國泰君安國際
GUOTAI JUNAN INTERNATIONAL

GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 together with comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2015	**2014**	**Change**
	HK$'000	*HK$'000*	*%*
Fee and commission income			
- brokerage	436,421	249,424	75.0%
- corporate finance	129,724	173,991	-25.4%
- asset management	34,584	17,862	93.6%
Income from loans and financing	512,819	321,269	59.6%
Gain from investment holding and market making	102,761	64,909	58.3%
Revenue	1,216,309	827,455	47.0%
Profit for the period	602,564	397,742	51.5%
Profit attributable to equity holders of the Company	600,537	396,160	51.6%
Basic earnings per share (HK cents)*	8.84	7.50	17.9%
Diluted earnings per share (HK cents)*	8.69	7.42	17.1%
Dividend per share (HK cents)*	3.5	2.67	31.1%
Net asset value per share (HK$)* (Note)	1.08	0.86	25.6%

* *as adjusted for the completion of bonus issue in July 2015*

Note: Based on 6,832,541,705 shares (30 June 2014: 5,596,983,000 shares) as at 30 June 2015, being 6,929,637,105 shares issued and fully paid less 97,095,400 shares held under the Company's share award scheme (30 June 2014: 5,673,900,000 shares issued and fully paid less 76,917,000 shares held under the Company's share award scheme).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June**	
		2015	**2014**
		Unaudited	*Unaudited*
		HK$'000	*HK$'000*
			(Restated)
Revenue	4	1,216,309	827,455
Other income		908	2,796
Revenue and other income		1,217,217	830,251
Staff costs	5	(241,767)	(194,704)
Commission to account executives		(75,675)	(31,823)
Other commission expenses		(17,632)	(24,901)
Performance fee expense		(4,577)	—
Depreciation		(13,653)	(11,407)
Impairment charge on loans and advances to customers	11	(50)	(44)
Impairment charge on accounts receivable	12(a)	(4,797)	(67)
Other operating expenses		(73,218)	(65,179)
Operating profit		785,848	502,126
Finance costs	6	(90,827)	(40,003)
Profit before tax	7	695,021	462,123
Income tax expense	8	(92,457)	(64,381)
Profit for the period		602,564	397,742
Other comprehensive income for the period, net of tax		—	—
Total comprehensive income for the period		602,564	397,742
Profit and total comprehensive income for the period attributable to:			
Owners of the parent		600,537	396,160
Non-controlling interests		2,027	1,582
		602,564	397,742
Earnings per share attributable to ordinary equity holders of the parent			
- Basic (in HK cents)	10(a)	8.84	7.50
- Diluted (in HK cents)	10(b)	8.69	7.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2015** *Unaudited* *HK$'000*	**As at 31 December 2014** *Audited* *HK$'000*
Non-current assets			
Property, plant and equipment		509,215	513,503
Intangible assets		2,823	2,823
Deferred tax assets		679	24
Other assets		5,548	5,151
Financial assets at fair value through profit or loss		120,164	—
Total non-current assets		638,429	521,501
Current assets			
Loans and advances to customers	11	15,110,827	9,099,164
Accounts receivable	12	2,695,070	1,001,103
Prepayments, deposits and other receivables		301,174	128,852
Financial assets at fair value through profit or loss		1,657,736	1,353,089
Derivative financial instruments		1,863	1,766
Tax recoverable		—	211
Client trust bank balances		13,765,907	9,009,909
Cash and cash equivalents		2,061,560	889,286
Total current assets		35,594,137	21,483,380
Current liabilities			
Accounts payable	13	(15,731,577)	(10,004,468)
Other payables and accrued liabilities		(228,870)	(196,665)
Derivative financial instruments		(1,874)	(1,766)
Bank borrowings	14	(9,153,233)	(3,472,719)
Debt securities in issue			
- Financial liabilities at fair value through profit or loss		(408,195)	—
- Other financial liabilities		(30,000)	(171,123)
Tax payable		(159,352)	(69,718)
Total current liabilities		(25,713,101)	(13,916,459)
NET CURRENT ASSETS		9,881,036	7,566,921
TOTAL ASSETS LESS CURRENT LIABILITIES		10,519,465	8,088,422
Non-current liabilities			
Bank borrowings	14	(3,090,000)	(990,000)
Deferred tax liabilities		(36,475)	(33,208)
		(3,126,475)	(1,023,208)
Net assets		7,392,990	7,065,214

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**As at 30 June 2015** *Unaudited* *HK$'000*	**As at 31 December 2014** *Audited* *HK$'000*
Equity			
Share capital		5,997,514	5,852,194
Other reserve		(1,236,460)	(1,236,460)
Share-based compensation reserves			
- Share option reserve		32,512	63,696
- Share award reserve		41,644	13,884
Shares held under the share award scheme		(222,794)	(102,897)
Proposed interim/final dividend	9	239,139	292,434
Retained profits		2,529,607	2,172,562
Equity attributable to owners of the parent		7,381,162	7,055,413
Non-controlling interests		11,828	9,801
Total equity		7,392,990	7,065,214

NOTES TO INTERIM FINANCIAL INFORMATION

1. General information

Guotai Junan International Holdings Limited (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 brokerage, loans and financing, corporate finance, asset management, investment holding and market making.

The Company's immediate holding company and ultimate holding company are Guotai Junan Holdings Limited ("GJHL") incorporated in the British Virgin Island and Guotai Junan Securities Company Limited ("Guotai Junan") incorporated in the People's Republic of China, 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 17 August 2015.

2. Basis of preparation and change in accounting policies

The unaudited interim financial information for the six months ended 30 June 2015 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 unaudited interim financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014, 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 unaudited interim financial information and the use of certain critical accounting judgements and estimates are the same as those used in the audited consolidated financial statements for the year ended 31 December 2014 disclosed in the 2014 annual report of the Company, except for the change of accounting policy and the adoption of the revised HKFRSs as described below.

(a) **Change in accounting policy**

In prior years, fees received or paid in connection with securities borrowing and lending were recorded as handling income or handling expense under brokerage business. To align with the accounting policy of Guotai Junan, fees received or paid are reclassified into interest income or expense under loans and financing business. The change of accounting policy has been accounted for retrospectively and the interim financial information have been restated to conform with current period's presentation. The effect of the change of accounting policy is summarised below:

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Increase in interest income from securities borrowing and lending	16,698	9,114
Decrease in handling income	(16,698)	(9,114)
Increase in finance costs	575	990
Decrease in other operating expenses	(575)	(990)

Apart from the above changes, the change in accounting policy had no impact on the other financial statement line items. Therefore, condensed consolidated statement of financial position as at the beginning of the earliest comparative period had not been prepared.

(b) The Group has adopted the following revised HKFRSs for the first time for this interim period:

Standard	**Content**	**Effective for financial years beginning on/after**
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs	1 July 2014
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs	1 July 2014

The adoption of the above amendments has had no significant financial effect on the unaudited interim financial information.

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

For the year ended 31 December 2014, the income arising from placing and underwriting of debt securities as well as trading and market making of debt securities and derivatives was reported under "Fixed income business". The income arising from placing and underwriting of debt securities was reclassified and included in the corporate finance segment while that from trading and market making of debt securities and derivatives was reclassified and included in the investment holding and market making segment respectively for the period ended 30 June 2015.

Details of each of the operating segments are as follows:

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

(b) the corporate finance segment engages in the provision of advisory services, placing and underwriting services of debt and equity securities;

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

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

(e) the investment holding and market making segment represents fund and equity investments as well as trading and market making of debt securities and derivatives; 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. There was no change in the basis during the six months ended 30 June 2015 and 2014.

The unaudited segment results of the Group for the six months ended 30 June 2015 are as follows:

	Brokerage	**Corporate finance**	**Asset management**	**Loans and financing**	**Investment holding and market making**	**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	436,421	129,724	34,584	512,819	102,761	908	1,217,217
Inter-segment sales	—	—	—	—	—	—	—
Total	436,421	129,724	34,584	512,819	102,761	908	1,217,217
Segment results	194,657	68,978	15,032	326,287	90,067	—	695,021
Income tax expense							(92,457)
Profit for the period							602,564
Other segment information:							
Depreciation	4,867	2,776	642	5,368	—	—	13,653
Finance costs	7	—	—	78,368	12,452	—	90,827

The unaudited segment results of the Group for the six months ended 30 June 2014 are as follows:

	Brokerage	**Corporate finance**	**Asset management**	**Loans and financing**	**Investment holding and market making**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	*(Restated)*		*(Restated)*	*(Restated)*		
Segment revenue and other income:							
Sales to external customers	249,424	173,991	17,862	321,269	64,909	2,796	830,251
Inter-segment sales	—	—	—	—	—	—	—
Total	249,424	173,991	17,862	321,269	64,909	2,796	830,251
Segment results	97,329	98,021	3,378	204,539	58,856	—	462,123
Income tax expense							(64,381)
Profit for the period							397,742
Other segment information:							
Depreciation	3,253	3,556	564	4,034	—	—	11,407
Finance costs	—	—	—	33,950	6,053	—	40,003

4. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June 2015 *Unaudited* *HK$'000*	2014 *Unaudited* *HK$'000* *(Restated)*
Brokerage:		
Securities	392,198	219,654
Futures	22,493	15,376
Handling income	16,720	12,893
Leveraged foreign exchange	1,192	971
Insurance	3,818	530
	436,421	249,424
Corporate finance:		
Placing, underwriting and sub-underwriting commission		
- Debt securities	34,312	34,909
- Equity securities	58,809	100,091
Consultancy and financial advisory fee income	36,603	38,991
	129,724	173,991
Asset management:		
Management fee income	23,800	17,096
Performance fee income	10,784	766
	34,584	17,862
Loans and financing:		
Interest and handling income from margin loans	438,147	241,344
Interest and handling income from term loans	17,205	29,329
Interest income from securities borrowing and lending	16,698	9,114
Interest income from IPO loans	4,869	1,222
Interest income from banks and others	35,900	40,260
	512,819	321,269
Investment holding and market making:		
Net fair value gain/(loss) on financial assets held for trading		
- Listed securities	31,291	48,797
- Unlisted securities	5,114	(4,811)
Net fair value gain/(loss) on financial assets designated at fair value through profit or loss		
- Unlisted convertible promissory note	12,612	(6,875)
- Unlisted unconsolidated fund investments	12,047	—
- Financial products and debt securities in issue	5,773	—
Interest income on financial assets held for trading		
- Listed securities	27,277	19,009
- Unlisted securities	3,157	2,235
Interest income from financial assets designated at fair value through profit or loss		
- Unlisted convertible promissory note	1,533	1,481
Dividend income from listed securities held for trading	3,957	5,073
	102,761	64,909
	1,216,309	827,455

5. Staff costs

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	203,131	163,896
Share-based compensation expenses		
- Share option scheme	8,569	17,094
- Share award scheme	27,760	11,946
Pension scheme contributions	2,307	1,768
	241,767	194,704

6. Finance costs

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000* *(Restated)*
Bank loans and overdrafts	89,056	34,940
Debt securities in issue	473	3,899
Securities borrowing and lending	575	990
Others	723	174
	90,827	40,003

7. Profit before tax

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

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Professional and consultancy fee	16,466	11,906
Information services expense	5,962	6,224
Repair and maintenance (including system maintenance)	13,190	8,805
Marketing, advertising and promotion expenses	3,321	2,770
Foreign exchange difference, net	(3,191)	1,429
Gain on disposal of property, plant and equipment	—	(8)

8. Income tax expense

	For the six months ended 30 June	
	2015	**2014**
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Current, Hong Kong		
- Charge for the period	89,845	66,863
Deferred	2,612	(2,482)
Total tax charge for the period	92,457	64,381

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. Proposed interim/final dividend

Based on the adjusted total number of issued shares of the Company after the issuance of 4,619,758,070 bonus shares on 9 July 2015, the Board has proposed an interim dividend of approximately HK$239,139,000 or HK$0.035 per ordinary share (2014 (restated): HK$149,253,000 or HK$0.0267 per ordinary share) after the adjustment of excluding the dividend for the shares held under the share award scheme of the Company amounting to approximately HK$3,398,000 (2014: HK$2,051,000) for the six months ended 30 June 2015. The interim dividend proposed after the reporting date has not been recognised as a liability in the unaudited interim financial information at the end of the reporting period.

The Board declared a final dividend of HK$0.13 per ordinary share for the year ended 31 December 2014 on 14 May 2015 and paid the final dividend of approximately HK$296,787,000 on 9 June 2015, as further adjusted to include the dividend for shares issued under the share option scheme which amounted to approximately HK$4,353,000.

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

After adjusting for the completion of issuance of 4,619,758,070 bonus shares on 9 July 2015, the calculation of basic earnings per share for the period ended 30 June 2015 is based on the profit attributable to ordinary equity holders of the parent of HK$600,537,000 (2014: HK$396,160,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 6,795,590,000 (2014 (restated): 5,280,342,000) during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share 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	
	2015	**2014**
	Unaudited	*Unaudited (Restated)*
Profit attributable to ordinary equity holders of the parent (in HK$'000)	600,537	396,160
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)	6,795,590	5,280,342
Effect of dilution — weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	91,060	39,735
Awarded shares under the share award scheme (in '000)	26,585	19,917
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	6,913,235	5,339,994
Diluted earnings per share (in HK cents)	8.69	7.42

11. Loans and advances to customers

	As at 30 June 2015	**As at 31 December 2014**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Margin loans	13,776,089	8,406,678
Term loans to customers	501,631	693,243
IPO loans	833,914	—
Gross loans and advances to customers	15,111,634	9,099,921
Less: impairment	(807)	(757)
	15,110,827	9,099,164

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

	2015	**2014**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
As at 1 January	757	665
Impairment charged to profit or loss during the period/year	50	92
As at 30 June 2015/31 December 2014	807	757

The impairment charged to profit or loss included interest income on impaired margin loan of HK$50,000 (2014: HK$44,000) for the six months ended 30 June 2015.

Included in the above provision of impairment of margin loans as at 30 June 2015 was a provision for individually impaired margin loans of HK$807,000 (31 December 2014: HK$757,000) with a carrying amount before provision of HK$807,000 (31 December 2014: HK$757,000). Save as disclosed above, all loans and advances to customers were neither past due nor impaired as at 30 June 2015 and 31 December 2014.

12. 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:

	As at 30 June 2015	**As at 31 December 2014**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Accounts receivable arising from brokerage		
- cash and custodian clients	327,488	113,019
- the Stock Exchange and other clearing houses	1,159,008	201,933
- brokers and dealers	1,104,562	541,427
Accounts receivable arising from securities borrowing and lending		
- brokers and dealers	66,906	119,002
Accounts receivable arising from corporate finance, asset management, investment holding and market making		
- corporate clients, investment funds and others	53,483	37,302
	2,711,447	1,012,683
Less: impairment	(16,377)	(11,580)
	2,695,070	1,001,103

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

	2015	**2014**
	Unaudited	*Audited*
	HK$'000	*HK$'000*
At 1 January	11,580	12,228
Impairment charged to profit or loss during the period/year	5,087	2,750
Amount written off as uncollectible during the period/year	—	(3,398)
Impairment reversed during the period/year	(290)	—
At 30 June 2015/31 December 2014	16,377	11,580

(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$'000*	Accounts receivable from corporate clients and investment funds and others *HK$'000*	Total *HK$'000*
Unaudited					
As at 30 June 2015					
Neither past due nor impaired	273,052	1,159,008	1,171,468	43,797	2,647,325
Audited					
As at 31 December 2014					
Neither past due nor impaired	101,398	201,933	660,429	28,940	992,700

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

	Accounts receivable from cash and custodian clients *HK$'000*	Accounts receivable from the Stock Exchange and other clearing houses *HK$'000*	Accounts receivable from brokers and dealers *HK$'000*	Accounts receivable from corporate clients and investment funds and others *HK$'000*	Total *HK$'000*
Unaudited					
As at 30 June 2015					
Past due less than 6 months	40,739	—	—	6,328	47,067
Past due 6 to 12 months	—	—	—	146	146
Past due over 12 months	—	—	—	520	520
	40,739	—	—	6,994	47,733
Audited					
As at 31 December 2014					
Past due less than 6 months	2,965	—	—	2,032	4,997
Past due 6 to 12 months	—	—	—	3,090	3,090
Past due over 12 months	—	—	—	270	270
	2,965	—	—	5,392	8,357

(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 and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Unaudited					
As at 30 June 2015					
Impaired accounts receivable	13,697	—	—	2,692	16,389
Less: impairment	(13,685)	—	—	(2,692)	(16,377)
	12	—	—	—	12
Audited					
As at 31 December 2014					
Impaired accounts receivable	8,656	—	—	2,970	11,626
Less: impairment	(8,610)	—	—	(2,970)	(11,580)
	46	—	—	—	46

13. Accounts payable

	As at 30 June 2015	As at 31 December 2014
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Accounts payable arising from brokerage		
- clients	14,037,634	9,109,373
- brokers and dealers	696,875	257,351
- the Stock Exchange and other clearing houses	452,844	228,444
Accounts payable arising from securities borrowing and lending	440,906	379,305
Accounts payable arising from corporate finance, asset management, investment holding and market making	100,315	29,993
Accounts payable arising from insurance brokerage services	3,003	2
	15,731,577	10,004,468

14. Bank borrowings

	As at 30 June 2015	As at 31 December 2014
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Non-current		
Unsecured bank borrowings	3,090,000	990,000
Current		
Secured bank borrowings	—	200,000
Unsecured bank borrowings	9,153,233	3,272,719
	9,153,233	3,472,719
Total bank borrowings	12,243,233	4,462,719

15. Operating lease, capital commitment and other commitment

As at 30 June 2015, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	As at 30 June 2015	As at 31 December 2014
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Within one year	298	—
In the second to fifth years, inclusive	50	—
	348	—

Capital commitments

The Group had capital commitments for IT upgrade and renovation of premises of approximately HK$1,985,000 which were contracted but not provided for as at 30 June 2015 (31 December 2014: HK$6,681,000).

Other commitments

The Group undertakes underwriting obligations on placing, IPO, takeover and merger activities and financial obligations to loan facilities granted to customers. As at 30 June 2015, the underwriting and financial obligations were approximately HK$259.4 million and HK$1,287 million respectively (31 December 2014: HK$12.3 million and HK$763 million).

16. Contingent liabilities

The Company guaranteed certain of the Group's bank borrowings up to HK$16,349.7 million (31 December 2014: HK$5,199.5 million) as at 30 June 2015.

In addition, as at 30 June 2015, the Company provided guarantees up to HK$248.8 million (31 December 2014: HK$248.9 million) in favor of financial institutions in respect of the securities and futures 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 30 June 2015 and 31 December 2014.

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") recognized remarkable result of profit after tax of HK$602.6 million (2014: HK$397.7 million) for the period ended 30 June 2015, representing an increase of 51.5% as compared to corresponding period in 2014. The promising result was founded on the outstanding performance in the Group's brokerage business and margin financing businesses which recognized a growth in revenue of 75.0% and 81.5% respectively for the period ended 30 June 2015. The Group continued to apply effective cost management measure and as a result, the cost income ratio further decreased to 42.9% for the period ended 30 June 2015 (2014: 44.5%).

The Board of the Company has recommended the payment of an interim dividend of HK$0.035 per share for the period ended 30 June 2015.

Business review

Following the rebound of the China stock market in the last quarter of 2014, the China stock market continued to outperform other markets thus attracting investors to return to the market. Margin trading was the key force in driving up the A share market. The daily market turnover in China increased substantially and record highs were hit from time to time. Starting from April this year, the Hong Kong stock market moved up sharply. On 9 April, the market turnover reached a record high of HK$293.9 billion. As a result, the average daily market turnover for the period ended 30 June 2015 increased by 99% to HK$125.3 billion (2014: HK$62.9 billion). The rally of the China stock market ended in mid-June while the rally of the Hong Kong stock market ended in late-May this year. With the mainland government strengthening control over margin trading, the stock market fell rapidly. The Hong Kong stock market followed the trend of the China stock market and started moving down. On 8 July, deep market correction appeared.

The volatility of the China and Hong Kong stock markets created business opportunities for the Group. We secured all these opportunities and transformed them into our results, for example, the increase of our average daily turnover and our market share, the increase of new account opening numbers and active accounts numbers, and also the significant increase of our margin financing balance.

The Group's business includes brokerage, corporate finance, asset management, loans and financing as well as investment holding and market making. We have achieved another remarkable result for the period ended 30 June 2015 and the revenue increased by 47.0% to HK$1,216.3 million (2014: HK$827.5 million) for the period ended 30 June 2015. A breakdown of the revenue is set out below.

	For the period ended 30 June			
	2015		**2014**	
	HK$'000	*%*	*HK$'000*	*%*
Fee and commission income				
- brokerage	436,421	35.9	249,424	30.1
- corporate finance	129,724	10.7	173,991	21.0
- asset management	34,584	2.8	17,862	2.2
Income from loans and financing	512,819	42.2	321,269	38.9
Gain on investment holding and market making	102,761	8.4	64,909	7.8
	1,216,309	100.0	827,455	100.0

Brokerage

As mentioned above, in the first half of 2015, the high volatility of the Hong Kong stock market led to a significant increase of the market turnover. The average daily turnover of the Hong Kong stock market increased by 99% to HK$125.3 billion (2014: HK$62.9 billion). Our average daily turnover of the Hong Kong stock market increased by 149% as compared to the corresponding period of last year, resulting in a significant increase in our market share. In addition, the launch of the Shanghai-Hong Kong Stock Connect Program late last year also brought a new revenue stream in our brokerage business. Thus, our result from brokerage business was encouraging and the revenue increased by 75.0% to HK$436.4 million (2014: HK$249.4 million). A breakdown of the revenue of dealing and broking is set out below.

	For the period ended 30 June			
	2015		**2014**	
	HK$'000	*%*	*HK$'000*	*%*
Securities	392,198	89.9	219,654	88.1
Futures	22,493	5.1	15,376	6.2
Leveraged foreign exchange	1,192	0.3	971	0.4
Insurance	3,818	0.9	530	0.2
Handling income	16,720	3.8	12,893	5.1
	436,421	100.0	249,424	100.0

The outstanding performance of our brokerage business was the result of our highly sophisticated online trading platform which includes a web-based and a mobile application trading system. We started developing online trading platform in 2001. Currently it supports 8 international securities markets, including Hong Kong, United

States, Japan, London, Canada, Singapore, Shanghai A and B shares and Shenzhen B shares; 21 global futures markets and leveraged foreign exchange trading. For the period ended 30 June 2015, 81% of the brokerage commission income was executed through our online trading platform.

Although brokerage business is directly affected by the level of market activities, we consider that the expansion of our client base is crucial to the success of the business. Investment conferences were regularly organized to expand our clientele and we successfully recruited over 13,500 new clients for the period ended 30 June 2015.

Corporate Finance

Our corporate finance business covers debt capital markets, equity capital markets, consultancy and financial advisory services. A breakdown of the revenue for corporate finance is set out below:

	For the period ended 30 June			
	2015		**2014**	
	HK$'000	*%*	*HK$'000*	*%*
Placing, underwriting and sub-underwriting commission				
- debt capital markets	34,312	26.5	34,909	20.1
- equity capital markets	58,809	45.3	100,091	57.5
Consultancy and financial advisory fee	36,603	28.2	38,991	22.4
	129,724	100.0	173,991	100.0

We endeavour to provide a range of high quality advisory services on corporate transactions and also debt and equity capital markets services to Hong Kong, China and international clients. Our corporate finance advisory services include the sponsorship of the listing of securities in the Main Board and the GEM Board in Hong Kong and the provision of corporate finance and compliance advisory services. The debt and equity capital markets services provide a variety of distribution channels including underwriting and public and private placement of debt and equities securities in primary and secondary markets.

During the period under review, we had been the sole sponsor for 2 IPOs. We were engaged as compliance advisor for 38 newly listed companies and financial adviser for 20 projects. The income generated from consultancy and financial advisory services decreased by 6.1% to HK$36.6 million (2014: HK$39.0 million) for the period ended 30 June 2015.

During the period under review, equity capital markets activities in Hong Kong increased significantly. Total funds raised through the Hong Kong Stock Exchange increased by 225.3% to HK$708.9 billion (2014: HK$217.9 billion). We had been appointed as book-runner or placing agent for 4 IPO transactions in the primary market. In the secondary market, we had also participated as underwriter, book-runner or placing agent for 10 equity fund raising exercises. The underwriting commission from equity capital markets was HK$58.8 million (2014: HK$100.1 million) for the period ended 30 June 2015.

The Group had also acted as the global coordinator for the issuance of 11 debt securities and the total commission income from debt capital markets was HK$34.3 million (2014: HK$34.9 million) for the period ended 30 June 2015.

Asset Management

We provide a series of services including portfolio management, investment advice and transaction execution, to individual clients, private and public funds. The income from asset management business increased significantly by 93.6% to HK$34.6 million (2014: HK$17.9 million) for the period ended 30 June 2015.

Loans and financing

Loans and financing has been our growth driver since the listing of the Group. During the period ended 30 June 2015, income from our loans and financing business increased significantly by 59.6% to HK$512.8 million (2014: HK$321.3 million). A breakdown of the income from loans and financing is set out below:

	For the period ended 30 June			
	2015		2014	
	HK$'000	*%*	*HK$'000*	*%*
Margin loans	438,147	85.4	241,344	75.1
Term loans	17,205	3.4	29,329	9.1
Securities borrowing and lending	16,698	3.3	9,114	2.9
IPO Loans	4,869	0.9	1,222	0.4
Banks and others	35,900	7.0	40,260	12.5
	512,819	100.0	321,269	100.0

In supporting the business development of margin and other financing, the Group has entered into a 3-year syndicated loan arrangement with a number of banks for a total facility of HK$10,500 million in April 2015. The average margin loan balance increased by 74.9% to HK$10,620.8 million (2014: HK$6,071.6 million) for the first half of 2015 while the income from margin loans increased by 81.5% to HK$438.1 million (2014: HK$241.3 million). The Group will continue to adopt prudent risk management measures in expanding the margin loan business.

Investment holding and market making

The Group holds financial assets under 3 situations: bond positions for the purpose of providing market making services, financial assets for the purpose of structuring financial products for on-sale to investors, and debt and equity positions for the purpose of supporting the corporate finance business and enhancing the relevant returns. For the period ended 30 June 2015, the gain from investment holding and market making increased by 58.3% to HK$102.8 million (2014: HK$64.9 million).

RESULTS OF FINANCIAL POSITION

The Group's total assets increased by 64.7% to HK$36,232.6 million (31 December 2014: HK$22,004.9 million) as at 30 June 2015.

The Group's total liabilities increased by 93.0% to HK$28,839.6 million (31 December 2014: HK$14,939.7 million) as at 30 June 2015.

The equity attributable to owners of the parent increased by 4.6% to HK$7,381.2 million (31 December 2014: HK$7,055.4 million) as at 30 June 2015. The leverage ratio (defined as total assets less accounts payable to clients divided by equity attributable to owners of the parent) increased by 64.5% to 3.01 times (31 December 2014: 1.83 times) as at 30 June 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2015, the net current assets of the Group increased by 30.6% to HK$9,881.0 million (31 December 2014: HK$7,566.9 million). The Group's current ratio was at 1.38 times as at 30 June 2015 (31 December 2014: 1.54 times).

In order to provide resources for the expansion of the Group's business, the Group has entered into a syndicated loan arrangement in April 2015 with a number of financial institutions with an aggregated amount of HK$10.5 billion for a term of 3 year.

The Group had a cash inflow of HK$1,172.3 million (2014: HK$10.3 million) for the period ended 30 June 2015 and the Group's bank balance was HK$2,061.6 million as at 30 June 2015 (31 December 2014: HK$889.3 million). As at 30 June 2015, the Group had outstanding bank borrowings of HK$12,243.2 million (31 December 2014: HK$4,462.7 million) through facilities with a number of banks. During the period under review, the Company has successfully renewed the Medium Term Note Programme (the "MTN Programme") of which both listed and unlisted notes may be issued under the MTN Programme. As at 30 June 2015, the outstanding notes were HK$438.2 million (31 December 2014: HK$171.1 million) and the debt/equity ratio (defined as bank and other borrowings to equity attributable to owners of the parent) was 1.72 times as at 30 June 2015 (31 December 2014: 0.66 times). Taking into account of the un-utilized facilities from various financial institutions and significant un-issued portion of the MTN Programme, we believe our operating cash flow is adequate to finance our recurring working capital requirements and to meet 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 corporation within the Group complied with their respective liquid capital requirements during the period 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 period and at the end of the period.

OUTLOOK AND FUTURE PLANS

The second half of 2015 will be full of challenges for our business. The deep market correction in both China and Hong Kong stock markets in July may slow down the growth of the Hong Kong securities industry. However, leveraging on the unparalleled opportunities of the opening up of China's capital markets and the internationalization of RMB, we are prudently optimistic about our business development in the future.

The Shanghai - Hong Kong Stock Connect Program and the Mainland - Hong Kong Mutual Recognition of Funds mark important and successful models for the gradual convergence of China and the international markets. Strong demand for cross border activities is expected to further speed up the market reform in China, including but not limited to the launch of Shenzhen-Hong Kong Stock Connect Program and QDII2 in the future. It has been the Group's mission to provide clients with a one-stop solution for global investments. As such, we will continue to perfect our online trading platform for our existing and potential clients.

We forecast that the demand for margin financing will remain strong in the second half of 2015 with the regulators in China continuing to strengthen the control over the A share market. Following the listing of our parent company Guotai Junan on the Shanghai Stock Exchange on 26 June 2015, the Group will continue leveraging on its strong reputation and extensive customer network to develop as a global financial services conglomerate. With Guotai Junan continuing to pursue its globalization strategy, the Group will continue to diversify the scope of financial services, including the expansion of wealth management services and the provision of sophisticated investment banking products. The Group will consider overseas expansion at the time as it thinks fit.

INTERIM DIVIDEND

The Board recommends the payment of interim dividend of HK$0.035 per ordinary share for the six months ended 30 June 2015 to the shareholders whose names appear on the register of members of the Company on 1 September 2015. The dividend will be payable on or about 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 1 September 2015 to Monday, 7 September 2015 for ascertaining shareholders' entitlement to the proposed interim dividend. No transfer of shares will be registered on these days. 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 no later than 4:30 p.m. on Monday, 31 August 2015.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2015, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 30 June 2015, 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 2015 other than as an agent for the trustee of the Company's share award scheme.

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 30 June 2015 and 31 December 2014.

CONTINGENT LIABILITIES

Details of contingent liabilities of the Group are set out in note 16 to the interim financial information.

OPERATING LEASE COMMITMENT, CAPITAL COMMITMENT AND OTHER COMMITMENT

Details of operating lease commitment, capital commitment and other commitment of the Group are set out in note 15 to the interim financial information.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the six months ended 30 June 2015, the Company has adopted the 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") as its own code of corporate governance. During the period, save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code.

In respect of code provision A.2.1, the roles of Chairman and Chief Executive Officer of the Company are not separated and are not performed by two different individuals. The Directors consider that vesting the 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.

In respect of code provision A.6.7, an independent non-executive director did not attend the annual general meeting of the Company held on 14 May 2015 due to other engagement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Appendix 10 of the Listing Rules regarding securities transactions by its Directors. The Company has made specific enquiry with 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 dealing 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 the auditing, internal control and financial reporting matters including the review of the unaudited interim financial information.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive directors, being Dr. YIM Fung (Chairman), Mr. WONG Tung Ching, Ms. QI Haiying, 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 INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015 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 2015 is published on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Latest Listed Company Information" and the website of the Company at http://www.gtja.com.hk. The interim report for the six months ended 30 June 2015 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, 17 August 2015