution possessing all the RQFII, QFII and RQFLP qualifications in the year
2013	• Commenced FICC business, leveraged and acquisition finance business and equity derivatives business
2014	• The Group's first overseas subsidiary, Haitong International Securities Group (Singapore) Pte. Ltd. commenced operation in Singapore
	• First non-asset-management-based company to launch RQFII ETF, tracking CSI 300 Index
	• S&P assigned a BBB long-term credit rating and A-2 short-term credit rating to Haitong International Securities
	• Became a constituent of Hang Seng Composite SmallCap Index
	• First Chinese brokerage firm issuing independent investment-grade USD bond
2015	• Set up global network in major financial centres including New York, London, Singapore and Tokyo
	• Became a constituent of Hang Seng Composite LargeCap & MidCap Index
	• Completed the acquisition of Japaninvest; commenced cash equities business

2016	• Became the only listed Chinese Securities Company to have issued warrants and CBBCs approved by HKEx
	• Launched CBBCs issuance and Commenced listed stock options market making business
	• Completed the acquisition of Haitong Securities India Private Limited
	• Launched Haitong investment fund services, includes Haitong Asian high yield Bond Fund, Haitong Hong Kong Equity investment fund and Haitong Korea Equity investment fund
2017	• Launched the new "algorithm execution services"
	• Purchased entire share capitals of Haitong UK and Haitong USA from Haitong Bank, S.A.
	• Moody's assigned a Baa2 long-term issuer and Prime-2 short-term issuer ratings to Haitong International Securities
2018	• Completed the acquisition of Haitong UK and Haitong USA from Haitong Bank, S.A.
	• Completed the Group's first IPO in NYSE and Nasdaq
	• Became the first Chinese market maker on Nasdaq
	• Approved by FINRA of the U.S. to conduct investment banking activities
	• Became one of the first London Stock Exchange member firms being a designated broker for the Shanghai-London Stock Connect between the Shanghai Stock Exchange and the London Stock Exchange
2019	• Approved by the HKSE to issue inline warrants, being among the first batch of issuers for this new product
	• The Singapore office was granted a Capital Market Service License by the Monetary Authority of Singapore to carry out asset management business in Singapore, becoming one of the Chinese financial institutions with most comprehensive business coverage in Singapore
	• Relocated part of business units to A-grade offices in One IFC, Central to facilitate business expansion
2020	• Published the first ESG Statement to pledge to achieve carbon neutrality by the end of 2025, becoming the first HK-listed Chinese financial institution to make a public commitment for carbon neutrality
	• The Australian Office obtained the Australian Financial Services Licence issued by the Australian Securities and Investments Commission (ASIC)
2021	• MSCI upgraded the group's ESG Rating to "A", the highest rating for Chinese financial institutions
	• The Singapore Office was admitted as a Securities and Derivatives Clearing Member of the Singapore Exchange and a depository agent of The Central Depository Limited (CDP)

Corporate Structure

The Group had 17 principal subsidiaries, including 11 that are incorporated in Hong Kong and 6 that are incorporated in Singapore, Australia, the United Kingdom, the United States, Japan and India, as at 31 December 2020. The following chart sets forth the simplified corporate structure of the Group as at 31 December 2020:

Note: This chart is a simplified corporate structure chart and some intermediate companies are not shown.

Recent Development

Financial results as of and for the three months ended 31 March 2021

On 28 April 2020, Haitong International Securities published its unaudited and unreviewed consolidated first-quarter financial statements as of and for the three months ended 31 March 2021 (with the inclusion, for comparison purposes, of similar information for the three months ended 31 March 2020 and as of 31 December 2020, as applicable).

For the three months ended 31 March 2021, our total revenue, commission and fee income, and net profit for the period attributable to owners of the Company increased significantly as compared with the corresponding period in 2020. As of 31 March 2021, our cash and cash equivalents increased as compared with the respective amounts as of 31 December 2020. As of 31 March 2021, our total liability decreased as compared with the respective amounts as of 31 December 2020. As of 31 March 2021, our total assets decreased as compared with the respective amounts as of 31 December 2020.

No audit or review has been performed on the financial result as of and for the three months ended 31 March 2021 and it is not indicative of our financial condition or results of operations for the full year ending 31 December 2021. The financial results as of and for the three months ended 31 March 2021 do not form part of this offering circular and should not be relied upon by prospective investors to provide the same type or quality of information associated with information that has been subject to an audit or review by an independent auditor.

General Information

Haitong International Securities is an exempted company incorporated in Bermuda with limited liability. The registered office of Haitong International Securities is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. Haitong International Securities' website is www.htisec.com. The information on Haitong International Securities' website does not form part of this Offering Circular.

Overview of Financial Performance

Revenue of the Group was HK$8,244.0 million and HK$8,329.7 million for the years ended 31 December 2019 and 2020. Details of the major revenue streams and the respective proportion to total revenue are set out below:

	For the year ended 31 December		
	2019	**2020**	**2020**
	HK$'000	**HK$'000**	**US$'000**
	(audited)	**(audited)**	**(translated)**
Commission and fee income	2,291,922	2,864,575	369,460
Interest income	2,941,593	2,464,585	317,872
Net trading and investment income	3,010,459	3,000,587	387,003
	8,243,974	8,329,747	1,074,335

Commission and fee income

Commission and fee income increased by 25% to HK$2,865 million for the year ended 31 December 2020. Breakdown of commission and fee income is as below:

	For the year ended 31 December		
	2019	**2020**	**2020**
	HK$'000	**HK$'000**	**US$'000**
	(audited)	**(audited)**	**(translated)**
Commission on brokerage	659,296	913,265	117,789
Commission on underwriting and placing	781,741	1,114,145	143,698
Asset management fee and performance fee income	309,115	370,651	47,805
Financial advisory and consultancy fee income	192,820	202,920	26,172
Handling, custodian and service fee income	348,950	263,594	33,997
	2,291,922	2,864,575	369,460

Commission on brokerage includes commission income from dealing in securities, futures and over-the-counter products (mainly bonds and financial products). Commission on securities dealing was the highest contributor at HK$638 million, representing an increase of 73% from 2019. Commission on securities dealing attributable from wealth management segment and Institutional clients segment amounted to HK$404 million and HK$234 million, and increased by 74% and 71% year-on-year, respectively. The Group's commission rates remained stable between both years.

Underwriting and placing commission increased by 43% to HK$1,114 million for the year ended 31 December 2020. During the year, the Group once again ranked top among all financial institutions in terms of number of IPOs in Hong Kong, and completed a number of blockbuster IPOs. In respect of debt capital markets, the Group topped the list of the Asia (ex-Japan) G3 high yield bond league among financial institutions worldwide in terms of number of deals. Further details on underwriting and placing commission are stated in the analysis of segment revenue of corporate finance segment below.

Asset management and performance fee increased by 20% to HK$371 million for the year ended 31 December 2020, which was mainly due to the increase in management fees from the launch of new investment funds. Asset under management as at 31 December 2020 amounted to HK$60.8 billion, increased by 14% from HK$53.5 billion as at 31 December 2019.

Interest income

Interest income decreased by 16% to HK$2,465 million for the year ended 31 December 2020. Interest income for the year was composed of mainly interest income from margin loans (2020: HK$1,023 million; 2019: HK$1,176 million) and interest income from investment securities (2020: HK$764 million; 2019: HK$766 million). Lowered market interest rates and decrease in the Group's interest-bearing assets contributed to the decrease in interest income. Advances to customers as at 31 December 2020 amounted to HK$16.2 billion, decreased by 21% from HK$20.6 billion as at 31 December 2019. Consequently, interest income from advances to customers decreased by 21%. As part of the strategic focus of the Group in expanding fee-based businesses, the Group expects the interest-bearing assets to be further reduced in the coming financial year.

Net trading and investment income

Net trading and investment income amounted to HK$3,001 million, remained at the same level as that of 2019. Breakdown of net trading and investment income is as below:

	For the year ended 31 December		
	2019	**2020**	**2020**
	HK$'000	**HK$'000**	**US$'000**
	(audited)	**(audited)**	**(translated)**
Net trading income on fixed income, currency and commodities, and equity derivatives	1,269,930	569,381	73,436
Net trading income on financial products	768,681	606,153	78,179
Net investment gain on financial assets/liabilities at FVTPL	971,848	1,825,053	235,387
	3,010,459	3,000,587	387,003

Net trading income on fixed income, currency and commodities, and equity derivatives decreased by 55%, which was consequential from the decrease in financial assets held for trading and market making activities (31 December 2020: HK$10.6 billion; 31 December 2019: HK$28.5 billion). Net investment gain on financial assets/liabilities at FVTPL increased by 88% (or HK$853 million), which was attributable to returns from investments including investment funds, fund-of-funds, private equity funds and private equity investments, and listed equities. The rate of return of these investments ranged from 7% to 19%.

Business and Operations

A summary of the revenue from different business segments of the Group is set out below:

	For the year ended 31 December		
	2019	**2020**	**2020**
	HK$'000	**HK$'000**	**US$'000**
	(audited)	**(audited)**	**(translated)**
Wealth management	2,087,919	1,994,069	257,186
Corporate finance	1,528,058	1,918,679	247,463
Asset management	309,115	370,651	47,805
Institutional clients	3,329,468	2,201,915	283,993
Investment	989,414	1,844,433	237,887
	8,243,974	8,329,747	1,074,335

Wealth management

The Group's wealth management segment provided a full range of financial services and investment solutions for retail and high net-worth clients, including securities, futures and option, over-the-counter products and risk management instruments sales, investment advisory service, financial planning service and investment fund distribution services, custodian service as well as the provision of securities margin financing to clients.

Revenue from the Group's wealth management business segment was HK$2,088.0 million and HK$1,994.1 million for the years ended 31 December 2019 and 31 December 2020, respectively, mainly due to the decrease of interest income which was attributable to the drop in average margin loan balance. Interest income of this segment comprised interest income from advances to customers in margin financing and interest spread from deposits placed by wealth management customers. Decrease in the results from the wealth management business segment was partly offset by the increase of the commission and fee income which was contributed by both increase in market turnover and swelling assets under management.

The Group developed flexible sales strategies, proactively promoting online U.S. stock trading and U.S. stock financing services and continuously expanding the market coverage of margin financing on securing high-end retail clients and increasing the trading volume with institutional clients. To distinguish itself from other low-price-oriented competitors, the Group strives to grow its institutional client base and provide high-net-worth retail clients with diversified products and premium services, thereby building a market image of "a comprehensive financing expert" and becoming the "Trusted Wealth Manager for Entrepreneurs".

Corporate Finance

The Group provides sponsoring and underwriting services for corporate clients for their fund-raising activities in equity and debt capital markets, and also provides advisory service and financing solutions to corporate clients for their corporate actions such as mergers and acquisitions as well as assets restructuring, etc. Results from the Group's corporate finance business segment was HK$1,528.1 million and HK$1,918.7 million for the years ended 31 December 2019 and 31 December 2020, respectively.

Equity financing

Equity financing is the core strength of the Group's corporate finance business. From 2012 to 2020, the Group ranked first in the Hong Kong capital market in terms of the total number of IPO participated. In 2020, the Group ranked first among Hong Kong's financial institutions in terms of the number of Hong Kong IPOs underwritten according to the Bloomberg League Tables.

In 2020, the corporate finance segment sustained its strong performance and completed altogether 51 Hong Kong IPO projects, ranking first among all investment banks in Hong Kong in terms of the number of projects underwritten. In particular, the Group sponsored 13 Hong Kong IPO deals in 2020, increasing from 6 in 2019 and ranking second among Hong Kong capital market in terms of the number of IPOs sponsored. The Group completed several blockbuster IPOs including three largest Hong Kong IPOs in 2020: JD Health International Inc. with a deal value of U.S.$4 billion, China Bohai Bank Co., Ltd. with a deal value of U.S.$2.05 billion and Evergrande Property Services Group Limited with a deal value of U.S.$1.84 billion. The Group also completed its first IPO sponsoring project in India, demonstrating its capability in executing capital markets projects in other financial centres. In 2020, the Group participated in 56 equity financing deals with a total underwriting amount of U.S.$3,610.8 million, ranking first among Hong Kong capital market in terms of the number of deals.

Debt financing

The Group is market leader in its debt financing business and offers a full range of international debt capital markets services including US dollar denominated senior notes, medium term note programme, hybrid securities, credit enhanced securities, and convertible bonds.

In 2020, the Group completed more than 210 transactions in aggregate in bond financing and over 60% of which the Group is acting as a joint global coordinator. It also ranked second amongst global financial institutions for US dollar bond offerings by PRC issuers in terms of number of transactions completed. As to G3 high-yield bonds issuance projects in Asia (excluding Japan), Haitong International Securities ranked top among the financial services institutions in the world (commercial firms and investment banks) in terms of number of transactions completed and ranked third in terms of transaction amount. In addition, as part of the Group's ESG commitment, 12 "Green Bonds" issuances were completed during the year. Financial advisory services.

The Group has focused on developing its financial advisory business, in particular on advising on mergers and acquisitions and capital raising transactions. The Group completed a number of local and mergers and acquisitions projects with the focus on the sectors like chemical, industry and consumer goods. Haitong International Securities has established its overseas franchises in New York, London, Singapore, Mumbai, Sydney, and Tokyo. Therefore, the Group is well positioned in the global cross-border mergers and acquisitions market. In the future, Haitong International Securities will continue to develop its financial advisory service by providing one-stop mergers and acquisitions and capital raising services for different kinds of Chinese and international enterprises.

Loan Capital Markets and Special Situations

The Group serves various client needs across M&A financing, pre-IPO financing, special situation, project financing, real estate financing and bridge financing among others. The Group's products serve the clients at different development stages and cover the most parts of the capital structure of a company.

Asset Management

The Group's asset management business segment includes three subsidiaries, namely Haitong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited. All of the three subsidiaries are SFC licensed companies engaged in asset management business to provide institutional, corporate and individual investors globally with a full spectrum of investment management products and services including funds, segregate mandates and mandatory provident funds. As at 31 December 2018, 2019 and 2020, the Group has assets under management of U.S.$464 million, U.S.$535 million and U.S.$608 million, respectively, representing a year-over-year growth of 14%.

Thriving on the opportunities of internationalization of Renminbi, the Group's asset management business has leveraged its competitive edge of mainland-funded background to drive the rapid growth of its business through innovative RMB products and solutions. The Group's asset management business was the very first asset manager to successfully launch an RMB-denominated public fund in Hong Kong in 2010, which is currently rated 4-star by Morningstar and remains as one of the highest rated RMB bond funds. The Group's asset management business was also among the first batch of companies that received RQFII qualification and quota in 2011, and subsequently launched the first RQFII bond fund in early 2012. To further ride on the success of the RMB products, the Group's asset management business listed its first RQFII ETF in March 2014, which was the first ETF ever launched by a Chinese securities firm in Hong Kong. Over the years the Group's asset management business launched numerous successful funds and received many highly recognized industry awards for its strong performance and business achievements, including "Best Fund Over 3 Years – Haitong MPF Retirement Fund – Global Diversification A" from Refinitiv Lipper for two consecutive years in 2019 and 2020, "Best of the Best Awards – Asian Rising Star" and "Best of Best Awards – Most Innovative" awards from Asia Asset Management in 2019, "The Best Fund House – China Offshore" awards from Asian Investor in both 2018 and 2020, "New Product of the Year – Haitong MSCI China A ESG ETF" award from HKCAMA Bloomberg, and "Best ESG Manager" and "Most Innovative Product" awards from Insights & Mandate in 2021.

The comprehensive and high-quality products and services of the Group's asset management business have been widely recognized in the industry. While strengthening the existing product offerings, the Group captured the opportunity in time and launched several products to widen its fund spectrum investing in the main capital markets in the world, including China A, Hong Kong, US, Japan, and Korea. In 2019, one of its SFC authorized funds was officially approved by the CSRC to be distributed in Mainland China under the Mutual Recognition of Funds scheme.

Institutional Clients

Institutional clients segment was merged from fixed income, currency and commodities ("**FICC**") segment and institutional equities segment in 2017 since the two segments both concentrated on serving institutional clients. This segment engages in providing cash equities sales and trading, prime brokerage, stock borrowing and lending, equity research, investment and financing solutions, and issuance and market-making for a wide variety of financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivative products in major financial centres across the world for global institutional clients.

Market making

In October 2018, the Group became the first Chinese market maker in the Nasdaq with a cross-border, cross-market and cross-department settlement system, laying a solid foundation for the Group's U.S. securities trading in the future. In addition, the Group was approved to be a liquidity provider of stock futures in Hong Kong and is now providing market making services of stock futures for new shares including unicorn companies.

Institutional Equities

Equity derivatives is a core component of the institutional equities business. The Group's equity derivatives business was set up in August 2013 to accommodate the diversification of business of the Group and to offer broader spectrum of business support to clients. Institutional Equities provides market making for exchange-traded funds and listed stock options, securities borrowing and lending services, warrants and callable bull/bear contracts business, bespoke equity derivatives financial products, as well as cash equities comprised of a professional sales team and a comprehensive research platform covering over 1,000 rated stocks.

Leveraging its equities research networks in the Greater China Region, Japan, India and Korea through the institutional equities trading network, the Group is the first Chinese financial services provider who can provide algorithm execution accessible to the NYSE. The institutional equities business yield fruitful results, fuelling the Group's brand expansion in 2018. The Group's coverage has extended to over 10 major markets in different countries across the world including Hong Kong, Mainland China, United States, India, Japan and Australia with a growth of 45% year-over-year in sales income. Services such as equity research, institutional sales and trading services cover Greater China, Japan, India, South Korea and other regions. In 2020, the Group covers 89.6% of the total market cap of the benchmarked indices. In addition, the Group's qualification to trade according to Shanghai-London Stock Connect and conduct market making business on Nasdaq enhanced the Group's capability to grow its clientele in the U.S. and U.K. The Group's derivative business also took the lead in the Hong Kong callable bull/bear contract and derivatives warrant market.

For equity derivatives business, the Company garnered awards for the market making business for ETFs and options on individual stocks. Haitong International Securities launched its warrants and CBBCs business in March 2016, making it the only listed Chinese securities company to have issued warrants and CBBCs approved by HKEx. During the year of 2020, the Group issued warrants and CBBCs with a total amount of HK$462 billion, ranking the fourth in the Hong Kong market in terms of the warrants and CBBC's transaction amount. The Group is one of the biggest players in listed products such as Warrants and CBBCs, listed options and futures in Hong Kong.

FICC

FICC mainly focuses on market maker trading and sales, structured products design, as well as currency and commodities businesses backed by a robust risk management system. FICC closely monitors the changes in the global capital market trends with respect to macroeconomic cycle to formulate the Group's business plan.

The market making platform of FICC became full-fledged in the Asia-Pacific region during the years. The Group has built a comprehensive industry chain for global credit bonds and harnessed international presence covering Asia, Europe and America with 24-hour round-the-clock services. Moreover, the Company is now an active market maker for futures in RMB on SGX and HKSE.

Investment

Revenue of this segment composes of investment gains and losses from investment securities held by this segment measured at fair value through profit or loss, including investment funds, fund-of-funds, private equity funds and private equity investments, and listed equities. The Group's investments have benefited from the bullish markets in bonds and equities during the second half of 2020, resulting in a sound performance for the year. The Group's private equity funds and private equity investments focus on industries such as medical and healthcare, education, consumer and TMT. Investment gains include realised gains from project disposals, dividend distribution and fair value movements.

Environmental, Social and Governance

In 2020, the Group published its first ESG Statement to pledge to achieve carbon neutrality by the end of 2025, becoming the first Hong Kong listed Chinese financial institution to publicize a carbon neutrality commitment.

The Group aims to deploy or provide U.S.$20 billion in ESG and sustainable financing and investment by the end of 2025. Echoing the Company's emphasis put on sustainable finance, various business teams take ESG factors into consideration when making investment decisions. Haitong International Securities participated in the XPeng Motors' U.S. IPO deal as the Underwriter, the largest China new energy vehicle U.S. IPO to date, and solely sponsored First Service's IPO in Hong Kong, the first green property management company listed on the market. Moreover, the Group's DCM team underwrote 12 green bonds in 2020 with a collective size of over U.S.$3 billion, including a blue bond, ranking top among its Chinese peers in terms of the number of deals. The Group's asset management team launched the first broad-based ESG ETF in Hong Kong – Haitong MSCI China A ESG ETF (03031). With all those efforts being recognized, in March 2021, the Company's MSCI ESG rating was upgraded to "A", the highest rating record for Chinese financial institutions.

Sales and Marketing

The Group's investment strategy team not only has extensive sales, marketing and advisory experience in the financial and wealth management industries, but also possesses a broad product and service awareness.

To enhance brand awareness, the investment strategy team of the Group regularly conducts face-to-face meetings with prospective clients, hosts public relations and investor education events and participates in industry conferences. The investment strategy team also distributes the Group's featured research reports and provides other value-added financial advisory services to clients in order to enhance customer loyalty.

Customer Services

The Group provides a full range of services through its branch network, private wealth management centre, customer service hotline and online platform:

- Branch network: Each branch of the Group is managed by professional investment consultants and branch service staff who provides services including account opening, trading, enquiries, consultancy and after sales services.

- Private wealth management centre: The customer service centre provides account opening and enquiry services to professional investors.

- Customer service hotline: Customer service hotlines, located in Hong Kong, offer customer enquiry and handle complaints.

- Online platform and applications: The Group's online platform and applications allow customers to execute real-time trades, check trading status, position and account information, and manage fund movement. The Group also offers stock quotes, financial news, global market updates and financial commentaries, as well as equity research reports through its online platform.

Risk Management

The Group's principal businesses are exposed to two major types of business risk, namely financial and non-financial risks. Financial risks include liquidity risk, credit risk and market risk, whereas non-financial risks mainly cover operational risk, legal and compliance risks, technology risk and reputational risk. The Group's management firmly believes that an effective risk management framework and a sound risk management culture are fundamental to both continued existence and successful development of the Group in any business and economic environment. As such, the Group has developed a comprehensive and stringent risk management framework in line with the international practices as the basis for risk management, which includes a three- tier system for risk management and three lines of defence for risk control in line with its risk management infrastructures. Proactive efforts have also been made to promote and foster a risk management culture taking the three principles of risk management as its core to ensure effective risk management.

Risk Appetite, Risk Management Framework and Culture

The Group's overall risk appetite is stable, emphasizing stable and conservative operational risk and liquidity risk management, making continuous effort in preserving relevant regulatory indicators consistently meet regulatory requirements; while developing our business in a steady and progressive way, maintaining stable profitability and excellent reputation and social image. The Group's risk tolerance is established starting from group's overall risk appetite and embodied in a set of quantitative risk indicators. Top-down approach attributes group risk tolerance to each business unit, forming risk management policy and operation procedure covering each business line, including approved product list (APL), approved trading limits (ATL), risk limits, concentration management, risk incidents reporting etc.

The effectiveness of the Group's risk management framework lies in its clearly-defined risk management objectives and mandates, as well as a fully-fledged risk control system with clear structures, well-defined functions, roles and responsibilities, as well as a comprehensive set of policies and procedures and their respective implementation rules. The prime objective is to have all the business risks effectively identified, measured, analysed and controlled, such as having them measured against defined limits, monitored, reported and managed (including mitigation and elimination of risks), followed by the pursuit of business development on the premise of keeping risks in check.

The Group's risk management framework is embodied by the three-tier system, with the Board and the Risk Committee, a standing committee established by the Board being the first tier and the Group's management which includes the Executive Committee, the Group Asset and Liability Management Committee, Investment Committee and the Risk Management Committee as the second tier, whereas the executing units, including all business units, business supporting units, legal department, compliance department and risk management department, together constitute the third tier. The Board determines the Group's risk management strategies, including risk appetite and tolerance, as well as guiding principles for overall risk management. The Risk Committee is responsible for overseeing the Group's overall risk management framework and advising the Board on the Group's risk-related matters. On the other hand, the Executive Committee, through its Group Asset and Liability Management Committee, Investment Committee and the Risk Management Committee, is responsible for and guiding the implementation of the Group's risk management strategies as well as the formulation and execution of overall risk management policies, while all the business units within the Group constitute the main body for implementing the risk management policies and procedures.

The risk management department, led by the Group Chief Risk Officer, works under the guidance of Risk Management Committee. In line with the international practices, the department has established four functional units for managing credit risk, market risk, operational risk and risk methodology and analysis respectively. The risk management department also collaborates with treasury department in managing liquidity risk.

In line with the risk management infrastructures is a sound risk management culture within the Group, which stresses on the three principles for risk management, namely the principles of independence, partnership and prudence. Such a culture echoes with the underlying mechanism, where the risk management mechanism is put in place to embody the culture while the culture in turn ensures effective implementation of the framework.

Liquidity Risk

Liquidity risk mainly refers to the risk of liquid capital deficiency when the Group performs its obligations in relation to its financial liabilities and the risk of re-hypothecating securities collateral at deep discount over their respective market prices. Liquidity risk management constitutes an essential part of the Group's risk management function.

The Group is required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities and has put in place a monitoring system to ensure that it maintains adequate liquid capital to support its business commitments and to comply with the relevant Financial Resources Rules. In accordance with the policy on liquidity risk management, the treasury department closely monitors the Group's cash flow as well as the liquidity profile of its assets and liabilities. The Group maintains substantial long-term and other standby banking facilities to meet any contingent funding need in its operations. Even in periods of extreme market volatility, the management believes that the Group's working capital is adequate to meet its financial obligations for an extended period. In addition, the Group performs analyses over liquidity risk of securities collateral and carries out regular tests to ensure adequate liquidity value of securities collateral for the purpose of pledge financing, thus mitigating the risk of funding interruption.

Credit Risk

Credit risk refers to the risk of economic losses stemming from failure of any counterparty, borrower or bond issuer to meet their contractual obligations. For lending related business, the Credit Approval Committee is the main decision-making body for credit approvals of special lending projects, including general equity financing and leveraged and acquisition financing projects, approving credit and trading limits for clients and stock lending ratios.

The Group develops security margin financing monitoring and controlling measures, including the daily monitoring of changes in clients' positions, financing ratios and their account changes; observing strictly the approved financing and credit policies to make margin calls and perform forced liquidation; reporting to the management regularly and when abnormalities arise; closely monitoring the unusual movements and trading halts of individual stocks and timely identifying non-performing debts; and demanding higher margin requirements to step up risk control for particular clients or products. The Group monitors closely the changes in loan balances and positions of any single major client. In the event of any sudden adverse change in market conditions, the relevant salesperson will be urged to take prompt remedial action, such as requesting clients to reduce positions, depositing funds or improving quality of their stock portfolio to maintain risks at a level acceptable to the Group. Meanwhile, to avoid overconcentration of credit risk, the Group has set upper limits on client concentration risk and stock concentration risk and imposed caps on margin lending secured against a single stock for individual clients.

The Group also performs due diligence reviews to examine the background of applicants and project authenticity before any sizable loan applications are submitted for approval. In the course of project approval, the team provides suggestions on risk prevention and control over critical risk factors of projects and delivers separate risk analysis reports. As for post-financing management, the responsible business team and the risk management department perform on-going monitoring over existing projects and pay heed to any change in the operating and financial position of borrowers and investment projects. They also monitor the quality of the relevant collaterals, perform internal rating for the approved projects based on their latest credit standing and issue a warning to the management when abnormalities arise. The monitoring findings will be reported to the management on a monthly basis.

Besides, the Group conducts stress tests on credit exposures regularly, so as to timely identify any problems in clients' accounts amid market turbulence and to assess the credit risk exposure and capital adequacy taking into account the potential change in future economic conditions.

Other than lending-oriented transactions, the Group also faces counterparty credit risk which is mainly related to OTC derivatives and securities financing transactions. The Group assesses counterparty's credit risk through assigning internal credit ratings based on counterparties' financials; establishing trading limit according to counterparty's credit standing and business demand; managing various trading master agreements with counterparties, including reviewing and setting credit terms under the agreements and closely monitoring and reporting of exposures and limit utilization. The Group monitors closely on the changes of exposures at counterparty level, due to Mark-to-Market fluctuation, against their respective limits.

Market Risk

The Group is exposed to market risk which is originated from the relevant business lines and mainly covers risks associated with equity, credit spread, interest rate, foreign exchange rate and commodities fluctuations. The Group has developed a comprehensive set of policies, procedures and systems for market risk management, enabling full coverage of the basic components of market risk management, including stringent product definition, the defining, measuring and quota-setting of risk factors and overall risk exposure (such as Value at Risk), risk control model and system, as well as risk reporting and management, in a bid to ensure all major market risks are duly identified, assessed and controlled.

The Group's interest rate and foreign exchange risk exposure also stems from its overall asset and liability portfolio. The Group uses appropriate hedging tools when it is exposed to material interest rate risk. The foreign currencies used by the Group are mainly the US dollar and Renminbi. The Group is not exposed to material foreign exchange risk due to Hong Kong's currency peg with the US dollar. As for exchange rate of Renminbi against Hong Kong dollar, the exposure is mainly managed by asset and liability management and the residual exposure is monitored and actively hedged by both market risk management team and treasury team.

Operational Risk

Operational risk refers to the risk of loss stemming from external incidents, defects in management over internal procedures, failure of IT systems or misconduct of personnel, etc. The operational risk management team serves as the key functional unit. The internal audit department is responsible for the oversight function, whereas all business and supporting units are tasked with monitoring operational risk based on their assigned duties.

The Group performs operational risk management based on actual business conditions. Future development of new businesses of the Group requires operational risk analyses and control measures in such areas as workflow, manpower configuration, system operation and risk control. As for existing business lines, the respective workflow and risk management measures are reviewed and updated from time to time or when necessary to ensure effective management and availability of monitoring measures. Moreover, Business Continuity Plans are developed to prevent accidental business suspension and to strengthen post-disaster business recovery capabilities of the Group.

Legal and Compliance Risk

Legal risk refers to the risks of suffering from economical or reputational losses arising from breach of contract, litigation or legal dispute. Compliance risk refers to exposure to legal and regulatory penalties, financial forfeiture and adverse reputational impact when the Group fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

The Group upholds a robust Legal and Compliance Risk Management Framework by understanding the regulatory environment on current business, assessing severity level and causes of identified legal and compliance risk and formulate on-going comprehensive plan to carry out remedies and refinements for mitigation and remediation.

To mitigate the relevant risks, the Group established legal department and compliance department. Compliance department carries out compliance monitoring and provides comments on business plans and activities, while the legal department actively handles legal documents reviewing and vetting and also manages legal disputes.

All rounded Group policies, procedures and standardized templates are implemented and updated timely with business development and regulatory rules changes. Through sounded management system and procedures, the professional team monitors and prevents compliance risks in relation to anti-money laundering, conflict of interests, information barriers, market misconducts etc. The Group's compliance culture and awareness are elevated by setting compliance responsibilities in each business line and subsidiary, conducting legal and compliance trainings to staff from time to time and providing internal guidelines on regulatory changes.

Technology Risk

Technology risk refers to the risk of loss related to information technology due to inadequate information technology and processing in terms of manageability, integrity, controllability, and continuity.

The Group has established an Information Technology Risk Management Framework which covers risk governance, communication, monitoring, assessment, mitigation and acceptance and is supported by a set of IT policies, standards and controls.

Reputational Risk

Reputational risk is the risk that the Group's reputation is damaged by reputation events, as reflected from negative publicity, as a result of business practices, conduct or financial condition of the Group or its representatives, potentially causing irreparable damage to the Group's brand value.

The Group has adopted the prudent and proactive approach to managing reputational risk. The Group's strong corporate governance, clearly communicated corporate values emphasizing integrity and ethical conduct in every business decision and activity; and integrated approach to managing risk set the foundation for minimizing reputation risk.

Information Technology

The Group's IT Department is responsible for delivering secure, reliable and high-quality systems to support business operations of the Group and providing necessary information technology infrastructure based on the business needs and development of the Group.

The Group's IT systems consist three key components: front office, middle office and back office systems, which generally cover transaction management, customer service and internal management. The IT systems utilize its own proprietary software as well as hardware and software provided by Microsoft, Oracle, SAS, IBM, HP, FIS, Bloomberg, Reuters and other system providers. The Group incurs IT-related capital expenditures mainly for the purchase of software and hardware.

Improving the Group's IT infrastructure is critical to its business as it lays the foundation for future growth and enhances its competitiveness. Over its operating history, the Group has regularly allocated substantial financial and human resources towards upgrading its IT systems with the goals of achieving higher operational efficiency, enhancing user access and customer service, and providing flexibility for future business needs and market trends.

Recent examples of the Group's system upgrades and initiatives include:

- In September 2020, the Group has expanded the Beijing Office strengthening the footprint in China.

- In March 2020, the Group finished the design and analysis phase of Avaloq private banking system as reference for future development on PWM business.

- In February 2020, the Group launched the new cloud-based Oracle Purchase Request BPM workflow to all oversea offices.

- In December 2019, the Group launched globally a new HRMS Workday system, together with the newly launched DUO-MFA platform to improve security as our new standard.

- In November 2019, the Group expanded our BCP site in One Island South, our self-owned premise.

- In June 2019, the Group upgraded our Market Marketing platform to T-Brick replacing the Horizon platform.

- In May 2019, the Group upgraded and migrated from Ullink platform to Fidessa OMS.

- In May 2019, the Group launched the ION Reval Treasury system empowered our CAS flow management automation leveraging the platform's SWIFT connections with major banks.

- In December 2018, the Group successfully completed the "HTI Global Network" transformation and established the global network connection with resiliency design for Hong Kong, the U.S., the United Kingdom, Singapore, India and Japan in order to standardize and cater for the global business expansion.

- In October 2018, the Group launched the cloud-based Oracle Financials ERP GL platform globally, which standardized the group's Chart of Accounts standard migrated from local individual GL platforms. In the same month, the Group also launched its market-making system in the U.S., becoming the first Chinese market marker on Nasdaq.

- In June 2018, the Group implemented CISCO digital IP Phone to replace analog phones used in Hong Kong.

- In April 2018, the Group introduced Two-Factor Authorization ("**2FA**") to its online trading applications in compliance with the requirements of the SFC.

- In March 2018, the Group enhanced the online trading platform for over-the-counter bond trading specially for professional institution clients, the new platform is aimed to increase customer convenience so as to encourage customer usage.

- In January 2018, the Group implemented data loss prevention solution into the working environment to prevent data loss and enhance information security.

- In December 2017, the Group implemented new network broadband Connection in our data centre to enhance system backup and disaster recovery performance.

- In November 2017, the Group implemented green-house and security printing solution to enhance data security and support green office environment.

- In 2017, the Group extensively revamped its network security appliances to keep up with the changing landscape of internet security.

- In May 2017, the Company launched trading systems in India, Australia, Taiwan, further explored the client markets established successfully in December 2017.

- In 2017, the Group launched the new "algorithm execution services", providing our customers in Australia, US, Japan and Hong Kong with a self-developed electronic trading platform.

Competition

The financial services industry in Hong Kong is highly saturated and competitive. The Group believes that competition in the industry is based on the following principal factors:

- the range of products and services offered;

- pricing;

- customer service;

- capital position;

- network coverage;

- marketing and distributing capacities; and

- brand recognition.

In order to compete more effectively based on the factors above, the Group has been focusing on the "Large Investment Banking" strategy over the years to develop its capital-based intermediary business. By utilizing its capital resources and customer resources, the Group has transformed itself from a traditional brokerage firm to a modern fully integrated financial institution. The current business model of the Group is based on the "fee-based" business and the "capital-based intermediary" business, which enables it to offer a full range of financing, investment, wealth management, mergers & acquisitions and takeovers, business development and other various consulting services to corporate, institutional and private clients.

The Group's "fee-based" business and the "capital-based intermediary" business help the Group to develop product design and pricing capability as well as trading, investing and selling capabilities and innovation ability of the Group.

Employees

As of 31 December 2020, the Group had 1,355 staff members globally, with 144 in Mainland China; 1,012 in Hong Kong; 82 in Singapore; 46 in Mumbai; 11 in Tokyo; 6 in Sydney; 21 in London and 33 in New York. Employees are considered invaluable assets to the Group as they play a vital role to support the Group's sustainable growth. The Group believes that sound human capital management will improve staff productivity, loyalty, and will ultimately be translated into customer satisfaction and business growth. With a plethora of training and sponsorship schemes, the Company helps its staff improve their professional knowhow and skills.

In 2020, the Group hosted over 150 internal training sessions covering various topics. The Group always support employees in obtaining finance related professional qualifications by providing study leaves and examination leaves for employees to be well-prepared for professional examinations. As an encouragement to achieve professionalism, the Group has set up an incentive mechanism by granting reward to staff members for obtaining job-related professional qualifications.

Haitong International Securities always cares about the mental and physical well-being of its employees and advocates a work-life balance. It regularly organizes recreational activities for its staff and their families to relieve stress of staff and to encourage interactions amongst colleagues. Besides, Haitong International Securities continues to help its staff through the dedicated "Staff Care Fund". The fund offers immediate support to staff suffering from serious financial or livelihood problems and to help them weather adversity effectively.

To develop the core strength for Haitong International Securities, a "Management Trainee Program" was launched in 2008 with which outstanding university graduates with potential are recruited and provided with the one-year integrated development programs encompassing professional training, job rotation and career development support.

Further, in 2018, aligning with the Group's internationalization strategy, the Group calls for its employees to work abroad through overseas attachment and exchange programs so as to become the Group's upcoming elite talents to tie in with the Group's international businesses.

As at 31 December 2020, the Group has not experienced any strikes or other material labour disturbances that have interfered with its business operations and it believes that its management and employees have maintained good relationships with each other.

Property

The principal place of business of the Group is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. This premise is leased by the Group and occupies a total area of approximately 10,000 square feet.

In addition, the Group also leases other branch offices in Hong Kong, Macau, Singapore, the United States, the United Kingdom, Japan and India of approximately 183,497 square feet. In China, the Group maintains offices in Beijing, Shanghai and Shenzhen, totally around 25,672 square feet.

Insurance

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as in relation to offices, fire and water damage to its premises, directors and officers liability, licence holders liability, investment managers liability, cyber enterprise risk management insurance, life and personal accident insurance, medical and travel insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage.

The Group believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for other financial services companies in Hong Kong. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage.

Legal Proceedings

The Group is party to legal proceedings from time to time in the ordinary course of its business. As at the date of this Offering Circular, the Group was not aware of any actual, pending or threatened proceeding that is likely to have a material and adverse effect on its financial condition, results of operations, business or prospects or the ability of Haitong International Securities to perform its obligations under the Bonds.

MANAGEMENT

Directors

The following table sets forth information regarding the directors of Haitong International Securities as at the date of this Offering Circular:

Name	Age	Position
LIN Yong *JP*	51	Executive Director
LI Jianguo	58	Executive Director
POON Mo Yiu	56	Executive Director
SUN Jianfeng	44	Executive Director
SUN Tong	44	Executive Director
QU Qiuping	59	Non-executive Director
CHENG Chi Ming, Brian	38	Non-executive Director
ZHANG Xinjun	45	Non-executive Director
William CHAN	55	Non-executive Director
TSUI Hing Chuen, William *JP*	69	Independent Non-executive Director
LAU Wai Piu	57	Independent Non-executive Director
WEI Kuo-chiang	70	Independent Non-executive Director
WAN Kam To	68	Independent Non-executive Director
LIU Yan	50	Independent Non-executive Director

Executive Directors

Mr. LIN Yong JP, aged 51, was appointed as an Executive Director of the Company on 23 December 2009. He has been a Deputy Chairman of the Board of Directors and the Managing Director of the Company as well as the Chief Executive Officer of the Group since 29 April 2011. He is also the Chairman of the Executive Committee as well as a member of the Strategic Development Committee of the Company. In addition, Mr. Lin is a director of subsidiary of the Company and a board member of Haitong Bank, S.A. ("Haitong Bank") and Haitong Banco de Investimento do Brasil S.A., wholly-owned subsidiaries of Haitong International Holdings Limited (formerly known as "Hai Tong (HK) Financial Holdings Limited") ("HTIH"). He also acts as the chairman of Haitong Bank since 30 October 2017. Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. Lin joined Haitong Securities Co., Ltd. ("HSCL", whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and on the Shanghai Stock Exchange (the "SSE")) in 1996 and was a general manager of the Investment Banking Department of HSCL from 2001 to 2007. He has been appointed as an assistant to general manager of HSCL with effect from 30 December 2014 and a director and general manager of HTIH since 2007. He is responsible for the overall operation of HTIH and the business development of the Group. In 2006, Mr. Lin was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海首屆十大金融傑出青年) and was honoured as the "2014 Shanghai Financial Industry Leader" (2014滬上金融行業領袖) in 2014. He acts as an adjunct professor in Management College of Xiamen University since 12 May 2010 and acts as chairman of Chinese Securities Association of Hong Kong since 25 February 2019. Mr. Lin was appointed as a member of the Mainland Opportunities Committee of the Financial Services Development Council since 1 April 2019. He was appointed as a non-executive director of Financial Reporting Council for a two-year term from 1 October 2019 to 30 September 2021. He was also appointed to the board of directors of Financial Services Development Council for a term commencing from 2 January 2020 to 16 January 2023, an honorary executive director of the Hong Kong Chinese Enterprises Association for a term commencing from 16 September 2020 to 15 September 2022, and a 52nd term committee member of The Chinese General Chamber of Commerce for a term commencing from November 2020 to October 2022. Mr. Lin was appointed as a Justice of the Peace (JP) by the Government of the HKSAR in October 2020. On 16 October 2019, Mr. Lin resigned as an independent non-executive director of Zhongsheng Group Holdings Limited, whose shares are listed on the Stock Exchange.

Mr. LI Jianguo, aged 58, was appointed as an Executive Director of the Company on 13 January 2010 and a Deputy Chairman of the Board of Directors of the Company on 10 March 2010. He is also a member of the Strategic Development Committee of the Company. Mr. Li holds a Doctorate Degree in Economics from Xi'an Jiaotong University. He has 29 years of experience in the securities industry. Mr. Li was a general manager of Henan Securities Co., Ltd. from 1992 to 1998. He joined HSCL in 1998 and served as the deputy general manager of HSCL from 1998 to 1999. Mr. Li was the vice president and the general manager of Fullgoal Fund Management Co., Ltd. from 1999 to 2008. Mr. Li has been the assistant to the general manager of HSCL and the chairman of the board of directors of HTIH since 2008 and the vice chairman of HTIH since 9 August 2010.

Mr. POON Mo Yiu, aged 56, joined the Group in August 2008. He was appointed as an Executive Director of the Company on 1 July 2009 and was the Chief Operating Officer of the Group as well as a member of the Executive Committee of the Company prior to his re-designation as a Non-executive Director on 16 February 2016. Mr. Poon was re-designated as an Executive Director of the Company and was appointed as a member of the Executive Committee of the Company on 8 February 2018. He was also appointed as the Chief Operating Officer of the Group on 15 August 2018 and has been re-designated from Chief Operating Officer to Chief Financial Officer of the Group with effect from 1 May 2020. Mr. Poon is also a director of various subsidiaries of the Company. Mr. Poon holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Institute of Chartered Accountants in England & Wales. Mr. Poon has extensive experience in financial management, management of information systems, accounting projects as well as various aspects of mergers and acquisitions. Prior to joining the Group, Mr. Poon worked for Sun Hung Kai & Co. Limited as the Group Chief Operating Officer and the Group Chief Financial Officer. He was also previously the Vice President in Finance of JPMorgan Chase Bank and the Group Financial Controller of Jardine Fleming Group in Asia before its merger with JPMorgan Chase Bank.

Mr. SUN Jianfeng, aged 44, joined the Group in 2010 and was appointed as an Executive Director of the Company with effect from 1 June 2017. He is the Chairman of Corporate Finance to provide a wide range of corporate finance services. He is also responsible for the development and management of the Alternative Asset Management business. He is also a member of the Executive Committee of the Company. Mr. Sun is also a director of various subsidiaries of the Company as well as a responsible officer of Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. Sun holds a Master of Applied Economics from Xi'an Jiaotong University. He possesses extensive experience in the corporate finance industry. He participated and completed a number of IPOs in Hong Kong and China.

Mr. SUN Tong, aged 44, joined the Group in May 2010 and was appointed as an Executive Director of the Company with effect from 27 March 2018. He has been appointed as the Chief Investment Officer of the Group since September 2017 and is a member of Executive Committee of the Company. He is also a director of numerous subsidiaries of the Company, and serves as a responsible officer of Haitong International Securities Company Limited under the Securities and Futures Ordinance. Mr. Sun graduated with a Bachelor Degree in Computer Science from Nanjing Normal University and obtained a MBA Degree from the Chinese University of Hong Kong. Mr. Sun joined HSCL in 2000 and he is now a deputy general manager of HTIH. Mr. Sun was appointed as a director of Chinese Asset Management Association of Hong Kong on 20 March 2020.

Non-executive Directors

Mr. QU Qiuping, aged 59, was appointed as a Non-executive Director of the Company on 8 February 2018. He has been the Chairman of the Board, and the Chairman of the Nomination Committee and the Strategic Development Committee as well as a member of the Remuneration Committee of the Company. Mr. Qu is a member of the Chinese Communist Party and holds a Master degree in Economics from Fudan University. He is a senior accountant in the People's Republic of China (the "PRC") and was the accountant, deputy section chief, Youth League secretary of Nanshi District Office of the People's Bank of China Shanghai (中國人民銀行上海市南市區辦事處) from September 1980 to December 1983; the deputy section chief and section chief of Nanshi District Office of the Industrial and Commercial Bank of China Shanghai (中國工商銀行上海市南市區辦事處) from January 1984 to September 1992; the vice president of Nanshi Sub-branch of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行南市支行) from September 1992 to November 1995; the deputy head of the accounting and cashier department of the Industrial and Commercial Bank of China Shanghai Branch (中國工商銀行上海市分行) from November 1995 to December 1996 (He was in charge of the party and political work of Shanghai Jiading Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市嘉定支行) from December 1995 to December 1996); the president and deputy secretary of CPC party committee of Shanghai Baoshan Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行上海市寶山支行) from December 1996 to March 1999; the head of the accounting and clearing department of the Industrial and Commercial Bank of China Shanghai Branch from March 1999 to December 1999; the assistant to the president of the Industrial and Commercial Bank of China Shanghai Branch from December 1999 to June 2000; the vice president of the Industrial and Commercial Bank of China Shanghai Branch from June 2000 to February 2005 (he was a visiting scholar at University of Pennsylvania from September 2002 to September 2003); the vice president of the Industrial and Commercial Bank of China Jiangsu Branch (中國工商銀行江蘇省分行) from February 2005 to September 2008; the deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai (上海銀行) from September 2008 to November 2008; the president, deputy secretary of CPC party committee and the vice chairman of the board of directors of Bank of Shanghai from November 2008 to December 2010; the head of the Investor Education Office of the Work Coordination Department of the Dispatched Offices of the CSRC (中國證監會派出機構工作協調部) from December 2010 to August 2012; and the head of the Department of Unlisted Public Company Supervision of the CSRC (中國證監會非上市公眾公司監管部) from August 2012 to April 2014. Mr. Qu has been the director of Self-discipline and Supervision Committee of the Securities Association of China (中國證券業協會自律監察專業委員會) since October 2015, and the member of Expert Committee of the Finance Research Centre of Counselors' Office of the State Council (國務院參事室金融研究中心) since October 2016. He has been the Council member of the Shenzhen Stock Exchange since April 2017; Vice Chairman of Securities Association of China since June 2017; a member of the Chinese People's Political Consultative Conference Shanghai Committee since December 2017; Chief Supervisor of Shanghai Association of Listed Companies since June 2018; Chairman of Mergers and Acquisition Financing Professional Committee of the China Association for Public Companies (中國上市公司協會併購融資專業委員會) since October 2018; and a member of the Standing Committee of the Shanghai Municipal Committee of the Chinese People's Political Consultative Conference since January 2021. Mr. Qu has served as an executive director, the general manager and the deputy secretary of CPC party committee of HSCL since 25 June 2014, and the chairman of the board of directors of HTIH since February 2018.

Mr. CHENG Chi Ming, Brian, aged 38, joined the Group in June 2009 and was appointed as an Executive Director of the Company on 1 July 2009. He was re-designated as a Non-executive Director of the Company on 13 January 2010. Mr. Cheng is also a member of the Remuneration Committee and the Strategic Development Committee of the Company. Mr. Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, U.S.A. Mr. Cheng is currently an executive director of NWS Holdings Limited and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Holdings Limited and its subsidiaries. He is also the chairman and a non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Wai Kee Holdings Limited. The shares of all these companies are listed on the Stock Exchange. Mr. Cheng was a non-executive director of Leyou Technologies Holdings Limited (resigned on 5 June 2019), whose shares were listed on the Stock Exchange. In addition, Mr. Cheng is also the chairman of Goshawk Aviation Limited, and a director of SUEZ NWS Limited and PBA International Pte. Ltd. Mr. Cheng is currently a member of the Thirteenth Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Cheng has previously worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets.

Mr. ZHANG Xinjun, aged 45, was appointed as a Non-executive Director of the Company on 27 March 2018 and is a member of Audit Committee and the Strategic Development Committee. Mr. Zhang holds a postgraduate Master degree in Management from the Department of Accounting of Nankai University. He is a Chinese Middle Grade Accountant and has extensive experience in financial accounting, finance management and merger and acquisition. Mr. Zhang joined the Company in March 2010 and was appointed as the Chief Financial Officer of the Company and was also a member of the Executive Committee of the Company. Prior to joining the Company, Mr. Zhang worked at the Planning and Finance Department of HSCL and had been the Chief Financial Officer of HTIH since March 2009. He has been appointed as the Chief Financial Officer and a member of the assets and liabilities allocation committee of HSCL and ceased to act as the Chief Financial Officer of the Company with effect from 27 March 2018. Mr. Zhang has been appointed as a non-executive director of Haitong Bank, S.A. since January 2018, and a director of Haitong Investment Ireland P.L.C. since February 2020. All these companies are wholly-owned subsidiaries of HTIH. He has also been appointed as a director of Fullgoal Fund Management Co., Ltd, an affiliate of HSCL, since February 2019.

Mr. William CHAN, aged 55, was appointed as a Non-executive Director on 2 January 2015 and is the Chairman of the Risk Committee and a member of the Strategic Development Committee of the Company. Mr. Chan was awarded a Master of Business Administration Degree from National University of Singapore and a Bachelor Degree in Shipbuilding from Dalian University of Technology in China. Mr. Chan has extensive experience in equity and bond analysis, trading and portfolio construction, currency trading, distress investment, quantitative research and derivative trading. Mr. Chan is currently a director of Harveston Asset Management Pte. Ltd. and MM River Fund Pte. Ltd. He previously worked for China Aviation Oil (Singapore) Pte. Ltd. as Head of Strategic Investment and the Credit and Finance Manager of treasury department and financial risk unit for Asia Pacific of Dow Chemical Singapore.

Independent Non-executive Directors

Mr. TSUI Hing Chuen, William JP, aged 69, was appointed as an Independent Non-executive Director of the Company on 1 July 2004 and is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company. Mr. Tsui is the founder partner of Messrs. Lo, Wong & Tsui, Solicitors & Notaries since 1980. He has been a solicitor of the High Court of Hong Kong since 1977, a solicitor of the Supreme Court of England & Wales since 1981 as well as a barrister and solicitor of the Supreme Court of Victoria, Australia since 1983. He has also been an advocate and solicitor of the Supreme Court of Republic of Singapore since 1985 and a notary public appointed by the Archbishop of Canterbury, England since 1988. Mr. Tsui was appointed as a Justice of the Peace by the Government of Hong Kong in 1997. He was admitted to the Roll of Honour of The Law Society of Hong Kong in 2013. Mr. Tsui is currently an independent non-executive director of Mongolia Energy Corporation Limited and Vision Values Holdings Limited. The shares of all these companies are listed on the Stock Exchange.

Mr. LAU Wai Piu, aged 57, was appointed as an Independent Non-executive Director of the Company on 1 December 2006 and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee of the Company. Mr. Lau is a member of the HKICPA and a fellow of the Association of Chartered Certified Accountants. He possesses over 20 years of extensive experience in accounting and financial management. Mr. Lau is currently an independent non-executive director of Mongolia Energy Corporation Limited and Vision Values Holdings Limited. The shares of all these companies are listed on the Stock Exchange.

Mr. WEI Kuo-chiang, aged 70, was appointed as an Independent Non-executive Director of the Company on 31 December 2012 and is a member of the Remuneration Committee and the Risk Committee of the Company. He was awarded a Doctor of Philosophy Degree in Finance from the University of Illinois at Urbana-Champaign in the United States, a Master of Business Administration Degree in Finance from the National Chengchi University in Taiwan, and a Bachelor of Engineering Degree in Industrial Management from the National Taiwan University of Science and Technology. Mr. Wei is currently the Chair Professor of Financial Economics in the School of Accounting and Finance at The Hong Kong Polytechnic University. He previously acted as chair professor, professor, associate professor and assistant professor of finance at a number of prestigious universities, including the University of Mississippi, the University of Miami and the Indiana University at Bloomington/Indianapolis in the United States as well as The Hong Kong University of Science and Technology ("**HKUST**"), and also served as Director of Value Partners Center for Investing, Director of the Center for Asian Financial Markets and Director of Master of Science (Financial Analysis)/(Investment Management) Programs at the HKUST for many years. Mr. Wei has written a number of research papers on issues such as the United States and Global Capital Markets and Pricing of Assets and he was also a column writer on Hong Kong stock market and warrant trading for Hong Kong Economic Journal for many years. Moreover, he assisted to develop wealth management and investment models for, among others, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited and also organized and conducted a consultancy project for the Government of Hong Kong and Asia-Pacific Economic Cooperation. Mr. Wei has been a council member of the Chinese Finance Annual Meeting and the Global Chinese Real Estate Congress since 2004 and 2008 respectively.

Mr. WAN Kam To, aged 68, was appointed as an Independent Non-executive Director of the Company on 19 June 2018 and is the chairman of the Audit Committee of the Company. Mr. Wan graduated from the accountancy department of Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in 1975. He was a partner of PricewaterhouseCoopers where he worked for over 30 years and accumulated extensive experience in auditing, finance advisory and management. Mr. Wan is currently a council member of The Open University of Hong Kong, a fellow member of HKICPA and the Association of Chartered

Certified Accountants. He has been appointed as the non-executive director of the Financial Reporting Council with effect from 1 October 2019. Mr. Wan is also currently an independent non-executive director of various listed companies, namely A-Living Smart City Services Co., Ltd, China Resources Land Limited, Fairwood Holdings Limited, KFM Kingdom Holdings Limited, and Target Insurance (Holdings) Limited. The shares of all these companies are listed on the Stock Exchange. He also serves as an independent director of China World Trade Center Co., Ltd. (listed on the SSE). Mr. Wan was previously an independent non- executive director of Kerry Logistics Network Limited (listed on the Stock Exchange) from November 2013 to May 2019, an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (listed on the Stock Exchange and the SSE) from June 2013 to June 2019, an independent non-executive director of Huaneng Renewable Corporation Limited (listed on the Stock Exchange) from August 2010 to June 2019 and an independent non-executive director of Harbin Bank Co., Ltd. (listed on the Stock Exchange) from October 2013 to October 2019.

Ms. LIU Yan, aged 50, was appointed as an Independent Non-executive Director of the Company on 19 June 2018 and is a member of the Nomination Committee. She holds a Bachelor degree in economics from Central University of Finance and Economics and Master Degree in Business Administration from the University of Rochester. She is a member of Chinese Institute of Certified Public Accountants (CICPA) and passed all tests for Chartered Financial Analyst (CFA) Program. Ms. Liu has over 20 years of experience in auditing, financial management, taxation and fund management. From 1992 to 1994, Ms. Liu worked at Brilliance Group Holdings Limited in Shanghai. From 1994 to 2001, Ms. Liu worked at PricewaterhouseCoopers in Guangzhou. In 2005, Ms. Liu joined Global Financial Risk Management Department at Barclays Capital (New York). She worked at Angelo Gordon Asia Limited from 2007 to 2010. From 2010 to 2015, Ms. Liu worked at Fund Management Department and Investment Management Department in China Everbright Limited (Hong Kong). Ms. Liu is currently an independent non-executive director of Tai United Holdings Limited, Great Wall Pan Asia Holdings Limited and Planetree International Development Limited. She was an independent non-executive director of U Banquet Group Holding Ltd. from November 2016 to September 2018. The shares of all these companies are listed on the Stock Exchange.

EXCHANGE RATE INFORMATION

HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rates for U.S. dollars in New York City for cable transfers payable in Hong Kong dollars as certified by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8351	7.8499	7.7850
2020	7.7534	7.7559	7.7951	7.7498
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April (by April 30)	7.7664	7.7691	7.7849	7.7596

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On 31 December 2020, the noon buying rate for U.S. dollar in New York City for cable transfers in Hong Kong dollars was US$1.00 to HKD7.7534 as set forth in the H.10 statistical release of the Federal Reserve Board.

TAXATION

The following summary of certain Bermuda and Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

BERMUDA

Tax

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by the Issuer or any shareholders who are resident outside Bermuda and therefore, no such tax is payable in Bermuda in respect of the payment of principal or interest on the Bonds or in respect of any gains arising from the sale of the Bonds by the Issuer or any shareholder who is a resident outside Bermuda.

Furthermore, the Issuer has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Issuer or to any of its operations, or to shares, debentures or other obligations of the Issuer except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Issuer or to any land leased or let to the Issuer.

As an exempted company, the Issuer is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Issuer, its shareholders and the holders of the Bonds, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Bonds (including the issue or transfer thereof).

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

Estate Duty

No Hong Kong estate duty is payable in respect of the Bonds.

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT may give rise to tax liabilities for the Issuer if it is adopted based on the Commission's Proposal. It should be noted that the FTT could be payable by Bondholders, including in relation to secondary market transactions, if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt but there is, however, uncertainty in relation to the intended scope of the exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 11 May 2021 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have severally and not jointly agreed to subscribe and pay for the aggregate principal amount of the Bonds set forth in the Subscription Agreement.

The Subscription Agreement provides that the Issuer will indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitle the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses. The proceeds from this offering may be used for refinancing certain existing indebtedness of the Issuer including certain loans with some of the Managers and/or their affiliates.

In connection with the offering of the Bonds, the Managers and/or their respective affiliates may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders, allocations, and purchases may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Managers and/or their affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In connection with the issue of the Bonds, the Stabilisation Manager (if any is appointed) or any person acting on behalf of the Stabilisation Manager may, provided that China CITIC Bank International Limited and Orient Securities (Hong Kong) Limited shall not be appointed and acting as the Stabilisation Manager, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there can be no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Stabilisation Manager, or as the case may be, the Managers in the manner agreed by them.

GENERAL

None of the Issuer and the Managers makes any representation that any action has been or will be taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Managers will comply to the best of their respective knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular or any such other material, in all cases at its own expense.

The Issuer and the other Managers will have no responsibility for any other party, and each Manager or the Issuer (as the case may be) will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery of the Bonds. The Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, the Offering Circular (in final form) or any amendment or supplement to it. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Managers has represented and agreed that it has not offered or sold, and agrees that it will not offer or sell, any of the Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

EUROPEAN ECONOMIC AREA

The Bonds may not be offered, sold or otherwise made available to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

Furthermore, the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently, no key information document as would be required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

UNITED KINGDOM

Each of the Managers has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

In addition, the Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Furthermore, the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

HONG KONG

Each of the Managers has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) or which do not constitute an offer to the public within the meaning thereof; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular to any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

THE PRC

Each of the Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the People's Republic of China.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

BERMUDA

Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds to the public or to any person resident in Bermuda.

GENERAL INFORMATION

AUTHORISATIONS

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the resolutions of the board of directors of the Issuer on 10 May 2021.

LITIGATION

There are no legal or arbitration proceedings against or affecting the Issuer, any of its subsidiaries or any of its assets, and the Issuer is not aware of any pending or threatened proceedings, which are material in the context of the issue of the Bonds.

NO MATERIAL ADVERSE CHANGE

Since 31 December 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer and any of its subsidiaries.

DOCUMENTS AVAILABLE

Upon prior written request and satisfactory proof of holding and identity to the Principal Paying Agent, copies of the Trust Deed and the Agency Agreement will be available from the specified office of the Principal Paying Agent at Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong during normal business hours or provided by the Principal Paying Agent via email to the relevant Bondholders, so long as any of the Bonds is outstanding.

CLEARING SYSTEM AND SETTLEMENT

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream under ISIN XS2338405991 and Common Code 233840599 for the Bonds.

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020, have been prepared in accordance with HKFRS and have been audited by Deloitte in accordance with the Hong Kong Standards on Auditing issued by the HKICPA, as stated in their reports. Copies of the latest annual reports may be downloaded free of charge from the Issuer's website (http://www.htisec.com/zh-hk/financial-report). The information contained on the Issuer's website is not part of this Offering Circular.

LISTING OF THE BONDS

Application will be made to the SEHK for listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

LEI

The Issuer's Legal Entity Identifier (LEI) code is 549300Q1JC7X89PPGN26.

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