



**Haitong International Securities Group
Announces Final Results for the 12 Months Ended 31 December 2011
Posting a Net Profit of HK\$153.20 million**

Financial Highlights

	12 months ended 31 December 2011	18 months ended 31 December 2010	Percentage Change Increase/ (Decrease)
Revenue (HK\$'000)	959,157	1,459,935	(34)
Net Profit (HK\$'000)	153,204	345,795	(56)
Basic Earnings Per Share(HK Cents)	19.37	48.80	(60)
Dividend Per Share(HK Cents)	8	24	(67)

(Hong Kong, 13 March 2012) Haitong International Securities Group Limited (“Haitong International” or “the Group”; Stock Code: 665.HK) announced its final results today for the 12 months ended 31 December 2011 (“financial period”).

Business Review

For the year ended 31 December 2011 (12 months), total revenue of the Group maintained stable growth. However, due to the sharp downturn in market environment in the second half of 2011, there was pressure on our profit in the second half year despite a 23% growth in profit during the first half year. Net profit attributable to shareholders for the year was HK\$153.20 million, representing a decrease from the corresponding period last year (12 months ended 31 December 2010), while earnings per share was HK19.37 cents. At the end of 2011, shareholders' equity increased by 41% as compared with the end of 2010 to HK\$3,054.59 million. Our Board has proposed a final dividend of HK2 cents per share, which is expected to be paid on or about 29 May 2012. Together with the interim dividend of HK6 cents per share already paid, total dividend payable for the 12 months ended 31 December 2011 amounts to HK8 cents per share.

During the period under review, the Hang Seng Index (“HSI”) demonstrated a wave pattern with a high start followed by a downward trend. The HSI traded within a narrow range during most of the time in the first half year, but market sentiment turned sour starting from the second quarter as worries mounted over the further tightening of money supply in Mainland China and the devastating blow of the Japanese earthquake and the ensuing nuclear crisis on the country’s economy. Although the market condition for the first half year was less satisfactory than expected, the Group still achieved an encouraging operating result during that period. During the first half year, the Group’s total revenue increased by over 30% as compared with the corresponding period of the previous year, while net profit attributable to shareholders amounted to HK\$107.62 million, representing a year-on-year increase of 23%. However, negative factors began to pour in starting from the third quarter. The HSI dropped continually in the backdrop of the simmering European debt crisis and the tightening of money supply in Mainland China. On the other hand, bad news such as the historical lowering of the long term sovereign credit rating of the United States, the lowering of the sovereign debt rating of Italy by Standard & Poor, and the filing for bankruptcy by MF Global, a futures brokerage firm in the United States with a history of 200 years, triggered capital withdrawal from emerging markets and investors fled from risky assets, which dragged the HSI further down to a trough of 16,170 in October, the second worst record for the last decade, and plummeted by 20% for the whole year. In mid-November, investors’ confidence was gradually restored due to a series of measures launched by the Mainland government, such as a Renminbi (“RMB”) 100 billion bond issue by the Ministry of Railway and guaranteed



by the Ministry of Finance and the recommencement of suspended railway works, reflecting a switching to a more aggressive fiscal policy. By the end of the year, the People's Bank of China lowered the deposit reserve requirement ratio, and such loosening monetary policy boosted market confidence significantly.

Review of Operations

During the period under review, the Group successfully made strategic adjustments to the development direction of various business lines of Haitong International. Many of these strategic measures have started to pay off, and we have set up the core business framework of a modern investment bank. By making strategic adjustments to the business development objectives and the relevant departments, our development path and business direction have become clearer. Moreover, with a more orderly client-oriented service system and a significantly optimized business structure, we are moving in line with the development requirement for an international investment bank, and laid down a good foundation for our future business development.

Commenting on the Group's business performance in the period, **Dr Lin Yong, Deputy Chairman and Chief Executive Officer of Haitong International Securities Group Limited**, said, "In addition to the strategic adjustments on various departments relating to business development, the Group also significantly strengthened the support to its middle and back office operations during the year. In respect of middle office operations, the Group has established a centralized trading platform, providing unified operational support to various operations teams responsible for different trading products, which effectively control various types of operational risks and improve the security and efficiency of our operations. Regarding back office operations, the Group has always been committed to technological innovations in securities trading. Continuous investment was made to upgrade our IT system to provide efficient, secure and stable technical support to our business operations. During the year, several information systems were launched on schedule, including our self-developed MSSE settlement system, which is a comprehensive settlement system integrating various functions for multiple markets, products and currencies. In addition to providing regular securities, cash and risk management and settlement listing, the system also provides extended functions for securities options, share placements, securities lending and IPO settlement, etc., while generating hundreds of analysis reports for those activities. The introduction of the MSSE system not only enhanced the support to securities dealings, but also released some resources of our middle and back office operations to satisfy the growing transactions volume of our clients for the next few years."

Dr Lin Yong added, "Due to various factors such as the European debt crisis and downgrade of the sovereign rating of the United States, the global stock markets slumped and performed weakly, which dragged down the investment sentiment. Trading activities, especially those from retail investors, were reduced. Under the circumstances, performances from our five business segments were mixed. However, the Group was able to maintain steady growth in revenue and good profitability by virtue of a balanced and diversified business model. Meanwhile, in order to cope with market volatility, the Group has only made moderate increase in business investments and controlled the scale of margin financing, which resulted in a regression in profits as compared with the previous year."

Broking

The Group's broking business offers a wide array of financial products and one-stop service to local and overseas investors in order to satisfy their growing demand for different financial products. During the period, due to the tense atmosphere surrounding the market, most retail investors stayed on the sideline, and with the commission war amongst local securities houses heating up, our broking business suffered inevitably to some extent. During the period, the division recorded a revenue of HK\$443.13 million, representing a decrease of 14% as compared with HK\$516.22 million recorded for the corresponding period last year (12 months ended 31 December 2010), and a net profit of HK\$39.48 million.

Although the broking business still represented our main source of revenue, its contribution to our total revenue decreased from 55% for the last financial period (18 months) to 46% for the current year (12



months), which demonstrated the result of our diversification strategy, and a more balanced development of our various business lines. The number of new clients reached almost 15,000, bringing the total number of clients to a record high of around 160,000 at the end of December 2011. Our flagship branch in Central and Tsimshatsui branch were opened as scheduled during the year, increasing our total number of branches in Hong Kong and Macau to 13. On the other hand, Haitong international adheres to its client demand-oriented principle and leverage on our competitive edge in retail operations, we strive to develop high-end retail and institutional clients through business innovation and collaboration with our parent company. Our institutional sales division performed remarkably during the second half year, with a substantial increase in the number of institutional clients during the period, and the contribution from institutional clients to our total trading volume has also increased significantly. We anticipated that with the continuous strengthening of our institutional sales team and enhancement in the quality of our research services, commission contribution from institutional clients to the Group will be further increased.

At metroBOX Magazine's Prime Awards for Banking and Finance Corporations 2011, the Group was awarded the "Best Equity House" and the "Best Corporate Finance Adviser". The year of 2011 also marked the 12th consecutive year which the Group was named as the "Best Equity House in Hong Kong" by various international and local professional institutions.

Corporate Finance

Despite a significant decrease in funds raising activities and funds raised by IPO in Hong Kong stock market, our corporate finance business performed admirably and made further contribution to the Group's revenue. In order to better reflect the performance of this division, the Group reclassified its fees and interest income derived from corporate finance clients from margin financing to corporate finance. During the period, the division recorded a revenue of HK\$234.71 million, an increase of 29% when compared with HK\$182.08 million recorded for the corresponding period last year (12 months ended 31 December 2010). Profit contribution totaled HK\$70.23 million. During the period, the Group undertook several IPO projects in exclusive capacity, including the listing of Winox Holdings Limited (as the sole sponsor and lead manager) and the transfer of listing status of Courage Marine Group Limited from Singapore to Hong Kong by way of introduction (as the sole sponsor). These projects have not only improved the international brand awareness of Haitong International, but also demonstrated our strong investment banking capabilities to the market. On the other hand, the Group has also been actively expanding its RMB bond issuance business, acting as the joint bookrunner and joint lead manager for the offshore RMB bond issues of various medium to large scale companies, and the joint bookrunner and joint lead manager of the RMB bond issues of Credit China. Looking forward, the Group will continue to develop our capability of undertaking large scale investment bank projects, and continue to enhance our RMB bond underwriting capabilities at the same time of expanding securities financing projects. During the period, the Group participated in 16 IPO book-running and underwritings, 3 bond underwritings and 35 financial advising projects.

Margin and other financing

During the period, the Group's margin financing business still performed remarkably well. Revenue rose by 16% from HK\$138.19 million for the corresponding period last year (12 months ended 31 December 2010) to HK\$160.45 million. In particular, during the first half of 2011, the division's revenue surged by 57%. In the second half of 2011, in view of the fluctuation of the Hong Kong stock market, the Group tightened up its credit policy and reduced the advances to customers in order to prevent risk and safeguard our assets. Therefore, advances to customers reduced from HK\$4.4 billion as at 31 December 2010 to HK\$3.4 billion as at 31 December 2011. Under the stringent credit risk control and flexible credit policy, impairment on our loan book was almost non-existent. In the future, the Group will continue to actively develop our margin financing business to satisfy the capital needs from our corporate and high net worth clients, while strictly control risks and further optimize our loan portfolio. With adequate capital and a vast customer network, our margin financing business should still have tremendous growth potential.



Asset Management

During the period, our asset management division recorded significant growth in revenue. As the first RMB-denominated and settled public fund in Hong Kong, asset size of Haitong Global RMB Fixed Income Fund continued to rise in 2011, leading similar products in the industry by a wide margin. At the end of 2011, the Group obtained a place in the first batch of Mainland-funded securities firms in Hong Kong qualified for RQFII business. In January 2012, the Group took the lead to launch the first RQFII fund in Hong Kong. Although it took only a month from obtaining authorization to carry out RQFII business to formally launching a RQFII fund, the Group had been preparing its RQFII products for a long time. We believe the Group has possessed certain advantages in RMB products in the Hong Kong market, while still continuing to build up its asset management business by developing innovative RMB products. In 2012, it is expected that demand from domestic enterprises for RMB bond financing will continue to grow, and the Hong Kong RMB bond market will likely enjoy an unprecedented period of rapid development. Haitong International will take full advantage of the valuable opportunity given by the breakthrough development in RQFII and RMB business to expand the scale of asset management by developing innovative RMB products, to improve the investment returns of RMB funds, and to achieve a fundamental improvement of the asset management business. Meanwhile, the Group has also been actively exploring cooperation opportunities with other international financial institutions. After launching the first RMB product in Japan in cooperation with Japanese corporations Sparx and Toyo Securities in November 2010, we continued to work with our Japanese partners to raise capital for the fund and achieved interim progress in 2011. During the period, Haitong International also entered into an agreement with a Japanese bank during the period to act as the investment adviser for its fund products. During this cooperation, the Group will fully utilize our experience and expertise in securities and asset management related businesses in the Mainland and Hong Kong markets to further increase the influence of Haitong International brand.

Other Investment Services and Activities

During the period, the Group made certain strategic adjustments to its business development objectives and relevant departments and demonstrated a definite client-oriented service system, marching towards the goal of transforming into an international investment bank. Extra resources have been devoted to our research department, and a series of adjustments has been made to the style of research report, preparation of the research team and areas of industry coverage, with institutional investors being identified as its main service target. Judging from the feedback from our users, our research reports have shown considerable improvements in terms of vision, depth and timeliness, and the exposure on the mainstream high-end media has also increased rapidly. To cater with the development of our high-end retail business, the Group formed its private and corporate sales department during the period to provide services targeting high net worth clients. The Group also made considerable attempts and innovations on cross-sales and business collaboration during the period. We carried out in-depth study on the possibilities of inter-departmental cross-sales and collaboration with various business lines of the parent company, and started close business cooperation with the parent company by taking full advantage of the platform provided by its international business coordination committee, which in turn promoted the business development of both parties. In the future, Haitong International will leverage on the policy advantages under the framework permitted by the policy to actively promote the in-depth and innovative development of cross-border business in order to attain business growth and establish new profit sources for the Group.

Future Plans

Looking into the future, **Dr Lin Yong** said, “2012 is a crucial year for Haitong International as it attempts to drive its business growth through strategic transformation. Facing an uncertain market environment, the Group needs to step up its strategic transformation efforts. On one hand, we shall continue to strengthen our traditional broking business, while at the same time establish and improve our client-oriented service system and one-stop online trading platform. On the other hand, subject to strict control on trading risk, investment risk and credit risk, we shall be creative and proactive in developing new types of equity business such as flow-based and capital-investment businesses in order to promote and supplement the development and



profitability of our traditional business. Capital-investment business is non-cyclical in nature, which is mainly influenced by the development prospect of the investment object and less relevant to the market. This business will complement our traditionally cyclical securities operations such as broking and investment banking during market downturn and play an important role in strengthening our results of operations.

During the past year, there was significant progress on cross-border usage of RMB and development of Hong Kong as an offshore RMB business centre. With more favourable policies likely to rollout in the future, a wide array of RMB products will be launched in Hong Kong, which will serve as an important platform for the internationalization of RMB. In respect of RMB products, Haitong International was the first issuer of RMB fixed income fund and the first securities firm to launch a RQFII product in Hong Kong. In the future, we will strive to become the first mover in RMB bond index products, RMB-denominated IPO and RMB bond trading, with an aim to further consolidate our leading position in RMB products in the Hong Kong market, and to promote the brand building and scale of our asset management business.

In respect of corporate finance, while maintaining the stable growth of our financial advisory business, we shall actively set up a new team to enhance our capability in soliciting, undertaking and underwriting large scale projects. In addition, leveraging on our competitive edges in RMB products, we shall continue to actively participate in RMB bond underwriting, RMB-denominated IPO and bond financing.”

In addition, the Group will fully utilize our Mainland-funded background and take advantage of the huge customer network of our parent company in Mainland China to promote the in-depth development of our cross-border business under the framework permitted by the policy with an aim to find new profit sources.

“Facing the dynamic market environment, the Group will adhere to its client-oriented principle in the future. We shall improve our customer service by accurate client positioning and service refinement, and continue to keep abreast of time by actively seeking financial innovation. We are determined and confident of leading the Group to achieve its strategic objective of transforming into an international-class investment bank as soon as possible,” concluded **Dr Lin Yong**.

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About 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 4 million retail clients as well as 12,000 institutional and high net worth clients with close to 210 sales offices spreading across over 110 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 12 consecutive years since the year 2000, including FinanceAsia, Asiamoney, Euromoney, Capital Magazine, Sing Tao Daily, QQ.COM and metroBOX.

For further information about Haitong International, please visit www.htisec.com.

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