GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED
國泰君安國際控股有限公司
(incorporated in Hong Kong with limited liability)
(Stock code: 1788)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The Board of directors (the "Board") of Guotai Junan International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2010 together with comparative figures for the corresponding period last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2010	**2009**	**Change**
	HK$'000	*HK$'000*	
	Unaudited	*Unaudited*	*%*
Income from securities dealing and broking	184,539	159,720	15.5%
Income from futures dealing and broking	27,187	10,056	170.4%
Income from margin and other financing	35,483	30,226	17.4%
Income from corporate finance and advisory	13,481	3,810	253.8%
Income from fund management	18,971	8,352	127.1%
Revenue from core business activities	279,661	212,164	31.8%
Income from investment holding (Note 1)	7,599	49,557	-84.7%
Other income	3,058	1,878	62.8%
Total revenue	290,318	263,599	10.1%
Profit from continuing operations	111,260	103,168	7.8%
Profit from discontinued operations (Note 2)	—	39,122	-100.0%
Profit attributable to equity holders of the Company	110,541	141,077	-21.6%
Profit from core business activities (Note 3)	100,603	51,733	94.5%

Notes

1. Income from financial assets at fair value through profit and loss.
2. Profit from discoutinued operations represents the results of the fund investment business which has been disposed of in late 2009.
3. Profit from core business activities represents profit from continuing operations after deducting income from investment holding and other income.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 30 June	
		2010	**2009**
		Unaudited	*Unaudited*
		HK$'000	*HK$'000*
Continuing operations			
Revenue	4	287,260	261,721
Other income	5	3,058	1,878
Revenue and other income		290,318	263,599
Staff costs	6	(66,140)	(69,321)
Commission to accounts executives		(23,861)	(27,720)
Other commission expenses		(15,811)	(15,804)
Depreciation		(9,660)	(5,153)
(Impairment charge)/write back of provision for accounts receivable		(4,877)	11
Other operating expenses		(39,071)	(35,204)
		(159,420)	(153,191)
Finance costs		(2,694)	(75)
Profit before income tax	7	128,204	110,333
Income tax expense	8	(16,944)	(7,165)
Profit for the period from continuing operations		**111,260**	**103,168**
Discontinued operations			
Profit for the period from discontinued operations		—	39,122
Profit for the period		111,260	142,290

	Note	For the six months ended 30 June	
		2010	**2009**
		Unaudited	*Unaudited*
		HK$'000	*HK$'000*
Attributable to:			
Equity holders of the Company		110,541	141,077
Non-controlling interests		719	1,213
		111,260	142,290
Dividends			
Interim dividend	9	32,800	—
Earnings per share for profit from continuing operations attributable to equity holders of the Company			
- Basic and diluted (HK$)	10	**9.0 cents**	**8.3 cents**
Earnings per share for profit attributable to equity holders of the Company			
- Basic and diluted (HK$)	10	9.0 cents	11.5 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Profit for the period	111,260	142,290
Other comprehensive income		
Change in fair value of available-for-sale investments	—	3,812
Currency translation differences	—	(3)
Other comprehensive income for the period, net of tax	—	3,809
Total comprehensive income for the period	111,260	146,099
Attributable to:		
Equity holders of the Company	110,541	144,886
Non-controlling interests	719	1,213
	111,260	146,099

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2010**	**As at 31 December 2009**
			Restated
		Unaudited	*Audited*
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	11	347,467	354,719
Intangible assets		2,823	2,823
Other assets		2,960	2,840
Total non-current assets		353,250	360,382
Current assets			
Amount due from the immediate holding company		—	359
Financial assets at fair value through profit or loss		79,983	92,567
Accounts receivable	12	1,408,644	1,194,993
Prepayments, deposits and other receivables		15,297	7,103
Tax receivable		670	—
Cash and bank balances	13	564,976	460,284
Client trust bank balances	13	6,439,902	5,679,243
Total current assets		8,509,472	7,434,549
Current liabilities			
Amount due to the ultimate holding company		—	(578)
Amounts due to fellow subsidiaries		—	(645)
Accounts payable	14	(6,973,136)	(5,955,215)
Other payables and accrued liabilities		(93,520)	(138,351)
Bank borrowings		(500,000)	(500,000)
Current income tax liabilities		(24,250)	(14,884)
Total current liabilities		(7,590,906)	(6,609,673)

	Note	**As at 30 June 2010**	**As at 31 December 2009**
			Restated
		Unaudited	*Audited*
		HK$'000	*HK$'000*
Net current assets		918,566	824,876
Total assets less current liabilities		1,271,816	1,185,258
Equity			
Equity attributable to equity holders of the Company			
Share capital	15(a)	—	—
Share premium	15(a)	1,268,440	—
Other reserve	15(b)	(1,261,162)	31,980
Interim dividend	9	32,800	—
Retained earnings		1,226,530	1,148,789
		1,266,608	1,180,769
Non-controlling interests		5,208	4,489
Total equity		1,271,816	1,185,258

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP AND BASIS OF PRESENTATION

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The registered office of the Company is 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

The Company's immediate holding company and ultimate holding company are Guotai Junan Holdings Limited and Guotai Junan Securities Company Limited respectively.

The Company is an investment holding company and its subsidiaries are principally engaged in securities and commodities broking and dealing, securities trading, securities financing and money lending, fund management and provision of investment advisory and consultancy services (collectively the "Continuing operations"). The investment holding in equity funds and provision of consultancy services in Shenzhen (collectively the "Discontinued operations") was transferred to Guotai Junan Financial Holdings Limited ("GJFHL") on 30 October 2009. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2010.

This interim financial information is prepared as if the current group structure was in existence at the beginning of the reporting period. Accordingly, the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement of the Group for the six months ended 30 June 2009 and 2010 include the financial information of the Company and its subsidiaries with effect from 1 January 2009 or, if later, since their respective dates of incorporation as if the current group structure had been in existence throughout the two periods presented. The condensed consolidated balance sheet of the Group as at 31 December 2009 and 30 June 2010 are prepared as if the current group structure was in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on consolidation.

This unaudited condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board for issue on 26 August 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2010 is prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the financial information ("Financial Information") for the years ended 31 December 2007, 2008 and 2009 in the Prospectus, which is prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

Except as described below, the accounting policies applied and the use of certain critical accounting judgements and estimates are consistent with those of the Financial Information disclosed in the Prospectus.

Standards, amendments and interpretations published and effective for accounting periods beginning on or after 1 January 2010

Standard/ Interpretation	**Content**	**Applicable for financial years beginning on/ after**	**Relevant to the Group**
HKAS 17 (Amendment)	Leases	1 January 2010	Yes
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009	No
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement - Eligible hedged items	1 July 2009	No
HKFRS 1 (Revised)	First-time adoption of HKFRS	1 July 2009	No
HKFRS 3 (Revised)	Business combinations	1 July 2009	No
HK (IFRIC) - Int 17	Distribution of non-cash assets to owners	1 July 2009	No
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010	No
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010	No

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and reward incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Interests in leasehold land", and amortized over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date of transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified leasehold land from operating lease to finance lease.

As the property interest is held for own use, the land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful lives of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at 30 June 2010 Unaudited *HK$'000*	As at 31 December 2009 Audited *HK$'000*
Decrease in interests in leasehold land	(287,874)	(291,765)
Increase in property, plant and equipment	287,874	291,765

The above amendment had no impact on the Group's profit and other comprehensive income.

Improvements to HKFRSs

'Improvements to HKFRSs' contain numerous amendments to HKFRSs which the HKICPA consider non-urgent but necessary. 'Improvements to HKFRSs' comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual HKFRS standards. Most of the amendments are effective for annual periods beginning on 1 January 2010. No material changes to accounting policies are expected as a result of these amendments.

3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the margin and brokerage segment engages in the provision of margin financing to margin customers, securities, futures and options dealing and broking and its related underwriting and placing services;

(b) the corporate finance and advisory services segment engages in the provision of advisory services;

(c) the fund management engages in fund management; and

(d) others mainly represents investment holding as well as interest income and finance costs incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the periods ended 30 June 2009 and 2010.

The unaudited segment results of the Group for the six months ended 30 June 2010 are as follows:-

	Margin & brokerage	**Corporate finance and advisory**	**Fund management**	**Others**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue and other income:						
Sales to external customers	246,219	13,481	18,971	11,647	—	290,318
Inter-segment sales	—	1,000	—	—	(1,000)	—
Total	246,219	14,481	18,971	11,647	(1,000)	290,318
Profit before taxation	103,039	9,900	10,699	4,566	—	128,204
Taxation expenses	(13,731)	(1,632)	(1,581)	—	—	(16,944)
Profit for the period from continuing operations	89,308	8,268	9,118	4,566	—	111,260
Total	89,308	8,268	9,118	4,566	—	111,260
Other segment information:						
Depreciation	(4,324)	—	(189)	(5,147)	—	(9,660)
Finance costs	(2,476)	—	—	(218)	—	(2,694)

The unaudited segment results of the Group for the six months ended 30 June 2009 are as follows:-

	Margin & brokerage	**Corporate finance and advisory**	**Fund management**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue and other income:					
Sales to external customers	200,541	3,810	8,352	50,896	263,599
Inter-segment sales	—	—	—	—	—
Total	200,541	3,810	8,352	50,896	263,599
Profit before taxation	63,261	1,671	5,883	39,518	110,333
Taxation expenses	(6,289)	(273)	(603)	—	(7,165)
Profit for the period from continuing operations	56,972	1,398	5,280	39,518	103,168
Profit for the period from discontinued operations	—	—	—	39,122	39,122
Total	56,972	1,398	5,280	78,640	142,290
Other segment information:					
Depreciation	(4,816)	—	(211)	(126)	(5,153)
Finance costs	(49)	—	—	(26)	(75)

4 REVENUE

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Securities dealing and broking:		
- Commission on securities dealing and broking	133,746	137,382
- Placing, underwriting and sub-underwriting commission	41,185	16,572
- Handling income on securities dealing and broking	9,608	5,766
Futures dealing and broking:		
- Commission on futures dealing and broking	27,187	10,056
Margin and other financing:		
- Interest income on margin loans	26,506	18,866
- Interest income from IPO loans	689	136
- Interest income from banks and others	8,288	11,224
Corporate finance and advisory:		
- Consultancy and financial advisory fee income	13,481	3,810
Fund management:		
- Management fee income	11,712	6,996
- Performance fee income	7,259	1,356
Income from investment holding:		
- Net gain on financial assets held for trading	3,397	49,557
- Dividend income	4,202	—
	287,260	261,721

5 OTHER INCOME

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Information services income	899	1,011
Rental income	1,925	—
Others	234	867
	3,058	1,878

6 STAFF COSTS

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration):		
Salaries and allowances	33,353	31,314
Bonuses	32,032	37,300
Pension scheme contributions	755	707
	66,140	69,321

7 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Minimum lease payments under land and buildings	4,134	8,447
Professional and consultancy fee	6,220	5,313
Information services expense	5,745	4,551
Repair and maintenance (including system maintenance)	3,944	2,774
Marketing, advertising and promotion expense	1,096	204
Bank charges	956	949
Business trips	1,356	775
Handling charges	1,923	423
Entertainment	2,407	695

8 INCOME TAX EXPENSE

	For the six months ended 30 June	
	2010	**2009**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Current taxation - Hong Kong		
Charge for the period	17,674	7,165
Over provision in prior periods	(730)	—
Total tax charge for the period	16,944	7,165

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9 INTERIM DIVIDENDS

The Board of Directors has proposed an interim dividend of HK$32,800,000 (HK$0.02 per ordinary share) on 26 August 2010 for the six months ended 30 June 2010 (2009: not applicable).

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 and 2010 is based on the 1,230,000,000 ordinary shares in issue and issuable, comprising 1,000 shares in issue as at 30 June 2010 and 1,229,999,000 shares to be issued pursuant to the capitalization issue as set out in note 17, as if the shares were outstanding throughout the period.

(b) Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share as there is no diluted ordinary shares existed during the reporting period.

11 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Furniture and fixtures	Land & buildings	Leasehold improve-ments	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited						
Net book value at 1 January 2010	8,579	260	344,335	1,123	422	354,719
Additions	2,348	—	—	60	—	2,408
Depreciation for the period	(4,141)	(138)	(4,592)	(559)	(230)	(9,660)
Net book value at 30 June 2010	6,786	122	339,743	624	192	347,467
At 30 June 2010						
Cost	39,726	537	344,685	5,117	882	390,947
Accumulated depreciation	(32,940)	(415)	(4,942)	(4,493)	(690)	(43,480)
Net book value at 30 June 2010	6,786	122	339,743	624	192	347,467
Audited						
Net book value at 1 January 2009, restated						
Opening net carrying amount	14,615	537	—	2,254	882	18,288
Additions	2,397	—	344,685	—	—	347,082
Arising from discontinued operations	(30)	—	—	—	—	(30)
Depreciation for the year	(8,403)	(277)	(350)	(1,131)	(460)	(10,621)
Net book value at 31 December 2009	8,579	260	344,335	1,123	422	354,719
At 31 December 2009, restated						
Cost	37,378	537	344,685	5,057	882	388,539
Accumulated depreciation	(28,799)	(277)	(350)	(3,934)	(460)	(33,820)
Net book value at 31 December 2009	8,579	260	344,335	1,123	422	354,719

12 ACCOUNTS RECEIVABLE

(a) The carrying value of loans and receivables arising from the course of business of the Group is as follows:

	As at 30 June 2010 *Unaudited* *HK$'000*	**As at 31 December 2009** *Audited* *HK$'000*
Accounts receivable from:		
Margin loans	669,360	758,276
Accounts receivable - cash and custodian clients	66,551	45,210
Advances to customers	101,370	102,455
Other receivables		
- Accounts receivable from the Stock Exchange and other clearing houses	215,742	20,459
- Accounts receivable from brokers and dealers	347,159	239,510
- Accounts receivable arising from investment management and corporate finance and advisory services and others	15,161	32,336
Gross	1,415,343	1,198,246
Less: allowance for impairment	(6,699)	(3,253)
Net	1,408,644	1,194,993

(b) **Accounts receivable neither past due nor impaired**

	Margin loans	Accounts receivable from cash and custodian clients	Advances to customers	Other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited					
As at 30 June 2010					
Neither past due nor impaired	669,360	54,626	101,370	575,815	1,401,171
Fair value of collateral	7,940,163	—	221,096	—	8,161,259
Audited					
As at 31 December 2009					
Neither past due nor impaired	758,276	41,875	102,455	291,955	1,194,561
Fair value of collateral	8,782,315	—	240,522	—	9,022,837

Accounts receivable from cash and custodian clients which are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two or three business days prior to the year/period end dates. Such receivable balances are neither past due nor impaired as they are within the credit limit approved by the Credit Committee and normal market convention of T+2 or T+3.

(c) **Accounts receivable past due but not impaired**

	Margin loans	Accounts receivable from cash and custodian clients	Advances to customers	Other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited					
As at 30 June 2010					
Past due less than 6 months	—	63	—	1,546	1,609
Past due 6-12 months	—	—	—	351	351
Past due over 1 year	—	—	—	350	350
	—	63	—	2,247	2,310
Fair value of collateral	—	111,481	—	—	111,481
Audited					
As at 31 December 2009					
Past due less than 6 months	—	77	—	—	77
Past due 6-12 months	—	—	—	50	50
Past due over 1 year	—	—	—	300	300
	—	77	—	350	427
Fair value of collateral	—	120,845	—	—	120,845

Accounts receivable from cash and custodian clients which are past due but not impaired represent client trades on various securities and futures exchanges which are unsettled beyond the settlement date. When the cash and custodian clients failed to settle on settlement date, the Group has a right to force-sell the collaterals underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 30 June 2010 and 31 December 2009 are considered not to be impaired after taking into consideration the recoverability from collaterals. Collaterals held against such loans are publicly traded securities.

Other receivables past due but not impaired represent accounts receivable arising from corporate finance and advisory services which have not yet been settled by clients after the Group's normal credit period of 3 months from the date of invoice.

(d) **Impaired accounts receivable**

	Margin loans	Accounts receivable from cash and custodian clients	Advances to customers	Other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited					
As at 30 June 2010					
Impaired accounts receivable	—	11,862	—	—	11,862
Less: allowance for impairment	—	(6,699)	—	—	(6,699)
Net	—	5,163	—	—	5,163
Fair value of collateral	—	5	—	—	5
Audited					
As at 31 December 2009					
Impaired accounts receivable	—	3,258	—	—	3,258
Less: allowance for impairment	—	(3,253)	—	—	(3,253)
Net	—	5	—	—	5
Fair value of collateral	—	5	—	—	5

Accounts receivable from cash and custodian clients are considered impaired when clients failed to settle according to settlement terms and that the collection of all of the amount due in improbable. As at 31 December 2009 and 30 June 2010, gross impaired accounts receivable from cash and custodian clients amounted to HK$3,258,000 and HK$11,862,000 respectively and impairment allowance of HK$3,253,000 and HK$6,699,000 has been provided against these impaired accounts receivable respectively.

The net carrying amount of these impaired accounts receivable are HK$5,000 as of 31 December 2009 and HK$5,163,000 as at 30 June 2010.

Movement in impairment allowance on accounts receivable is as follows:

	As at 30 June 2010 *Unaudited* *HK$'000*	**As at 31 December 2009** *Audited* *HK$'000*
As at period/year beginning	3,253	13,688
Increase in impairment allowance charged to condensed consolidated income statement	4,878	2
Uncollectible amounts written-off during the period/year	(1,431)	(8,588)
Amounts written-back during the period/year released to condensed consolidated income statement	(1)	(1,849)
As at period/year end	6,699	3,253

13 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	As at 30 June 2010 *Unaudited* *HK$'000*	**As at 31 December 2009** *Audited* *HK$'000*
Bank balances and cash	458,964	290,284
Fixed deposits with banks	106,012	170,000
Client trust bank balances	6,439,902	5,679,243
	7,004,878	6,139,527

The Group maintains trust and segregated accounts with authorized financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations under the Hong Kong Securities and Futures Ordinance.

14 ACCOUNTS PAYABLE

	As at 30 June 2010 *Unaudited* *HK$'000*	As at 31 December 2009 *Audited* *HK$'000*
Accounts payable to:		
- Clients	6,880,891	5,873,961
- Brokers, dealers and clearing houses	87,769	81,254
- Others	4,476	—
	6,973,136	5,955,215

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The Group has a practice to satisfy all the requests for payment immediately within 1 business day. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of these businesses.

Accounts payable to clients also include those payables placed in trust accounts with authorized institutions of HK$6,440 million (31 December 2009: HK$5,679 million), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totaling HK$272 million (31 December 2009: HK$178 million).

Accounts payable are non-interest bearing except for the accounts payable to the clients.

15 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVE

(a) Share capital and share premium

The Group and Company

			Amount		
	Number of authorized shares (thousands)	Number of issued and fully paid shares	Share capital *HK$*	Share premium *HK$*	Total *HK$*
At 1 January 2009, 31 December 2009 and 1 January 2010	—	—	—	—	—
Issue of authorized shares (note (i))	10,000,000	1	—	—	—
Issue of new shares pursuant to the Reorganization (note (ii))	—	999	100	1,268,439,759	1,268,439,859
At 30 June 2010 (unaudited)	10,000,000	1,000	100	1,268,439,759	1,268,439,859

Notes:

(i) On 8 March 2010, the Company was incorporated with limited liability in Hong Kong with authorized share capital of HK$1,000,000,000 divided into 10,000,000,000 shares of par value HK$0.10 each. On the same date, one share was issued at par value to Guotai Junan Holdings Limited, representing 100% of issued share capital and the Company became a wholly owned subsidiary of Guotai Junan Holdings Limited.

(ii) Pursuant to a share swap agreement dated 14 June 2010, the Company acquired the entire issued share capital of Guotai Junan (Hong Kong) Limited from GJFHL in consideration for the Company issuing and allotting 999 shares at par to Guotai Junan Holdings Limited. After the share swap, the Company became the holding company of the subsidiaries now comprising the Group.

(iii) Pursuant to the Shareholders' Resolution dated 19 June 2010, the shareholders of the Company have adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members under the terms of the Scheme. The Directors have the discretion to grant to employees and directors of any members of the Group to subscribe for shares in the Company. The general terms and conditions of the Scheme are set out in the Prospectus. As at 30 June 2010 and up to the date of the interim report, no option has been granted under the Scheme.

(b) **Other reserve**

The Group

The Company was incorporated on 8 March 2010 and the Reorganization was not completed prior to 31 December 2009. For the purpose of this interim financial information, the other reserve in the condensed consolidated balance sheet as of 31 December 2009 represented the issued share capital of Guotai Junan (Hong Kong) Limited, the then immediate holding company of all the other subsidiaries of the Group.

Other reserve as at 30 June 2010 represents merger reserve, being the difference between the issued share capital of Guotai Junan (Hong Kong) Limited and the amount of share capital and share premium of the Company transferred and issued to Guotai Junan Holdings Limited in exchange for the entire issued share capital of Guotai Junan (Hong Kong) Limited as part of the Reorganization, net of costs incurred for proposed issuance of new shares.

16 OPERATING LEASE AND CAPITAL COMMITMENTS

Leases for the properties are negotiated for a term of one to three-year periods.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2010	**As at 31 December 2009**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Within one year	3,204	5,527
In the second to fifth years, inclusive	—	767
	3,204	6,294

In addition to the operating lease commitments disclosed above, the Group had capital commitments for renovation of premises and IT upgrade of approximately HK$6,063,000 which were contracted but not provided for as at 30 June 2010 (31 December 2009: HK$75,000).

17 SIGNIFICANT SUBSEQUENT EVENTS

The Company was listed on the Stock Exchange on 8 July 2010. Pursuant to the shareholders' resolution dated 19 June 2010, the Company capitalized an amount of HK$122,999,900 from the share premium account; and that the sum was applied in paying up in full at par 1,229,999,000 shares, which were allotted and issued to Guotai Junan Holdings Limited.

410,000,000 ordinary shares of HK$0.1 each in the Company were issued at HK$4.3 per share on 8 July 2010 as part of the listing exercise. The excess of the proceeds over the nominal value of the total number of ordinary shares issued of HK$1,722 million, less issuing expenses of approximately HK$93.7 million (including HK$24.7 million incurred as at 30 June 2010), amounting to HK$1,628.3 million was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Overview

We are pleased to report to our shareholders that the Group achieved a net profit from continuing operations of HK$111.3 million for the six months ended 30 June 2010 (2009: HK$103.2 million), an increase of 7.8% as compared to the corresponding period in 2009. The profit attributable to equity holders of the Company decreased by 21.6% to HK$110.5 million for the six months ended 30 June 2010 (2009: HK$141.1 million) as a result of disposal of its fund investment business in late 2009 which recognized HK$39.1 million non-recurring income for the six months ended 30 June 2009.

While witnessing the opening up of the PRC's capital markets and the strong demand of the PRC enterprises to go offshore for funding exercises, we provide an investment and fund raising platform for our clients to meet their needs. Our businesses are benefited from the strong sentiment of PRC investors in offshore investments and the demand for our corporate finance advisory services. Our position as an international financial services platform is further strengthened by means of a public listing in Hong Kong. In February 2010, we have been granted approval by the Chinese Securities Regulatory Commission to list in Hong Kong. The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2010.

After the strong rebound of the securities market in 2009, the securities market lost direction and became volatile in the first half of 2010. The poor performance of the PRC stock markets also frustrated investors. However, the volatility of the securities market and the global economy encouraged futures dealing activities. While capital raising became difficult in the environment with uncertainties, our Group has successfully sponsored 2 companies listing on the Stock Exchange and has been actively participated in 12 fund raising projects.

Compared to the corresponding period in 2009, our operating results across all major business segments recorded improvements. Total revenue increased by 10.1%. Such increase in revenue was primarily due to growth in our core businesses: securities and futures dealing and broking business, corporate finance and advisory business, fund management business and margin and other finance business. The revenue from our investment holding business was less profitable compared to the corresponding period in 2009 as our investments were benefited from the strong rebound of global financial markets in the second quarter of 2009.

BUSINESS REVIEW

Securities dealing and broking

Our securities dealing and broking business contributed a major part of revenue, experiencing an increase of 15.5% to HK$184.5 million for the six months ended 30 June 2010 (2009: HK$159.7 million) and account for 63.6% (2009: 60.6%) of the total revenue.

The growth in our securities dealing and broking was mainly attributable to the increase in commission income from placing, underwriting and sub-underwriting, moving up from HK$16.6 million in 2009 to HK$41.2 million in 2010. Our Group participated in 12 underwriting and placing projects in the first half of 2010 (2009: 6 projects).

The handling income on securities dealing and broking also increased by HK$3.8 million or 66.6%, achieving HK$9.6 million for the six months ended 30 June 2010 (2009: HK$5.8 million), a result of the increase in corporate action activities and stock borrowing and lending business in 2010.

With more intensive competitions from local financial services providers and multinational financial institutions including securities houses, banks and investment banks, the commission on securities dealing and broking decreased by HK$3.6 million or 2.6% to HK$133.7 million for the six months ended 30 June 2010 (2009: HK$137.4 million).

Futures dealing and broking

The commission on futures dealing and broking business increased by 170.4% or HK$17.1 million for the six months ended 30 June 2010 when comparing with the corresponding period in 2009. This was mainly attributable to our promising 280% period-to-period increase in commission generating from futures dealing and broking in the international markets. With continuous expansion of our electronic platform to global investment markets, the commission income from futures dealing and broking attributable to the international markets accounted for 91% of the total in 2010, compared to 65% of the corresponding period in 2009.

Margin and other financing

The interest income from our margin and other financing business increased by 17.4% or HK$5.3 million to HK$35.5 million in 2010 (2009: HK$30.2 million). As the average margin loan balance in 2010 increased by 36.2% or HK$188.4 million to HK$709.5 million (2009: HK$521.1 million), the interest income from margin loans increased by 40.5% or HK$7.6 million to HK$26.5 million in 2010 (2009: HK$18.9 million).

The interest income from banks and others decreased by 26.2% or HK$2.9 million to HK$8.3 million in 2010 (2009: HK$11.2 million).

Corporate finance and advisory services

The corporate consultancy and financial advisory fee income has significantly increased by HK$9.7 million or 253.8% to HK$13.5 million in 2010 (2009: HK$3.8 million). Due to the efforts of our staff, we completed the sponsorship of the listing of two companies on the Stock Exchange, out of the 28 IPOs launched in the Hong Kong market for first half of 2010. We also acted as an arranger for a guaranteed bond issued by a listed company in June 2010.

Asset management

We derive our fee income primarily from management fees and performance fees, which linked to the asset under management ("AUM") and the returns of funds, respectively. As at 30 June 2010, we acted as fund manager for 7 public funds and 3 private funds (30 June 2009: 7 public funds and 2 private funds) as well as investment advisor for 8 private funds (30 June 2009: 5 private funds). The AUM increased by 14.8% or HK$481.7 million to HK$3,733.4 million as at 30 June 2010 (30 June 2009: HK$3,251.7 million). As a result, management fees increased by 67.4% for the six months ended 30 June 2010 compared to the corresponding period in 2009. Performance fee increased by 435.3% from HK$1.4 million for the six months ended 30 June 2009 to HK$7.3 million in 2010, reflecting the strong performance of the relevant investment funds under our management or advisory.

Investment holding

The income from investment holding decreased by HK$42.0 million or 84.7% to HK$7.6 million in 2010 (2009: HK$49.6 million). We recognized a significant gain from the financial assets at fair value through profit or loss amounted to HK$49.6 million for the six months ended 30 June 2009 due to the rebound of global financial markets at the second quarter in 2009.

RESULTS OF FINANCIAL POSITION

During the six months ended 30 June 2010, the Group's total assets increased by HK$1,068 million or 13.7% to HK$8,863 million (31 December 2009: HK$7,795 million). The increase was mainly due to the increase in current assets; including increase in client trust bank balances of HK$761 million, increase in accounts receivable of HK$214 million and increase in cash and bank balances of HK$105 million.

The Group's total liabilities as at 30 June 2010 increased by HK$981 million or 14.8% to HK$7,591 million (31 December 2009: HK$6,610 million). The increase was due to the increase in current liabilities: including increase in accounts payable of HK$1,018 million and increase in current income tax liabilities of HK$9 million which is offset by decrease in other payables and accrued liabilities of HK$45 million.

As the Group recorded a net profit for the period, the Group's net assets increased by HK$87 million or 7.3% to HK$1,272 million (31 December 2009: HK$1,185 million) at the period end.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the net current assets of the Group increased by HK$94 million or 11.4% to HK$919 million (31 December 2009: HK$825 million). The Group's current ratio remained stable at 1.1 times as at 30 June 2010 and 31 December 2009.

The Group generated surplus cash of HK$105 million (30 June 2009: net cash outflow of HK$324 million) during the six months under review and the Group's bank balances amounted to HK$565 million at the period end (30 June 2009: HK$263 million). As at 30 June 2010 and 31 December 2009, the Group utilized HK$500 million bank borrowings from a revolving syndicated banking facility of HK$700 million. The Group also had available aggregate banking facilities of approximately HK$440 million from authorized financial institutions in Hong Kong, however, none of which were utilized as at 30 June 2010 and 31 December 2009. We believe our operating cash flow remains adequate for the finance of our recurrent working capital requirements as well as to finance any investment opportunities that may arise in the near future.

During the period and as at the date of this report, the Group strengthened its financial position by the following financing activities:-

(a) on 8 July 2010, the Company obtained net proceeds of approximately HK$1,669 million through its initial public offering of 410,000,000 new shares on the Main Board of the Stock Exchange; and

(b) the Group repaid the bank borrowings amounting to HK$500 million in late July 2010.

The Group monitors its capital structure in order to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group complied with their respective liquid capital requirements during the period and up to the date of this report.

Other than the information disclosed above, there were no other equity or debt instruments issued by the Company during the reporting period and at the end of the review period.

OUTLOOK AND FUTURE PLANS

As we mentioned earlier, with the listing of the Company on 8 July 2010, the second half of 2010 will be a challenging period for us to expand our business. We will continue to grow our brokerage business, by broadening institutional and retail client base, by strengthening our internet trading platform and by offering our clients with access to global markets around the world. We intend to provide our clients with a one-stop electronic investment platform to invest globally.

Regarding the investment banking services, we are expecting fund raising activities to become active in the second half of 2010. We will continue to pursue corporate finance advisory and fund raising opportunities for our clients in Hong Kong and China. In addition, a unit on debt capital markets has been established to explore debt-issuing business.

For asset management business, we have been engaged as the investment advisor for a Qualified Domestic Institutional Investor ("QDII") product which is now in issue by Guotai Junan Securities Company Limited in China. In addition, we are working on the development of RMB denominated investment products.

In order to expand our financial services to our client, we intend to engage in leveraged foreign exchange and related business in late 2010. We would look for direct investment opportunities such as debt investment or equity investment in private companies.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the period under review, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at the end of the reporting period, the Group did not hold any significant investments.

OTHER INFORMATION

LISTING OF SHARES OF THE COMPANY

The shares of the Company (the "Shares") have been successfully listed on the Main Board of the Stock Exchange on 8 July 2010. The total number of issued shares of the Company as at 8 July 2010 was 1,640,000,000 Shares.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK$0.02 per ordinary share for the six months ended 30 June, 2010, to the shareholders whose names appear on the register of members of the Company on 21 September 2010. The dividend will be payable on or about 7 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2010 to 21 September 2010, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 15 September 2010.

SHARE OPTION SCHEME

Pursuant to the Shareholders' Resolution dated 19 June 2010, the shareholders of the Company have adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members under the terms of the Scheme. The Directors have the discretion to grant to employees and directors of any members of the Group to subscribe for shares in the Company. The general terms and conditions of the Scheme are set out in the Prospectus. As at 30 June 2010 and up to the date of the report, no option has been granted under the Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Shares were listed after 30 June 2010, neither the Company nor any or its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provision") set forth in The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As the Shares have only been listed on the Stock Exchange on 8 July 2010, the CG Code was not applicable to the Company during the six months ended 30 June 2010. Nevertheless, in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code during the six months ended 30 June 2010.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Appendix 10 of the Listing Rules regarding securities transactions by its directors. The Company has made specific enquiry of all directors regarding any noncompliance with the Model Code. All the directors confirmed that they have fully complied with the required standard set out in the Model Code during the period commencing 8 July 2010 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange) to the date of this report.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's external auditor has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial reports.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, being Dr. YIM Fung, Mr. LI Guangjie, Mr. WONG Tung Ching and Mr. LI Sang Edward; one non-executive director, Dr. CHEN Geng; and three independent non-executive directors, being Mr. TSANG Yiu Keung, Dr. SONG Ming and Dr. FU Tingmei.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of interim results for the six months ended 30 June 2010 is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company at http://www.gtja.com.hk. The interim report for the six months ended 30 June 2010 of the Company containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
CHEN Geng
Chairman

Hong Kong, 26 August 2010