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 2011

The board of directors (the "Board") of Guotai Junan International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2011 together with comparative figures for the previous financial year as follows:

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2011	**2010**	**Change**
	(HK$'000)	*(HK$'000)*	*%*
Fee and commission income			
- dealing and broking	317,334	368,113	-13.8%
- corporate finance	136,619	126,412	8.1%
- asset management	23,311	44,570	-47.7%
Interest income from loans and financing	214,793	101,396	111.8%
Investment holding income	8,672	11,826	-26.7%
Revenue	700,729	652,317	7.4%
Other income	2,425	5,777	-58.0%
Revenue and other income	703,154	658,094	6.8%
Profit for the year	287,448	252,624	13.8%
Profit attributable to equity holders of the Company	287,706	250,685	14.8%
Basic and diluted earnings per share (HK cents) *(Note)*	17.5	17.5	—
Dividend per share (HK cents)	9	7	28.6%
Net asset value per share (HK$)	1.97	1.87	5.3%

Note: It is based on the weight average number of ordinary shares of 1,640,000,000 (2010: 1,428,822,000) in issue during the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the year ended 31 December 2011** *HK$'000*	**2010** *HK$'000*
Revenue	4	700,729	652,317
Other income	5	2,425	5,777
Revenue and other income		703,154	658,094
Staff costs	6	(161,916)	(148,114)
Commission to account executives		(44,241)	(55,516)
Other commission expenses		(41,170)	(36,306)
Performance fee expenses		(3,602)	(10,661)
Depreciation		(24,562)	(19,208)
Impairment of loans and advances to customers	10	(139)	—
Impairment of accounts receivable	11(d)	(181)	(10,006)
Other operating expenses		(94,862)	(85,734)
Operating profit		332,481	292,549
Finance costs	6	(2,246)	(4,142)
Profit before tax	6	330,235	288,407
Income tax expense	7	(42,787)	(35,783)
Profit for the year		287,448	252,624
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year		287,448	252,624
Attributable to:			
Owners of the parent		287,706	250,685
Non-controlling interests		(258)	1,939
		287,448	252,624
Earnings per share attributable to ordinary equity holders of the parent			
- Basic and diluted	9	17.5 cents	17.5 cents

Details of the dividends paid and proposed for the year are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	**2011**	**2010**
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		446,893	450,401
Investment properties		111,903	115,055
Intangible assets		2,823	2,823
Other assets		2,960	2,870
Deferred tax assets		5,891	2,530
Held-to-maturity investments		77,728	77,833
Total non-current assets		648,198	651,512
Current assets			
Loans and advances to customers	10	2,064,215	1,975,894
Accounts receivable	11	336,366	935,583
Prepayments, deposits and other receivables		18,035	11,970
Financial assets at fair value through profit or loss	12	150,716	84,099
Tax recoverable		310	—
Client trust bank balances		6,121,768	5,874,971
Cash and cash equivalents		661,856	441,631
Total current assets		9,353,266	9,324,148
Current liabilities			
Accounts payable	13	(6,471,235)	(6,778,940)
Other payables and accrued liabilities		(77,788)	(106,161)
Interest-bearing bank borrowings	14	(200,000)	—
Tax payable		(11,344)	(17,154)
Total current liabilities		(6,760,367)	(6,902,255)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 December	
	Notes	**2011**	**2010**
		HK$'000	*HK$'000*
NET CURRENT ASSETS		2,592,899	2,421,893
TOTAL ASSETS LESS CURRENT LIABILITIES		3,241,097	3,073,405
Non-current liabilities			
Deferred tax liabilities		(9,079)	(1,056)
Net assets		3,232,018	3,072,349
Equity			
Share capital		164,000	164,000
Share premium		2,771,707	2,771,707
Other reserve		(1,236,460)	(1,236,460)
Share-based compensation reserve		12,805	—
Shares held under the share award scheme		(9,384)	—
Proposed final dividend	8	98,116	82,000
Retained profits		1,425,064	1,284,674
Equity attributable to owners of the parent		3,225,848	3,065,921
Non-controlling interests		6,170	6,428
Total equity		3,232,018	3,072,349

NOTES TO 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) and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 July 2010. The registered office address of the Company is 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in dealing and broking, loans and financing activities, corporate finance, asset management and investment holdings.

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

These financial statements were approved and authorised for issue by the Board on 23 February 2012.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise stated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Standard/interpretation	**Content**	**Applicable for financial years beginning on/after**
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*	1 February 2010
HK (IFRIC) - Int 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*	1 July 2010
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*	1 January 2011
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010	1 January 2011

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Standard/interpretation	**Content**	**Applicable for financial years beginning on/ after**
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*	1 July 2011
HKFRS 9	*Financial Instruments*	1 January 2015
HKFRS 10	*Consolidated Financial Statements*	1 January 2013
HKFRS 11	*Joint Arrangements*	1 January 2013
HKFRS 12	*Disclosure of Interest in Other Entities*	1 January 2013
HKFRS 13	*Fair Value Measurement*	1 January 2013
HKAS 1 Amendments	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*	1 July 2012
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*	1 January 2012
HKAS 19 (2011)	*Employee Benefits*	1 January 2013
HKAS 27 (2011)	*Separate Financial Statements*	1 January 2013
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*	1 January 2013
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

- HKFRS 9 *Financial Instruments*

  HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

  In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

  HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

- HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements* and HKFRS 12 *Disclosure Of Interests In Other Entities*

  HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

  HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

- HKFRS 13 *Fair Value Measurement*

  HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs.

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 operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments. Details of each of the operating 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 customers;

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

(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, including fund management and the provision of investment advisory services;

(e) the investment holding segment represents interest income, dividend income and gains or losses from listed equity investments and other unlisted investments; and

(f) the "others" segment mainly represents rental income, the 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 2010 and 2011.

The segment information provided to the management for the reportable segments for the years ended 31 December 2010 and 2011 is as follows:

Year ended 31 December 2011

	Dealing and broking	Loans and financing activities	Corporate finance	Asset management	Investment holding	Others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue and other income:								
Sales to external customers	**317,334**	**214,793**	**136,619**	**23,311**	**8,672**	**2,425**	**—**	**703,154**
Inter-segment sales	—	—	—	—	—	—	—	—
Total	**317,334**	**214,793**	**136,619**	**23,311**	**8,672**	**2,425**	**—**	**703,154**
Segment results	102,783	158,592	55,875	4,313	8,672	—	—	330,235
Income tax expense								(42,787)
Profit for the year								287,448
Other segment information:								
Depreciation	10,253	7,528	5,564	1,217	—	—	—	24,562
Finance costs	18	2,228	—	—	—	—	—	2,246

Year ended 31 December 2010

	Dealing and broking	Loans and financing activities	Corporate finance	Asset management	Investment holding	Others	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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								252,624
Other segment information:								
Depreciation	9,544	3,581	4,432	1,651	—	—	—	19,208
Finance costs	33	4,109	—	—	—	—	—	4,142

Geographical information

(a) Revenue from external customers

	2011	**2010**
	HK$'000	*HK$'000*
Hong Kong	611,807	566,841
Other countries	91,347	91,253
	703,154	658,094

The revenue information above is based on the location of the markets/customers.

(b) Non-current assets

All non-current assets (excludes financial instruments and deferred tax assets) of the Group are located in Hong Kong.

4 REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
Dealing and broking:		
- Commission on securities dealing and broking	234,523	290,849
- Commission on futures dealing and broking	53,485	56,749
- Handling income on dealing and broking	28,470	20,514
- Net income on leveraged foreign exchange dealing and broking	856	1
Loans and financing activities:		
- Interest income from margin loans	152,204	70,529
- Interest income from term loans	3,484	2,437
- Interest income from IPO loans	650	4,937
- Interest income from banks and others	52,635	21,585
- Interest income from held-to-maturity investments	5,820	1,908
Corporate Finance:		
- Placing, underwriting and sub-underwriting commission	99,589	100,767
- Consultancy and financial advisory fee income	37,030	25,645
Asset management:		
- Management fee income	19,503	22,265
- Performance fee income	3,808	22,305
Investment holding:		
- Net (loss)/gain on financial assets held for trading	(31,168)	7,624
- Net gain on financial assets designated at fair value through profit or loss	33,266	—
- Dividend income from listed financial assets held for trading	4,885	4,202
- Interest income from unlisted financial assets designated at fair value through profit or loss	1,689	—
	700,729	652,317

5 OTHER INCOME

	2011 *HK$'000*	2010 *HK$'000*
Gross rental income from investment properties	920	3,753
Information services income	1,389	1,718
Others	116	306
	2,425	5,777

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2011 *HK$'000*	2010 *HK$'000*
Other operating expenses include:		
- Auditors' remuneration	1,851	1,730
- Bank charges	910	1,797
- Business trips	5,718	3,202
- Entertainment	4,635	4,650
- Foreign exchange difference, net	(2,183)	(1,705)
- Handling charges	5,502	4,771
- Information services expense	11,988	10,927
- Loss on disposal of property, plant and equipment	27	82
- Marketing, advertising and promotion expenses	7,685	5,409
- Minimum lease payments under land and buildings	1,291	8,190
- Professional and consultancy fee	16,982	12,129
- Repair and maintenance (including system maintenance)	9,570	8,566
- Direct operating expenses arising from investment properties that generated rental income during the year	443	—
Staff costs (including directors' remuneration)		
Salaries, bonuses and allowances	147,210	146,501
Share-based compensation expense	12,805	—
Pension scheme contributions	1,901	1,613
	161,916	148,114
Finance costs:		
- Bank loans and overdrafts wholly repayable within five years	2,156	4,084
- Others	90	58
	2,246	4,142

7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2011	2010
	HK$'000	*HK$'000*
Current - Hong Kong		
- Charge for the year	38,190	38,258
- Overprovision in prior years	(65)	(1,001)
Deferred	4,662	(1,474)
Total tax charge for the year	42,787	35,783

8 DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim — HK$0.03 (2010: HK$0.02) per ordinary share	49,200	32,800
Proposed final — HK$0.06 (2010: HK$0.05) per ordinary share	98,400	82,000
Less: Dividend for shares held under the Company's share award scheme	(284)	—
	98,116	82,000
	147,316	114,800

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9 EARNINGS PER SHARE

(a) **Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to ordinary equity holders of the parent of HK$287,706,000 (2010: HK$250,685,000) and the weighted average number of ordinary shares of 1,640,000,000 (2010: 1,428,822,000 ordinary shares in issue before listing of the shares on the Stock Exchange, as if the shares had been outstanding for that year) in issue during the year.

(b) **Diluted earnings per share**

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2011 in respect of a dilution as the impact of the share options outstanding did not give rise to any dilution effect on the basic earnings per share amounts presented.

During the year ended 31 December 2010, the Group had no potential dilutive ordinary shares in issue.

10 LOANS AND ADVANCES TO CUSTOMERS

	2011	**2010**
	HK$'000	*HK$'000*
Margin loans	1,997,019	1,975,894
Term loans to customers	67,335	—
Gross loans and advances to customers	2,064,354	1,975,894
Less: impairment	(139)	—
	2,064,215	1,975,894

Margin financing operations

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The maximum credit limit granted for each customer is based on the customer's financial background and the quality of related collateral. 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 customers are secured by the underlying pledged securities, bear interest at a 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 aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of the margin loans business. 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 2011, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$8,289 million (2010: HK$12,216 million) based on the market value of the securities as at the end of reporting periods.

Term loans to customers

The Group also provides term loans to 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. The term loans granted to customers amounted to HK$67,026,000, and the accrued interests amounted to HK$309,000 as at 31 December 2011. The carrying amounts of the term loans to customers approximate to their fair values.

The movements in provision for impairment of loans and advances to customers are as follow:

	2011	**2010**
	HK$'000	*HK$'000*
As at 1 January	—	—
Impairment losses charged to profit or loss	139	—
As at 31 December	139	—

Included in the above provision of impairment of margin loans is a provision for individually impaired margin loans of HK$139,000 (2010: nil) with a carrying amount before provision of HK$1,004,000 (2010: nil). Save as disclosed above, all loans and advances to customers are neither past due nor impaired as at 31 December 2011 and 2010.

11 ACCOUNTS RECEIVABLE

(a) Analysis of accounts receivable

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

	2011	**2010**
	HK$'000	*HK$'000*
Accounts receivable arising from dealing and broking		
— cash and custodian clients	21,343	50,134
— the Stock Exchange and other clearing houses	20,231	186,051
— brokers and dealers	293,709	679,782
Accounts receivable arising from corporate finance, asset management and investment holding		
— corporate clients and investment funds	13,092	31,444
	348,375	947,411
Less: impairment	(12,009)	(11,828)
	336,366	935,583

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

	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 2011					
Neither past due nor impaired	6,765	20,231	293,709	12,300	333,005
As at 31 December 2010					
Neither past due nor impaired	38,224	186,051	679,782	30,759	934,816

No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these accounts receivable.

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

	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 2011					
Past due less than 6 months	2,543	—	—	—	2,543
Past due 6 to 12 months	—	—	—	792	792
	2,543	—	—	792	3,335
As at 31 December 2010					
Past due less than 6 months	74	—	—	634	708
Past due 6 to 12 months	—	—	—	51	51
	74	—	—	685	759

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 the settlement date, the Group has the rights to force-sell the collaterals underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 31 December 2010 and 2011 are considered 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 which are past due but not impaired represent receivable arising from asset management, corporate finance and advisory services which have not yet been settled by clients after the Group's normal credit period. The outstanding accounts receivable from corporate clients and investment funds as at 31 December 2010 and 2011 are considered not to be impaired as the credit rating and reputation of trade counterparties are sound.

(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 2011					
Impaired accounts receivable	12,035	—	—	—	12,035
Less: impairment	(12,009)	—	—	—	(12,009)
	26	—	—	—	26
As at 31 December 2010					
Impaired accounts receivable	11,836	—	—	—	11,836
Less: impairment	(11,828)	—	—	—	(11,828)
	8	—	—	—	8

Accounts receivable from cash and custodian clients are considered impaired when clients failed to settle according to settlement terms after taking into consideration the recoverability of collaterals.

The movements in provision for impairment of accounts receivable are as follow:

	2011	2010
	HK$'000	*HK$'000*
As at 1 January	11,828	3,253
Impairment losses charged to profit or loss	183	10,012
Impairment losses reversed	(2)	(6)
Amount written off as uncollectible	—	(1,431)
As at 31 December	12,009	11,828

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$'000	*HK$'000*
Financial assets held for trading:		
Listed equity investments, at fair value		
- in Hong Kong	51,607	84,099
Financial assets designated at fair value through profit or loss		
- unlisted equity investment (Note a)	39,000	—
- unlisted convertible promissory note (the "Convertible Promissory Note") (Note b)	60,109	—
	150,716	84,099

Notes

(a) The Group has entered into a subscription agreement (the "Subscription Agreement") in May 2011 to acquire non-voting equity shares of a company (the "Investee") amounting to HK$22,855,000. Pursuant to the Subscription Agreement, if the audited and forecasted consolidated profit after tax of the Investee for the two years ended 30 June 2011 and 2012 is less than a certain threshold level, the Group will be compensated for the shortfall. No compensation has been received for the year ended 31 December 2011.

(b) The Group purchased the two-year Convertible Promissory Note issued by a third party (the "Issuer") amounting to approximately HK$42,650,000 in May 2011. The interest income accrued and earned from the Convertible Promissory Note for the year ended 31 December 2011 was HK$1,689,000. Pursuant to a warrant agreement entered into between the Issuer and the Group in May 2011, the Issuer guaranteed that the audited and forecasted consolidated profit after tax of the wholly-owned subsidiary of the Issuer for the years ended 31 December 2010 and 2011 should not be less than a certain threshold level, otherwise the Group will be compensated by the Issuer for the shortfall. No compensation has been received for the year ended 31 December 2011.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2011

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	51,607		99,109	150,716

As at 31 December 2010

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	84,099	—	—	84,099

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: nil).

The following table presents the changes in level 3 instruments of financial assets designated at fair value through profit or loss for the years ended 31 December 2010 and 2011.

	2011	2010
	HK$'000	*HK$'000*
At 1 January	—	—
Purchases	65,505	—
Accrued interest income	338	—
Net gain recognised in profit or loss	33,266	—
At 31 December	99,109	—

13 ACCOUNTS PAYABLE

	2011	2010
	HK$'000	*HK$'000*
Accounts payable arising from dealing and broking		
- clients	6,345,325	6,682,318
- brokers and dealers	48,869	71,275
- the Stock Exchange and other clearing houses	25,680	—
Accounts payable arising from underwriting, asset management, corporate finance and advisory services		
- corporate clients	51,361	25,347
	6,471,235	6,778,940

The majority of the accounts payable are repayable on demand except for 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 one business day. No aging 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 in trust accounts with authorised institutions of HK$6,122 million (2010: HK$5,875 million), Hong Kong Futures Exchange Clearing Corporation Limited and other futures dealers of HK$224 million (2010: HK$601 million).

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

14 BANK BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Unsecured bank borrowings	200,000	—

The Company has guaranteed certain of the Group's bank borrowings up to HK$530 million (2010: nil) as at the end of the reporting period.

The Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate plus an interest spread per annum and were repayable within three month or less at the end of the reporting period.

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

15 SHARE OPTION SCHEME AND SHARE AWARD SCHEME

The Company operates two equity-settled share-based compensation schemes including a share option scheme (the "Share Option Scheme") and a share award scheme (the "Share Award Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. Eligible participants of the schemes include the Company's directors, including independent non-executive directors, and other employees of the Group.

Share Option Scheme

The Share Option Scheme became effective on 19 June 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

On 10 June 2011, the Company granted 40,000,000 share options to its directors and employees under the Share Option Scheme. The option period of the share options is from 10 June 2011 to 9 June 2021. One-third of the share options granted will be vested on first, second and third anniversaries of the date of grant respectively. The exercise price of the options was HK$4.30 per share which was the offer price of the Company listed on the Stock Exchange on 8 July 2010. The fair value of the equity-settled share options was estimated on the date of grant using a binomial pricing model, taking into account the terms and conditions upon which the options were granted.

The following table lists out the key inputs to the model used:

Share price at the date of grant (per share)	HK$3.25
Exercise price (per share)	HK$4.30
Expected volatility	45.17%
Expected dividend yield	1.78%
Risk-free interest rate	2.23%
Weighted average share option price (per share)	HK$0.97

For the year ended 31 December 2011, the Group has recognised a share-based compensation expense of HK$12,805,000 for the grant of share options under the Share Option Scheme in profit or loss (2010: nil).

Movements of share options outstanding under the Share Option Scheme during the year are as follows:

	2011		2010	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	—	—	—	—
Granted during the year and at 31 December	4.30	40,000	—	—

No share option was exercised, cancelled or lapsed for the year ended 31 December 2011 (2010: nil).

Share Award Scheme

On 27 October 2011, the Company adopted the Share Award Scheme under which shares of the Company (the "Awarded Shares") may be awarded to selected employees (including directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date, i.e., till 26 October 2021.

The aggregate number of the Awarded Shares permitted to be awarded under the Share Award Scheme throughout the duration of the Share Award Scheme is limited to 10% of the issued share capital of the Company as at the adoption date. The maximum number of the Awarded Shares which may be awarded to a Selected Employee in any 12-month period up to and including the date of award shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date.

When a selected employee has satisfied all vesting conditions specified by the Board of the Company at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at no cost. The selected employee however is not entitled to receive any income or distribution, such as dividend derived from the unvested Awarded Shares allocated to him/her.

During the year ended 31 December 2011, the trustee acquired 4,727,000 ordinary shares of the Company for the Share Award Scheme through purchases on the open market at a total cost (including related transaction costs) of approximately HK$9,384,000. No Awarded Shares was granted for the year ended 31 December 2011.

16 OPERATING LEASE AND CAPITAL COMMITMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	2,159	—
In the second to fifth years, inclusive	3,539	—
	5,698	—

As leasee

Leases for the properties are negotiated for a term of one year.

At 31 December 2010 and 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	**2010**
	HK$'000	*HK$'000*
Within one year	—	115

In addition to the operating lease commitments disclosed above, the Group had capital commitments for IT upgrade and renovation of premises of approximately HK$570,000 which were contracted but not provided for as at 31 December 2011 (2010: HK$6,750,000).

17 CONTINGENT LIABILITIES

The Group has undertaken underwriting obligations to capture placing and IPO activities. The Board has resolved to ensure that the Group has adequate working capital to meet such obligations. As at 31 December 2011, the underwriting obligations were approximately HK$388.3 million (2010: HK$674.2 million).

In addition to the guarantee provided in respect of bank borrowings as mentioned in note 14 to the financial statement, as at 31 December 2011, the Company provided guarantees up to approximately HK$155.5 million (2010: approximately HK$77.8 million) in favour of financial institutions in respect of the trading limit granted to a wholly-owned subsidiary principally engaged in the provision of futures dealing services.

MANAGEMENT DISCUSSION AND ANALYSIS

Result Overview

Amid the uncertain global economy, we are pleased to report to our shareholders that the Group achieved a promising growth in the profit attributable to the owners of the Company amounting to HK$287.7 million, an increase of 14.8% as compared to 2010 (2010: HK$250.7 million). During the year, the Group's revenue totalled HK$700.7 million, an increase of 7.4% as compared to last year (2010: HK$652.3 million). Profit before taxation was HK$330.2 million, an increase of 14.5% over 2010 (2010: HK$288.4 million).

Such encouraging results were founded on the solid performance of the Group's loans and financing activities which recorded a growth of 111.8% in interest income when compared with prior year. In addition, the Group continued to improve its operation efficiency which resulted in reducing its cost to income ratio from 56.2% in 2010 to 53.0% in 2011.

The Board of the Company has recommended a payment of final dividend of HK$0.06 per share for the year. As a result of the proposed final dividend together with the interim dividend for 2011 of HK$0.03 per share, dividends paid for 2011 amount to a total of HK$0.09 per share.

MARKET REVIEW

2011 was a year of turmoil for the world economy, started with the massive earthquake and tsunami in Japan which hit severely on Japan's economy, followed by the United States having difficulties in passing the debt ceiling bill in June which caused the country lost its top-tier AAA credit rating from Standard & Poor's. The deteriorating of country deficits in Greece, Italy, Spain and Portugal increased the crisis on the collapse of European Union financial system. All these incidences caused severe impact on the world economy resulting in high volatility in financial markets. Fragile investor confidence and tight liquidity in the market also added fuel to the poor market performance.

China was supposed to play an important role in the global economic recovery. However, because of the high inflation, the Chinese government has to introduce various measures in tightening money supply to avoid economic overheat. The Required Reserve Ratio for banks was increased from 18.5% in December 2010 to 21.5% in June and subsequently reduced to 21% in December 2011. The inflation issue in China seems under control now as the year-on-year Consumer Price Index growth rate dropped to 4.1% in December 2011 compared with the peak of 6.5% in July 2011. On the other hand, due to rapid expansion in lending in the past two years, non-performing loans are expected to increase substantially as a result of economic slowdown and tight government policies. As such, the Shanghai Composite Index closed at 2,199 (2010: 2,808) as at 31 December 2011, with a drop of 21.7% as compared to last year.

In Hong Kong, the real Gross Domestic Product was down to 3.0% in December 2011 (2010: 6.8%). Although the unemployment rate came down, inflation rate went up to 5.7% (2010: 2.4%). With the support of the Chinese government, Hong Kong continued to strengthen its position as the offshore RMB clearing centre. In August 2011, the Chinese Vice Premier, Mr. Li Ke Qiang, announced a number of policies in supporting Hong Kong as the offshore RMB clearing centre, including the introduction of RMB Qualified Foreign Institutional Investors scheme ("RQFII"), the promotion of Foreign Direct Investments ("FDI"), the mainland China traded Exchange-traded Fund ("ETF") on Hong Kong Hang Seng Indices, etc. Chinese enterprises were also encouraged to raise capital through issuing RMB bonds or listing in Hong Kong. As at the end of December 2011, the balance of RMB deposits in Hong Kong achieved a total of RMB588.5 billion, an increase of 86.9% as compared to last year (2010: RMB 314.9 billion).

Although there were a number of encouraging policies relating to financial services industry in supporting Hong Kong as an offshore RMB clearing centre, Hong Kong financial market was so vulnerable and unavoidably affected by the global market sentiments. During the year of 2011, while the overall Hong Kong market turnover was increased by 1.48%, the turnover on equity products was actually decreased by 3.3%, the turnover on derivative warrants was decreased by 2.3% , with only the turnover on Callable Bull Bear Contracts increased by 29%.

BUSINESS REVIEW

The Group's business can be classified into dealing and broking, corporate finance, asset management, loans and financing and investment holding. The allocation of the revenue from these businesses is listed in the following table.

	2011		2010	
	HK$'000	%	*HK$'000*	%
Fee and commission income				
- dealing and broking	317,334	45.3	368,113	56.4
- corporate finance	136,619	19.5	126,412	19.4
- asset management	23,311	3.3	44,570	6.8
Interest income from loans and financing	214,793	30.7	101,396	15.6
Investment holding income	8,672	1.2	11,826	1.8
Total revenue	700,729	100	652,317	100

- **Income from dealing and broking**

  Amongst our business activities, dealing and broking is the most significant business of the Group and it generated over 45.3% of the total revenue. Due to the poor market conditions and keen competition in the market, the revenue generated from dealing and broking business was HK$317.3 million (2010: HK$368.1 million) for the year ended 31 December 2011, representing a decrease of 13.8% when compared to prior year. A breakdown of the income has been set out below:

	2011		2010	
	HK$'000	%	*HK$'000*	%
Securities	234,523	73.9	290,849	79.0
Futures	53,485	16.9	56,749	15.4
Leverage foreign exchange	856	0.2	1	—
Handling income	28,470	9.0	20,514	5.6
Total revenue	317,334	100	368,113	100

With the launch of online trading platform for our customers since 2001, our online trading platform currently supports 9 international securities markets, including Hong Kong, United States, Japan, London, Canada, Singapore, Taiwan, Shanghai B shares and Shenzhen B shares, 18 global futures markets and leveraged foreign exchange trading. In 2011, 83% of our brokerage business was executed through Internet (2010: 85%). 84% of the revenue was generated from individual clients while 16% was from institutional clients. With our strong foundation in China, 89% of our clients are from China. To provide a "one-stop" service, our online trading platform can also support IPO subscription, margin loan application, investment fund subscription, cash withdrawal, currency exchange and provision of market news and research reports. The mobile trading platforms through iPhone and Android systems have been launched for our customers this year.

Facing keen competition from a number of securities houses and banks, we have engaged in a number of promotional schemes to secure our securities dealing and broking business, including provision of one month free internet trades for the new accounts. Although there were over 8,000 new brokerage accounts this year, the revenue from securities business decreased by 19.4% to HK$234.5 million for the year ended 31 December 2011 (2010: HK$290.8 million).

The currencies and commodity prices experienced high volatility in 2011. The volatility of the global market in 2011 encouraged futures dealing and broking activities. Although the number of futures contracts executed increased by 11.4%, the commission income slightly decreased by 5.8% to HK$53.5 million in 2011 (2010: HK$56.7 million). Over 90% of which was attributable to the international markets.

The leveraged foreign exchange trading service has successfully rolled out this year by offering 7 major currency contracts and up to 21 cross currency contracts. To promote our business, a number of investor conferences had been organised to educate our clients. For the year ended 31 December 2011, the net income from leverage foreign exchange dealing and broking was approximately HK$856,000.

As a result of increasing in corporate action activities and stock borrowing and lending activities in 2011, the handling income increased by 38.8% to HK$28.5 million (2010: HK$20.5 million).

- **Income from corporate finance**

  The momentum for listing of Chinese enterprises slowed down in 2011. There were 101 new listings on the Stock Exchange including those transferred their listing from GEM Board to the Main Board (2010: 113 new listings). For the year ended 31 December 2011, we have completed the sponsorship of the listing of three companies. We have also engaged as compliance adviser for 43 newly listed companies and financial advisor for 10 projects. Due to effort of our staff, the income from consultancy and financial advisory fee income increased by 44.4% to HK$37.0 million for the year ended 31 December 2011 (2010: HK$25.6 million).

  Although total funds raised in the Stock Exchange including IPOs decreased by 43.1% to HK$488.3 billion (2010: HK$858.7 billion), we made good progress during the year. With extensive sales network and customer resources, we have been appointed as the global coordinator, bookrunner or lead manager for 7 IPOs. We have also acted as placing agents for 23 fund raising exercises. Given the poor market sentiment during the year, our revenue from placing and underwriting activities only decreased by 1.2% to HK$99.6 million for the year ended 31 December 2011 (2010: HK$100.8 million).

- **Income from asset management**

  We derived our fee income primarily from management fee and performance fee, which are linked to the asset under management ("AUM") and the returns of funds, respectively. As the average AUM decreased by 14.9% to HK$3,498.4 million in 2011 (2010: HK$4,112.4 million), the management fee income decreased by 12.4% to HK$19.5 million for the year ended 31 December 2011 (2010: HK$22.3 million). The performance fee income was only HK$3.8 million in 2011 compared with HK$22.3 million in prior year, reflecting the weak performance of the funds under management.

  At the end of December 2011, we were granted approval for the launching of a RQFII investment product namely Guotai Junan Great Dragon RMB Fund (the "Fund"). The initial RQFII quota is RMB900 million. The Fund is expected to be launched in March 2012.

- **Interest income from loans and financing activities**

The interest income from our loans and financing business increased by 111.8% to HK$214.8 million in 2011 (2010: HK$101.4 million). A summary is set out below.

	2011		2010	
	HK$'000	%	*HK$'000*	%
Income from margin loans	152,204	70.9	70,529	69.5
Income from term loans	3,484	1.6	2,437	2.4
Income from IPO loans	650	0.3	4,937	4.9
Income from banks and others	52,635	24.5	21,585	21.3
Income from held-to-maturity investment	5,820	2.7	1,908	1.9
Total interest income	214,793	100	101,396	100

Since the listing on the Stock Exchange in 2010, we have invested significant resources in expanding our loans and financing activities. Such efforts were justified by the significant increase of the average margin loan balance by 108.3% to 2,139.9 million in 2011 (2010: HK$1,027.5 million). The interest income from margin loans increased by 115.8% to HK$152.2 million (2010: HK$70.5 million) for the year ended 31 December 2011. The average interest rate charged to our margin clients was also increased to reflect the current risk level. At the same time, to maintain our good risk management, we continued to adopt an aggressive while stable operation strategy for our margin loan financing business.

Owing to unsatisfactory performance of the IPO financing activity, our interest income from IPO loans decreased by 86.8% to HK$650,000 for the year ended 31 December 2011 (2010: HK$4.9 million). On the other hand, the interest income from banks and others was increased by 143.8% to HK$52.6 million (2010: HK$21.6 million), reflecting the tight liquidity in the market.

We invested into a 3-year senior note issued by a private company in September 2010 and this held-to-maturity investment contributed interest income of HK$5.8 million (2010: HK$1.9 million) for the year ended 31 December 2011.

- **Investment holding income**

  To diversify revenue stream and to secure sponsorship and underwriting deal opportunities, our Group started to engage in direct investment activities on unlisted companies. For the year ended 31 December 2011, we have invested in two unlisted companies and the total investment amount was HK$65.5 million (2010: nil). These financial assets designated at fair value through profit or loss contributed net gain on revaluation of HK$33.3 million (2010: nil) and interest income of HK$1.7 million (2010: nil) respectively for the year ended 31 December 2011. However, the Group incurred loss of HK$31.2 million (2010: gain of HK$7.6 million) from the financial assets held for trading. During 2011, the Group received dividend income from listed financial assets held for trading amounting to HK$4.9 million (2010: HK$4.2 million). As a whole, the net income from investment holding was HK$8.7 million for the year ended 31 December 2011 (2010: HK$11.8 million).

RESULTS OF FINANCIAL POSITION

During the year, the total assets increased by 0.3% to HK$10,001.5 million as at 31 December 2011 (2010: HK$9,975.7 million).

The Group's total liabilities as at 31 December 2011 decreased by 1.9% to HK$6,769.4 million (31 December 2010: HK$6,903.3 million).

As the Group recorded a net profit of HK$287.4 million for the year ended 31 December 2011, the Group's net assets increased by HK$159.7 million or 5.2% to HK$3,232.0 million (2010: HK$3,072.3 million) as at 31 December 2011.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, the net current assets of the Group increased by 7.1% to HK$2,592.9 million (31 December 2010: HK$2,421.9 million). The Group's current ratio increased to 1.38 times as at 31 December 2011 (31 December 2010: 1.35 times).

The Group had net cash inflow of HK$220.2 million (2010: outflow of HK$18.7 million) for the year ended 31 December 2011 and the Group's bank balances amounted to HK$661.9 million as at 31 December 2011 (2010: HK$441.6 million). As at 31 December 2011, the Group had outstanding bank borrowings of HK$200 million through bilateral banking facilities with various banks (31 December 2010: nil). The gearing ratio (defined as bank borrowings to equity attributable to equity owners of the Company) was 0.06 as at 31 December 2011 (2010: nil). The Group also had sufficient banking facilities from authorized financial institutions in Hong Kong. We believe our operating cash flow remains adequate to finance our recurrent working capital requirement as well as any investment opportunities that may arise in the near future.

The Group monitors its capital structure in order to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap.571N) for its licensed subsidiaries and to support the development of new business. On 15 June 2011, Guotai Junan Securities (Hong Kong) Limited, one of our wholly owned subsidiaries, has increased its share capital to HK$2 billion (31 December 2010: HK$600 million). 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.

OUTLOOK AND FUTURE PLAN

As we mentioned earlier, 2012 will be a challenging year for us to expand our business. The European debt issues remain unresolved, the global economy recovery remains uncertain, and the marco-economic control measures in China are expected to continue.

Following the significant increase in loans and financing activities in 2011 and the tight liquidity in the market, we expect the demand for margin financing and secured lending business remains strong in 2012. The Group is committed to invest resources to boost our loans and financing activities, partly from our existing capital and partly from bank borrowings.

The Stock Exchange has become the preferred offshore listing venue for Chinese enterprises. At the same time, with confidence in the efficiency and transparency of Hong Kong's capital markets, international investors are able to invest in Chinese enterprises through Hong Kong's capital markets and even PRC's capital markets by means of RQFII and FDI. As a result, we will continue to pursue corporate financial advisory and fund raising opportunities from our Chinese enterprises for listing in Hong Kong. The Group is also committed in developing debt issuance business for our corporate clients, whether they are in Hong Kong dollars or RMB. In addition, we will look into direct investment opportunities to generate investment income and to secure corporate finance deals.

To further grow our brokerage business, we will continue to leverage on client base of our ultimate holding company Guotai Junan Securities Company Limited and explore those clients with overseas investment demand. To provide our clients to invest globally, we will continue strengthening our Internet trading platform with access to global markets around the world.

As China increases its speed in the process of internationalisation of RMB, we believe there will be more business opportunities. Our first RQFII product — Guotai Junan Great Dragon RMB Fund is expected to be launched in March 2012. We are looking forward to seeing more opportunities in the development of RMB denominated investment products in the near future.

FINAL DIVIDEND

The Board recommends the payment of final dividend of HK$0.06 per ordinary share for the year ended 31 December 2011 to the shareholders whose names appear on the register of members of the Company on Thursday, 26 April 2012. The dividend will be payable on or about Friday, 11 May 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 April 2012 to Thursday, 19 April 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting ("AGM"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are 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 Thursday, 12 April 2012.

The register of members of the Company will be closed on Thursday, 26 April 2012 for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered on that date. In order to qualify for the proposed final dividend to be approved at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are 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 not later than 4:30 p.m. on Wednesday, 25 April 2012.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 19 June 2010 which shall be valid and effective for a period of 10 years from that date. The purpose of the Share Option Scheme is to grant options to the eligible participants in recognition and acknowledgement of their contributions made or to be made to the Group. Under the Share Option Scheme, the Board has the discretion to grant share options to employees and directors of any members of the Group to subscribe for shares in the Company.

On 10 June 2011, 40,000,000 share options have been granted to the directors and employees with the exercise price of HK$4.30 per share. Among the share options granted above, a total of 13,500,000 share options were granted to the directors of the Company. The closing price of the Company's shares prior to the date of the grant of the share options was HK$3.25. The option period of the share options is from 10 June 2011 to 9 June 2021. One-third of the share options granted will be vested in respect of their underlying shares on the first, second and third anniversaries of the date of grant respectively. No share options was exercised, cancelled or lapsed for the year ended 31 December 2011.

SHARE AWARD SCHEME

On 27 October 2011, the Company adopted the Share Award Scheme under which shares of the Company may be awarded to selected employees (including directors) of any members of the Group pursuant to the terms of the scheme rules and trust deed of the Share Award Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from that date. No Awarded Shares was granted for the year ended 31 December 2011.

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

Neither the Company nor any or its subsidiaries purchased, sold or redeemed any of the Company's listed securities in the year ended 31 December 2011 other than purchases as agent for the trustee of the Share Award Scheme.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not make any material acquisitions and disposal of subsidiaries and associated companies for the year ended 31 December 2011. As at 31 December 2011, the Group did not hold any significant investments.

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 December 2010 and 2011 respectively.

OPERATING LEASE COMMITMENT AND CAPITAL COMMITMENT

There was no operating lease commitment as at 31 December 2011 (2010: HK$115,000). The capital commitments were approximately HK$570,000 (2010: HK$6,750,000) as at 31 December 2011.

GUARANTEE AND CONTINGENT LIABILITIES

The Group has undertaken underwriting obligations to capture placing and IPO activities. The Board has resolved to ensure that the Group has adequate working capital to meet such obligations. As at 31 December 2011, the underwriting obligations were approximately HK$388.3 million (2010: HK$674.2 million).

As at 31 December 2011, the Company had provided guarantees in favour of an authorized financial institution in respect of banking facilities of a wholly owned subsidiary amounting to approximately HK$530 million (2010: nil). In addition, the Company provided guarantees up to approximately HK$ 155.5 million (2010: approximately HK$77.8 million) in favor of financial institutions in respect of the trading limit granted to a wholly owned subsidiary principally engaged in the provision of futures dealing services.

The Group had no other material contingent liabilities as at 31 December 2010 and 2011.

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 the review of this announcement and financial statements of the Group for the year ended 31 December 2011.

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 provisions set out in the Code on Corporate Governance Practices as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2011.

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 non-compliance 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 (Vice-Chairman and CEO), Mr. LI Guangjie, Mr. LI Sang Edward and Mr. WONG Tung Ching; and three independent non-executive directors, being Dr. FU Tingmei, Dr. SONG Ming and Mr. TSANG Yiu Keung.

PUBLICATION OF FINAL RESULTS AND FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of final results for the year ended 31 December 2011 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 2011 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, 23 February 2012