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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 2013

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 2013 together with comparative figures for the previous corresponding period as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013	**2012**	**Change**
	Unaudited	*Unaudited*	
	HK$'000	*HK$'000*	*%*
Fee and commission income			
- dealing and broking	185,720	129,749	43.1%
- corporate finance	36,731	80,524	-54.4%
- asset management	19,964	9,044	120.7%
Interest income from loans and financing	153,485	133,564	14.9%
(Loss)/gain from investment holding	(11,488)	4,136	N/A
Revenue	384,412	357,017	7.7%
Other income	2,652	1,864	42.3%
Revenue and other income	387,064	358,881	7.9%
Profit for the period	139,413	133,838	4.2%
Profit attributable to equity holders of the Company	138,907	133,895	3.7%
Basic earnings per share (HK cents)	8.12	8.20	-1.0%
Diluted earnings per share (HK cents)	8.06	8.19	-1.6%
Dividend per share (HK cents)	3	3	—
Net asset value per share (HK$) (Note)	2.11	2.00	5.5%

Note: Based on 1,710,114,000 shares (30 June 2012: 1,631,770,000 shares) as at 30 June 2013, being 1,726,650,000 shares issued and fully paid less 16,536,000 shares held under the Share Award Scheme (30 June 2012: 1,640,000,000 shares issued and fully paid less 8,230,000 shares held under the Share Award Scheme).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June** **2013** *Unaudited* *HK$'000*	**2012** *Unaudited* *HK$'000*
Revenue	4	384,412	357,017
Other income	5	2,652	1,864
Revenue and other income		387,064	358,881
Staff costs	6	(108,669)	(95,646)
Commission to account executives		(26,706)	(16,944)
Other commission expenses		(16,855)	(25,976)
Performance fee expense		(6,050)	(1,932)
Depreciation		(13,262)	(12,903)
Write back/(impairment) of loans and advances to customers	11	57	(682)
Impairment of accounts receivable	12(d)	(1)	(3)
Other operating expenses		(49,784)	(46,800)
Operating profit		165,794	157,995
Finance costs		(7,463)	(2,151)
Profit before tax	7	158,331	155,844
Income tax expense	8	(18,918)	(22,006)
Profit for the period		139,413	133,838
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		139,413	133,838
Profit and total comprehensive income for the period attributable to:			
Owners of the parent		138,907	133,895
Non-controlling interests		506	(57)
		139,413	133,838
Earnings per share attributable to ordinary equity holders of the parent			
Basic (in HK cents)	10(a)	8.12	8.20
Diluted (in HK cents)	10(b)	8.06	8.19

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2013** *Unaudited* *HK$'000*	**As at 31 December 2012** *Audited* *HK$'000*
Non-current assets			
Property, plant and equipment		421,033	429,402
Investment properties		107,175	108,751
Intangible assets		2,823	2,823
Other assets		14,325	2,870
Deferred tax assets		3,379	3,670
Total non-current assets		548,735	547,516
Current assets			
Loans and advances to customers	11	3,531,509	3,058,102
Accounts receivable	12	808,897	1,023,187
Prepayments, deposits and other receivables		27,675	22,901
Held-to-maturity investments		77,571	77,520
Financial assets at fair value through profit or loss	13	386,303	482,220
Tax recoverable		—	6,796
Client trust bank balances	14	6,452,729	5,883,941
Cash and cash equivalents		986,988	384,554
Total current assets		12,271,672	10,939,221
Current liabilities			
Accounts payable	15	(7,251,379)	(6,955,818)
Subscription monies received in advance		—	(186,798)
Other payables and accrued liabilities		(47,986)	(95,022)
Interest-bearing bank borrowings	16	(1,627,795)	(739,820)
Debt securities in issue	17	(249,960)	(86,000)
Tax payable		(20,949)	(6,214)
Total current liabilities		(9,198,069)	(8,069,672)
NET CURRENT ASSETS		3,073,603	2,869,549
TOTAL ASSETS LESS CURRENT LIABILITIES		3,622,338	3,417,065
Non-current liabilities			
Deferred tax liabilities		(13,381)	(17,300)
Net assets		3,608,957	3,399,765

	Notes	As at 30 June 2013 Unaudited HK$'000	As at 31 December 2012 Audited HK$'000
Equity			
Share capital	18	172,665	164,000
Share premium		2,955,722	2,771,707
Other reserve		(1,236,460)	(1,236,460)
Share-based compensation reserve			
- Share option reserve	19	38,554	33,330
- Share award reserve	20	10,739	5,720
Shares held under the Share Award Scheme	21	(42,594)	(28,833)
Proposed interim/final dividend	9	51,303	113,882
Retained profits		1,652,205	1,570,102
Equity attributable to owners of the parent		3,602,134	3,393,448
Non-controlling interests		6,823	6,317
Total equity		3,608,957	3,399,765

NOTES TO 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 "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 holding.

The Company's immediate holding company and ultimate holding company are Guotai Junan Holdings Limited ("GJHL") and Guotai Junan Securities Company Limited ("Guotai Junan") 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 15 August 2013.

2. Basis of preparation and change in accounting policies

The interim financial information for the six months ended 30 June 2013 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 2012, 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 2012 disclosed in the 2012 annual report of the Company, except for the adoption of new and revised HKFRSs as described below.

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

Standard	Content	Effective for financial years beginning on/ after
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*	1 January 2013
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*	1 January 2013
HKFRS 10	*Consolidated Financial Statements*	1 January 2013
HKFRS 11	*Joint Arrangements*	1 January 2013
HKFRS 12	*Disclosure of Interests in Other Entities*	1 January 2013
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*	1 January 2013
HKFRS 13	*Fair Value Measurement*	1 January 2013
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*	1 July 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
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012	1 January 2013

Other than as further explained below regarding the impact of HKFRS 12 and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on the interim financial information.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. None of these disclosure requirements is applicable for interim financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

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 has already been required or permitted under other HKFRSs. Some of the disclosures required for financial instruments are included in note 13 to these interim financial information. The application of this new standard has no material financial impact on the Group.

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

(c) the asset management segment engages in asset management, including fund management and the provision of investment advisory services;

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

(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 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 six months ended 30 June 2012 and 2013.

The unaudited segment results of the Group for the six months ended 30 June 2013 are as follows:

	Dealing and broking	Corporate finance	Asset management	Loans and financing activities	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	185,720	36,731	19,964	153,485	(11,488)	2,652	387,064
Inter-segment sales	—	—	—	—	—	—	—
Total	185,720	36,731	19,964	153,485	(11,488)	2,652	387,064
Segment results	62,875	3,627	4,034	99,283	(11,488)	—	158,331
Income tax expense							(18,918)
Profit for the period							139,413
Other segment information:							
Depreciation	5,399	2,114	772	4,977	—	—	13,262
Finance costs	3	11	—	7,449	—	—	7,463

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

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

4. Revenue

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

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Dealing and broking:		
Commission on securities dealing and broking	133,343	94,222
Commission on futures dealing and broking	24,295	24,331
Handling income on dealing and broking	26,529	10,615
Net income on leveraged foreign exchange dealing and broking	1,553	581
Corporate finance:		
Placing, underwriting and sub-underwriting commission	15,602	51,634
Consultancy and financial advisory fee income	21,129	28,890
Asset management:		
Management fee income	10,246	9,000
Performance fee income	9,718	44
Loans and financing activities:		
Interest income from margin loans	115,456	88,642
Interest income from term loans	14,780	7,816
Interest income from IPO loans	431	49
Interest income from banks and others	19,908	34,147
Interest income from unlisted held-to-maturity investments	2,910	2,910
Investment holding:		
Net fair value loss on financial assets held for trading		
- unlisted debt securities	(1,588)	—
- listed equities securities	(6,837)	(18,527)
Interest income from unlisted debt securities held for trading	5,600	—
Dividend income from listed financial assets held for trading	1,031	2,501
Net fair value (loss)/gain on financial assets designated at fair value through profit or loss	(13,586)	18,787
Interest income from unlisted financial assets designated at fair value through profit or loss	3,892	1,375
	384,412	357,017

5. Other income

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Gross rental income from investment properties	1,978	1,144
Information services income	568	638
Others	106	82
	2,652	1,864

6. Staff costs

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Staff costs (including Directors' remuneration):		
Salaries, bonuses and allowances	92,113	77,623
Equity-settled share based payment		
- Share Option Scheme	7,015	13,524
- Share Award Scheme	8,065	3,429
Pension scheme contributions	1,476	1,070
	108,669	95,646

7. Profit before tax

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

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Professional and consultancy fee	11,053	11,931
Information services expense	5,689	5,637
Repair and maintenance (including system maintenance)	5,942	5,075
Marketing, advertising and promotion expenses	1,731	3,375
Foreign exchange difference, net	(1,627)	(735)

8. Income tax expense

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Current - Hong Kong		
- Charge for the period	22,546	19,875
Deferred income tax	(3,628)	2,131
Total tax charge for the period	18,918	22,006

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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$51,303,000 or HK$0.03 per ordinary share (2012: HK$48,953,000 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$496,000 (2012: HK$247,000) for the six months ended 30 June 2013. 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 a final dividend of HK$0.07 per ordinary share for the year ended 31 December 2012 on 9 May 2013 and paid the final dividend of approximately HK$119,729,000 on 4 June 2013 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***

The calculation of basic earning per share for the period ended 30 June 2013 is based on the profit attributable to ordinary equity holders of the parent of HK$138,907,000 (2012: HK$133,895,000) and the weighted average number of ordinary shares in issue less shares held under the Share Award Scheme of 1,710,807,000 (2012: 1,632,938,000) during the period.

(b) ***Diluted earnings per share***

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share is as follows:

	For the six months ended 30 June	
	2013	**2012**
	Unaudited	*Unaudited*
Profit attributable to ordinary equity holders of the parent (in HK$'000)	138,907	133,895
Weighted average number of ordinary shares in issue less shares held under the Share Award Scheme (in '000)	1,710,807	1,632,938
Effect of dilution — weighted average number of ordinary shares:		
Share options under the Share Option Scheme (in '000)	8,178	1,333
Awarded shares under the Share Award Scheme (in '000)	5,235	444
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	1,724,220	1,634,715
Diluted earnings per share (in HK cents)	8.06	8.19

11. Loans and advances to customers

	As at 30 June 2013	As at 31 December 2012
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Margin loans	3,259,937	2,679,678
Term loans to customers	272,194	379,103
Gross loans and advances to customers	3,532,131	3,058,781
Less: impairment	(622)	(679)
	3,531,509	3,058,102

Margin financing operations

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collaterals. The maximum credit limit granted for each customer is based on the customer's financial background and the quality of the related collaterals. The Group seeks to maintain strict control over its outstanding receivables and has the 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 of the Company (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. Based on the market values of the securities as at 30 June 2013, the total value of securities pledged as collaterals in respect of the margin loans was approximately HK$21,036 million (31 December 2012: HK$17,830 million) .

Term loans to customers

The Group also provides term loans to customers. In determining the interest rates, reference was made to the credit standing of the relevant customers and the quality of the collaterals pledged, if any. The term loans granted to customers amounting to HK$268,000,000 (31 December 2012: HK$367,700,000), and accrued interests amounting to HK$4,194,000 (31 December 2012: HK$11,403,000) as at 30 June 2013. 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 follows:

	2013	**2012**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
As at 1 January	679	139
Impairment charged to profit or loss during the period/year	38	864
Impairment reversed during the period/year	(95)	(324)
As at 30 June 2013 / 31 December 2012	622	679

Included in the above provision of impairment of margin loans is a provision for individually impaired margin loans of HK$622,000 (31 December 2012: HK$679,000) with a carrying amount before provision of HK$622,000 (31 December 2012: HK$679,000). Save as disclosed above, all loans and advances to customers are neither past due nor impaired as at 30 June 2013 and 31 December 2012.

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 2013 *Unaudited* *HK$'000*	As at 31 December 2012 *Audited* *HK$'000*
Accounts receivable arising from dealing and broking		
— cash and custodian clients	50,127	23,758
— the Stock Exchange and other clearing houses	196,854	264,568
— brokers and dealers	541,311	706,313
Accounts receivable arising from corporate finance, asset management and investment holding		
— corporate clients and investment funds	32,612	40,554
	820,904	1,035,193
Less: impairment	(12,007)	(12,006)
	808,897	1,023,187

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

	Accounts receivable from cash and custodian clients *HK$'000*	Accounts receivable from the Stock Exchange and other clearing houses *HK$'000*	Accounts receivable from brokers and dealers *HK$'000*	Accounts receivable from corporate clients and investment funds *HK$'000*	Total *HK$'000*
Unaudited					
As at 30 June 2013					
Neither past due nor impaired	33,750	196,854	541,311	11,792	783,707
Audited					
As at 31 December 2012					
Neither past due nor impaired	11,447	264,568	706,313	38,578	1,020,906

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*
Unaudited					
As at 30 June 2013					
Past due less than 6 months	4,338	—	—	1,200	5,538
Past due 6 to 12 months	—	—	—	19,620	19,620
	4,338	—	—	20,820	25,158
Audited					
As at 31 December 2012					
Past due less than 6 months	276	—	—	150	426
Past due 6 to 12 months	—	—	—	1,826	1,826
	276	—	—	1,976	2,252

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 a right to force-sell the collaterals underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 30 June 2013 and 31 December 2012 are considered past due but not impaired after taking into consideration the recoverability from collaterals. Collaterals 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 2013 and 31 December 2012 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*
Unaudited					
As at 30 June 2013					
Impaired accounts receivable	12,039	—	—	—	12,039
Less: impairment	(12,007)	—	—	—	(12,007)
	32	—	—	—	32
Audited					
As at 31 December 2012					
Impaired accounts receivable	12,035	—	—	—	12,035
Less: impairment	(12,006)	—	—	—	(12,006)
	29	—	—	—	29

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 collaterals.

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

	2013	**2012**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
At 1 January	12,006	12,009
Impairment charged to profit or loss during the period/year	3	7
Amount written off as uncollectible during the period/year	—	(8)
Impairment reversed during the period/year	(2)	(2)
At 30 June 2013 / 31 December 2012	12,007	12,006

13. Financial assets at fair value through profit or loss

	As at 30 June 2013	As at 31 December 2012
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Financial assets held for trading		
Listed equity investments, at fair value		
- in Hong Kong	69,146	75,854
- in United States	38	22
Unlisted debt investments, at fair value	137,422	214,137
Financial assets designated at fair value through profit or loss		
- unlisted debt investment	75,766	73,963
- unlisted convertible promissory note (the "Convertible Promissory Note") (Note)	103,931	118,244
	386,303	482,220

Note

The Group purchased a Convertible Promissory Note issued by a third party (the "Issuer") amounting to approximately HK$42,650,000 in May 2011. The Convertible Promissory Note bears fixed interest rate since 1 January 2013 to the maturity date of 31 December 2014 (2012: bore interest at the Hong Kong Interbank Offered Rate plus an interest spread) and the interest income accrued from the Convertible Promissory Note for the period ended 30 June 2013 was HK$1,481,000 (2012: HK$1,375,000).

In addition, the Group will be compensated for the shortfall if the audited consolidated profit after tax of the wholly-owned subsidiary of the Issuer (the "Project Company") for either the year ending 31 December 2013 or 2014 is less than a certain threshold level, depending on which year the Project Company would be listed on the Stock Exchange. No compensation has been recognized for the period ended 30 June 2013.

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 2013 — 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	69,184	213,188	103,931	386,303

As at 31 December 2012 — 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	75,876	288,100	118,244	482,220

During the period ended 30 June 2013, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into and out of Level 3 fair value measurements.

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

	2013	**2012**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
As at 1 January	118,244	99,109
Accrued interest income	1,481	2,780
Receipt of interest income	(1,457)	(2,775)
Unrealized (loss)/gain recognised in profit or loss	(14,337)	58,130
Transfer out to Level 1	—	(39,000)
As at 30 June 2013 / 31 December 2012	103,931	118,244

The valuation of Convertible Promissory Note involved the use of binomial pricing model. The following pricing multiples of market comparable companies were considered to be the significant unobservable inputs to determine the estimated equity value of the Project Company used in the binomial pricing model.

	Average
Price to revenue multiple	1.6
Price to book multiple	2.0

Should the pricing multiples adopted in the valuation model increased or decreased by 10%, the fair value of Convertible Promissory Note would be increased by HK$6.7 million or decreased by HK$6.6 million respectively as at 30 June 2013.

Group's valuation process

The Level 1 and Level 2 fair value of financial assets are measured by reference to quoted market prices and brokers' quotes respectively. For Level 3 fair value, the Group has engaged an independent valuer to perform the valuation of financial assets for financial reporting purposes. Such valuation report would be sent to the Accounting Department and the Audit Committee for discussion at least twice per annum, which is in line with the Group's reporting dates.

The Accounting Department regularly reviews significant unobservable inputs and valuation adjustments including broker quotes used to measure the fair value of financial assets. Changes in Levels 2 and 3 fair values are analyzed for the fair value movement at each reporting date.

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 2013 *Unaudited* *HK$'000*	**As at 31 December 2012** *Audited* *HK$'000*
Accounts payable arising from dealing and broking		
- clients	6,951,344	6,657,187
- brokers and dealers	273,610	270,443
Accounts payable arising from underwriting, corporate finance and asset management		
- corporate clients	26,425	28,188
	7,251,379	6,955,818

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$6,453 million (31 December 2012: HK$5,884 million), Hong Kong Futures Exchange Clearing Corporation Limited and other futures dealers totalling HK$202 million (31 December 2012: HK$328 million).

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

16. Interest-bearing bank borrowings

	As at 30 June 2013	**As at 31 December 2012**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Secured bank borrowings	915,000	360,000
Unsecured bank borrowings	712,795	379,820
Total bank borrowings	1,627,795	739,820

Bank loans of HK$915 million (31 December 2012: HK$360 million) were secured by certain of the listed shares pledged by the customers to the Group as margin loan collaterals which had an aggregate fair value amounting to HK$1,897.0 million as at 30 June 2013 (31 December 2012: HK$1,372.4 million).

In addition, the Company has guaranteed certain of the Group's bank borrowings up to HK$1,330 million (31 December 2012: HK$530 million) as at the end of the reporting period.

As at 30 June 2013, the Group's bank borrowings comprises of borrowings which are denominated in HK$ amounting to HK$1,525,000,000 (31 December 2012: HK$510,000,000), denominated in RMB amounting to HK$25,224,000 (31 December 2012: HK$136,796,000) and denominated in US$ amounting to HK$77,571,000 (31 December 2012: HK$93,024,000).

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. Debt securities in issue

	As at 30 June 2013 *Unaudited* *HK$'000*	As at 31 December 2012 *Audited* *HK$'000*
At amortised cost:		
HK$ medium-term notes	249,960	86,000

The outstanding balance represents unsecured unlisted notes issued by the Company under the Medium Term Note Programme (the "MTN Programme").

The Group has not had any defaults of principal, interest or other breaches with respect to their liabilities for the six months ended 30 June 2013 (2012: nil).

18. Share Capital

	2013 *Unaudited* *HK$'000*	2012 *Audited* *HK$'000*
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
At 1 January, 1,640,000,000 ordinary shares of HK$0.1 each	164,000	164,000
85,000,000 ordinary shares of HK$0.1 each issued upon placement of shares (2012: nil)	8,500	—
1,650,000 ordinary shares of HK$0.1 each issued upon exercise of share options (2012: nil) (Note 19)	165	—
At 30 June 2013, 1,726,650,000 (31 December 2012: 1,640,000,000) ordinary shares of HK$0.1 each	172,665	164,000

Pursuant to a placing and subscription agreement dated 20 December 2012, GJHL agreed to (i) place its existing 85,000,000 ordinary shares of the Company through Guotai Junan Securities (Hong Kong) Limited, as the placing agent, to two independent parties at a placing price of HK$2.20 each; and (ii) subscribe for the same number of ordinary shares of the Company that GJHL has placed as mentioned above at a subscription price of HK$2.20 each. As at 31 December 2012, the Group has subscription money received in advance of HK$186,798,000.

On 3 January 2013, the Company allotted and issued 85,000,000 ordinary shares of HK$0.1 each to GJHL at the subscription price of HK$2.20 each, resulting in additional share capital of HK$8,500,000. An amount of HK$178,264,000, being the excess of the proceeds over the nominal value of the above-mentioned ordinary shares issued of HK$8,500,000 and issuing expenses of HK$236,000, was credited to share premium account.

19. 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).

1,650,000 share options were exercised during the period ended 30 June 2013 (2012: nil) resulting in the issue of 1,650,000 shares of HK$2.50 each for a total cash consideration of HK$4,125,000. An amount of HK$1,791,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options. The weighted average share price at the date of exercise for share options exercised during the period was HK$3.50 per share (2012: No share options were exercised).

For the period ended 30 June 2013, the Group has recognised an equity-settled share-based payment of HK$7,015,000 (2012: HK$13,524,000) for the share options under the Share Option Scheme in profit or loss.

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

	2013		**2012**	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	HK$ per share	*'000*	*HK$ per share*	*'000*
At 1 January	2.50	39,000	4.30	40,000
Cancelled during the period/year	—	—	4.30	(40,000)
Granted during the period/year	—	—	2.50	40,000
Forfeited during the period/year	—	—	2.50	(333)
Lapsed during the period/year	—	—	2.50	(667)
Exercised during the period/year	2.50	(1,650)	—	—
At 30 June 2013/ 31 December 2012	2.50	37,350	2.50	39,000

At the end of the reporting period, the Company had 37,350,000 (31 December 2012: 39,000,000) share options outstanding under the Share Option Scheme, which represented approximately 2.16% (31 December 2012: 2.38%) of the Company's shares in issue as at 30 June 2013. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 37,350,000 additional ordinary shares of the Company and additional share capital of HK$3,735,000 and share premium of HK$89,640,000 (before issuance expenses).

20. 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 granted as at 30 June 2013 are set out below:

<table>
<tr><th>Date of award</th><th>Number of shares awarded</th><th>Average fair value per share</th><th>Vesting date</th></tr>
<tr><td>30/3/2012</td><td>7,494,000</td><td>HK$2.15</td><td rowspan="2">30/11/2012, 30/11/2013, and 30/11/2014</td></tr>
<tr><td>21/5/2012</td><td>182,000</td><td>HK$2.52</td></tr>
<tr><td>22/4/2013</td><td>8,567,000</td><td>HK$2.97</td><td>30/11/2013, 30/11/2014 and 30/11/2015</td></tr>
</table>

The vesting date of 1,360,000 Awarded Shares, which has been granted on 30 March 2012 and expected to be vested on 30 November 2012, has been deferred. Those Awarded Shares were vested and transferred to the grantees on 24 June 2013 at no cost.

For the six months ended 30 June 2013, the Group has recognized an equity-settled share-based payment of HK$8,065,000 (2012: HK$3,429,000) for the Awarded Shares under the Share Award Scheme in profit or loss.

Movements of Awarded Shares were granted and outstanding under the Share Award Scheme during the period/year are as follows:

	2013 Number of unvested Awarded Shares *'000*	2012 Number of unvested Awarded Shares *'000*
At 1 January	6,325	—
Granted during the period/year	8,567	7,676
Vested during the period/year	(1,360)	(1,146)
Lapsed during the period/year	—	(205)
At 30 June 2013/31 December 2012	13,532	6,325

21. Shares held under the Share Award Scheme

During the six months ended 30 June 2013, the trustee acquired 4,785,000 ordinary shares (2012: 3,503,000 ordinary shares) of the Company for the Share Award Scheme through purchases in the open market at a total cost, including related transaction costs of approximately HK$16,461,000 (2012: HK$8,615,000). 1,360,000 Awarded Shares with related cost of approximately HK$2,700,000 were vested for the six months ended 30 June 2013 (2012: nil).

The trustee held 16,536,000 ordinary shares under the Share Award Scheme as at 30 June 2013 (31 December 2012: 13,111,000 shares).

22. 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2013 *Unaudited* *HK$'000*	As at 31 December 2012 *Audited* *HK$'000*
Within one year	3,810	3,810
In the second to fifth years, inclusive	2,286	4,133
	6,096	7,943

The Group had capital commitments for IT upgrade of approximately HK$1,752,000 which were contracted but not provided for as at 30 June 2013 (31 December 2012: HK$2,103,000).

23. Contingent liabilities

The Group has undertaken underwriting and financial obligations to capture placing, IPO, takeover and merger activities. The Board has resolved to ensure that the Group has adequate working capital to meet such obligations. As at 30 June 2013, the underwriting and financial obligations were approximately HK$819 million and HK$746.5 million respectively (31 December 2012: nil).

In addition to the guarantees provided in respect of bank borrowings as mentioned in note 16 to the interim financial information, as at 30 June 2013, the Company provided guarantees up to HK$244.0 million (31 December 2012: HK$232.6 million) in favour of financial institutions granted to wholly-owned subsidiaries principally engaged in the provision of securities and futures dealing and broking services.

The Group had no other material contingent liabilities as at 30 June 2013 and 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OVERVIEW

We are pleased to report to our shareholders that the revenue of the Group for the six months ended 30 June 2013 was HK$384.4 million (2012: HK$357.0 million), representing an increase of 7.7% as compared to the corresponding period in 2012. Our results were founded on the solid growth of the Group's dealing and broking, loans and financing as well as asset management businesses which recognized an increase of 43.1%, 14.9% and 120.7% respectively for the period under review. Amid economic uncertainties, the profit of the Group increased by 4.2% to HK$139.4 million (2012: HK$133.8 million) for the six months ended 30 June 2013.

The Board of the Company has recommended the payment of an interim dividend of HK$0.03 per share for the six months ended 30 June 2013.

MARKET REVIEW

In the opening of 2013, the economy of the United States continued to recover as the quantitative easing measures brought into some fruitful progress. However, market worries about the possibility that the quantitative easing measures will be scaled down once the economic and employment conditions in the United States continue to improve. At the same time, the Eurozone continued to suffer from the poor economic development and intensified sovereign debts problems. The disorderly collapse of Cyprus banks has almost inflamed problems elsewhere in Europe until a bailout deal has been agreed by the European Central Bank. In Asia, the situation was more complicated. Japan procured a number of quantitative easing measures including the depreciation of Japanese Yen to boost corporate earnings and promote consumptions. Short term result has been achieved but the sustainability of the measures has yet to be seen. In China, economic contraction in Eurozone and the appreciation of RMB hurt China exports severely and cast doubt on the sustainability of the rapid economic growth in China. In addition, inflation was still a major issue in China. Money supply continued to be tightened, especially in June this year, which caused poor performance of the A share market during the period under review. The Shanghai Composite Index closed at 1,979 as at 30 June 2013 (31 December 2012: 2,269), 12.8% lower than at the end of 2012.

In Hong Kong, affected by the global economic developments and the poor market performance in China, the stock market remained volatile but the average daily market turnover increased significantly by 20.4% as compared to the corresponding period last year. During the period under review, Hong Kong has made good progress in offshore RMB business. The quota for The Renminbi Qualified Foreign Institutional Investor ("RQFII") business increased significantly and the program extended to all financial institutions in Hong Kong. Dual currency counter A-share Exchange Trade Funds ("ETFs") became the highlight of the new products in Hong Kong this year.

BUSINESS REVIEW

The Group's businesses 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 has been listed below.

	For the six months ended 30 June			
	2013		2012	
	HK$'000	*%*	*HK$'000*	*%*
Fee and commission income				
- dealing and broking	185,720	48.3	129,749	36.3
- corporate finance	36,731	9.5	80,524	22.6
- asset management	19,964	5.2	9,044	2.5
Interest income from loans and financing	153,485	40.0	133,564	37.4
(Loss)/gain from investment holding	(11,488)	-3.0	4,136	1.2
Revenue	384,412	100.0	357,017	100.0

Dealing and broking

While we were facing keen competition from a number of securities houses and banks in Hong Kong, our result in dealing and broking business for the period under review was encouraging. The revenue generated from dealing and broking was HK$185.7 million (2012: HK$129.7 million), representing an increase of 43.1% as compared to the corresponding period of last year. A breakdown of the income has been set out below:

	For the six months ended 30 June			
	2013		2012	
	HK$'000	*%*	*HK$'000*	*%*
Securities	133,343	71.8	94,222	72.6
Futures	24,295	13.1	24,331	18.8
Leverage foreign exchange	1,553	0.8	581	0.4
Handling income	26,529	14.3	10,615	8.2
	185,720	100.0	129,749	100.0

Dealing and broking commission income is one of the Group's key sources of revenue. Although dealing and broking commission income is directly affected by the level of market activity and trading volume, we successfully recruited more than 4,100 new clients for the six months ended 30 June 2013.

During the period under review, the average daily turnover of securities trading in Hong Kong increased by 20.4% as compared to corresponding period last year. The Group significantly outperformed the market and reported an increase in commission income from securities dealing and broking of 41.5% to HK$133.3 million (2012: HK$94.2 million) for the six months ended 30 June 2013.

Although the number of futures contracts traded by the Group increased by 14.8%, due to the market competition, the commission income from futures dealing and broking decreased by 0.1% to HK$24.3 million (2012: HK$24.3 million) for the six months ended 30 June 2013. On the other hand, the volatility of foreign exchange encouraged investment and the commission income from leveraged foreign exchange dealing and broking increased by 167.3% to HK$1,553,000 (2012: HK$581,000) for the period under review.

During the period under review, the Group has made good progress in stock lending business. As the stock market activities became active again, the corporate action activities also increased. As a result, the handling fee income increased by 149.9% to HK$26.5 million (2012: HK$10.6 million) for the six months ended 30 June 2013.

Corporate finance

The revenue generated from corporate finance business decreased by 54.4% to HK$36.7 million (2012: HK$80.5 million) for the six months ended 30 June 2013. A breakdown of the income for corporate finance business has been set out below:

	For the six months ended 30 June			
	2013		**2012**	
	HK$'000	%	*HK$'000*	%
Placing, underwriting and sub-underwriting commission	15,602	42.5	51,634	64.1
Consultancy and financial advisory fee	21,129	57.5	28,890	35.9
	36,731	100.0	80,524	100.0

During the period under review, including those transferred from their listing from the GEM Board to the Main Board, there were only 23 new listings on the Stock Exchange (2012: 32 new listings) for the period under review. We have completed sponsorship for the listing of 2 companies for the six months ended 30 June 2013. At the same time, we have also been engaged as compliance advisor for 28 newly listed companies and financial advisor for 7 projects. The income generated from consultancy and advisory services decreased by 26.9% to HK$21.1 million (2012: HK$28.9 million).

Notwithstanding significant decrease in the number of new listings in the first half of 2013, funds raised, including those from IPO, slightly increased by 4.1% to HK$133,567 million (2012: HK$128,307 million). We have been appointed as book-runner for 3 IPO transactions and placing agents for 5 listed companies. The commission from equity capital market decreased by 69.8% to HK$15.6 million (2012: HK$51.6 million) for the six months ended 30 June 2013.

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. During the period under review, the management fee income increased by 13.8% to HK$10.2 million (2012: HK$9.0 million) as a result of the increase in the average AUM. The funds under management also performed well and the performance fee income increased significantly to HK$9.7 million (2012: HK$44,000) during the period under review.

Loans and financing

The income from our loans and financing business increased by 14.9% to HK$153.5 million for the six months ended 30 June 2013 (2012: HK$133.6 million). A summary of interest income is set out below.

	For the six months ended 30 June			
	2013		**2012**	
	HK$'000	*%*	*HK$'000*	*%*
Margin loans	115,456	75.2	88,642	66.4
Term loans	14,780	9.6	7,816	5.9
IPO loans	431	0.3	49	—
Banks and others	19,908	13.0	34,147	25.6
Held-to-maturity investments	2,910	1.9	2,910	2.1
	153,485	100.0	133,564	100.0

The demand for margin financing remained strong throughout the period under review. As such, the Group continued to invest significant resources in expanding margin loan portfolio which can be justified by the increase of 24.9% of the average margin loan balance to HK$3,029.1 million (2012: HK$2,426.1 million) and the interest income from margin loan has increased by 30.2% to HK$115.5 million (2012: HK$88.6 million). Our strong risk management system has been rewarding during the period under review and no impairment loss has been recognized.

Other than margin loans, the Group also engaged in other term loan business, such as bridging loans and secured property loans. The interest income from term loans increased by 89.1% to HK$14.8 million (2012: HK$7.8 million) for the period under review.

During the first half of 2013, there was sufficient liquidity in the Hong Kong market. As a result, deposit interest rate dropped substantially. Our interest income from banks and others decreased by 41.7% to HK$19.9 million (2012: HK$34.1 million).

Investment holding

The Group's investments can be classified into 3 categories: listed equity investments, debt investments and a convertible bond in relation to the direct investment in a private company.

During the period, the Group incurred fair value loss on listed equity investments held for trading of HK$6.8 million (2012: HK$18.5 million) which has been offset by the dividend income of HK$1.0 million (2012: HK$2.5 million). As a result, the net loss from listed equity investments was HK$5.8 million (2012: HK$16.0 million) for the six months ended 30 June 2013.

In promoting fixed income business, we actively participated in secondary market trading in debt investments since July 2012. The interest income on unlisted debt investment held for trading was HK$8.0 million (2012: nil) which has been partially offset by net loss from trading of HK$0.8 million (2012: nil). The income from fixed income business was HK$7.2 million (2012: HK$nil) for the six months ended 30 June 2013.

To diversify revenue stream and to secure sponsorship and underwriting opportunities, the Group has engaged in direct investment in private companies. As at 30 June 2013, we had an unlisted direct investment project in the form of convertible bond at the fair value of HK$103.9 million. The fair value loss on financial asset designated at fair value through profit or loss was HK$14.3 million (2012: gain of HK$18.8 million) which has been partially offset by the interest income HK$1.5 million (2012: HK$1.4 million). As a result, the net loss from the convertible bond was HK$12.8 million (2012: gain of HK$20.2 million).

Overall, our investment holding business recognized a loss of HK$11.5 million (2012: gain of HK$4.1 million) for the six months ended 30 June 2013.

RESULTS OF FINANCIAL POSITION

The Group's total assets increased by 11.6% to HK$12,820.4 million (31 December 2012: HK$11,486.7 million) as at 30 June 2013.

The Group's total liabilities as at 30 June 2013 increased by 13.9% to HK$9,211.5 million (31 December 2012: HK$8,087.0 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the net current assets of the Group increased by 7.1% to HK$3,073.6 million (31 December 2012: HK$2,869.5 million). The Group's current ratio was at 1.33 times as at 30 June 2013 (31 December 2012: 1.36 times).

The Group had a cash inflow of HK$602.4 million (2012: cash outflow of HK$243.5 million) for the six months ended 30 June 2013 and the Group's bank balances was HK$987.0 million as at 30 June 2013 (31 December 2012: HK$384.6 million). As at 30 June 2013, the Group had outstanding bank borrowings of HK$1,627.8 million (2012: HK$739.8 million) through bilateral banking facilities with various banks. The Group has also updated a HK$2 billion Medium Term Note Programme (the "MTN Programme") under which listed or unlisted notes may be issued. We have issued six series of the notes during the period and the notes outstanding as at 30 June 2013 was of HK$250.0 million (31 December 2012: HK$86.0 million). The gearing ratio (defined as bank borrowings and debt securities in issue to equity attributable to owners of the parent) was 0.52 as at 30 June 2013 (31 December 2012: 0.24). Taking into account of the huge unutilized banking facilities from Hong Kong authorized financial institutions and the significant un-issued portion of the MTN Programme, 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 under review and up to the date of this announcement.

OUTLOOK AND FUTURE PLANS

We expect that the market will remain volatile in the second half of 2013. Concerns over the possibility of scaling down of quantitative easing measures in the United States and the slowing down of economic growth in China may affect the performance of the market. However, we still have confidence in our business.

Following the first conversion of B shares into H shares in December 2012 and the relaxation of requirements of Chinese enterprises for offshore listing, the Stock Exchange has become one of the preferred listing and fund raising venues for Chinese enterprises. As such, we will continue to put into more effort to solicit and collaborate with our parent company Guotai Junan to pursue more corporate finance advisory and fund raising opportunities from Chinese enterprises.

Given tight liquidity in China, we expect that the demand for margin and other financing will remain strong in the second half of 2013. The Group will continue to adopt an aggressive while stable operation strategy on margin and other financing business. The Group will continue to invest resources into this part of the business, not only considering funding from banking facilities from the authorized financial institutions or the MTN Programme of the Group, but also exploring other sources as the Board considers fit.

Following the rapid development of the Qualified Foreign Institutional Investor Program ("QFII") and RQFII scheme, we are devoted in product innovation to develop cross-border business for offshore institutional and retail investors to gain access to the dynamic growth of the China market. At the same time, with the possibility of introduction of the Qualified Domestic Individual Investor Scheme ("QDII 2") in the future, we will continue to work with our parent company Guotai Junan and other experienced market participants in China for Chinese investors to access international capital markets.

INTERIM DIVIDEND

The Board recommends the payment of interim dividend of HK$0.03 per ordinary share for the six months ended 30 June 2013 to the shareholders whose names appear on the register of members of the Company on 6 September 2013. The dividend will be payable on or about 19 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 6 September 2013 to Tuesday, 10 September 2013 for ascertaining 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, 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 Thursday, 5 September 2013.

EQUITY-SETTLED SHARE-BASED COMPENSATION SCHEMES

Details of the Share Option Scheme and the Share Award Scheme of the Group are set out in note 19 and 20 to the interim financial information.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2013, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 30 June 2013, 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 2013 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 2013 and 31 December 2012.

GUARANTEE AND CONTINGENT LIABILITIES

Details of guarantee and contingent liabilities of the Group are set out in notes 16 and 23 to the interim financial information.

OPERATING LEASE COMMITMENT AND CAPITAL COMMITMENT

Details of operating lease commitment and capital commitment of the Group are set out in note 22 to the interim financial information.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code 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 2013.

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 Stock Exchange) 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 five executive directors, being Dr. YIM Fung (Chairman and CEO), Mr. YAO Wei (Vice-Chairman and Deputy 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 2013 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 2013 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 2013 of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Guotai Junan International Holdings Limited
YIM FUNG
Chairman

Hong Kong, 15 August 2013