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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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the "Board") of Guotai Junan International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2012 together with comparative figures for the last corresponding period as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2012	**2011**	**Change**
	Unaudited	*Unaudited*	
	HK$'000	*HK$'000*	%
Fee and commission income			
- dealing and broking	129,749	174,420	-25.6%
- corporate finance	80,524	76,377	5.4%
- asset management	9,044	12,350	-26.8%
Interest income from loans and financing	133,564	101,636	31.4%
Gain/(loss) from investment holding	4,136	(5,792)	N/A
Revenue	357,017	358,991	-0.5%
Other income	1,864	860	116.7%
Revenue and other income	358,881	359,851	-0.3%
Profit for the period	133,838	158,111	-15.4%
Profit attributable to equity holders of the Company	133,895	158,079	-15.3%
Basic earnings per share (HK cents)	8.20	9.64	-14.9%
Diluted earnings per share (HK cents)	8.19	9.64	-15.0%
Dividend per share (HK cents)	3	3	—
Net asset value per share (HK$)	2.00	1.92	4.2%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June** **2012** *Unaudited* *HK$'000*	**2011** *Unaudited* *HK$'000*
Revenue	4	357,017	358,991
Other income	5	1,864	860
Revenue and other income		358,881	359,851
Staff costs	6	(95,646)	(70,357)
Commission to account executives		(16,944)	(24,458)
Other commission expenses		(25,976)	(23,464)
Performance fee expense		(1,932)	(803)
Depreciation		(12,903)	(11,995)
Impairment of loans and advances to customers	11	(682)	—
Impairment of accounts receivable	12(d)	(3)	(8)
Other operating expenses		(46,800)	(44,041)
Operating profit		157,995	184,725
Finance costs		(2,151)	(1,318)
Profit before tax	7	155,844	183,407
Income tax expense	8	(22,006)	(25,296)
Profit for the period		133,838	158,111
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		133,838	158,111
Attributable to:			
Owners of the parent		133,895	158,079
Non-controlling interests		(57)	32
		133,838	158,111
Earnings per share attributable to ordinary equity holders of the parent			
Basic	10(a)	8.20 cents	9.64 cents
Diluted	10(b)	8.19 cents	9.64 cents

Details of the dividend proposed for the period are disclosed in note 9 to the interim financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2012** *Unaudited* *HK$'000*	**As at 31 December 2011** *Audited* *HK$'000*
Non-current assets			
Property, plant and equipment		437,685	446,893
Investment properties		110,327	111,903
Intangible assets		2,823	2,823
Other assets		2,960	2,960
Deferred tax assets		4,132	5,891
Held-to-maturity investments		77,590	77,728
Total non-current assets		635,517	648,198
Current assets			
Loans and advances to customers	11	2,902,598	2,064,215
Accounts receivable	12	477,360	336,366
Prepayments, deposits and other receivables		21,518	18,035
Financial assets at fair value through profit or loss	13	151,858	150,716
Tax recoverable		429	310
Client trust bank balances	14	5,718,503	6,121,768
Cash and cash equivalents		418,318	661,856
Total current assets		9,690,584	9,353,266
Current liabilities			
Accounts payable	15	(6,287,508)	(6,471,235)
Other payables and accrued liabilities		(80,506)	(77,788)
Interest-bearing bank borrowings	16	(650,000)	(200,000)
Tax payable		(22,348)	(11,344)
Total current liabilities		(7,040,362)	(6,760,367)
NET CURRENT ASSETS		2,650,222	2,592,899
TOTAL ASSETS LESS CURRENT LIABILITIES		3,285,739	3,241,097
Non-current liabilities			
Deferred tax liabilities		(9,451)	(9,079)
Net assets		3,276,288	3,232,018

	Notes	As at 30 June 2012 Unaudited HK$'000	As at 31 December 2011 Audited HK$'000
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			
- Share option reserve	17	26,329	12,805
- Share award reserve	18	3,429	—
Shares held under the share award scheme	19	(17,999)	(9,384)
Proposed interim/final dividend	9	48,953	98,116
Retained profits		1,510,216	1,425,064
Equity attributable to owners of the parent		3,270,175	3,225,848
Non-controlling interests		6,113	6,170
Total equity		3,276,288	3,232,018

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 "SEHK") 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, 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.

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

This unaudited interim financial information was approved by the Board for issue on 23 August 2012.

2. Basis of preparation and change in accounting policies

The interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial information should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies and basis of preparation applied in the preparation of the interim financial information and the use of certain critical accounting judgements and estimates are the same as those used in the consolidated financial statements for the year ended 31 December 2011 disclosed in the 2011 annual report of the Company.

The Group has adopted the following revised HKFRSs for the first time for this interim period.

Standard	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
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*	1 January 2012

The adoption of the revised HKFRSs has had no significant financial effect on the interim financial information.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating segment information

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

(b) the loans and financing segment engages in the provision of margin financing to margin customers, initial public offering ("IPO") loans, other loans 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, and 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 periods ended 30 June 2011 and 2012.

The unaudited segment results of the Group for the six months ended 30 June 2012 are as follows:

	Dealing and broking	**Loans and financing**	**Corporate finance**	**Asset management**	**Investment holding**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue and other income:							
Sales to external customers	129,749	133,564	80,524	9,044	4,136	1,864	358,881
Inter-segment sales	—	—	—	—	—	—	—
Total	129,749	133,564	80,524	9,044	4,136	1,864	358,881
Segment results	32,959	90,722	32,966	(3,306)	2,503	—	155,844
Income tax expense							(22,006)
Profit for the period							133,838
Other segment information:							
Depreciation	4,241	4,854	3,299	509	—	—	12,903
Finance costs	4	2,147	—	—	—	—	2,151

The unaudited segment results of the Group for the six months ended 30 June 2011 are as follows:

	Dealing and broking *HK$'000*	Loans and financing *HK$'000*	Corporate finance *HK$'000*	Asset management *HK$'000*	Investment holding *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue and other income:							
Sales to external customers	174,420	101,636	76,377	12,350	(5,792)	860	359,851
Inter-segment sales	—	—	—	—	—	—	—
Total	174,420	101,636	76,377	12,350	(5,792)	860	359,851
Segment results	75,398	77,293	34,548	2,875	(6,707)	—	183,407
Income tax expense							(25,296)
Profit for the period							158,111
Other segment information:							
Depreciation	5,361	3,286	2,771	577	—	—	11,995
Finance costs	11	1,307	—	—	—	—	1,318

4. Revenue

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

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Dealing and broking:		
- Commission on securities dealing and broking	94,222	133,318
- Commission on futures dealing and broking	24,331	28,465
- Handling income on dealing and broking	10,615	12,214
- Net income on leveraged foreign exchange dealing and broking	581	423
Loans and financing:		
- Interest income from margin loans	88,642	79,634
- Interest income from term loans	7,816	1,261
- Interest income from IPO loans	49	204
- Interest income from banks and others	34,147	17,627
- Interest income from unlisted held-to-maturity investments	2,910	2,910
Corporate finance:		
- Placing, underwriting and sub-underwriting commission	51,634	59,837
- Consultancy and financial advisory fee income	28,890	16,540
Asset management:		
- Management fee income	9,000	10,705
- Performance fee income	44	1,645
Investment holding:		
- Net loss on financial assets held for trading	(18,527)	(11,002)
- Net gain on financial assets designated at fair value through profit or loss	18,787	—
- Dividend income from listed financial assets held for trading	2,501	4,885
- Interest income from unlisted financial assets designated at fair value through profit or loss	1,375	325
	357,017	358,991

5. Other income

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Information services income	638	731
Gross rental income from investment properties	1,144	71
Others	82	58
	1,864	860

6. Staff costs

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	77,623	68,191
Equity-settled share based payment		
- Share option scheme	13,524	1,255
- Share award scheme	3,429	—
Pension scheme contributions	1,070	911
	95,646	70,357

7. Profit before tax

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

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Minimum lease payments under land and buildings	—	100
Professional and consultancy fee	11,931	10,197
Information services expense	5,637	5,324
Repair and maintenance (including system maintenance)	5,075	4,444
Marketing, advertising and promotion expenses	3,375	1,000
Bank charges	507	495
Business trips	1,772	2,720
Handling charges	2,001	2,029
Entertainment	1,642	2,886

8. Income tax expense

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Current - Hong Kong		
- Charge for the period	19,875	23,799
Deferred		
- Temporary differences	2,131	1,497
Total tax charge for the period	22,006	25,296

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. Proposed interim/final dividend

The Board has proposed an interim dividend of approximately HK$48,953,000 or HK$0.03 per ordinary share (2011: HK$49,200,000 or HK$0.03 per ordinary share) as adjusted to exclude the dividend for the shares held under the share award scheme (the "Share Award Scheme") of the Company amounting to approximately HK$247,000 (2011: nil) for the six months ended 30 June 2012. The interim dividend proposed after the reporting date has not been recognised as a liability in the interim financial information at the end of the reporting period.

The Board has declared and paid a final dividend of approximately HK$97,906,000 (HK$0.06 per ordinary share) for the year ended 31 December 2011 on 26 April 2012 and 11 May 2012 respectively, as adjusted to exclude the dividend for the shares held under the Share Award Scheme of the Company amounting to approximately HK$284,000 and HK$210,000 in respect of the award shares purchased in 2011 and 2012 respectively.

10. Earnings per share attributable to ordinary equity holders of the parent

The calculations of the basic and diluted earnings per share are based on:

a) Basic earnings per share

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
Profit attributable to ordinary equity holders of the parent (in HK$'000)	133,895	158,079
Weighted average number of ordinary share in issue less shares held for the Share Award Scheme (in '000)	1,632,938	1,640,000
Basic earnings per share (in HK cents)	8.20	9.64

(b) Diluted earnings per share

	For the six months ended 30 June	
	2012	**2011**
	Unaudited	*Unaudited*
Profit attributable to ordinary equity holders of the parent (in HK$'000)	133,895	158,079
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme (in '000)	1,632,938	1,640,000
Effect of dilution — weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	1,333	—
Awarded shares under the Share Award Scheme (in '000)	444	—
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	1,634,715	1,640,000
Diluted earnings per share (in HK cents)	8.19	9.64

11. Loans and advances to customers

	As at 30 June 2012 *Unaudited* *HK$'000*	As at 31 December 2011 *Audited* *HK$'000*
Margin loans	2,546,058	1,997,019
Term loans to customers	354,555	67,335
IPO loans	2,806	—
Gross loans and advances to customers	2,903,419	2,064,354
Less: impairment	(821)	(139)
	2,902,598	2,064,215

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 the 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 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 values of margin loans approximate to their fair values. 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 margin loan 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 30 June 2012, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$12,104 million (31 December 2011: HK$8,289 million) based on the market values of the securities as at the end of the 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, if any. The term loans granted to customers amounted to HK$348,000,000 (31 December 2011: HK$67,026,000), and accrued interests amounting to HK$6,555,000 (31 December 2011: HK$309,000) as at 30 June 2012. 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:

	2012	2011
	Unaudited	*Audited*
	HK$'000	*HK$'000*
As at 1 January	139	—
Impairment losses charged to profit or loss during the period/year	821	139
Impairment losses reversed during the period/year	(139)	—
As at 30 June 2012 / 31 December 2011	821	139

Included in the above provision of impairment of margin loans is a provision for individually impaired margin loans of HK$821,000 (31 December 2011: HK$139,000) with a carrying amount before provision of HK$821,000 (31 December 2011: HK$1,004,000). Save as disclosed above, all loans and advances to customers are neither past due nor impaired as at 30 June 2012 and 31 December 2011.

12. Accounts receivable

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

	As at 30 June 2012	As at 31 December 2011
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Accounts receivable arising from dealing and broking		
— cash and custodian clients	50,483	21,343
— the SEHK and other clearing houses	59,093	20,231
— brokers and dealers	357,878	293,709
Accounts receivable arising from corporate finance, asset management and investment holding		
— corporate clients and investment funds	21,911	13,092
	489,365	348,375
Less: impairment	(12,005)	(12,009)
	477,360	336,366

(b) Accounts receivable neither past due nor impaired

	Accounts receivable from cash and custodian clients	Accounts receivable from the SEHK 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*
Unaudited					
As at 30 June 2012					
Neither past due nor impaired	36,612	59,093	357,878	19,771	473,354
Audited					
As at 31 December 2011					
Neither past due nor impaired	6,765	20,231	293,709	12,300	333,005

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 SEHK 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*
Unaudited					
As at 30 June 2012					
Past due less than 6 months	1,842	—	—	1,410	3,252
Past due 6 to 12 months	—	—	—	730	730
	1,842	—	—	2,140	3,982
Audited					
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

Accounts receivable from cash and custodian clients which are past due but not impaired represent client trades on various securities and futures exchanges which are unsettled beyond the settlement date. When the cash and custodian clients failed to settle on the settlement date, the Group has a right to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 30 June 2012 and 31 December 2011 are considered pass due but not yet impaired after taking into consideration the recoverability from collateral. Collateral held against such receivables are publicly traded securities.

Accounts receivable from corporate clients and investment funds which are past due but not impaired represent 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. The outstanding accounts receivable from corporate clients and investment funds as at 30 June 2012 and 31 December 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 SEHK 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*
Unaudited					
As at 30 June 2012					
Impaired accounts receivable	12,029	—	—	—	12,029
Less: impairment	(12,005)	—	—	—	(12,005)
	24	—	—	—	24
Audited					
As at 31 December 2011					
Impaired accounts receivable	12,035	—	—	—	12,035
Less: impairment	(12,009)	—	—	—	(12,009)
	26	—	—	—	26

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

The movements in the impairment allowance on accounts receivable are as follows:

	2012	**2011**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
At 1 January	12,009	11,828
Impairment losses charged to profit or loss during the period/year	5	183
Amount written off as uncollectible during the period/year	(7)	—
Impairment losses reversed during the period/year	(2)	(2)
At 30 June 2012 / 31 December 2011	12,005	12,009

13. Financial assets at fair value through profit or loss

	As at 30 June 2012 *Unaudited* *HK$'000*	As at 31 December 2011 *Audited* *HK$'000*
Financial assets held for trading		
- Hong Kong listed equity investments	71,957	51,607
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)	79,901	60,109
	151,858	150,716

Notes

(a) The Group has entered into a subscription agreement (the "Subscription Agreement") in May 2011 to acquire equity shares of a company (the "Investee") amounting to HK$22,855,000. During the current period, the equity shares of the Investee were listed on the SEHK and such Hong Kong listed equity investment has then been classified as financial assets held for trading.

Pursuant to the Subscription Agreement, if the audited consolidated profit after tax of the Investee for the 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 recognized for the period ended 30 June 2012 as the audited consolidated results of the Investee are yet to be announced.

(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 from the Convertible Promissory Note for the six months ended 30 June 2012 was HK$1,375,000 (for the six months ended 30 June 2011: HK$325,000). The outstanding interest receivable of the Convertible Promissory Note was HK$1 million as at 30 June 2012 (31 December 2011: nil).

In addition, pursuant to a warrant agreement entered into between the Issuer and the Group in May 2011, the Issuer guaranteed that the audited 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. During the current period, the Group noted the shortfall of the audited net profit of the wholly-owned subsidiary of the Issuer. The expected amount and timing of receipt of the shortfall compensation are part of the input variables used to determine the fair value of the investment in the Convertible Promissory Note.

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 30 June 2012 — unaudited

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	71,957	—	79,901	151,858

As at 31 December 2011 — audited

	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

During the six months ended 30 June 2012, there were no transfers of fair value measurements between Level 1 and Level 2.

Movements in fair value measurement in Level 3 during the period

The fair value of the investment as mentioned in note (a) above was previously determined to be Level 3 under the fair value hierarchy as at 31 December 2011. The fair value was determined using a valuation technique based on unobservable inputs because the shares were not listed on the SEHK, and there were no recent observable arm's length transactions in the shares.

During the current period, the equity shares of the Investee were listed on the SEHK and they are currently actively traded in the market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy during the period.

The movements in fair value measurement in Level 3 of financial assets at fair value through profit or loss are as follows:

	2012	**2011**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
As at 1 January	99,109	—
Purchase	—	65,505
Accrued interest income	1,375	1,689
Receipt of interest income	(370)	(1,351)
Net gain recognised in profit or loss	18,787	33,266
Transfer out to Level 1	(39,000)	—
As at 30 June 2012 / 31 December 2011	79,901	99,109

14. Client trust bank balances

The Group maintains trust and segregated accounts with authorised 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).

15. Accounts payable

	As at 30 June 2012 *Unaudited* *HK$'000*	As at 31 December 2011 *Audited* *HK$'000*
Accounts payable arising from dealing and broking		
- clients	6,071,400	6,345,325
- brokers and dealers	44,160	48,869
- the SEHK and other clearing houses	112,114	25,680
Accounts payable arising from underwriting, corporate finance and asset management		
- corporate clients	59,834	51,361
	6,287,508	6,471,235

The majority of the accounts payable are repayable on demand except for certain accounts payable to clients which represent margin deposits received from clients for their trading activities in the 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 within one business day. No aging analysis is disclosed as, in the opinion of the directors, the aging analysis does not give additional value in view of the nature of these businesses.

Accounts payable to clients also include those payables placed in trust accounts with authorised financial institutions of HK$5,719 million (31 December 2011: HK$6,122 million), Hong Kong Futures Exchange Clearing Corporation Limited and other futures dealers totalling HK$325 million (31 December 2011: HK$224 million).

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

16. Interest-bearing bank borrowings

	As at 30 June 2012 *Unaudited* *HK$'000*	As at 31 December 2011 *Audited* *HK$'000*
Secured bank borrowings	250,000	—
Unsecured bank borrowings	400,000	200,000
Total bank borrowings	650,000	200,000

Bank loans of HK$250,000,000 (31 December 2011: nil) were secured by certain of the listed shares pledged by the customers to the Group as margin loan collateral which had an aggregate fair value amounting to HK$618,300,000 as at 30 June 2012 (31 December 2011: nil).

In addition, the Company has guaranteed certain of the Group's bank borrowings up to HK$530 million (31 December 2011: HK$530 million) 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 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.

17. Share option reserve

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of assisting in recruiting, retaining and motivating key staff members. The Board has the discretion to grant share options to employees and directors of any members of the Group. 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 (i.e. 18 June 2020).

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.

On 24 April 2012, the Board resolved to cancel the outstanding share options and granted new options to the same grantees with the exercise price of HK$2.50 per share. Among the share options granted, a total of 13,500,000 share options were granted to the directors of the Company. The closing price of the Company's share prior to the date of grant of the share options was HK$2.50. The option period of the share options is from 24 April 2012 to 9 June 2021. One-third of the share options granted were vested on 10 June 2012. The outstanding two-third of the share options granted will be vested on 10 June 2013 and 10 June 2014 respectively. The reduction in the exercise price of the above share options resulted in an incremental fair value of HK$8,739,000 at the modification date, HK$2,781,000 of which has been recognised in the consolidated statement of comprehensive income for the period ended 30 June 2012. No share options were exercised or lapsed during the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

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$2.50
Exercise price (per share)	HK$2.50
Expected volatility	52.16%
Expected dividend yield	2.71%
Risk-free interest rate	1.12%
Weighted average share option price (per share)	HK$0.83

18. Share award reserve

The Company operates 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 27 October 2011 and unless otherwise cancelled or amended, will remain in force for 10 years from that date (i.e. 26 October 2021).

Details of Awarded Shares awarded during the six months ended 30 June 2012 are set out below:

Date of award	Number of shares awarded	Average fair value per share	Vesting date
30/3/2012	7,494,000	HK$2.15	30/11/2012, 30/11/2013 and 30/11/2014
21/5/2012	182,000	HK$2.52	

19. Shares held under the Share Award Scheme

During the six months ended 30 June 2012, the trustee acquired 3,503,000 ordinary shares (for the six months ended 30 June 2011: nil) 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$8,615,000 (for the six months ended 30 June 2011: nil). No Awarded Shares were vested for the six months ended 30 June 2012 (for the six months ended 30 June 2011: nil).

20. Operating lease and capital commitments

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.

As at 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2012 *Unaudited* *HK$'000*	As at 31 December 2011 *Audited* *HK$'000*
Within one year	3,534	2,159
In the second to fifth years, inclusive	6,038	3,539
	9,572	5,698

The Group had capital commitments for IT upgrade of approximately HK$289,000 which were contracted but not provided for as at 30 June 2012 (31 December 2011: HK$570,000).

21. 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 30 June 2012, the underwriting obligations were approximately HK$259.7 million (31 December 2011: HK$388.3 million).

In addition to the guarantee provided in respect of bank borrowings as mentioned in note 16, as at 31 December 2011, the Company provided guarantees up to approximately HK$155.5 million in favour of financial institutions in respect of the trading limit granted to a wholly-owned subsidiary principally engaged in futures dealing and broking services, the guarantees were released as at 30 June 2012.

The Group had no other material contingent liabilities as at 30 June 2012 and 31 December 2011.

22. Events after the reporting period

On 31 July 2012, in addition to the guarantees provided by the Company as mentioned in note 21, the Company provided another guarantee in favour of a financial institution offering the trading limit of a wholly-owned subsidiary, which is principally engaged in securities dealing and broking services, up to approximately HK$232.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OVERVIEW

We are pleased to report to our shareholders that the revenue and profit for the period ended 30 June 2012 of the Group were HK$357.0 million and HK$133.8 million respectively representing a decrease of revenue of 0.5% and profit of 15.4% respectively as compared to the corresponding period in 2011.

Our result was founded on the solid performance of the Group's loans and financing and corporate finance businesses, which recorded a growth of revenue of 31.4% and 5.4% respectively. However, our cost to income ratio has been increased to 55% (2011: 49%), owing to the introduction of the equity-settled share based payment to our employees.

The Board of the Company has recommended the payment of an interim dividend of HK3 cents per share (2011: HK 3 cents) for the period.

MARKET REVIEW

During the period under review, global markets continued to be affected by the slow rebound in US economy and the ongoing European debt crisis. Though the published figures showed signs of economic recovery in US, the investor confidence remained fragile. European economy, on the other hand, deteriorated with the intensified sovereign debt problems and the distressing high level of unemployment rate.

The PRC economy, after growing rapidly in the last two decades, showed signs of slowing down in 2012. During the period under review, the government has made efforts to protect the economy and to maintain a healthy economic growth. The Required Reserve Ratio for banks has been lowered for 2 times and deposit interest rates have also been cut. As such, the Shanghai Composite Index closed at 2,225 (31 December 2011: 2,199) on 30 June 2012, representing an increase of 1.2% in the first half of 2012.

Severely affected by unstable and poor economic performance around the world, the Hong Kong market also performed badly during the period under review. Although the unemployment rate remains low, the future economy growth was still uncertain. Investors kept away from the securities market. As a result, the average daily turnover of the SEHK dropped by 23% comparing to the corresponding period in 2011.

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.

	For the six months ended 30 June			
	2012		2011	
	HK$'000	%	*HK$'000*	%
Fee and commission income				
- dealing and broking	129,749	36.3	174,420	48.6
- corporate finance	80,524	22.6	76,377	21.3
- asset management	9,044	2.5	12,350	3.4
Interest income from loans and financing	133,564	37.4	101,636	28.3
Gain/(loss) from investment holding	4,136	1.2	(5,792)	-1.6
Total revenue	357,017	100.0	358,991	100.0

Dealing and broking

Due to unsatisfactory market performance and keen competition, the revenue generated from dealing and broking was HK$129.7 million (2011: 174.4 million) for the six months ended 30 June 2012. A breakdown has been set out below:

	For the six months ended 30 June			
	2012		2011	
	HK$'000	%	*HK$'000*	%
Securities	94,222	72.6	133,318	76.4
Futures	24,331	18.8	28,465	16.3
Leveraged foreign exchanges	581	0.4	423	0.3
Handling fee	10,615	8.2	12,214	7.0
Income from dealing and broking activities	129,749	100.0	174,420	100.0

Our online trading platform currently supports 9 international securities markets and 19 global futures markets and leveraged foreign exchange trading for our customers. As a result, 86% of our securities brokerage business was executed through our online trading platform (2011: 83%). To grow our dealing and broking business, we offered several promotion schemes and successfully recruited more than 3,300 new clients during the six months ended 30 June 2012.

Due to the poor market conditions, the average market turnover for securities trading and futures trading in Hong Kong has dropped by 23% and 8% respectively during the six months ended 30 June 2012. Our commission income from securities and futures dealing and broking decreased by 29.3% to HK$94.2 million (2011: HK$133.3 million) and 14.5% to 24.3 million (2011: HK$28.5 million) respectively for the six months ended 30 June 2012. Since 2009, the proportion of mainland Chinese investors participating in the Hong Kong securities market was decreasing. As our clientele has a high proportion of mainland Chinese investors, our dealing and broking revenue dropped accordingly.

Our leveraged foreign exchange trading service currently supports 8 major currency pairs and up to 21 cross currency pairs. The net income from the leveraged foreign exchange trading service increased by 37.4% to HK$0.6 million (2011: HK$0.4 million).

To better enhance our services to customers through the online platform, online margin financing service and securities lending service were launched during the period under review. However, due to the decrease in market activities, our income from corporate action activities and stock lending activities decreased, and the handling income consequently decreased by 13.1% to HK$10.6 million (2011: HK$12.2 million) for the six months ended 30 June 2012.

Corporate finance

Because of the poor market sentiments, the corporate finance activities decreased significantly during the period under review. There were 32 new listings on the SEHK including those transferred from their listing from GEM Board to the Main Board (2011: 47 new listings). During the period ended 30 June 2012, we have completed sponsorship for the listing of 6 companies. We have been also engaged as compliance adviser for 38 newly listed companies and financial advisor for 7 projects. Notwithstanding the momentum for listing of Chinese enterprises slowed down, the income from consultancy and financial advisory fee increased by 74.7% to HK$28.9 million for the period ended 30 June 2012 (2011: HK$16.5 million).

In addition to the decrease in the number of new listings, during the period under review, most of the new listings were small to medium size issues. As a result, total funds raised in the SEHK including IPOs decreased significantly by 82% to HK$30,587 million (2011: HK$174,685 million). During the period under review, we have been appointed as bookrunner for 8 IPO deals and lead manager for 1 IPO transaction. Our revenue from placing and underwriting activities decreased by 13.7% to HK$51.6 million for the six months ended 30 June 2012 (2011: HK$59.8 million).

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 the funds, respectively. Although we have successfully launched two authorized funds in Hong Kong, namely Guotai Junan Great Dragon China Fixed Income Fund and Guotai Junan Equity Income Fund, during the period under review, the management fee income decreased by 15.9% to HK$9.0 million (2011: HK$10.7 million) as the average AUM decreased by 28.0% to HK$2,814.1 million (2011: HK$3,909.4 million) for the six months ended 30 June 2012. Given the weak performance of the funds under management, the performance fee income was only HK$44,000 (2011: HK$1.6 million) for the period ended 30 June 2012.

Loans and financing

The income from our loans and financing business increased by 31.4% to HK$133.6 million for the period ended 30 June 2012 (2011: HK$101.6 million). A summary of interest income is set out below:

	For the six months ended 30 June			
	2012		**2011**	
	HK$'000	%	*HK$'000*	%
Margin loans	88,642	66.4	79,634	78.4
Term loans	7,816	5.9	1,261	1.2
IPO loans	49	—	204	0.2
Banks and others	34,147	25.6	17,627	17.3
Held-to-maturity investments	2,910	2.1	2,910	2.9
Interest Income from loans and financing	133,564	100	101,636	100

Since the listing on the SEHK in July 2010, we have invested significant resources in expanding our loans and financing activities. Our efforts were justified by the increase of average margin loan balance by 4.5% to HK$2,426.1 million (2011: HK$2,320.6 million) for the six months ended 30 June 2012. The average interest rate charged to our margin client also increased to reflect the current risk level. To maintain our good risk management, we continued to adopt an aggressive while stable operation strategy on margin loan financing business.

The interest income from term loans has been increased significantly by 519.8% to HK$7.8 million (2011: HK$1.3 million), reflecting our aggressiveness in exploring and securing business opportunities. During the period under review, we have engaged in a bridging loan to support the privatization of a US listed Chinese enterprise.

The interest income from banks and others also increased by 93.7% to HK$34.1 million (2011: HK$17.6 million) for the six months ended 30 June 2012, reflecting the tight liquidity in the market. On the other hand, due to unsatisfactory performance of the IPO financing activity, our interest income from IPO loans decreased to HK$0.04 million (2011: HK$0.2 million) for the period ended 30 June 2012.

We invested in a 3-year senior note issued by a private company in September 2010 and this held-to-maturity investment contributed interest income of HK$2.9 million for the period ended 30 June 2011 and 2012 respectively.

Investment holding

To diversify revenue stream and to secure sponsorship and underwriting opportunities, our Group started to engage in direct investment in private companies since 2011. As at 30 June 2012, we had one outstanding direct investment project in the form of convertible bond at the fair value of HK79.9 million. The gain on revaluation of this financial asset designated at fair value through profit and loss was HK$18.8 million (2011: nil) for the six months ended 30 June 2012. The interest income from the convertible bond for the six months ended 30 June 2012 was HK$1.4 million (2011: HK$0.3 million). As a result of unsatisfactory market performance, the Group incurred loss of HK$18.5 million (2011: HK$11.0 million) from financial assets held for trading for the six months ended 30 June 2012. The dividend income for the period was HK$2.5 million (2011: HK$4.9 million). Overall, the net income from investment holdings was HK$4.1 million (2011: net loss of HK$5.8 million) for the six months ended 30 June 2012.

RESULTS OF FINANCIAL POSITION

During the six months ended 30 June 2012, the Group's total assets increased by 3.2% to HK$10,326.1 million (31 December 2011: HK$10,001.5 million).

The Group's total liabilities as at 30 June 2012 increased by 4.1% to HK$7,049.8 million (31 December 2011: HK$6,769.4 million).

As the Group recorded a net profit for the period, the Group's net assets increased by 1.4% to HK$3,276.3 million (31 December 2011: HK$3,232.0 million) at the period end.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2012, the net current assets of the Group increased by 2.2% to HK$2,650.2 million (31 December 2011: HK$2,592.9 million). The Group's current ratio was at 1.38 times as at 30 June 2012 (31 December 2011: 1.38 times).

The Group had a cash outflow of HK$243.5 million (30 June 2011: cash outflow of HK$121.0 million) during the six months ended 30 June 2012 and the Group's bank balances were HK$418.3 million as at the period end (30 June 2011: HK$320.7 million). As at 30 June 2012, the Group had outstanding bank borrowings of HK$650 million through bilateral banking facilities with various banks (31 December 2011: HK$200 million). The gearing ratio (defined as bank borrowings to equity attributable to owners of the parent) was 0.20 as at 30 June 2012 (31 December 2011: 0.06). The Group also had sufficiently unutilized banking facilities from authorized financial institutions in Hong Kong, we believe our operating cash flow remains adequate to finance our recurrent working capital requirements 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. All licensed corporations within the Group complied with their respective liquid capital requirements during the period and up to the date of this report.

We have also successfully applied for the listing of the Company's Medium Term Note Programme (the "MTN Programme") on the SEHK. Unlisted notes may also be issued under the MTN Programme. The notes will only be sold to professional investors, as described in the offering circular dated 25 June 2012. No notes have been issued as at 30 June 2012.

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

OUTLOOKS AND FUTURE PLANS

The second half of 2012 will be a challenging period to further expand our business. The European debt issue remains unresolved. The global economic recovery remains uncertain. The Chinese economy is facing downturn problems. All these issues cause uncertainty on our business. However, we are still confident in our business. We believe that loans and financing and corporate finance businesses are still the key drivers for our business growth.

Given the tight liquidity in the market, we expect the demand of margin financing and other secured lending business remain strong. To ensure that there are sufficient resources to meet our funding needs, we have successfully launched the MTN Programme in June 2012.

As an international financial centre, Hong Kong has become one of the preferred listing place for overseas and Chinese enterprises. In China, it is still difficult for enterprises to raise fund through capital and debt markets. To pursue corporate financial advisory and fund raising opportunities from Chinese enterprises, we believe that the collaboration with our parent company Guotai Junan Securities Company Limited ("Guotai Junan") will be beneficial to us. We also committed to develop debt capital markets business so as to facilitate our corporate clients to raise debt capital in HK dollars as well as in RMB.

Regarding our dealing and broking business, apart from leveraging on huge customer base of our parent company Guotai Junan, we are also engaging individual and institutional clients overseas and locally. In order to expand our product lines, we recently set up a Global Markets Department focusing on structuring and facilitating the trading of fixed-income products for our professional clients. To extend value-added services to our customers in broadening their investment and trading strategies, our online trading platform now supports securities lending service. We believe that these initiatives will not only facilitate more business transactions, but also perfect our one-stop solution to customers.

Our first RQFII product — Guotai Junan Great Dragon China Fixed Income Fund has been successfully launched earlier this year. Given the on-going internationalization of RMB, we expect more RMB denominated business opportunities will be available to us. We strive to capture all these opportunities, to serve our customers in meeting their needs and to generate sustainable, stable and attractive return for our shareholders.

INTERIM DIVIDEND

The Board recommends the payment of interim dividend of HK$0.03 per ordinary share for the six months ended 30 June 2012 to the shareholders whose names appear on the register of members of the Company on Friday, 7 September 2012. The dividend will be payable on or about 18 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 7 September 2012 for ascertaining the shareholders' entitlement to the proposed interim dividend. No transfer of shares will be registered on that date. In order to qualify for the proposed interim dividend, shareholder 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, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 6 September 2012.

SHARE OPTION SCHEME

The Company adopted its 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.

On 24 April 2012, the Board resolved to cancel the outstanding share options and granted new options to the same grantees with the exercise price of HK$2.50 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$2.50. The option period of the share options is from 24 April 2012 to 9 June 2021. One-third of the share options granted were vested on 10 June 2012. The outstanding two-third of share options granted will be vested on 10 June 2013 and 10 June 2014 respectively. No share options were exercised or lapsed for the six months ended 30 June 2012.

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, i.e. 26 October 2021.

As at 30 June 2012, 7,676,000 awarded shares were granted to 41 employees who are eligible persons under the Share Award Scheme of which 3,870,000 awarded shares were granted to the directors of the Company.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

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 during the six months ended 30 June 2012 other than as an agent for the trustee of the Share Award Scheme.

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 30 June 2012 and 31 December 2011.

GUARANTEE AND CONTINGENT LIABILITIES

The Group has undertaken underwriting obligation 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 30 June 2012, the underwriting obligations were approximately HK$259.7 million (31 December 2011: HK$388.3 million).

As at 30 June 2012, the Company had provided guarantees in favor of an authorized financial institution in respect of bank borrowings of a wholly owned subsidiary engaged in margin financing amounting to approximately HK$530 million (31 December 2011: HK$530 million). As at 31 December 2011, the Company had also provided guarantees in favor of financial institutions in respect of trading limit of a wholly owned subsidiary principally engaged in futures dealing and broking services amounting to approximately HK$155.5 million, the guarantees were released as at 30 June 2012.

The Group had no other material contingent liabilities as at 30 June 2012 and 31 December 2011.

OPERATING LEASE COMMITMENT AND CAPITAL COMMITMENT

The capital commitments were approximately HK$289,000 (31 December 2011: HK$570,000) respectively as at 30 June 2012.

There was no operating lease commitment as at 30 June 2012 and 31 December 2011.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions set out in the Code on Corporate Governance Practices effective until 31 March 2012 and Corporate Governance Code effective from 1 April 2012 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2012.

COMPLIANCE WITH THE MODEL CODE

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's external auditor has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent

Auditor of the Entity" issued by the HKICPA. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial reports.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises 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 INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2012 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of interim results for the six months ended 30 June 2012 is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the Company at http://www.gtja.com.hk. The interim report for the six months ended 30 June 2012 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 August 2012