GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED
國 泰 君 安 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "Board") of Guotai Junan International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2013 together with comparative figures for the previous financial year as follows:

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2013	**2012**	**Change**
	HK$'000	*HK$'000*	*%*
Fee and commission income			
- dealing and broking	377,057	264,533	42.5%
- corporate finance	149,549	156,988	-4.7%
- asset management	31,568	31,387	0.6%
Income from loans and financing	397,924	276,149	44.1%
Gain from investment holding	177,858	57,513	209.2%
Revenue	1,133,956	786,570	44.2%
Other income	5,412	4,170	29.8%
Revenue and other income	1,139,368	790,740	44.1%
Profit for the year	537,758	307,150	75.1%
Profit attributable to equity holders of the Company	536,398	307,003	74.7%
Basic earnings per share (HK cents)	31.4	18.8	67.0%
Diluted earnings per share (HK cents)	31.1	18.8	65.4%
Dividend per share (HK cents)	16	10	60%
Net asset value per share (HK$) (Note)	2.30	2.09	10.0%

Note: Based on 1,709,296,000 shares (2012: 1,626,889,000 shares) as at 31 December 2013, being 1,727,650,000 shares issued and fully paid less 18,354,000 shares held under the Company's share award scheme (2012: 1,640,000,000 shares issued and fully paid less 13,111,000 shares held under the Company's share award scheme).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the year ended 31 December** **2013** *HK$'000*	**2012** *HK$'000*
Revenue	4	1,133,956	786,570
Other income	5	5,412	4,170
Revenue and other income		1,139,368	790,740
Staff costs	6	(267,441)	(202,484)
Commission to account executives		(62,697)	(43,339)
Other commission expenses		(32,170)	(48,312)
Performance fee expenses		(6,261)	(11,940)
Depreciation		(26,049)	(25,943)
Write back of/(Impairment charge on) loans and advances to customers	10	14	(540)
Impairment charge on accounts receivable	11(a)	(222)	(5)
Other operating expenses		(101,738)	(95,537)
Operating profit		642,804	362,640
Finance costs	6	(23,278)	(7,238)
Profit before tax	6	619,526	355,402
Income tax expense	7	(81,768)	(48,252)
Profit for the year		537,758	307,150
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year		537,758	307,150
Profit and total comprehensive income for the year attributable to:			
Owners of the parent		536,398	307,003
Non-controlling interests		1,360	147
		537,758	307,150
Earnings per share attributable to ordinary equity holders of the parent	9		
— Basic (in HK cents)		31.4	18.8
— Diluted (in HK cents)		31.1	18.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2013 *HK$'000*	2012 *HK$'000*
Non-current assets			
Property, plant and equipment		413,440	429,402
Investment properties		105,599	108,751
Intangible assets		2,823	2,823
Other assets		3,230	2,870
Deferred tax assets		—	3,670
Total non-current assets		525,092	547,516
Current assets			
Loans and advances to customers	10	6,005,392	3,058,102
Accounts receivable	11	998,881	1,023,187
Prepayments, deposits and other receivables		21,341	22,901
Held-to-maturity investments		—	77,520
Financial assets at fair value through profit or loss	12	983,717	482,220
Tax recoverable		182	6,796
Client trust bank balances		7,966,841	5,883,941
Cash and cash equivalents		485,295	384,554
Total current assets		16,461,649	10,939,221
Current liabilities			
Accounts payable	13	(9,120,380)	(6,955,818)
Subscription monies received in advance		—	(186,798)
Other payables and accrued liabilities		(139,029)	(95,022)
Interest-bearing bank borrowings	14	(3,386,113)	(739,820)
Debt securities in issue	15	(324,706)	(86,000)
Tax payable		(34,864)	(6,214)
Total current liabilities		(13,005,092)	(8,069,672)
Net current assets		3,456,557	2,869,549
Total assets less current liabilities		3,981,649	3,417,065
Non-current liabilities			
Deferred tax liabilities		(34,332)	(17,300)
Net assets		3,947,317	3,399,765

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 December 2013 *HK$'000*	2012 *HK$'000*
Equity			
Share capital		172,765	164,000
Share premium		2,959,240	2,771,707
Other reserve		(1,236,460)	(1,236,460)
Share-based compensation reserve			
- Share option reserve		39,998	33,330
- Share award reserve		9,054	5,720
Shares held under the share award scheme		(56,702)	(28,833)
Proposed final dividend	8	222,209	113,882
Retained profits		1,829,536	1,570,102
Equity attributable to owners of the parent		3,939,640	3,393,448
Non-controlling interests		7,677	6,317
Total equity		3,947,317	3,399,765

NOTES TO FINANCIAL STATEMENTS

1. General information

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance 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, corporate finance, asset management and investment holding.

The Company's immediate holding company and ultimate holding company are Guotai Junan Holdings Limited ("GJHL") incorporated in the British Virgin Islands and Guotai Junan Securities Company Limited ("Guotai Junan") incorporated in the People's Republic of China, respectively.

These financial statements were approved and authorised for issue by the Board of Directors on 13 March 2014.

2. Basis of preparation and change in accounting policies

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Standard	**Content**	**Effective for financial years beginning on/ after**
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

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

3. Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management and in accordance with HKFRSs. 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 operating segments. Details of each of the operating segments are as follows:

(a) the dealing and broking segment engages in the provision of securities, futures and leveraged foreign exchange dealing and broking as well as wealth management 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 and unlisted investments; and

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

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 year ended 31 December 2012 and 2013.

The segment information provided to the management for the reportable segments for the year ended 31 December 2012 and 2013 is as follows:

Year ended 31 December 2013

	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	377,057	149,549	31,568	397,924	177,858	5,412	1,139,368
Inter-segment sales	—	—	—	—	—	—	—
Total	377,057	149,549	31,568	397,924	177,858	5,412	1,139,368
Segment results	119,128	66,693	2,567	253,280	177,858	—	619,526
Income tax expense							(81,768)
Profit for the year							537,758
Other segment information:							
Depreciation	8,662	6,044	1,248	10,095	—	—	26,049
Finance costs	3	11	—	23,264	—	—	23,278

Year ended 31 December 2012

	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	264,533	156,988	31,387	276,149	57,513	4,170	790,740
Inter-segment sales	—	—	—	—	—	—	—
Total	264,533	156,988	31,387	276,149	57,513	4,170	790,740
Segment results	69,671	51,730	(1,028)	177,516	57,513	—	355,402
Income tax expense							(48,252)
Profit for the year							307,150
Other segment information:							
Depreciation	8,779	6,182	1,216	9,766	—	—	25,943
Finance costs	13	—	—	7,225	—	—	7,238

Geographical information

(a) Revenue and other income from external customers

	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong	1,030,449	705,496
Other countries	108,919	85,244
	1,139,368	790,740

The information of revenue and other income above is based on the location of the markets.

(b) Non-current assets

All non-current assets (excluding deferred tax assets) of the Group are located in Hong Kong.

4. Revenue

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

	2013	**2012**
	HK$'000	*HK$'000*
Dealing and broking:		
Commission on securities dealing and broking	292,892	187,398
Commission on futures dealing and broking	43,868	51,619
Handling income on dealing and broking	36,417	24,444
Net income on leveraged foreign exchange dealing and broking	3,517	1,072
Commission on wealth management services	363	—
	377,057	264,533
Corporate finance:		
Placing and underwriting and sub-underwriting commission		
- Debt securities	25,569	15,878
- Equity securities	71,070	71,447
Consultancy and financial advisory fee income	52,910	69,663
	149,549	156,988
Asset management:		
Management fee income	20,858	18,851
Performance fee income	10,710	12,536
	31,568	31,387
Loans and financing activities:		
Interest and handling income from margin loans	304,613	182,866
Interest and handling income from term loans	34,900	22,860
Interest income from IPO loans	2,225	97
Interest income from banks and others	52,274	64,506
Interest income from held-to-maturity investments	3,912	5,820
	397,924	276,149

	2013	2012
	HK$'000	*HK$'000*
Investment holding:		
Net fair value gain/(loss) on financial assets held for trading		
- Listed securities	70,866	(10,282)
- Unlisted securities	78,794	—
Net fair value gain on unlisted financial assets designated at fair value through profit or loss	5,296	58,130
Interest income on financial assets held for trading		
- Listed securities	18,221	3,657
- Unlisted securities	665	—
Interest income from unlisted financial assets designated at fair value through profit or loss	2,985	2,780
Dividend income from listed securities held for trading	1,031	3,228
	177,858	57,513
	1,133,956	786,570

5. Other income

	2013	2012
	HK$'000	*HK$'000*
Rental income from investment properties	3,956	2,832
Information services income	1,120	1,226
Others	336	112
	5,412	4,170

6. Profit before tax

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

	2013	2012
	HK$'000	*HK$'000*
Other operating expenses include:		
Auditors' remuneration		
- audit services	1,466	1,423
- interim review	550	535
- tax and other services	328	174
Foreign exchange difference, net	(3,831)	(2,162)
Information services expense	12,137	10,767
Marketing, advertising and promotion expenses	4,859	5,272
Professional and consultancy fee	19,951	23,151
Repair and maintenance (including system maintenance)	12,326	11,599
Direct operating expenses arising from investment property that generated rental income during the year	—	118
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	234,511	170,847
Share-based compensation expense		
- Share option scheme	9,577	20,870
- Share award scheme	20,337	8,310
Pension scheme contributions	3,016	2,457
	267,441	202,484
Finance costs:		
Bank loans and overdrafts wholly repayable within five years	19,434	6,828
Debt securities in issue (Note 15)	3,734	298
Others	110	112
	23,278	7,238

7. Income tax expense

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 year.

	2013	2012
	HK$'000	*HK$'000*
Current — Hong Kong		
- Charge for the year	61,492	37,981
- Overprovision in prior years	(426)	(171)
Deferred	20,702	10,442
Total tax charge for the year	81,768	48,252

8. Dividends

	2013	2012
	HK$'000	*HK$'000*
Interim, paid — HK$0.03 (2012: HK$0.03) per ordinary share	51,829	49,200
Less: Dividend for shares held under the Company's share award scheme	(496)	(247)
	51,333	48,953
Final, proposed — HK$0.13 (2012: HK$0.07) per ordinary share	224,595	114,800
Less: Dividend for shares held under the Company's share award scheme	(2,386)	(918)
	222,209	113,882
	273,542	162,835

The Company paid a final dividend of approximately HK$119,729,000 for the year ended 31 December 2012, as further adjusted to include the dividend for shares issued under the Company's general mandate and share option scheme amounting to approximately HK$6,031,000 but exclude the dividend for shares held under the Company's share award scheme amounting to approximately HK$184,000 in respect of award shares purchased in 2013.

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

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

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 is based on the profit attributable to ordinary equity holders of the parent of HK$536,398,000 (2012: HK$307,003,000) and the weighted average number of ordinary shares in issue less shares held for the Company's share award scheme of 1,710,786,000 (2012: 1,630,943,000) during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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:

	2013	**2012**
Profit attributable to ordinary equity holders of the parent (in HK$'000)	536,398	307,003
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation (in '000)	1,710,786	1,630,943
Effect of dilution — weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	7,877	—
Awarded shares under the share award scheme (in '000)	5,851	2,321
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	1,724,514	1,633,264
Diluted earnings per share (in HK cents)	31.1	18.8

10. Loans and advances to customers

	2013	2012
	HK$'000	*HK$'000*
Margin loans	5,584,049	2,679,678
Term loans to customers	422,008	379,103
Gross loans and advances to customers	6,006,057	3,058,781
Less: impairment	(665)	(679)
	6,005,392	3,058,102

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

	2013	2012
	HK$'000	*HK$'000*
As at 1 January	679	139
Impairment losses charged to profit or loss	88	864
Impairment loss reversed to profit or loss	(102)	(324)
As at 31 December	665	679

The impairment loss charged to profit or loss included interest income on impaired margin loans of HK$88,000 (2012: HK$43,000) for the year ended 31 December 2013.

Included in the above provision of impairment of margin loans is a provision for individually impaired margin loans of HK$665,000 (2012: HK$679,000) with a carrying amount before provision of HK$665,000 (2012: HK$679,000). Save as disclosed above, all loans and advances to customers were neither past due nor impaired as at 31 December 2013 and 2012.

Margin financing operations

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

Margin loans to the customers are secured by the underlying pledged securities, bear interest at a rate with reference to the Hong Kong dollar prime rate and are repayable on demand. The carrying value of margin loans approximates to their fair values. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of the margin loans business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 31 December 2013, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$25,799 million (2012: HK$17,830 million) based on the market value of the securities as at the end of the reporting period.

Term loans to customers

The Group also provides term loans to customers. In determining the interest rates, reference is made to the credit standing of the relevant customers and the quality of the collateral pledged. The term loans granted to customers amounted to HK$421,000,000 (2012: HK$367,700,000), and the accrued interests amounted to HK$1,008,000 (2012: HK$11,403,000) as at 31 December 2013. The carrying amounts of the term loans to customers approximate to their fair values.

11. Accounts receivable

(a) Analysis of accounts receivable

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

	2013	2012
	HK$'000	*HK$'000*
Accounts receivable arising from dealing and broking		
- cash and custodian clients	121,947	23,758
- the Stock Exchange and other clearing houses	44,031	264,568
- brokers and dealers	793,215	706,313
Accounts receivable arising from corporate finance, asset management and investment holding		
- corporate clients and investment funds	51,916	40,554
	1,011,109	1,035,193
Less: impairment	(12,228)	(12,006)
	998,881	1,023,187

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

	2013	2012
	HK$'000	*HK$'000*
As at 1 January	12,006	12,009
Impairment losses charged to profit or loss	232	7
Impairment losses reversed to profit or loss	(10)	(2)
Amount written off as uncollectible	—	(8)
As at 31 December	12,228	12,006

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

	Accounts receivable from cash and custodian clients	Accounts receivable from the Stock Exchange and other clearing houses	Accounts receivable from brokers and dealers	Accounts receivable from corporate clients and investment funds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013					
Neither past due nor impaired	108,643	44,031	793,215	43,805	989,694
As at 31 December 2012					
Neither past due nor impaired	11,447	264,568	706,313	38,578	1,020,906

Accounts receivable from cash and custodian clients which are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two to three business days prior to the year end date. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivable.

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

	Accounts receivable from cash and custodian clients	Accounts receivable from the Stock Exchange and other clearing houses	Accounts receivable from brokers and dealers	Accounts receivable from corporate clients and investment funds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013					
Past due less than 6 months	842	—	—	2,681	3,523
Past due 6 to 12 months	—	—	—	5,210	5,210
	842	—	—	7,891	8,733
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 fail to settle on the settlement date, the Group has the rights to force-sell the collateral underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 31 December 2012 and 2013 are considered past due but not impaired after taking into consideration the recoverability from the collaterals. The collateral held against these receivables is 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 31 December 2012 and 2013 are considered not to be impaired as the credit rating and reputation of the trade counterparties are sound.

(d) **Impaired accounts receivable**

	Accounts receivable from cash and custodian clients	Accounts receivable from the Stock Exchange and other clearing houses	Accounts receivable from brokers and dealers	Accounts receivable from corporate clients and investment funds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013					
Impaired accounts receivable	12,462	—	—	220	12,682
Less: impairment	(12,008)	—	—	(220)	(12,228)
	454	—	—	—	454
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 fail to settle according to settlement terms after taking into consideration the recoverability of collateral.

12. Financial assets at fair value through profit or loss

	2013	**2012**
	HK$'000	*HK$'000*
Financial assets held for trading:		
— Listed equity investments	212,025	75,876
— Listed debt investments	420,658	288,100
— Unlisted debt investments	227,459	—
Financial assets designated as at fair value through profit or loss		
— Unlisted convertible promissory note	123,575	118,244
	983,717	482,220

13. Accounts payable

	2013	2012
	HK$'000	*HK$'000*
Accounts payable arising from dealing and broking		
- clients	8,186,245	6,657,187
- brokers and dealers	445,354	270,443
- the Stock Exchange and other clearing houses	61,275	—
Accounts payable arising from underwriting, asset management, corporate finance and advisory services		
- corporate clients	427,506	28,188
	9,120,380	6,955,818

14. Interest-bearing bank borrowings

	2013	2012
	HK$'000	*HK$'000*
Secured bank borrowings	1,070,000	360,000
Unsecured bank borrowings	2,316,113	379,820
Total bank borrowings	3,386,113	739,820

Bank loans of HK$1,070 million (2012: HK$360 million) 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$2,433.3 million as at 31 December 2013 (2012: HK$1,372.4 million).

In addition, the Company has guaranteed certain of the Group's bank borrowings up to HK$2,730 million (2012: HK$530 million) as at the end of the reporting period.

15. Debt securities in issue

	2013	2012
	HK$'000	*HK$'000*
At amortised cost:		
Medium-term note	324,706	86,000

The outstanding balance of HK$324.7 million (2012: HK$86 million) represents unlisted notes issued by the Company under the Company's Medium Term Note Programme (the "MTN Programme").

The Group and the Company have not had any defaults of principal, interest or other breaches with respect to their liabilities during the year (2012: nil).

16. Operating lease and other commitments

As lessor

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

At 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	3,032	3,810
In the second to fifth years, inclusive	1,101	4,133
	4,133	7,943

Capital commitments

The Group had capital commitments for an IT upgrade of approximately HK$533,000 which were contracted but not provided for as at 31 December 2013 (2012: HK$2,103,000).

Other commitments

The Group has undertaken underwriting obligations on placing, IPO, takeover and merger activities and financial obligations on loan facilities provided to customers. As at 31 December 2013, the underwriting and financial obligations were approximately HK$256.8 million and HK$176.4 million respectively (31 December 2012: nil).

17. Contingent liabilities

In addition to the guarantees provided in respect of bank borrowings as mentioned in note 14 to the financial statements, as at 31 December 2013, the Company provided guarantees up to HK$249.0 million (31 December 2012: HK$232.6 million) in favour of financial institutions in respect of securities trading limit and insurance brokerage limit 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 31 December 2013 and 31 December 2012.

18. Events after the reporting period

On 10 January 2014, 50,000,000 share options have been granted to the directors and employees with an exercise price of HK$3.82 per share. One-third of the share options granted will be vested on the first, second and third anniversaries of the date of grant respectively. The option period of the share options is from 10 January 2014 to 9 January 2024. Among the share options granted, a total of 9,750,000 share options were granted to directors of the Company. The closing price of the Company's shares on the date of grant of the share options was HK$3.82 per share.

On 17 January 2014, in addition to the guarantee provided by the Company in respect of bank borrowings as mentioned in note 14, the Company provided another guarantee of up to HK$200 million in favour of a financial institution in respect of bank borrowings of a wholly-owned subsidiary, which is principally engaged in provision of securities dealing and broking services.

On 29 January 2014, the Company (as guarantor) and its wholly-owned subsidiary, Guotai Junan (Hong Kong) Limited (as borrower), entered into a facility agreement with certain financial institutions (as "lenders") in respect of a revolving loan facility and a term loan facility in an aggregate amount of HK$3.3 billion for a term of 3 years. Under the facility agreement, it will be an event of default if Guotai Junan ceased to directly or indirectly own, legally and beneficially, at least 51% of the share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Result and Overview

We are pleased to report to our shareholders that Guotai Junan International Holdings Limited (the "Company") and its subsidiaries (collectively as the "Group") achieved a remarkable result for the year ended 31 December 2013, reported a profit after tax of HK$537.8 million (2012: HK$307.2 million), representing an increase of 75.1% as compared to 2012. The revenue of the Group reached HK$1,134.0 million (2012: HK$786.6 million), representing an increase of 44.2% compared to the prior year. Our promising results were founded on the solid performance in the Group's dealing and broking, loans and financing as well as investment holding businesses, which recorded a growth in the revenue of 42.5%, 44.1% and 209.2% respectively. As a result of the Group's effective cost management, the cost income ratio of the Group decreased from 55.1% in 2012 to 45.6% in 2013.

The board of the directors (the "Board") of the Company has proposed a payment of final dividend of HK$0.13 per share (2012: HK$0.07 per share). Together with the interim dividend of HK$0.03 per share (2012: HK$0.03 per share), dividends paid for 2013 amount to a total of HK$0.16 per share (2012: HK$0.10 per share), representing an increase of 60%.

Business review

The Group's businesses include dealing and broking, corporate finance, asset management, loans and financing and investment holding. Due to effort of our staff, we have achieved a promising result this year and the revenue of the Group has increased by 44.2% for the year ended 31 December 2013. The allocation of the revenue from these businesses is listed in the following table.

	For the year ended 31 December			
	2013		**2012**	
	HK$'000	%	*HK$'000*	%
Fee and commission income				
- dealing and broking	377,057	33.2	264,533	33.6
- corporate finance	149,549	13.2	156,988	20.0
- asset management	31,568	2.8	31,387	4.0
Income from loans and financing	397,924	35.1	276,149	35.1
Gain from investment holding	177,858	15.7	57,513	7.3
Total revenue	1,133,956	100	786,570	100

Dealing and broking

Although we have been facing keen competition from a number of securities houses and banks, our result from dealing and broking business was encouraging and the revenue from dealing and broking was HK$377.1 million (2012: HK$264.5 milion) for the year ended 31 December 2013, representing an increase of 42.5% compared to 2012. A breakdown of the income has been set out below:

	For the year ended 31 December			
	2013		2012	
	HK$'000	%	*HK$'000*	%
Securities	292,892	77.7	187,398	70.8
Futures	43,868	11.6	51,619	19.5
Leveraged foreign exchange	3,517	0.9	1,072	0.4
Wealth management service	363	0.1	—	—
Handling income	36,417	9.7	24,444	9.3
	377,057	100	264,533	100

The outstanding performance of our dealing and broking business was the result of our highly efficient online trading platform. Our online trading platform currently supports 9 international securities markets including Hong Kong, United States, Japan, United Kingdom, Canada, Singapore, Taiwan, Shanghai B shares, Shenzhen B shares, 21 global futures markets and 8 currency pairs including CNH and up to 21 cross currency pairs in leveraged foreign exchange trading. Our securities dealing and broking service also covers securities markets in Malaysia, Korea and Australia and global fixed income market.

The Group considers that expansion of client base is crucial to the success of the business. As such, during the year, the Group successfully recruited more than 10,000 new accounts.

During the year ended 31 December 2013, the average daily turnover of Hong Kong securities market increased by 16.2%, the Group outperformed the market and recognized a 56.3% increase of commission income to HK$292.9 million in 2013 (2012: HK$187.4 million). Other than the outstanding performance in dealing and broking service in Hong Kong market, the remarkable increase in US securities turnover also drove the revenue from US dealing and broking service to a new high.

Our income from futures dealing and broking, on the other hand, was adversely affected by market competition. The commission income generated from futures dealing and broking decreased by 15.0% to HK$43.9 million (2012: HK$51.6 million).

To promote our leveraged foreign exchange dealing and broking business, investor conferences have been organized since 2011. Our revenue from leveraged foreign exchange dealing and broking business increased by 228.1% to HK$3.5 million (2012: HK$1.1 million).

The significant increase in handling income of the Group in 2013 was mainly due to the increase in securities lending activities. The launch of online securities lending service not only reinforced customers' investment and trading strategies, but also facilitated more business transactions for the Group and increased handling income in 2013. In addition, there were more corporate actions during the year, as a result, the handling income increased by 49.0% to HK$36.4 million (2012: HK$24.4 million).

Corporate finance

Our corporate finance business includes debt capital markets, equity capital markets and consultancy and financial advisory services. A breakdown of the income for corporate finance business has been set out below:

	For the year ended 31 December			
	2013		2012	
	HK$'000	%	*HK$'000*	%
Placing, underwriting and sub-underwriting commission				
- debt capital markets	25,569	17.1	15,878	10.1
- equity capital markets	71,070	47.5	71,447	45.5
Consultancy and financial advisory fee	52,910	35.4	69,663	44.4
	149,549	100	156,988	100

In 2013, there were 110 new listings on the Stock Exchange (2012: 64 new listings), including those transferred their listing from GEM Board to the Main Board, a 71.9% increase as compared to 2012. We have completed sponsorship for the listing of 4 companies during the year. We have been also engaged as compliance adviser for 44 newly listed companies and financial advisor for 13 projects. However, the income from consultancy and financial advisory fee decreased by 24.0% to HK$52.9 million (2012: HK$69.7 million) for the year ended 31 December 2013.

As a result of increasing number of new listings and improvement of market sentiment, the total funds raised through IPO at the Stock Exchange increased by 84.9% to HK$166.5 billion (2012: HK$90.0 billion). During the year, we have been appointed as book-runner for 6 IPO transactions and as lead manager for 4 IPO transactions. The underwriting commission from equity financing decreased by 0.5% to HK$71.1 million (2012: HK$71.4 million) for the year ended 31 December 2013.

Taking advantage of low funding cost environment, corporate clients preferred debt financing to support their business development. The Group has acted as lead manager for the issuance of debt securities for 5 listed companies, which generated revenue of HK$25.6 million (2012: HK$15.9 million) to our debt capital markets business for the year ended 31 December 2013.

Asset management

We derived our fee income primarily from management fee and performance fee, which are linked to the asset under management and the returns of the funds, respectively. In 2013, we have successfully launched two public funds, one in Hong Kong and the other in Luxembourg respectively. The management fee income increased by 10.6% to HK$20.9 million (2012: HK$18.9 million) while the performance fee income decreased by 14.6% to HK$10.7 million (2012: HK$12.5 million) for the year ended 31 December 2013.

Loans and financing

The income from our loans and financing business significantly increased by 44.1% to HK$397.9 million for the year ended 31 December 2013 (2012: HK$276.1 million). A summary of income from loans and financing is set out below:

	For the year ended 31 December			
	2013		**2012**	
	HK$'000	%	*HK$'000*	%
Margin loans	304,613	76.6	182,866	66.2
Term loans	34,900	8.8	22,860	8.3
IPO loans	2,225	0.5	97	—
Banks and others	52,274	13.1	64,506	23.4
Held-to-maturity investments	3,912	1.0	5,820	2.1
	397,924	100	276,149	100

The Group has invested significant resources in expanding our loans and financing activities since the listing of the Company on the Stock Exchange in July 2010. During 2013, the average margin loan increased by 56.3% to HK$3,792.7 million (2012: HK$2,425.8 million) while the income from margin loan increased by 66.6% to HK$304.6 million (2012: HK$182.9 million) for the year ended 31 December 2013. We will continue to adopt an aggressive while stable strategy for the margin loan business.

Other than margin loan, the Group also engaged in other term loan business and the income from term loan increased by 52.7% to HK$34.9 million (2012: HK$22.9 million) for the year ended 31 December 2013.

Investment holding

The income from our investment holding business increased by 209.2% to HK$177.9 million (2012: HK$57.5 million) for the year ended 31 December 2013. A summary of income is set out below:

	For the year ended 31 December			
	2013		2012	
	HK$'000	*%*	*HK$'000*	*%*
Net fair value gain/(loss) on financial assets held for trading				
- Listed securities	70,866	39.8	(10,282)	-17.9
- Unlisted securities	78,794	44.3	—	—
Net fair value gain on unlisted financial assets designated at fair value through profit or loss	5,296	3.0	58,130	101.1
Interest income on financial assets held for trading				
- Listed securities	18,221	10.2	3,657	6.4
- Unlisted securities	665	0.4	—	—
Interest income from unlisted financial assets designated at fair value through profit or loss	2,985	1.7	2,780	4.8
Dividend income from listed securities held for trading	1,031	0.6	3,228	5.6
	177,858	100	57,513	100

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

During the year, the Group recognized gain on listed securities investments held for trading of HK$70.9 million (2012: loss of HK$10.3 million) and gain on unlisted securities investments held for trading of HK$78.8 million (2012: HK$ nil). The interest income from listed debt investments and unlisted debt investments were HK$18.2 million and HK$0.6 million respectively (2012: HK$3.7 million and HK$ nil). The Group also received dividend income from listed equity investments of HK$1.0 million (2012: HK$3.2 million).

To diversify revenue stream and to secure sponsorship and underwriting opportunities, the Group has engaged in direct investment in private companies. As at 31 December 2013, we had a direct investment project in the form of convertible bond at the fair value of HK$123.6 million. The net gain on the financial asset designated at fair value through profit and loss was HK$5.3 million (2012: HK$58.1 million) for the year ended 31 December 2013. The corresponding interest income derived from the convertible bond was HK$3.0 million (2012: HK$2.8 million) for the year ended 31 December 2013.

RESULTS OF FINANCIAL POSITION

The Group's total assets increased by 47.9% to HK$16,986.7 million (2012: HK$11,486.7 million) as at 31 December 2013.

The Group's total liabilities as at 31 December 2013 increased by 61.2% to HK$13,039.4 million (2012: HK$8,087.0 million).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the net current assets of the Group increased by 20.5% to HK$3,456.6 million (2012: HK$2,869.5 million). The Group's current ratio was at 1.27 times as at 31 December 2013 (2012: 1.36 times).

The Group had a cash inflow of HK$100.7 million (2012: cash outflow of HK$277.3 million) for the year ended 31 December 2013 and the Group's bank balances was HK$485.3 million as at 31 December 2013 (2012: HK$384.6 million). As at 31 December 2013, the Group had outstanding bank borrowings of HK$3,386.1 million (2012: HK$739.8 million) through bilateral banking facilities with various banks. The Group also had a Medium Term Note Programme (the "MTN Programme") under which both listed and unlisted notes may be issued. We have issued eleven series of the notes during the year and the notes outstanding as at 31 December 2013 was of HK$324.7 million (2012: HK$86 million). The gearing ratio (defined as bank and other borrowings to equity attributable to owners of the parent) was 0.94 times as at 31 December 2013 (2012: 0.24 times). Taking into account of the 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 year and up to the date of this announcement.

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

Outlook and Future Plans

Following the scaling down of the quantitative easing measures in the United States and the slowdown of Chinese economic growth, 2014 will be a challenging year for us. However, we are still full of confidence as we see lots of opportunities deriving from the internationalization of RMB and the opening of China capital markets.

Driven by strong economic growth in the past two decades, the capital markets in China have expanded significantly. The pace for the internationalization of RMB have been speeded up in the last few years and Hong Kong becomes the major gateway for cross-border financial activities. With a well-established legal and regulatory system, Hong Kong has become the most favorable listing and fund raising venue for Chinese enterprises. In addition, cross-border investment activities increased significantly in last two years through the expansion of QFII, RQFII and QDII systems and are expected to increase in the coming years. The Group foresees that there will be more cross-border business opportunities in the coming future, including the listing of Chinese enterprises in Hong Kong, the expansion of cross-border asset management buinsess through QFII and RQFII, and the tremendous growth in brokerage business when QDII2 is in place. As such, we will continue to collaborate with our parent company Guotai Junan so as to secure all different business opportunities that we may come across.

Starting from the second half of last year, the IPO market in Hong Kong revitalized and there were many successful listings since then. Even though the China IPO market reopened in January 2014, we are expecting that the Hong Kong IPO market will still be very active this year as the demand for capital raising for Chinese enterprises remains strong and listing in China markets takes long queuing time. We will make use of this opportunity to accelerate the development of our corporate finance business.

We also expect that the demand for margin and other financing remains strong in 2014. The launch of online margin financing and securities lending services not only broadens customers' investment and trading strategies but also facilitates more business transactions and opportunities for us. In addition, we will continue to broaden the scope of our loans and financing services, especially in the context of providing financial support in relation to corporate finance activities. The Group will continue to invest sufficient resources in loans and financing activities.

Capitalizing on the recent expansion of the QFII, RQFII and QDII scale in China, we will devote to explore more asset management opportunities by providing cross-border investment products to customers.

It has been the Group's mission to provide customers with a one-stop online platform to do global investments. With the investors in mainland China widening their investment knowledge and starting to invest globally, we will continue to strengthen our online trading platform and to provide value-added services to our customers to do global investments. In addition, in order to facilitate mainland China investors to do offshore investments when QDII2 is in place, we will get ourselves well-prepared and to capture the first opportunity when QDII2 is in place.

Overall, the Group will continue to leverage on the extensive customer network and resource advantages of our parent company Guotai Junan in China and to achieve a breakthrough in the overall business scale and competitive strength.

FINAL DIVIDEND

The Board recommends the payment of final dividend of HK$0.13 per ordinary share for the year ended 31 December 2013 to the shareholders whose names appear on the register of members of the Company on 21 May 2014. The dividend will be payable on or about 6 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 May 2014 to Wednesday, 14 May 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting ("AGM"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 May 2014.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

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

GUARANTEE AND CONTINGENT LIABILITIES

Details of guarantee and contingent liabilities of the Group are set out in notes 14 and 17 to the financial statements.

OPERATING LEASE COMMITMENT AND OTHER COMMITMENTS

Details of operating lease commitment and other commitments of the Group are set out in note 16 to the financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2013, the Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules as its own code of corporate governance. During the year, the Company has complied with all the code provisions as set out in the Corporate Governance Code, except for deviation from provision A.2.1. The roles of the Chairman and Chief Executive Officer of the Company are not separated and performed by two different individuals. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

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.

AUDIT COMMTTEE

An Audit Committee was established by the Board on 19 June 2010. The Audit Committee comprises Mr. TSANG Yiu Keung, Dr. SONG Ming and Dr. FU Tingmei. The Audit Committee is chaired by Mr. TSANG Yiu Keung. All members of the Audit Committee are independent non-executive directors. The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement and financial statements of the Group for the year ended 31 December 2013.

REMUNERATION COMMTTEE

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

NOMINATION COMMITTEE

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

BOARD OF DIRECTORS

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

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of final results for the year ended 31 December 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 annual report for the year ended 31 December 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, 13 March 2014