**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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of Guotai Junan International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2010 together with comparative figures for the previous financial year as follows:

## FINANCIAL HIGHLIGHTS

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2010** | **2009** | **Change** |
| | *(HK$'000)* | *(HK$'000)* | *%* |
| Income from dealing and broking | 368,113 | 357,763 | 2.9% |
| Income from margin and other financing | 101,396 | 70,775 | 43.3% |
| Income from corporate finance | 126,412 | 74,446 | 69.8% |
| Income from asset management | 44,570 | 24,061 | 85.2% |
| Revenue from core business activities | 640,491 | 527,045 | 21.5% |
| Income from investment holding *(Note 1)* | 11,826 | 56,325 | -79.0% |
| Other income | 5,777 | 3,715 | 55.5% |
| Total revenue | 658,094 | 587,085 | 12.1% |
| Profit from continuing operations | 252,624 | 244,040 | 3.5% |
| Profit from discontinued operations *(Note 2)* | — | 56,354 | -100% |
| Profit attributable to equity holders of the Company | 250,685 | 298,307 | -16.0% |
| Profit from core business activities *(Note 3)* | 235,021 | 184,000 | 27.7% |

*Notes*

1. Income from financial assets at fair value through profit and loss.
2. Profit from discontinued operations mainly 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.

## CONSOLIDATED INCOME STATEMENT

| | Note | For the year ended 31 December 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | 652,317 | 583,370 |
| Other income | 4 | 5,777 | 3,715 |
| Revenue and other income | | 658,094 | 587,085 |
| Staff costs | 5 | (148,114) | (140,455) |
| Commission to accounts executives | | (55,516) | (60,244) |
| Other commission expenses | | (36,306) | (30,024) |
| Performance fee expenses | | (10,661) | — |
| Depreciation | | (19,208) | (10,611) |
| (Impairment charge)/ write back of provision for accounts receivable | 11(d) | (10,006) | 1,847 |
| Other operating expenses | 5 | (85,734) | (70,582) |
| | | 292,549 | 277,016 |
| Finance costs | 5 | (4,142) | (5,168) |
| Profit before income tax | 5 | 288,407 | 271,848 |
| Income tax expense | 6 | (35,783) | (27,808) |
| **Profit for the year from continuing operations** | | 252,624 | 244,040 |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | | — | 56,354 |
| **Profit for the year** | | 252,624 | 300,394 |
| Attributable to: | | | |
| Equity holders of the Company | | 250,685 | 298,307 |
| Non-controlling interests | | 1,939 | 2,087 |
| | | 252,624 | 300,394 |
| **Dividends** | 7 | 114,800 | 150,000 |
| **Earnings per share for profit from continuing operations attributable to equity holders of the Company** | | | |
| - Basic and diluted (HK$) | 8 | 17.5 cents | 19.7 cents |
| **Earnings per share for profit attributable to equity holders of the Company** | | | |
| - Basic and diluted (HK$) | 8 | 17.5 cents | 24.3 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended 31 December 2010 | 2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Profit for the year** | 252,624 | 300,394 |
| Other comprehensive income: | | |
| Change in fair value of available-for-sale investments | — | 3,712 |
| Currency translation differences | — | (335) |
| Reclassification adjustments | | |
| - Release upon disposal of available-for-sale investments | — | (3,616) |
| **Other comprehensive income for the year, net of tax** | — | (239) |
| **Total comprehensive income for the year** | 252,624 | 300,155 |
| Attributable to: | | |
| Equity holders of the Company | 250,685 | 298,068 |
| Non-controlling interests | 1,939 | 2,087 |
| | 252,624 | 300,155 |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2010 HK$'000 | 2009 HK$'000 Restated |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 450,401 | 354,719 |
| Investment properties | | 115,055 | — |
| Intangible assets | | 2,823 | 2,823 |
| Other assets | | 2,870 | 2,840 |
| Deferred tax assets | | 2,530 | — |
| Held-to-maturity investments | 9 | 77,833 | — |
| **Total non-current assets** | | 651,512 | 360,382 |
| **Current assets** | | | |
| Loans and advances to customers | 10 | 1,975,894 | 860,731 |
| Accounts receivable | 11 | 935,583 | 334,262 |
| Prepayments, deposits and other receivables | | 11,970 | 7,103 |
| Amount due from the intermediate holding company | | — | 359 |
| Financial assets at fair value through profit or loss | 12 | 84,099 | 92,567 |
| Client trust bank balances | 13 | 5,874,971 | 5,679,243 |
| Cash and bank balances | 13 | 441,631 | 460,284 |
| **Total current assets** | | 9,324,148 | 7,434,549 |
| **Total assets** | | 9,975,660 | 7,794,931 |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 17(a) | 164,000 | — |
| Share premium | 17(a)(v) | 2,771,707 | — |
| Other reserve | 17(b) | (1,236,460) | 31,980 |
| Proposed final dividend | 7 | 82,000 | — |
| Retained earnings | | 1,284,674 | 1,148,789 |
| **Equity attributable to equity holders of the Company** | | 3,065,921 | 1,180,769 |
| Non-controlling interests | | 6,428 | 4,489 |
| **Total equity** | | 3,072,349 | 1,185,258 |

| | Note | As at 31 December 2010 HK$'000 | 2009 HK$'000 Restated |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | 1,056 | — |
| **Current liabilities** | | | |
| Bank borrowings | 16 | — | 500,000 |
| Amount due to the ultimate holding company | | — | 578 |
| Amounts due to fellow subsidiaries | | — | 645 |
| Other payables and accrued liabilities | 15 | 106,161 | 138,351 |
| Current income tax liabilities | | 17,154 | 14,884 |
| Accounts payable | 14 | 6,778,940 | 5,955,215 |
| **Total current liabilities** | | 6,902,255 | 6,609,673 |
| **Total liabilities** | | 6,903,311 | 6,609,673 |
| **Total equity and liabilities** | | 9,975,660 | 7,794,931 |
| **Net current assets** | | 2,421,893 | 824,876 |
| **Total assets less current liabilities** | | 3,073,405 | 1,185,258 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance (Cap. 32). 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 Group is principally engaged in securities and commodities dealing and broking, margin and other financing, corporate finance and asset management (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.

These consolidated financial statements were approved by the Board for issue on 9 March 2011.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are carried at fair value.

These consolidated financial statements have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest period. Accordingly, the consolidated income statement and consolidated statement of comprehensive income of the Group for the years ended 31 December 2009 and 2010 include the financial statements 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 years presented. The consolidated balance sheet of the Group as at 31 December 2009 and 31 December 2010 have been prepared as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on consolidation.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) **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 |
| HK (IFRIC) - Int 18 | Transfer of assets from customers | 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 transaction | 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 rewards 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 and 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.

The land interest of the Group that is held for own use 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 live of the asset and the lease term.

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

| | **As at 31 December 2010** *HK$'000* | **As at 31 December 2009** *HK$'000* |
|---|---|---|
| Decrease in interests in leasehold land | (283,985) | (291,765) |
| Increase in property, plant and equipment | 283,985 | 291,765 |

The above amendment had no impact on the consolidated balance sheet as at 1 January 2009 and profit and other comprehensive income for the years ended 31 December 2009 and 2010.

Second improvements to HKFRS' (2009) was issued in April 2009, by the HKICPA. It 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. For amendments that are effective for the financial year beginning on 1 January 2010, they have had no impact on the consolidated financial statements of the Group.

(b) **Standards, amendments and interpretations issued but not yet 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** |
|---|---|---|---|
| Amendment to HKAS 32 | Classification of rights issues | 1 February 2010 | No |
| HK (IFRIC) - Int 19 | Extinguishing financial liabilities with equity instruments | 1 July 2010 | No |
| Amendments to HKFRS 1 | Limited exemption from comparative HKFRS 7 disclosures for first-time adopters | 1 July 2010 | No |
| HKAS 24 (Revised) | Related party disclosures | 1 January 2011 | Yes |

| Standard/ Interpretation | Content | Applicable for financial years beginning on/ after | Relevant to the Group |
|---|---|---|---|
| HK(IFRIC) Int 14 | Prepayments of a minimum funding requirement | 1 January 2011 | No |
| Amendment to HKFRS 7 | Disclosures - Transfer of financial assets | 1 July 2011 | No |
| Amendment to HKAS 12 | Deferred tax: Recovery of underlying assets | 1 January 2012 | No |
| HKFRS 9 | Financial instruments | 1 January 2013 | Yes |

- HKAS 24 (Revised) Related Party Disclosures

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard applied, the Group and its parent will need to disclose any transactions between its subsidiaries and its associates.

- HKFRS 9 Financial Instruments

  HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit and loss. For all other equity instruments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit and loss. There is to be no recycling of fair value gains and losses to profit and loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit and loss, as long as they represent a return on investment.

  While adoption of HKFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

  The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- Improvements to HKFRSs 2010

  Improvements to HKFRSs were issued in May 2010, by the HKICPA. All improvements are effective for annual period beginning on or after 1 January 2011, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

(c) **Early adoption of standards**

The revised HKAS 24 Related Party Disclosures was issued in November 2009. The revised standard provides an exemption from the disclosure requirements for government-related entities and clarifies and simplifies the definition of a related party. The Group early applies HKAS 24 (Revised) retrospectively from 1 January 2009 onward. The early adoption of the revised standard does not have an impact on the financial position or the comprehensive income of the Group, but only affects the disclosure of related party information.

Except for the early adoption of HKAS 24 (Revised), the Group has not early adopted other new or amended accounting standards or interpretations in 2010.

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 represent a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The placing and underwriting services had been classified under brokerage and margin segment in last interim report. It has been combined with corporate finance and advisory to form corporate finance segment in the current year. Margin and other financing has been included in brokerage and margin segment in last interim report. It has been reported as a new margin and other financing segment in the current year. Comparatives have been restated to conform with current year presentation. Details of each of the business segments are as follows:-

(a) the dealing and broking segment engages in the provision of securities, futures and leveraged foreign exchange dealing and broking to the customers;

(b) the margin and other financing segment engages in the provision of margin financing to margin customers, initial public offering ("IPO") loans and other loan financing to the customers;

(c) the corporate finance segment engages in the provision of advisory services, placing and underwriting services;

(d) the asset management segment engages in asset management;

(e) the investment segment engages in investment holding of securities; and

(f) the "others" segment mainly represents the rental income, provision of information channel services and others.

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 years ended 31 December 2009 and 2010.

The segment information provided to the management for the reportable segments for the year ended 31 December 2009 and 2010 is as follows:

**For the year ended 31 December 2010**

| | **Dealing and broking** *HK$'000* | **Margin and other financing** *HK$'000* | **Corporate finance** *HK$'000* | **Asset management** *HK$'000* | **Investment** *HK$'000* | **Others** *HK$'000* | **Eliminations** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| **Segment revenue and other income** | | | | | | | | |
| Sales to external customers | 368,113 | 101,396 | 126,412 | 44,570 | 11,826 | 5,777 | — | 658,094 |
| Inter-segment sales | — | — | 2,984 | — | — | — | (2,984) | — |
| Total | 368,113 | 101,396 | 129,396 | 44,570 | 11,826 | 5,777 | (2,984) | 658,094 |
| Segment results | 137,068 | 60,522 | 69,180 | 9,811 | 11,826 | — | — | 288,407 |
| Income tax expense | | | | | | | | (35,783) |
| Profit for the year from continuing operations | | | | | | | | 252,624 |
| Profit for the year from discontinued operations | | | | | | | | — |
| Total | | | | | | | | 252,624 |
| Other segment information | | | | | | | | |
| Depreciation | (9,544) | (3,581) | (4,432) | (1,651) | — | — | — | (19,208) |
| Finance costs | (33) | (4,109) | — | — | — | — | — | (4,142) |

**For the year ended 31 December 2009**

| | Dealing and broking *HK$'000* | Margin and other financing *HK$'000* | Corporate finance *HK$'000* | Asset management *HK$'000* | Investment *HK$'000* | Others *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|
| **Segment revenue and other income** | | | | | | | |
| Sales to external customers | 357,763 | 70,775 | 74,446 | 24,061 | 56,325 | 3,715 | 587,085 |
| Inter-segment sales | — | — | — | — | — | — | — |
| Total | 357,763 | 70,775 | 74,446 | 24,061 | 56,325 | 3,715 | 587,085 |
| Segment results | 143,102 | 43,312 | 23,081 | 6,028 | 56,325 | — | 271,848 |
| Income tax expense | | | | | | | (27,808) |
| Profit for the year from continuing operations | | | | | | | 244,040 |
| Profit for the year from discontinued operations | | | | | | | 56,354 |
| Total | | | | | | | 300,394 |
| Other segment information | | | | | | | |
| Depreciation | (6,827) | (1,639) | (1,544) | (601) | — | — | (10,611) |
| Finance costs | (17) | (5,151) | — | — | — | — | (5,168) |

4 **Revenue and other income**

An analysis of revenue, which is also the Group's turnover, and other income is as follows:

| | **2010** *HK$'000* | **2009** *HK$'000* |
|---|---|---|
| Revenue: | | |
| Dealing and broking: | | |
| — Commission on securities dealing and broking | 290,849 | 312,145 |
| — Commission on futures dealing and broking | 56,749 | 32,555 |
| — Handling income on dealing and broking | 20,514 | 13,063 |
| — Net income on leveraged foreign exchange dealing and broking | 1 | — |
| Margin and other financing: | | |
| — Interest income from margin loans | 70,529 | 43,655 |
| — Interest income from IPO loans | 4,937 | 8,349 |
| — Interest income from banks and other loan financing | 24,022 | 18,771 |
| — Interest income from held-to-maturity investments | 1,908 | — |
| Corporate finance: | | |
| — Placing, underwriting and sub-underwriting commission | 100,767 | 56,327 |
| — Consultancy and financial advisory fee income | 25,645 | 18,119 |
| Asset management: | | |
| — Management fee income | 22,265 | 18,644 |
| — Performance fee income | 22,305 | 5,417 |
| Income from investment holding: | | |
| — Net gain on financial assets held for trading | 7,624 | 55,487 |
| — Dividend income from listed financial assets held for trading | 4,202 | 838 |
| | 652,317 | 583,370 |
| Other income: | | |
| Rental income | 3,753 | 807 |
| Information services income | 1,718 | 2,000 |
| Others | 306 | 908 |
| | 5,777 | 3,715 |

## 5 Profit before income tax

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

| | 2010 *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Other operating expenses include: | | |
| — Auditor's remuneration | 1,730 | 805 |
| — Bank charges | 1,797 | 2,329 |
| — Business trips | 3,202 | 3,066 |
| — Entertainment | 4,650 | 2,277 |
| — Handling charges | 4,771 | 1,429 |
| — Information services expense | 10,927 | 10,244 |
| — Loss on disposal of fixed assets | 82 | — |
| — Marketing, advertising and promotion expense | 5,409 | 1,963 |
| — Minimum lease payments under land and buildings | 8,190 | 15,111 |
| — Professional and consultancy fee | 12,129 | 10,251 |
| — Repair and maintenance (including system maintenance) | 8,566 | 6,404 |
| Staff costs (including directors' remuneration): | | |
| Salaries, bonuses and allowances | 146,501 | 139,027 |
| Pension scheme contributions | 1,613 | 1,428 |
| | 148,114 | 140,455 |
| Finance costs: | | |
| — bank loans and overdrafts | 4,084 | 5,150 |
| — others | 58 | 18 |
| | 4,142 | 5,168 |

## 6 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year 2009 and 2010 respectively.

| | 2010 *HK$'000* | 2009 *HK$'000* |
|---|---|---|
| Hong Kong profits tax | | |
| — Charge for the year | 38,258 | 27,808 |
| — Overprovision in prior years | (1,001) | — |
| Deferred income tax | | |
| — Current year temporary differences | (1,474) | — |
| Income tax expense | 35,783 | 27,808 |

## 7 Dividends

The Board has declared and paid an interim dividend of HK$32,800,000 (HK$0.02 per ordinary share) for the six months ended 30 June 2010 on 26 August 2010 and 8 October 2010 respectively.

The Board has proposed a final dividend of HK$82,000,000 (HK$0.05 per share) on 9 March 2011 for the year ended 31 December 2010. The final dividend proposed after the reporting date has not been recognized as a liability in the consolidated financial statements at the reporting date.

Dividends amounting to HK$150,000,000 for the year ended 31 December 2009 represent dividends declared and fully paid to GJFHL, the then sole shareholder of the Company.

## 8 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2010 is based on the profit attributable to equity holders of the Company of HK$250,685,000 (2009: HK$298,307,000) and the weighted average of 1,428,822,000 ordinary shares (2009: 1,230,000,000 ordinary shares in issue before listing of the shares on the Stock Exchange, as if the shares had been outstanding during the entire year of 2009) in issue during the year, calculated as follows:

| | **Weighted average number of ordinary share** | |
|---|---|---|
| | **2010** | **2009** |
| Ordinary shares issued (Note 17a(i)) | 1 | 1 |
| Issuance of shares upon the Reorganization (Note 17a(ii)) | 999 | 999 |
| Effect of Capitalization Issue (Note 17a(iii)) | 1,229,999,000 | 1,229,999,000 |
| Effect of shares issued on the IPO (Note 17a(iv)) | 198,822,000 | — |
| As at 31 December | 1,428,822,000 | 1,230,000,000 |

### (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 year (2009: Nil).

9 **Held-to-maturity investments**

The movement in unlisted held-to-maturity investments which comprise of one senior notes issued by a private company is summarized as follows:

| | **2010** | **2009** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| At 1 January | — | — |
| Additions | 77,833 | — |
| Impairment losses | — | — |
| At 31 December | 77,833 | — |

The Group has not reclassified any financial assets measured at amortized cost rather than at fair value during the year (2009: Nil).

10 **Loans and advances to customers**

| | **2010** | **2009** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Margin loans | 1,975,894 | 758,276 |
| Term loans to customers | — | 102,455 |
| Gross loans and advances to customers | 1,975,894 | 860,731 |
| Less: allowance for impairment | — | — |
| | 1,975,894 | 860,731 |

**Margin financing operations**

The Group provides clients with margin financing for securities transactions, which are secured by clients' securities held as collateral. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. The Group seeks to maintain strict control over its outstanding receivables and has a Credit and Risk Management Department to monitor credit risks.

Margin loans to the clients are secured by the underlying pledged securities, bear interest rate with reference to the Hong Kong dollar prime rate and are repayable on demand. The carrying value of margin loans approximates to their fair value. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of margin loan businesses. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 31 December 2010, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$12,216 million (2009: HK$8,782 million). The balances represent the market value of the securities as at 31 December 2010 and 2009.

**Term loans to customers**

The Group also provides term loans to the customers. In determining the interest rates, reference will be made to the credit standing of the relevant customers and the quality of the collateral pledged. As at 31 December 2009, the term loans granted to the customers amounting to HK$100,000,000 and its accrued interest amounting to HK$2,455,000 are fully secured by listed securities pledged with the Group as collateral with undiscounted market value of HK$241 million. Those term loans have been fully repaid in 2010. The carrying amounts of the term loans to customers approximate to their fair values.

As at 31 December 2010 and 2009, all loans and advances to customers are neither pass due nor impaired and no impairment allowance has been provided during 2010 and 2009.

11 **Accounts receivable**

(a) *Analysis of accounts receivable*

The carrying value of accounts receivable arising from the course of business of the Group are as follows:

| | **2010** *HK$'000* | **2009** *HK$'000* |
|---|---|---|
| Accounts receivable arising from dealing and broking | | |
| — cash and custodian clients | 50,134 | 45,210 |
| — the Stock Exchange and other clearing houses | 186,051 | 20,459 |
| — brokers and dealers | 679,782 | 239,510 |
| Accounts receivable arising from underwriting, asset management, corporate finance and advisory services | | |
| — Corporate clients and investment funds | 31,444 | 32,336 |
| Gross | 947,411 | 337,515 |
| Less: allowance for impairment | (11,828) | (3,253) |
| Net | 935,583 | 334,262 |

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

| | Accounts receivable from cash and custodian clients HK$'000 | Accounts receivable from the Stock Exchange and other clearing houses HK$'000 | Accounts receivable from brokers and dealers HK$'000 | Accounts receivable from corporate clients and investment funds HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 31 December 2010 | | | | | |
| Neither past due nor impaired | 38,224 | 186,051 | 679,782 | 30,759 | 934,816 |
| As at 31 December 2009 | | | | | |
| Neither past due nor impaired | 41,875 | 20,459 | 239,510 | 31,986 | 333,830 |

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 business days prior to the year end date. Such receivable balances are neither past due nor impaired as they are within the credit limit and are under normal market convention.

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

| | Accounts receivable from cash and custodian clients HK$'000 | Accounts receivable from the Stock Exchange and other clearing houses HK$'000 | Accounts receivable from brokers and dealers HK$'000 | Accounts receivable from corporate clients and investment funds HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 31 December 2010 | | | | | |
| Past due less than 6 months | 74 | — | — | 634 | 708 |
| Past due 6 — 12 months | — | — | — | 51 | 51 |
| Past due over 1 year | — | — | — | — | — |
| | 74 | — | — | 685 | 759 |
| Fair value of collateral | 64,191 | — | — | — | 64,191 |
| 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 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 31 December 2009 and 2010 are considered as past due but not impaired after taking into consideration the recoverability from collaterals. Collaterals held against such loans are publicly traded securities.

Accounts receivable from corporate clients and investment funds past due but not impaired represent accounts receivables arising from asset management, 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*

| | **Accounts receivable from cash and custodian clients** | **Accounts receivable from the Stock Exchange and other clearing houses** | **Accounts receivable from brokers and dealers** | **Accounts receivable from corporate clients and investment funds** | **Total** |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **As at 31 December 2010** | | | | | |
| Impaired accounts receivable | 11,836 | — | — | — | 11,836 |
| Less: allowance for impairment | (11,828) | — | — | — | (11,828) |
| Net | 8 | — | — | — | 8 |
| Fair value of collateral | 8 | — | — | — | 8 |
| **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. As at 31 December 2010, gross impaired accounts receivable from cash and custodian clients amounted to HK$11,836,000(2009: HK$3,258,000) and impairment allowance of HK$11,828,000 (2009: HK$3,253,000) has been provided against these "impaired" receivables.

The carrying amount of these "impaired" receivables are HK$8,000 (2009: HK$5,000) as of 31 December 2010.

Movements on the provision for impairment of accounts receivable are as follow:-

| | **2010** | **2009** |
|---|---:|---:|
| | *HK$'000* | *HK$'000* |
| As at 1 January | 3,253 | 13,688 |
| Increase in impairment allowance charged to consolidated income statement | 10,012 | 2 |
| Uncollectible amounts written-off during the year | (1,431) | (8,588) |
| Amounts written-back during the year released to consolidated income statement | (6) | (1,849) |
| As at 31 December | 11,828 | 3,253 |

## 12 Financial assets at fair value through profit or loss

| | **2010** | **2009** |
|---|---:|---:|
| | *HK$'000* | *HK$'000* |
| Financial assets held for trading: | | |
| Listed equity investments, at fair value | | |
| — in Hong Kong | 84,099 | 92,567 |

## 13 Cash and bank balances and client trust bank balances

| | **2010** | **2009** |
|---|---:|---:|
| | *HK$'000* | *HK$'000* |
| Cash and bank balances | 296,812 | 290,284 |
| Fixed deposits with bank | 144,819 | 170,000 |
| Client trust bank balances | 5,874,971 | 5,679,243 |
| | 6,316,602 | 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 (Cap.571).

## 14 Accounts payable

| | 2010<br>*HK$'000* | 2009<br>*HK$'000* |
|---|---|---|
| Accounts payable arising from dealing and broking: | | |
| — clients | 6,682,318 | 5,873,961 |
| — brokers and dealers | 71,275 | 76,895 |
| — the Stock Exchange and other clearing houses | — | 4,359 |
| Accounts payable arising from underwriting, asset management, corporate finance and advisory services | | |
| — corporate clients | 25,347 | — |
| | 6,778,940 | 5,955,215 |

The majority of the accounts payable balances is 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 ageing analysis is disclosed as in the opinion of directors, the ageing analysis does not give additional value in view of the nature of these businesses.

Accounts payable to clients also include those payables in trust accounts with authorized institutions of HK$5,875 million (2009: HK$5,679 million), Hong Kong Futures Exchange Clearing Corporation Limited, and other futures dealers of HK$601 million (2009: HK$178 million).

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

The carrying amounts of the Group's accounts payable approximate to their fair values.

15 **Other payables and accrued liabilities**

| | 2010 | 2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Other payables | 3,267 | 47,554 |
| Accrued liabilities | 102,894 | 90,797 |
| | 106,161 | 138,351 |

Other payables and accrued liabilities are non interest bearing and have an average term of 3 months.

The carrying amounts of the Group's other payables and accrued liabilities approximate to their fair values.

16 **Bank borrowings**

| | 2010 | 2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total unsecured bank borrowings | — | 500,000 |

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the respective balance dates are as follows:

| | 2010 | 2009 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 6 months or less | — | 500,000 |

The Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate plus 1% per annum at each balance sheet date.

The carrying amounts of bank borrowings approximate their fair values as the impact to discounting is not significant.

## 17 Share capital, share premium and other reserve

(a) *Share capital and share premium*

| | Number of authorized shares | Number of issued and fully paid shares | Amount<br>Share capital HK$'000 | <br>Share premium HK$'000 | <br>Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2009, 31 December 2009 and 1 January 2010 | — | — | — | — | — |
| Issue of authorized shares (Note (i)) | 10,000,000,000 | 1 | — | — | — |
| Allotment of shares pursuant to the share swap (Note ii) | — | 999 | — | 1,268,440 | 1,268,440 |
| Capitalization for issuance of new shares (Note iii) | — | 1,229,999,000 | 123,000 | (123,000) | — |
| Shares issuance pursuant to the Global Offering (Note iv) | — | 410,000,000 | 41,000 | 1,722,000 | 1,763,000 |
| Share issuance costs incurred in the current year (Note v) | — | — | — | (95,733) | (95,733) |
| At 31 December 2010 | 10,000,000,000 | 1,640,000,000 | 164,000 | 2,771,707 | 2,935,707 |

*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 Company capitalized an amount of HK$122,999,900 from the share premium account; and 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.

(iv) The Company was listed on the Stock Exchange on 8 July 2010 and 410,000,000 ordinary shares of HK$0.1 each were issued at HK$4.3 per share. The excess of the proceeds over the nominal value of the total number of ordinary shares issued of HK$1,722 million was credited to the share premium account.

(v) The Company incurred HK$98,717,000 as share issuance costs for the listing on the Stock Exchange in the current year, HK$2,984,000 of which was related to inter-company transactions. As a result, the share issuance cost for the Group was only HK$95,733,000 and the share premium was HK$2,771,707,000 as at 31 December 2010.

(vi) 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 an option to subscribe for shares in the Company. The subscription price will be determined on the date of grant by the Board as an amount per share calculated under the established rules. As at 31 December 2010 and up to the date of this announcement, no option has been granted under the Scheme.

(b) *Other reserve*

The Company was incorporated on 8 March 2010. For the purpose of the consolidated financial statements, the other reserve in the 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 31 December 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.

## 18 Operating lease arrangements

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

At 31 December 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2010** | **2009** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Within one year | 115 | 5,527 |
| In the second to fifth years, inclusive | — | 767 |
| | 115 | 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$6,750,000 which were contracted but not provided for as at 31 December 2010 (2009: HK$75,000)

## MANAGEMENT DISCUSSION AND ANALYSIS

### Result Overview

We are pleased to report to our shareholders that the Group achieved a promising growth in the profit from core business to HK$235.0 million for the year ended 31 December 2010 (2009: HK$184.0 million), an increase of 27.7% as compared to 2009. As a result of the large mark-to-market gain in financial assets at the end of 2009, the profit from the Continuing Operations in 2010 only increased by 3.5% to HK$252.6 million (2009: HK$244.0 million). The profit attributable to equity holders of the Company decreased by 16.0% to HK$250.7 million for the year ended 31 December 2010 (2009: HK$298.3 million) as a result of disposal of its fund investment business in late 2009 from which the Group recognized HK$56.4 million non-recurring income for the year ended 31 December 2009.

Following the listing on the Stock Exchange on 8 July 2010, we have applied the net proceeds of approximately HK$1,667.3 million to strengthen our business, especially in the following areas:

1. The margin loan balance significantly increased by HK$1,306.5 million or 195.2% from HK$669.4 million as at 30 June 2010 to HK$1,975.9 million as at 31 December 2010. Due to the expansion of margin loan business in the second half of 2010, the interest income from margin loan business increased by 61.6% to HK$70.5 million for the year ended 31 December 2010 (2009: HK$43.7 million).

2. Bank borrowing in the amount of HK$500 million was repaid in July 2010 which reduced the finance cost incurred for in bank loans and overdrafts by 20.7% to HK$4.1 million for the year ended 31 December 2010 (2009: HK$5.2 million).

3. HK$77.8 million has been applied to invest in a three-year note issued by a private company in September 2010 and the interest income from the notes was HK$1.9 million for the year ended 31 December 2010 (2009: Nil).

**Market Review**

After the unprecedented scale of direct government intervention and the implementation of comprehensive stimulation measures since the financial crisis in 2008, the global market was still volatile in 2010. Concerns about the success of the international rescue measures, the increasing government deficits and debt levels in certain European countries, the downgrading of European sovereign debts credit rating caused uncertainties to the financial markets, especially in the first half of the year. With the governments continued to procure measures to support the economy, the financial markets saw rebound in the second half of the year. However, the path for the overall economic recovery remains long and full of uncertainties.

In Hong Kong, the real Gross Domestic Product was up at 6.8% in 2010. Athough the unemployment rate came down, inflation rate was higher. Hong Kong continued to position itself as an international financial centre. With the support from the Mainland China, Hong Kong was working on becoming the offshore clearing centre for the RMB. In July 2010, a supplementary Memorandum of Cooperation on the expansion of the RMB trade settlement pilot scheme was signed by the People's Bank of China and the Hong Kong Monetary Authority. The Hong Kong's RMB deposits hit RMB314.9 billion at the end of 2010, an increase of 402% as compared to the balance of RMB62.7 billion at the end of 2009.

The Hong Kong securities market experienced rally during the year. After the strong rebound in 2009, the market lost direction at the beginning of the year. Affected by certain European market incidences, the market sentiment dropped to the bottom by the end of May 2010. Thereafter, with the increase in IPO activities in Hong Kong, the corporate earnings reflecting a sign of economic recovery and the announcement of the quantitative easing measures by the United States government, the market picked up in a good pace. The Hang Seng Index closed at 23,035, up by 5.3% from the beginning of the year. The Hang Seng China Enterprises Index dropped by 0.8%, reflecting the tightening measures of the Chinese government in fighting against strong inflation pressure.

In China, the Gross Domestic Product growth remained high and the inflation level was high as well. The government has introduced various measures in tightening the economic overheating, especially in controlling property prices, by means of tightening the money supply. The stock market was affected by the concerns about the macroeconomic control measures. The Shanghai Composite Index closed at 2,808, down 14.3% from the beginning of the year.

## Business Review

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

The Group's business can be divided into 4 core business areas: dealing and broking, margin or other financing, corporate finance and asset management. The allocation of the revenue from these core business areas is listed in the following table.

| | **2010** | | **2009** | |
|---|---|---|---|---|
| | *HK$'000* | % | *HK$'000* | % |
| Dealing and broking | 368,113 | 57.5 | 357,763 | 67.9 |
| Margin or other financing | 101,396 | 15.8 | 70,775 | 13.4 |
| Corporate finance | 126,412 | 19.7 | 74,446 | 14.1 |
| Asset management | 44,570 | 7.0 | 24,061 | 4.6 |
| Revenue from core business activities | 640,491 | 100 | 527,045 | 100 |

## Dealing and broking

Amongst our core business activities, dealing and broking activities generate over 57.5% of the core business revenue, and it is crucial to the success of the Group. Our business is mainly conducted through Internet and thus we positioned ourselves as an Internet service provider in this regard. In 2010, 85% of our brokerage business was executed through internet channel (2009: 85%). Currently, our online trading platform can support 8 international securities markets, including Hong Kong, United States, Japan, London, Canada, Taiwan, Shanghai B shares and Shenzhen B shares; 18 global futures markets and leverage foreign exchange trading. As we aim to provide a "one-stop" service through a single platform, our internet platform covers a lot of functions including securities and futures dealing, IPO subscription, margin finance application, investment fund subscription, provision of market news and research reports. Our platform possesses the characteristics of multi-functional, stable and secure.

During the year, we successfully opened almost 10,000 new brokerage accounts, while the Group's client retention efforts were also successful as a result of a range of client promotion schemes. 85% of the revenue was generated from individual clients while 15% was from institutional clients. With our strong foundation in China, 92% of our clients are from China. In addition, our Research team and Investment Strategy team continued to deliver timely and insightful information to our clients for their investment decisions.

During the year, dealing and broking business generated an amount of HK$368.1 million to our revenue (2009: HK$357.8 million). A breakdown of the income has been set out below.

| | **2010** | | **2009** | |
|---|---|---|---|---|
| | *HK$'000* | *%* | *HK$'000* | *%* |
| Securities | 290,849 | 79.0 | 312,145 | 87.2 |
| Futures | 56,749 | 15.4 | 32,555 | 9.1 |
| Leveraged foreign exchange | 1 | — | — | — |
| Handling income | 20,514 | 5.6 | 13,063 | 3.7 |
| Income from broking and dealing activities | 368,113 | 100 | 357,763 | 100 |

The unclear picture of economic recovery, the continuing news on European sovereign debt problems and the determination of rescuing the economy by various central governments and the measures in controlling inflation in China caused volatility in the financial markets in Hong Kong. In 2010, the market turnover was increased by 11%. With the increasing number of Chinese securities houses commencing business in Hong Kong and the aggressiveness of the other securities houses and banks in tracing for business, during the year, we were facing strong competitions in the business. Our commission on securities broking and dealing decreased by 6.8% to HK$290.8 million (2009: HK$312.1 million).

However, the growth in futures business was promising. During the year, the commission income increase by 74.3% to HK$56.7 million (2009: HK$32.6 million). We were also facing a continuing shift of market mix of the futures business that the income from international markets accounted for 91.6% of the income of futures business. In 2009, only 78.2% of the revenue was from international markets and 21.8% was from Hong Kong market.

The handling income also increased by 57%, achieving HK$20.5 million (2009: HK$13.1 million), which was a result of the increase in corporate action activities and stock borrowing and lending activities in 2010.

We launched the leveraged foreign exchange business in late December 2010. We are expecting that more income will be generated in 2011.

**Margin or other financing**

The income from our financing business increased by 43.3% to HK$101.4 million in 2010 (2009: HK$70.8 million). A summary is set out below.

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | *HK$'000* | % | *HK$'000* | % |
| Income from margin loans | 70,529 | 69.5 | 43,655 | 61.7 |
| Income from IPO loans | 4,937 | 4.9 | 8,349 | 11.8 |
| Income from banks and others | 24,022 | 23.7 | 18,771 | 26.5 |
| Income from held-to-maturity investment | 1,908 | 1.9 | — | — |
| Total interest income | 101,396 | 100 | 70,775 | 100 |

With the Group successfully listed on the Main Board of the Stock Exchange in July 2010, we were able to procure sufficient funding in expanding our margin financing business. The strong appetite for margin finance enabled us to put more resources into this business than what we were planning at the time of our listing. While the demand was only built since September 2010, our margin financing income increased by 61.6% to HK$70.5 million (2009: HK$43.7 million). The margin loan portfolio achieved HK$1,975.9 million at 31 December 2010, an increase of 160.6% as compared to 2009 (2009: HK$758.3 million). The average margin loan portfolio increased by 71.8% to HK$1,027.5 million (2009: 598.1 million).

Owing to the strong competition in IPO financing market, we had to lower our interest rate so as to remain competitive. As such, our income from IPO loans dropped by 40.9% to HK$4.9 million (2009: HK$8.3 million), disregarding the increasing number of IPO activities during the year.

During the year, the Group has made investment into a 3-year term note issued by a private company in the amount of HK$77.8 million. The note is expected to be held until maturity and the income for the year was HK$1.9 million.

**Corporate finance**

After the financial crisis in 2008 which suppressed the fund raising activities in 2009, there was a sharp increase in fund raising exercises in 2010. During the year, there were 113 new listings on the Stock Exchange, an increase of 55% when compared to 73 new listings in 2009 (including 12 companies which transferred their listings from the GEM Board to the Main Board in 2010, compared to 4 companies in 2009). Equity fund raising (including IPOs) in the Hong Kong market reached a record high of HK$850 billion, an increase of 32% (2009: HK$642 billion).

Our corporate finance business also made good progress in business and returned a solid performance in 2010, with revenue increased by 69.8% to HK$126.4 million (2009: HK$74.4 million). During the year, our corporate finance team has been able to play key roles in a diversified range of deals, including acting as sponsor for 4 IPOs, namely Directel Holdings Limited, Costin New Materials Group Limited, Kingworld Medicines Group Limited and Guotai Junan International Holdings Limited. The team was also appointed as global coordinator, bookrunner, lead manager or underwriter for a number of IPOs, among others, China Titans Energy Technology Group Co., Limited, Zhongsheng Group Holdings Limited and China Auto System Technologies Limited. The team also participated in a number of new and secondary share placements. During the year, the team has participated in 28 equity fund raising exercises. In addition, a new team of debt capital markets was set up in the second half of the year and the team has completed 2 debt issues during the year. Fund raised in the equity capital markets team and debt capital markets team amounted to around HK$3 billion and HK$1.3 billion respectively. In addition, our corporate finance team has been engaged as compliance adviser for 32 newly listed companies and has provided advisory service in 8 financial advisory projects.

**Asset management**

We derived our fee income primarily from management fee and performance fee, which is linked to the asset under management ("AUM") and the returns of funds, respectively. In 2010, we acted as fund manager for 7 public funds and 3 private funds (2009: 7 public funds and 3 private funds) as well as investment advisor for 1 public fund and 8 private funds (2009: 8 private funds). Although the AUM decreased by 9% to HK$3,855.2 million as at 31 December 2010 (2009: HK$4,236.6 million), management fees increased by 19.4% or HK$3.6 million to HK$22.3 million (2009: HK$18.6 million). Performance fee increased by 311.8% or HK$16.9 million to HK$22.3 million (2009: HK$5.4 million), reflecting the strong performance of the relevant investment funds under our management or advisory. As a whole, the income from asset management activities increased by 85.2% to HK$44.6 million (2009: HK$24.1 million).

During the year, the Group has been appointed as investment advisor for a Qualified Domestic Institutional Investors (QDII) Scheme managed by our controlling shareholder Guotai Junan Securities Company Limited, namely 國泰君安君富香江集合資產管理計劃 (Guotai Junan Jun Fu Xiang Jiang Collective Investment Plan). We are expecting that it will continue to generate more revenue to us in the coming future.

**Investment holding**

The income from investment holding decreased by 79% to HK$11.8 million in 2010 (2009: HK$56.3 million). The decrease was contributed to the recognition of a significant gain from the financial assets at fair value through profit or loss amounting to HK$55.5 million in 2009.

## RESULTS OF FINANCIAL POSITION

With net proceeds of approximately HK$1,667.3 million through its public offering of 410,000,000 new shares on 8 July 2010, the Group's total asset increased by 28% to HK$9,975.7 million as at 31 December 2010 (2009: HK$7,794.9 million). The increase was mainly due to increase in loans and advances to customers of HK$1,115.2 million, increase in accounts receivable of HK$601.3 million, purchase of investment properties of HK$115.1 million, property of HK$104.1 million and increase in client trust bank balances of HK$195.7 million.

The Group's total liabilities as at 31 December 2010 increased by 4.4% to HK$6,903.3 million (31 December 2009: HK$6,609.7 million). The increase was mainly due to increase in accounts payable of HK$823.7 million. The increase in total liabilities is partially offset by the repayment of bank borrowings amounting to HK$500 million in July 2010.

As the Group recorded a net profit of HK$252.6 million for the year ended 31 December 2010 and received net proceeds of HK$1,667.3 million from its initial public offering in July 2010, the Group's net assets increased by HK$1,887.1 million or 159.2% to HK$3,072.3 million (2009: HK$1,185.3 million) as at 31 December 2010.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the net current assets of the Group increased by HK$1,597 million or 193.6% to HK$2,421.9 million (31 December 2009: HK$824.9 million). The Group's current ratio increased to 1.4 times as at 31 December 2010 (2009: 1.1 times).

The Group had net cash outflow of HK$18.7 million (2009: HK$126.2 million) for the year ended 31 December 2010 and the Group's bank balances amounted to HK$441.6 million as at 31 December 2010 (2009: HK$460.3 million). As at 31 December 2009, the Group utilized HK$500 million bank borrowings from a revolving syndicated banking facility of HK$700 million. Following the listing of shares of the Company on the Stock Exchange on 8 July 2010, the bank borrowings have been fully repaid in late July 2010. The Group also had available aggregate banking facilities of approximately HK$550 million from authorized financial institutions in Hong Kong, however, none of which was utilized as at 31 December 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 year and up to the date of this announcement.

Other than the information disclosed above, there were no other equity or debt instruments issued by the Company during the year and up to the date of this announcement.

## OUTLOOKS AND FUTURE PLANS

Following the Group's listing on the Main Board of the Stock Exchange in July 2010, 2011 will be a challenging year for us to further 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.

With the strong demand for margin financing, we will continue to put efforts into expanding the existing margin finance portfolio and to satisfy the needs of our clients. However, we are still insisting on a prudent approach in managing our loan portfolios. In addition, we will be exploring the opportunity to develop other financing activities.

Regarding the corporate finance service, we are expecting that fund raising activities will continue to be active in 2011. We will continue to pursue corporate finance advisory and fund raising opportunities for our clients in Hong Kong and China.

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

## FINAL DIVIDEND

The Board recommends the payment of final dividend of HK$0.05 per ordinary share, totalling HK$82,000,000. Together with the interim dividend of HK$0.02 per share, this will mean a total dividend of HK$0.07 per share for 2010, totalling HK$114,800,000 (2009: HK$150,000,000).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 April 2011 to Thursday, 28 April 2011, both days inclusive, during which period no transfers of shares of the Company will be registered. In order to qualify for final 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 Tuesday, 19 April 2011.

## 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 an option to subscribe for shares in the Company. The subscription price will be determined on the date of grant by the Board as an amount per share under the established rules. As at 31 December 2010 and up to the date of this announcement, no option has been granted under the Scheme.

## MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group had not made any material acquisitions and disposal of subsidiaries and associated companies for the year ended 31 December 2010. As at 31 December 2010, the Group did not hold any significant investment.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2010 other than as an agent for clients of the Group.

## CHARGES ON THE GROUP'S ASSETS AND GUARANTEE

As at 31 December 2010, the Company had provided guarantees in favor of a financial institution in respect of trading limit of a wholly owned subsidiary engaged in futures dealing and broking amounting to approximately HK$77.8 million (2009: Nil). No asset of the Group was subject to any charge as at 31 December 2009 and 2010.

## CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2010.

## OPERATING LEASE COMMITMENT AND CAPITAL COMMITMENT

The operating lease commitments and capital commitment were approximately HK$115,000 (2009: HK$6,294,000) and HK$6.8 million (2009: HK$75,000) respectively as at 31 December 2010.

## AUDIT COMMTTEE

An Audit Committee was established by the Board on 19 June 2010. The Audit Committee comprises Mr. TSANG Yiu Keung, Dr. SONG Ming and Dr. FU Tingmei. The Audit Committee is chaired by Mr. TSANG Yiu Keung. All members of the Audit Committee are independent non-executive directors. The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of this announcement and consolidated financial statements of the Group for the year ended 31 December 2010.

## REMUNERATION COMMTTEE

A Remuneration Committee was established by the Board on 19 June 2010. The Remuneration Committee comprises Dr. YIM Fung, Dr. SONG Ming and Dr. FU Tingmei. The Remuneration Committee is chaired by Dr. FU Tingmei. Majority of the members of the Remuneration Committee are independent non-executive directors. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long-term incentive schemes.

## NOMINATION COMMITTEE

A Nomination Committee was established by the Board on 19 June 2010. The Nomination Committee comprises Dr. CHEN Geng, Dr. SONG Ming and Mr. TSANG Yiu Keung. The Nomination Committee is chaired by Dr. SONG Ming. Majority of the members of the Nomination Committee are independent non-executive directors. The Nomination Committee was set up to review the structure, size and composition of the Board on a regular basis and to make recommendation.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 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 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 from 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 announcement.

## BOARD OF DIRECTORS

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

**PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY**

This announcement of final results for the year ended 31 December 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 annual report for the year ended 31 December 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, 9 March 2011