

To Business Editors  
 For immediate release

**Haitong International Securities Group Announces 2011 Interim Results  
 Attained a Net Profit of HK\$107.6 Million;  
 Interim Dividend of HK6 cents per share**

**Financial Highlights**

	<b>6 months ended 30 June 2011 (Unaudited)</b>	6 months ended 30 June 2010 (Unaudited)	<b>Percentage Change Increase/ (Decrease)</b>
Revenue (HK\$'000)	<b>506,480</b>	380,116	<b>33</b>
Net Profit (HK\$'000)	<b>107,620</b>	87,598	<b>23</b>
Basic Earnings Per Share(HK Cents)	<b>15.05</b>	12.36	<b>22</b>
Diluted Earnings Per Share(HK Cents)	<b>15.01</b>	12.35	<b>22</b>
Dividend Per Share(HK Cents)	<b>6</b>	6	<b>[-]</b>

(Hong Kong, 4 August 2011) Haitong International Securities Group Limited (“Haitong International” or “The Group”; Stock code: 665.HK) today announced its unaudited interim results for the 6 months ended 30 June 2011 (“review period”).

**Results and Overview**

In celebrating its 38th anniversary, the Group is delighted to report that net profit attributable to shareholders for the 6 months ended 30 June 2011 amounted to HK\$107.6 million, representing a 23% increase as compared with the corresponding period in 2010. Despite that market conditions during the period under review was less optimal than expectation at the beginning of the year, the Group continued to deliver consistently a set of intact financial results across all lines of business. Total revenues for the first half of the financial year saw an increase of over 30% against the same period last year.

Operating margin for core businesses was maintained at about the same level of 25% as the corresponding period while earnings per share increased by 22% to HK15.05 cents for the period under review. With annualized return on equity further improved from 8.6% to 9.7%, the Board is pleased to propose an interim dividend of HK6 cents per share for the first half of the year, which is expected to be payable on 30 September 2011.

The local stock market underwent fluctuations but of relatively mild degrees during the first quarter of the year following the stock price consolidations which began in the later part of the prior year when the Mainland Government introduced tightening measures to contain inflation and to cool down the overheated property markets. During the second quarter and especially more evidently seen from June onwards, market sentiment became more adversely affected by concerns over further monetary tightening in the Mainland as well as the economic situation in Japan which was badly affected by the earthquake in mid-March and the nuclear crisis emerged subsequently. The intensifying of the sovereign crisis in the Eurozone in the absence of a Euro wide policy to tackle

the problems which further threatened stability of the whole region and the disputes over the US debt ceiling posed further worries and challenges to hinder global recovery. The terror threats heightened by turmoil in the Middle East and North Africa have continued to push crude oil prices up, triggering further pressure on inflation and market volatility. Overall, movement on the Hang Seng Index was within a narrow range over most trade days of the first 6 months with the downward adjustment more prevailing towards the end of the period. The June 2011 month-end figure was 22,398 versus the December 2010 month-end level of 23,035.

Commenting on the Group's business performance during the review period, **Mr. Lin Yong, Group Deputy Chairman and Chief Executive**, said, "Total operating expenses excluding finance costs for the 6 months ended 30 June 2011 increased by 33% in comparison with the corresponding period to HK\$391.5 million. The upgrade of both our front-end and back-end systems, the expansion in our sales force together with the integrated platform as a result of combining the Hong Kong operations of the holding company with those of the Group accounted for majority of the increment. The one-off expenditures on relocation of our data centre and amortization of equity-settled share options granted in the later part of last year also added short-term pressure to operating costs for the current period. While all these initiatives and preparatory work position us well to capture business growth opportunities and to bring long term economic benefits to the Group, there is scope for streamlining of structures and costs rationalization to achieve higher cost effectiveness in our daily operations. The management team is determined to pursue a more balanced and sustainable cost mix against income going forward."

## **Business Review**

### **Agency Broking**

The Group's broking business with operating revenue of HK\$240.5 million for the interim period under review which was at about the same level as the corresponding period continued to be the major contributor to the Group's total revenues, despite that its attributable share has declined from 62% to 47.5% in light of the volatile market conditions experienced during the first half of the year. The intensive market competition on pricing also had a negative impact on commission earnings. The performance of futures remained intact but commission income and dealing profit from bullion trading increased significantly by about 80% thanks to support for precious metal amid the ongoing macro economic uncertainty. Net operating margin for the division narrowed by about 40% to HK\$32 million, mainly due to a higher cost base than before and absorption of a larger portion of certain non-recurring expenses.

In March 2011, we celebrated the grand opening of our flagship branch in Central to serve both existing and potential customers in the district and scheduled within the third quarter of the year, a new branch located at a transportation convenient spot in Tsimshatsui will be added to our retail network in place of the existing Sai Wan Branch to continue offering our clients access to a comprehensive range of investment instruments and the highest quality brokerage and advisory services. Our Online Trading business development team managed to maintain good contacts with the overseas partners to secure a stable flow of trade orders sourced from overseas customers, despite the weak market sentiment and in June 2011, we officially rolled out the iPhone/iPad and Android mobile trading applications for investment in Hong Kong stocks. Client acquisitions in institutional sales did not however make progress as fast as we envisaged at the beginning of the year as institutional investors stayed cautious under the current market situation but contribution from the sector remained intact.

### Corporate Finance

The division achieved a pleasing result with year-on-year increase in revenue by 172% to HK\$134.2 million for the first 6 months period. Net earnings contribution reached HK\$52.3 million, an increase of over 4 times as compared with the corresponding period. To better present the performance of the division, we have reclassified certain fees and interest income originated from corporate finance clients from Margin Financing to Corporate Finance. IPO activities and fund raising exercises during the period under review did not follow the rally as seen in the last quarter of 2010. Nevertheless, following the launch of our first Renminbi fund in Hong Kong last year, the Group also acted as the joint book runner and joint lead manager of the first Renminbi bond issue of Zhongsheng Group Holdings Limited in Hong Kong during the period. In addition, we successfully acted as sponsor for Courage Marine Group Limited which had a dual listing in both Hong Kong and Singapore and in July 2011, Winox Holdings Limited specialized at manufacturing of stainless steel products will be listed on the main board with the Group as the sole book runner and sole lead manager. Depending on market situation, we have a strong pipeline of IPO mandates under our sponsorship planning for listing for the remainder of the year and further down the row to 2012 serving clients from various industries including mining, manufacturing, hospital caring, mobile solution provision, jewellery trading, real estates projects, forestry as well as wholesale and distribution of fresh food. In addition, throughout the period, we acted as underwriter for 5 IPO transactions and actively participated in various large scale projects, including acting as the joint lead manager for the IPO exercise of Huaneng Renewables Corporation Limited, and also advised on 20 projects with 7 of them served in the role as independent financial advisor. We also participated in a RMB bond issue and were retained as compliance adviser for 13 listed companies.

### Margin and Other Financing

Our margin finance business continued to be solid in profit making with total revenue after adjusting for reclassification of certain fees and interest income to Corporate Finance amounting to HK\$84.5 million or 71% increase as compared with the same period last year. Net margin contribution rose by 90% to HK\$34.4 million. As at 30 June 2011, total advances to customers reached HK\$4,676.6 million which was 7% above the level in the amount of HK\$4,375.6 million as reported for 31 December 2010. Despite the progressive growth in the size of our loan book over the years, we experienced zero default cases and suffered from little impairment to our receivable balances. With sound credit control and proven monitoring procedures in place, we are comfortable to further increase our loan portfolio subject to market conditions. There were some net withdrawals on customer deposits held on trust during the period but the level still stood high at over HK\$4.5 billion as at the end of June 2011.

### Asset Management

Our Asset Management division reported growth in revenue for the period under review. In particular, the fund size of Haitong Global RMB Fixed Income Fund, the first of its kind ever in the Hong Kong fund management industry that we introduced last year, has grown rapidly by over 40% throughout the first half of the year to over RMB 2 billion. We have successfully launched 3 private equity funds in partnership with 2 established financial institutions from Japan at the beginning of the year, with initial subscriptions amounted to US\$82 million in total. Moreover, we will continue to expand our fund distribution network to cover major cities in Asia including Japan, Korea and Singapore. On the support side, we completed the system enhancements and migration

for our front to middle/back end platforms in April 2011, since we first started the project last year following the business integration with the holding company and now we possess a comprehensive set of systems including Bloomberg, AIM, Omgeo and Portia to take care of our trading and settlement process.

### **Other Investment Services and Activities**

The immigration consulting service introduced by the Wealth Management Division in the second half of last year with an aim to provide a one-stop service to customers seeking investments under the Hong Kong Capital Investment Entrant Scheme became more as a preferred channel as the number of new accounts acquired and successful cases concluded showed progressive growth throughout the period. In addition, we have enlarged the cross selling network between Wealth Management and the Broking Division to broaden customers' access to our full range of investment products and services.

In February 2011, our data centre was relocated to a new site equipped with the latest facilities and renowned management, which enhances significantly our data processing capacity and offers the highest assurance of performance stability and data security to cope with business volume expansion. During the period, we concurrently completed implementation of a new back end securities settlement system which altogether with the previous installations concluded the revamping of the entire trading and settlement platform developed under our own proprietorship. The integrated systems and applications will place us in an advantageous position in the years ahead and enhance our core competitiveness to capture new business opportunities and to better serve our customers.

### **Prospects**

Looking into the future, **Mr. Lin Yong** said, "In Hong Kong, the first RMB-denominated stock was successfully listed in April 2011. Riding on the exponential growth in RMB deposits within the territory and the growth in desire for capital raising by Chinese corporations, we believe that both the primary and secondary markets for RMB equity issues will develop rapidly and will help augmenting Hong Kong's existing position as a leading centre for capital raising exercises. The internationalization of RMB presents significant market opportunities to Hong Kong and our Group will be in an advantageous position to benefit from these moves through business collaboration and resources sharing with the ultimate parent company which has a strong brand and base of operation in the Mainland.

The Group has set clear growth and development strategies for each of our core businesses in order to take a leading position in Renminbi business and enhance the collaboration with the operations of our parent company. In securities broking and margin financing, we will continue to expand our retail client base into the parent company's sales network through the established mechanism on customer referral, and will take advantage of its brand influence in China to broaden our Chinese corporate clientele and to acquire business relationships with domestic institutional investors with QDII qualification. Leveraging on parent company's extensive underwriting and product expertise in large-scale transactions, our corporate finance division will target at large mandates for IPO sponsorship and capital-raising transactions including RMB-denominated issues. It is expected that the Group will play an important role in the H shares issue of our parent company. We will further expand our product and servicing offerings to include fixed income products and other services on pre-IPO financing as well as bridge loan financing. In Asset Management, we will

continue to uphold our market leading position in RMB-denominated products following our successful launch of the first offshore RMB bond fund in Hong Kong in last August and will actively pursue opportunities arising from the mini-QFII program to be introduced pending final approval from the Mainland authorities. Apart from our primary focus at RMB-denominated products, we will strengthen product development capabilities and follow through innovative products such as stock index fund and funds designed under different themes to offer wider investment choices to our clients and to enlarge our assets under management. These funds will be launched subject to market timing and perception.

The Group offers a wide range of products and services and already operates on a diversified business model while staying focused at developing our core businesses to their newer heights. In this connection and in order to ensure a more stable mix of income to withstand adverse impacts on net performance arising from market fluctuations and economic cycle adjustments, we will broaden fee based sources of income and enhance the earning quality from those sources. We will also ensure the cost-to-income ratio is maintained at a reasonable and competitive level to enhance our operating margin.

From the perspective of the Group's balance sheet, we have always maintained a healthy gearing ratio of loan financing against equity. However, in order to capture more business opportunities especially on margin financing and underwriting for fund raising exercises, we have obtained support from our holding company to capitalize the shareholder loan which has been extended to the Group for business expansion since last year to the extent of HK\$850 million. The capitalization of the shareholder's loan, which is a connected transaction, is subject to approval by independent shareholders at a special general meeting to be convened in August. The capitalization clearly underpins the support of the holding company and its dedication to the Group, and if approved, will optimize the Group's financial position and enhance its capital structure to further capture opportunities to develop its core businesses.

“The Group has a long track record of good performance. Under the continuous support from the parent company in different aspects, we see a lot of business opportunities ahead of us. While market environment will remain difficult for a period of time, we have entire confidence as usual in the future prospects of the Group,” **Mr. Lin Yong** concluded.

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### **Haitong International Securities Group Limited**

Haitong International Securities Group Limited (“Haitong International” or “the Group”; Stock Code: 665.HK), a subsidiary of Haitong International Holdings Limited (“Haitong International Holdings”), receives strong shareholder support. Haitong International Holdings is a company incorporated in Hong Kong and wholly owned by Haitong Securities Company Limited (“Haitong Securities”). Listed on the Shanghai Stock Exchange (SSE Stock Code: 600837.SH), Haitong Securities is one of the leading securities companies in China, providing comprehensive financial services for over 3 million clients and with sales offices spreading across 67 cities.

Established in 1973, Haitong International has been listed on the Hong Kong Stock Exchange since August 1996. The Group is well-known for providing total quality corporate finance, asset management and brokerage services to global and local institutional and corporate clients as well as individual investors. In more than three decades, the Group has managed to acquire profound international



knowledge and experience in this constantly evolving global financial market. Leveraging its years of professionalism, innovation, solid foundation and reputation, Haitong International strives to become a leading global player in the industry, and a leader in the Greater China region.

Haitong International has a broad retail client base and extensive distribution network, with 13 branches in Hong Kong and Macau. In China, the Group has 2 representative offices in Beijing and Shanghai and 6 investment consultancy centres in major cities including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Xiamen. Looking forward, the Group will strive to establish more presence in strategic locations in China.

The comprehensive and quality financial services delivered by Haitong International have been widely recognized by the industry. In 1999, the Group was the first financial institution in Hong Kong and China to attain ISO 9002 Quality Management System Certification; in 2004, the Group obtained BS 7799 Information Security Management System Certification. These accreditations were later upgraded to ISO 9001:2008 Certification in 2009 and ISO 27001:2005 Certification in mid-2006, respectively. In addition, the Group has been named the “Best Equity House in Hong Kong” by numerous international, mainland and local institutions for 11 consecutive years since the year 2000, including FinanceAsia, Asiamoney, Euromoney, Capital Magazine, Sing Tao Daily and QQ.COM.

For further information about Haitong International, please visit: [www.htisec.com](http://www.htisec.com).

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