

To Business Editors  
 For immediate release

**Haitong International Securities Group Limited**  
**Announces Final Results for the Year Ended 31 December 2012**  
**Posting a Net Profit of HK\$293.45 million**

(*Hong Kong, 5 March 2013*) **Haitong International Securities Group Limited** (“**Haitong International**” or the “**Group**”; **Stock Code: 665.HK**) announced its final results today for the year ended 31 December 2012 (“financial period”).

**Financial Highlights**

	<b>12 months Ended 31 December 2012</b>	<b>12 months Ended 31 December 2011</b>	<b>Percentage Change Increase/ (Decrease)</b>
Revenue ( <i>HK\$'000</i> )	<b>1,117,055</b>	<b>1,003,945</b>	<b>17</b>
Net Profit ( <i>HK\$'000</i> )	<b>293,450</b>	<b>153,204</b>	<b>92</b>
Basic Earnings Per Share( <i>HK Cents</i> )	<b>32.06</b>	<b>19.37</b>	<b>66</b>
Dividend Per Share( <i>HK Cents</i> )	<b>15.5 *</b>	<b>8</b>	<b>94</b>

\* The Board of the Company has resolved to recommend a final dividend for the year ended 31 December 2012 in the total amount of HK\$68,650,703 which shall be paid to shareholders whose names appear on the register of members of the Company on 29 April 2013. Based on the existing number of issued shares of 915,342,706, the final dividend for the year ended 31 December 2012 shall amount to HK7.5 cents per share (subject to adjustment as a result of any corporate actions of the Company affecting the number of issued shares on or before 29 April 2013) and accordingly, together with the interim dividend of HK8 cents per share paid on 18 September 2012, the total dividend payout for the year ended 31 December 2012 will thus be HK15.5 cents per share (subject to adjustment). The final dividend is expected to be paid on or about 21 May 2013.

**Business Review**

In 2012, the global financial markets and economic activities experienced a major regression due to the simmering European sovereign debt crisis and the fiscal cliff threat in the United States. This, along with the state leader or council elections in 58 countries, including major global economies, added more uncertainties to the global economic outlook. Against this backdrop, enterprises either cancelled or deferred their fund raising plans amid low appetite of investors. This in turn put unprecedented strain on both the primary and secondary markets in Hong Kong, resulting in the decrease of fund raising size and turnover by 65% and 23%, respectively. Our broking business suffered inevitably to some extent. Nonetheless, with the efforts made to business and operational structure reorganization over the year,

the Group is pleased to announce that the net profit attributable to shareholders for the year ended 31 December 2012 grew remarkably as compared with the corresponding period last year.

As of 31 December 2012, the Group recorded revenue of HK\$1,177.06 million, representing a year-on-year increase of 17% from HK\$1,003.95 million for the corresponding period last year. In 2012, with the revenue growth primarily contributed by the corporate finance, fixed income and proprietary investment businesses, as well as the effective controls over operating cost, net profit attributable to shareholders for the year was HK\$293.45 million, representing an increase of 92% from HK\$153.20 million in 2011, while earnings per share was HK32.06 cents. At the end of 2012, shareholders' equity amounted to HK\$3,254.03 million.

At the end of 2012, the Hong Kong stock market regained its growth momentum. The Hang Seng Index ("HSI") surged nearly 23%, outperforming most of the other major markets. In early 2012, Greece's successful debt restructuring once dissipated market concerns over the European sovereign debt crisis and supported a short-lived boom in the stock market. However, the worsening financial crisis of Spanish's banking sector which severely weighed on stock market performance and the persistent economic slowdown in the Mainland market had offset the gains in the Hong Kong stock market during the first half of the year, and dragged the HSI down from 21,300 points to 18,400 points within a single month in May. In the second half of 2012, the United States launched a new round of quantitative easing measures while the European Central Bank promulgated its bond purchase program, allowing the stock market to regain its vigour. Alongside the market's positive expectations on the future economic policies of China's new leaders, the HSI jumped to its 16-month high at 22,656 points at year end. Despite the gradual pick-up of the HSI, investors' confidence remained weak. As of 31 December 2012, the average daily turnover of the Hong Kong stock market was HK\$53.8 billion, representing a decrease of 23% as compared with the figure recorded for 2011. In 2012, there were altogether 64 new public offerings raising a total of HK\$89.8 billion, representing a significant decrease of 65% as compared with 2011, in which total funds raised from the 101 new public offerings amounted to HK\$259.8 billion, indicating a persistently worsening operating environment.

By contrast, the bond market sustained the rally in 2011 during the year. As illustrated by the figures released from the Hong Kong Exchanges and Clearing Limited, total funds raised from the 109 new debt securities listed in 2012 amounted to HK\$341.2 billion, representing an increase of over 120% over last year. Figures from the Hong Kong Monetary Authority illustrated that unlisted debt instruments also grew remarkably. In 2012, exchange fund bills and newly issued HKD-denominated debt instruments other than bonds aggregated HK\$278.8 billion, representing a

year-on-year increase of 21%, while average monthly turnover of the secondary market in 2012 was HK\$32.7 billion, representing a year-on-year increase of 62%, indicating investors' strong demand for fixed income products amid uncertainty on returns in the securities market.

### **Prospects**

Looking forward to 2013, it is expected that both Europe and the United States will continue to implement monetary easing policies, while Japan will strive to resuscitate the nation's economy through ultra loose monetary policy and significant depreciation of Japanese yen in the short term. The continuous note issues by central banks in these nations may arouse market concerns over a new round of monetary easing policy competition in the globe. And the low-interest-rate policy will continue to increase capital flow around the world, causing turbulences in liquidity flow across the Asia Pacific region. As for the Mainland market, it is expected that the China Securities Regulatory Commission will successively announce further easing policies for the sake of expanding the scale of QFII and RQFII, launching RQFII pilot schemes in Taiwan to enhance investment convenience, continuously supporting the development of cross-border ETF products and cross-border bond markets, facilitating the launch of pilot programs for overseas futures broking business of futures companies, and continuously supporting the overseas listings of domestic enterprises. All of these policies will present golden opportunities to Hong Kong's securities market and capital market.

Against this background, the Group is cautiously optimistic on the recovery of the Hong Kong market in 2013. Since the adjustment of development strategy in 2011, the Group has proactively diversified its businesses to ensure its healthy and stable growth under various economic conditions. During the period, the Group set up the Fixed Income Department to support the debt services of the Group's corporate finance segment, and to cater to market demands for debt financing and expand its sources of revenue on top of transaction commissions and service fees. The initiative brought lucrative interest income to the Group whilst enhancing its capital efficiency, enabling the Group to achieve steady income growth against the securities market doldrums in 2012.

In January 2012, the Group took the lead to launch the first RQFII fund - the "Haitong China RMB Income Fund". By virtue of its pioneering position and strong sales channels, the fund filled up 90% of its quota in 3 months and recorded outstanding sales results. In September 2012, the Group became the first Mainland-funded broking firm in Hong Kong qualified for the QFII business, and was granted a QFII quota of US\$100 million. Recently, the Group also became the first company that had been granted the approval for RQFLP fund offerings, and was awarded a quota of approximately US\$100 million. The Group expects to successively launch new cross-border RMB products in 2013 to further consolidate its leading position in RMB businesses in the Hong Kong market.

During 2012, the Group participated in the H-share IPO project of its parent company, Haitong Securities Co., Ltd. (“Haitong Securities”). In collaboration with other underwriters, the Group had made tremendous efforts to ensure the successful completion of the project. This not only enhanced the capabilities of the Group to undertake large-scale projects, but also offered chances for the Group to promote the brand name of “Haitong International” and yield considerable income. During the period, the corporate finance business of the Group recorded growth against a market downturn, registering historical breakthroughs and outstanding results. In the coming year, with the gradual relaxation of overseas listing restrictions imposed on enterprises by the Mainland regulators and the established reputation and customer base of Haitong Securities in China, the Group expects to further develop its business in the Hong Kong capital market.

As the sole overseas business platform of Haitong Securities, the Group has successfully adjusted and optimized its business structure to focus mainly on traditional broking and investment banking businesses, which are flanked by the flow-based business and investment business and driven by innovation and internationalization, with safeguards provided by its four major pillars, namely talent, risk control, IT and research.

Despite the persistent turbulences in the global economics in 2013, the Group will continuously strive for further business development, optimized income structure, as well as continuous innovation of its products and services. We are confident that the Group will achieve its strategic goal of becoming a modern and comprehensive international investment bank with leading position in the Greater China region.

### **Review of Operations**

**Dr Lin Yong, Deputy Chairman and Chief Executive Officer of Haitong International Securities Group Limited**, said, “With the joint efforts of the management and all our fellow colleagues during the period under review, the Group leveraged its established advantages in retail broking business to proactively develop its corporate finance, asset management, fixed income, structured finance and sector fund businesses, whilst expanding flow-based businesses such as margin financing and lending to investment banking clients. Currently, the Group has maintained balanced development among its business lines, including broking, corporate finance, asset management, fixed income, structured finance and sector fund businesses, and has raised the Group’s capital return level through business interaction and innovative operations. Following its successful transformation, the Group has been fully geared towards the pursuit of its strategic objective of transforming into a modern comprehensive investment bank in the Greater China region.”

### *Broking*

During the period, the comeback of the European sovereign debt crisis, concerns over China's economic transformation and the bleak corporate earnings prospects led to persistent thin trading in Hong Kong stocks, with accumulative trading volume of the Hong Kong stock market posting a year-on-year decrease of over 20%. Moreover, as the broking market in Hong Kong had become saturated, banks and certain broking firms successively rolled out prolonged commission-free concessions or extra-low fixed commissions as incentives to customers, thus further intensifying the competition in the sector. Against this backdrop, commission income from the Group's broking activities decreased to HK\$327.53 million in 2012, but the year-on-year decrease of the Group's securities trading volume was relatively moderate as compared with the decrease in total market turnover.

In light of the extended market downturn during the period, the Group developed flexible sales strategies, proactively launched online U.S. stock trading and U.S. stock financing services, and continuously expanded the market coverage of margin financing, with the focus put on securing high-end retail clients and expanding the trading size with institutional clients. The modified online U.S. stock trading platform successfully launched in the first half of the year has extended the scope of U.S. stock financing and was designed to better accommodate the usual practices of local and mainland customers, satisfy the various investment and margin financing demands of customers in relation to Hong Kong stocks, and drive up the Group's online U.S. stock trading volume. The margin financing business of the Group covers overseas markets such as Japan, Germany, Canada, the UK, Australia and Singapore. During the period, the accumulative trading volume with institutional clients recorded a significant year-on-year increase, and the contribution from institutional clients to the total trading volume of the Group also increased to 20% by period end. In addition, the Group obtained retail trading volume by way of participating in large scale public offerings, and the historical breakthrough in business scale of our corporate finance segment also facilitated the increase in broking transactions.

By increasing the proportion of institutional clients and providing high-end retail clients with refined services, the Group distinguished itself from those low-price-oriented competitors with its diversified products and premium services and successfully developed a market image of "a comprehensive finance expert". As a result, our broking business scale grew against a market downturn and is ranking in terms of market share rose significantly.

Meanwhile, to keep satisfying customers' continuous demands for innovative financial products and

services, the Group also set up an algorithmic trading team, built the first fully automated ETF market-making trading platform of the Group supporting multi-market, multi-currency and multi-product transactions, and developed a variety of trading strategies, which have been brought into use recently.

### *Corporate Finance*

During the period, the lukewarm trading in the stock market also weighed on new listings of enterprises. Corporations either cancelled or put off their listing plans in light of the undersubscribed public offering market. The Hong Kong financing market remained sluggish in general and the total amount of financing stood merely at HK\$304.2 billion, representing a year-on-year decrease of 38%. The funds raised through the 64 IPO projects completed during the period aggregated HK\$89.8 billion, representing a year-on-year decrease of 65%. In contrast, the bond market prospered in 2012 thanks to investors' stronger demands for defensive assets and fixed income products. In the meantime, with the rapid economic growth of China, the continuous development and opening-up of China's capital market and the enhanced competitiveness of China's enterprises and projects, investment as well as merger and acquisition activities increased as well.

Against the background where challenges and opportunities concurrently existed, the Group made corresponding strategic adjustments and set up a brand-new team, thereby allowing the corporate finance business to buck the market downturn and hit an all-time high. Leveraging its advantages in terms of sales network, leadership and experience in the Hong Kong retail market as well as its expanding institutional client base, the Group has assisted many large IPO projects in realizing an oversubscribed public offering and in successful completion of a global placing, with brilliant results attained. The participating in and successful completion of large public offering projects offered the Group an edge to survive the competition for large-scale IPO projects. Meanwhile, the Group also seized the opportunities arising from the bond market boom to develop its business after factoring in corporate demands for bond financings. According to Bloomberg, as of December 2012, the Group ranked second in the market in terms of the number of Hong Kong IPO projects undertaken, and seventh in terms of the underwriting amount in Hong Kong IPO projects, and served the role of bookrunner or sponsor or above in 10 IPO projects. Of the top 10 IPO projects in the Hong Kong market during the period, the Group served as sponsor or bookrunner in 4 projects, including that of Haitong Securities and the People's Insurance Company (Group) of China Limited. It also undertook a number of debt financing projects, 2 equity refinancing projects, financial consultancy projects on acquisitions and mergers, and a great deal of other financial consultancy projects. The Group's corporate finance business showed its solid strength in terms of the number,

type and scale of the projects undertaken. During the period, total revenue from the corporate finance business amounted to HK\$466.03 million, nearly doubling the figure of last year.

#### *Asset Management*

Being an offshore RMB business centre, Hong Kong owns abundant RMB deposits and has developed a number of RMB financial products in recent years, including currency, foreign exchange, derivatives, bonds, funds and insurance products, and has been playing an important role in promoting the development of cross-border RMB business and RMB internationalization. Facing such an unprecedented opportunity, the Group has optimized its Mainland-funded background to enhance the brand and scale of its asset management business through innovative RMB products and cross-regional interaction.

The Group has been proactively engaged in development of innovative products, especially RMB products. We launched the first public offering of RQFII product in Hong Kong in early 2012. In September 2012, the Group became the first Mainland-funded broking firm in Hong Kong to be awarded the QFII qualification. It was also granted a QFII quota of US\$100 million by State Administration of Foreign Exchange which paved the way for RMB and US Dollar to be channeled into the secondary market in the Mainland. In addition, the Group was granted approval to issue the first RQFLP fund in China, the establishment of which opened the door for foreign capital inflows into the PRC primary market. As such, the Group became the world's only Mainland-funded institution to own all of the RQFII, QFII and RQFLP qualifications during the period, laying a solid foundation for the establishment of RMB/USD bilateral business channels in domestic and overseas markets for overseas investors. Currently, the Group is actively participating in studies of policies on the development of cross-border RMB businesses with the Mainland regulators. This provides the Group with a bigger platform for development of the cross-border business.

As for the sales of RMB products, the Group distributed its fund products via its existing sales platforms and banking networks. It also actively developed the sales channels of Hong Kong insurance companies and strengthened the cooperation with overseas strategic partners. The Group has signed cooperation agreements with some overseas institutions, with an aim of developing new products and exploring new channels by capitalizing on the parties' competitive edges and benefits on global asset management business. In addition, the Group made efforts in marketing products to high-net-worth investors and institutional investors, in order to establish a global sales network covering Europe, North America and South East Asia to expand its asset scale. We also carried out a review over existing products and put the focus of development on RMB-related funds, such as ETFs, index funds, FOFs and mezzanine funds.

### ***Fixed Income Business***

Fixed income business has become a significant business component of top international investment banks nowadays. The development of fixed income business has served a key role in supporting and balancing the broking business of the Group. In 2012, the Group rationalized its business structure to accommodate itself to market development by establishing the Fixed Income Department, and by exploring, optimizing and enhancing the overall operating capability, standard and synergy effect of each of the fixed income products. In less than a year of operation, our fixed income business grasped the opportunity arising from the bond market turbulences to actively explore private equity debt financing projects and establish investment pools. Besides, businesses such as proprietary debt trading and agency trading also contributed significantly to the Group's revenue.

### ***Structured Finance and Sector Fund Business***

As an innovative business of the Group, structured investment and finance business has become an important and stable source of revenue to the Company in recent years and in the future. In 2012, the Group achieved remarkable results in expansion of its pledged finance and structured finance businesses. During the period, interest income from provision of financing to corporate clients by the Group increased by 57% over the corresponding period of the previous year. After obtaining the first RQFLP qualification, the Group has made great strides in its development in sector fund business. During the period, the Group established a business team focused on sector fund investment in the Mainland China. The gradual opening-up of cross-border businesses in China also enabled the Group to seize timely the opportunities for development of sector funds with overseas fund-raising and domestic investment business model. It is expected that the business will become an important source of revenue to the Group in the future.

### **Operational Summary**

Whilst the Group was balancing its revenue and seeking for new profit sources through business innovation, it also stepped up restructurings for supporting departments in the middle and back office, integrating operating teams, appointing the Chief Risk Officer, reshuffling the legal and compliance departments, introducing prestigious economists in the sector and implementing stringent cost control, thereby making the Group's overall structure more refined and efficient.

In the course of integrating business structure and developing innovative businesses, the Group attached great significance to enhancing risk control accordingly. This was done by appointing the Chief Risk Officer and by optimizing and updating the approval procedures and management system on risk control for each business line according to the features and needs of different businesses. Furthermore, it also stepped up the integration and manpower configuration of the legal

and compliance departments. Such measures provided effective safeguards for the management to make efficient and accurate decisions.

Besides, in order to provide better services to high-net-worth clients and institutional clients, the Group's Research Department recruited prestigious economists in the sector during the period to consolidate its research capability in macroeconomics and strategies, whilst expanding its coverage to 9 industry segments (namely real estate, machinery, consumer, automotive, non-bank financial, gaming and hospitality, media, food and comprehensive) and 132 listed companies. The division also published various market information, macroeconomic analysis reports, strategy analysis reports and industry research reports regularly and frequently, which were widely recognized by the industry in terms of research coverage and depth.

Internally, the Group implemented stringent cost control during the year. As a result, the cost to income ratio improved remarkably from nearly 82% in 2011 to 71% in 2012. Nevertheless, the Group did not greatly reduce its staff cost; instead, it adhered to its people-oriented principle. During the period, the Group introduced a fresh round of strategic manpower deployment for each of the business departments and further rationalized the incentive mechanism for frontline staff. Meanwhile, the Group devoted more efforts to attract outstanding talents to optimize the manpower structure of each business and operating department, thereby laying a solid talent foundation for the Group to realize its strategic objective of transforming into a modern comprehensive investment bank.

### **Future Outlook**

After the structural reorganization and strategic transformation of various business and operating departments during the period, the Group has preliminarily set up a business framework of a modern comprehensive investment bank. In 2013, economies worldwide are set to witness a mild rebound. Market liquidity is abundant and is expected to flow into Asia and in particular China. The PRC economy will likely bottom out and the stock market may gradually recover, developing along with the bond market. In light of the new changes in economic situations and the capital market, the Group will strive to expand its capital scale and improve its securities trading volume. Moreover, it will optimize the use of various debt financing channels to increase leverage moderately and strive to enhance the scale and profitability of the flow-based businesses like margin financing, lending to investment banking clients and fixed income currencies and commodities on the basis of controllable and predictable risks. By optimizing its existing advantages in retail business, the Group will further optimize its client base, enhance the capability of undertaking large projects and strive for diversified development of investment banking business. In respect of asset management, the Group will make great efforts in developing the RQFII, QFII and RQFLP business driven by

RMB products and innovative businesses, in order to rapidly improve the scale of its asset management business. The Group will also accelerate its expansion into the overseas markets, and it plans to expand its market coverage from Singapore to the rest of South East Asia, continuously promote the rapid development of institutional business, and improve its servicing capacity to drive up the number and trading volume of its clients.

“Adhering to our client-oriented principle, we are determined and confident of leading the management team to focus on the development of institutional business and capital-driven innovative business, with traditional seller businesses being the principal area of operation, which are flanked by the flow-based and capital-investment businesses. To achieve this objective, we will integrate our structured finance and sector fund businesses into our investment banking business, expand our Fixed Income Department into the Fixed Income, Currency and Commodities (FICC) Department and steadily forge the Group to be a modern comprehensive investment bank with leading position in the Greater China region.

Taking this opportunity, I would like to express my sincerest gratitude to all the Board members and staff of the Group for their dedication, service and contribution. On behalf of the Board and management of the Group, I would also like to extend my appreciation to all of our investors and business partners for their support and trust. With the joint efforts of our fellow colleagues, the Group will soon achieve its strategic objective of transforming into a modern comprehensive investment bank with leading position in the Greater China region,” concluded **Dr Lin Yong**.

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

Haitong International Securities Group Limited (“Haitong International” or the “Group”; Stock Code: 665.HK) is a subsidiary of Haitong International Holdings Limited (“Haitong International Holdings”), a company incorporated in Hong Kong and wholly owned by Haitong Securities Co., Ltd. (“Haitong Securities”). Listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange (Stock Code: 600837.SH; 6837.HK), Haitong Securities is one of the leading securities companies in China, providing comprehensive financial services for over 4 million retail clients as well as over 12,000 institutional and high net worth clients with more than 210 sales offices spreading across in over 120 cities across the country.

Established in 1973, Haitong International has been listed on the Hong Kong Stock Exchange since August 1996. The Group is well-established to provide comprehensive and quality broking, corporate finance, asset management, fixed income, structured finance and sector fund products to institutional and individual

investors domestically and around the globe. As the only overseas business platform of Haitong Securities, the Group is well prepared and strives to be a modern and comprehensive investment bank with leading position in the Greater China region.

Haitong International has a robust retail client base and extensive distribution channels, with over 10 branches in Hong Kong and Macau. In China, the Group has 2 representative offices in Beijing and Shanghai and 5 investment consultancy centres in major cities including Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou.

Haitong International has maintained a leading position in the Renminbi business sector. We are the very first to successfully launch of the first Renminbi-denominated and settled public fund in 2010, and being among the first batch of institutions who receive RQFII qualification in 2012. We are the first Mainland-funded institution in Hong Kong to be awarded the QFII and RQFLP qualifications in 2012, rendering the Group the world's only Mainland-funded institution to own all of the RQFII, QFII and RQFLP qualifications during the period.

Our comprehensive and high quality products and services have been widely recognized. As early as in 1999, we became the first securities firm in Hong Kong and China to obtain the ISO 9002 Quality Management System Certification. We are also entitled the “Best Equity House in Hong Kong” by numerous international and local institutions for 13 consecutive years, including FinanceAsia, Asiamoney, Euromoney, Capital Magazine etc.

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

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