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 2016

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 2016 together with comparative figures for the corresponding period last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016	**2015**	**Change**
	HK$'000	*HK$'000*	*%*
Fee and commission income			
- brokerage	211,132	436,421	-51.6%
- corporate finance	157,105	129,724	21.1%
- asset management	13,756	34,584	-60.2%
Income from loans and financing	633,137	512,819	23.5%
Gain from financial products, market making and investments	195,771	102,761	90.5%
Revenue	1,210,901	1,216,309	-0.4%
Profit for the period	541,180	602,564	-10.2%
Profit attributable to ordinary equity holders of the Company	536,704	600,537	-10.6%
Basic earnings per share (HK cents)*	7.81	8.84	-11.7%
Diluted earnings per share (HK cents)*	7.73	8.69	-11.0%
Dividend per share (HK cents)*	3.0	3.5	-14.3%
Equity per ordinary share (HK$)* (Note)	1.15	1.08	6.5%

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

Note: Based on 6,881,605,013 shares (30 June 2015: 6,832,541,705 shares) as at 30 June 2016, being 6,950,273,413 shares issued and fully paid less 68,668,400 shares held under the Company's share award scheme (30 June 2015: 6,929,637,105 shares issued and fully paid less 97,095,400 shares held under the Company's share award scheme).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**For the six months ended 30 June** **2016** *Unaudited* *HK$'000*	**2015** *Unaudited* *HK$'000*
Revenue	4	1,210,901	1,216,309
Other income		1,450	908
Revenue and other income		1,212,351	1,217,217
Staff costs	5	(241,694)	(241,767)
Commission to account executives		(31,871)	(75,675)
Other commission expenses		(17,652)	(17,632)
Performance fee expense		—	(4,577)
Depreciation		(16,982)	(13,653)
Net impairment charge on loans and advances to customers	11	—	(50)
Net impairment charge on accounts receivable	12(a)	(14)	(4,797)
Other operating expenses		(93,582)	(73,218)
Operating profit		810,556	785,848
Finance costs	6	(171,018)	(90,827)
Profit before tax	7	639,538	695,021
Income tax expense	8	(98,358)	(92,457)
Profit for the period		541,180	602,564
Other comprehensive income for the period, net of tax			
- Exchange difference on translation of foreign exchange		(60)	—
Total comprehensive income for the period		541,120	602,564
Profit for the period attributable to owners of the parent:		541,074	600,537
- Holders of ordinary shares		536,704	600,537
- Holders of other equity instrument		4,370	—
Non-controlling interests		106	2,027
		541,180	602,564
Total comprehensive income for the period attributable to owners of the parent:		541,014	600,537
- Holders of ordinary shares		536,644	600,537
- Holders of other equity instrument		4,370	—
Non-controlling interests		106	2,027
		541,120	602,564
Earnings per share attributable to ordinary equity holders of the parent			
- Basic (in HK cents)	10(a)	7.81	8.84
- Diluted (in HK cents)	10(b)	7.73	8.69

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2016** *Unaudited* *HK$'000*	**As at 31 December 2015** *Audited* *HK$'000*
Non-current assets			
Property, plant and equipment		501,070	512,166
Intangible assets		2,823	2,823
Deferred tax assets		407	576
Other assets		5,088	5,043
Financial assets at fair value through profit or loss		182,427	120,141
Total non-current assets		691,815	640,749
Current assets			
Loans and advances to customers	11	14,514,368	12,375,857
Receivable from reverse repurchase agreements		167,210	509,695
Accounts receivable	12	2,556,940	1,932,119
Prepayments, deposits and other receivables		168,442	258,782
Financial assets at fair value through profit or loss		8,569,607	4,506,947
Derivative financial instruments		65,932	24,952
Tax recoverable		6,701	8,677
Client trust bank balances		15,147,120	14,662,991
Cash and cash equivalents		3,290,883	2,408,666
Total current assets		44,487,203	36,688,686
Current liabilities			
Accounts payable	13	(16,786,349)	(18,218,312)
Other payables and accrued liabilities		(178,316)	(259,942)
Derivative financial instruments		(121,245)	(29,766)
Bank borrowings	14	(8,379,278)	(4,765,662)
Debt securities in issue		(3,850,542)	(2,358,088)
- At amortised cost		(276,470)	(429,040)
- Designated as at fair value through profit or loss		(3,574,072)	(1,929,048)
Financial liabilities at fair value through profit or loss		(2,663,760)	(505,340)
Obligations under repurchase agreements		(648,194)	(400,517)
Tax payable		(133,579)	(44,282)
Total current liabilities		(32,761,263)	(26,581,909)
NET CURRENT ASSETS		11,725,940	10,106,777
TOTAL ASSETS LESS CURRENT LIABILITIES		12,417,755	10,747,526
Non-current liabilities			
Bank borrowings	14	(2,100,000)	(3,090,000)
Deferred tax liabilities		(29,085)	(22,269)
		(2,129,085)	(3,112,269)
Net assets		10,288,670	7,635,257

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**As at 30 June 2016** *Unaudited* *HK$'000*	**As at 31 December 2015** *Audited* *HK$'000*
Equity			
Share capital		6,030,256	6,004,362
Other reserve		(1,236,460)	(1,236,460)
Currency translation reserve		(185)	(125)
Share-based compensation reserves		111,806	95,417
- Share option reserve		47,676	44,469
- Share award reserve		64,130	50,948
Shares held under the share award scheme		(191,003)	(199,643)
Retained profits		3,228,385	2,960,013
Equity attributable to holders of ordinary shares		7,942,799	7,623,564
Equity attributable to holders of other equity instrument		2,334,021	—
Equity attributable to owners of the parent		10,276,820	7,623,564
Non-controlling interests		11,850	11,693
Total equity		10,288,670	7,635,257

NOTES TO INTERIM FINANCIAL INFORMATION

1. **General information**

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance (the "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, corporate finance, asset management, loans and financing, financial products, market making and investments.

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 19 August 2016.

2. **Basis of preparation and changes in accounting policies**

The unaudited interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 December 2015 that is included in this announcement of interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. **Basis of preparation and changes in accounting policies (continued)**

The accounting policies and basis of preparation applied in the preparation of the unaudited interim financial information and the use of certain critical accounting judgments and estimates are the same as those used in the audited consolidated financial statements for the year ended 31 December 2015 disclosed in the 2015 annual report of the Company, except for the adoption of accounting policy relating to perpetual security and the revised HKFRSs as described below.

(a) The Group has adopted the following accounting policy relating to perpetual security for the first time for this period:

Perpetual security is classified as equity if it is non-redeemable, or redeemable only at the issuer's option and the issuer has the option to defer any distribution. Distribution to the holders of perpetual security classified as equity is recognized as distribution within equity.

(b) The Group has adopted the following revised HKFRSs for the first time for the current period's financial information:

Standard	**Content**	**Effective for financial years beginning on/after**
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities Applying the Consolidation Exception	1 January 2016
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 1	Disclosure Initiative	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture Bearer Plants	1 January 2016
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements	1 January 2016
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs	1 January 2016

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.

Details of each of the operating segments are as follows:

(a) the brokerage segment engages in the provision of securities, futures, options 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;

(e) the financial products, market making and investments segment represents fund and equity investments, structuring of financial products as well as trading and market making of debt securities, exchange traded funds 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 2016 and 2015.

3. **Operating segment information (continued)**

The unaudited segment results of the Group for the six months ended 30 June 2016 are as follows:

	Brokerage HK$'000	Corporate finance HK$'000	Asset management HK$'000	Loans and financing HK$'000	Financial products, market making and investments HK$'000	Others HK$'000	Total HK$'000
Segment revenue and other income:							
Sales to external customers	211,132	157,105	13,756	633,137	195,771	1,450	1,212,351
Inter-segment sales	—	—	—	—	—	—	—
Total	211,132	157,105	13,756	633,137	195,771	1,450	1,212,351
Segment results	70,525	40,309	(4,114)	392,331	140,487	—	639,538
Income tax expense							(98,358)
Profit for the period							541,180
Other segment information:							
Depreciation	4,059	4,547	822	7,554	—	—	16,982
Finance costs	8,546	—	—	135,232	27,240	—	171,018

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

	Brokerage HK$'000	Corporate finance HK$'000	Asset management HK$'000	Loans and financing HK$'000	Financial products, market making and investments HK$'000	Others HK$'000	Total 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

4. **Revenue**

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	HK$'000
Brokerage:		
Securities	160,336	392,198
Futures and options	27,374	22,493
Handling income	16,951	16,720
Leveraged foreign exchange	1,355	1,192
Insurance	5,116	3,818
	211,132	436,421
Corporate finance:		
Placing, underwriting and sub-underwriting commission		
- Debt securities	66,220	34,312
- Equity securities	43,958	58,809
Consultancy and financial advisory fee income	46,927	36,603
	157,105	129,724
Asset management:		
Management fee income	13,756	23,800
Performance fee income	—	10,784
	13,756	34,584
Loans and financing:		
Interest and handling income from margin loans	553,877	438,147
Interest and handling income from term loans	27,347	17,205
Interest income from securities borrowing and lending	10,616	16,698
Interest income from IPO loans	74	4,869
Interest income from reverse repurchase agreements	360	—
Interest income from banks and others	40,863	35,900
	633,137	512,819
Financial products, market making and investments:		
Trading gain/(loss) on debt securities		
- Listed securities	55,654	(3,438)
- Unlisted securities	4,154	5,115
Interest income from debt securities		
- Listed securities	48,688	27,277
- Unlisted securities	1,327	3,157
Trading loss on exchange traded funds	(2,404)	—
Trading (loss)/gain on equity securities	(9,934)	34,728
Trading gain on unconsolidated investment funds	51,522	12,047
Net gain on foreign exchange	248	—
Net (loss)/gain on financial assets designated as at fair value through profit or loss	(22,828)	12,612
Interest income from unlisted financial assets designated as at fair value through profit or loss	1,542	1,533
Dividend income	5,751	3,957
Net income on structured financial products	62,051	5,773
	195,771	102,761
	1,210,901	1,216,309

5. Staff costs

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	HK$'000
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	197,154	203,131
Share-based compensation expenses		
- Share option scheme	8,921	8,569
- Share award scheme	32,526	27,760
Pension scheme contributions	3,093	2,307
	241,694	241,767

6. Finance costs

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	HK$'000
Bank borrowings and overdrafts	161,664	89,056
Debt securities in issue	3,865	473
Securities borrowing and lending	561	575
Financial instruments at fair value through profit or loss		
- Listed debt securities held for trading	4,057	6
Repurchase agreements	382	—
Others	489	717
	171,018	90,827

7. Profit before tax

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

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	HK$'000
Professional and consultancy fee	20,120	16,466
Information services expense	10,661	5,962
Repair and maintenance (including system maintenance)	13,917	13,190
Marketing, advertising and promotion expenses	4,007	3,321
Minimum lease payments under operating lease	2,558	151
Foreign exchange difference, net	(1,548)	(3,191)

8. **Income tax expense**

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
	HK$'000	HK$'000
Current, Hong Kong		
- Charge for the period	91,374	89,845
Deferred	6,984	2,612
Total tax charge for the period	98,358	92,457

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. **Proposed interim/final dividend**

The Board has proposed an interim dividend of approximately HK$206,448,000 or HK$0.03 per ordinary share (2015: HK$239,139,000 or HK$0.035 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$2,060,000 (2015: HK$3,398,000) for the six months ended 30 June 2016. The interim dividend proposed after the reporting date has not been recognized as a liability in the unaudited interim financial information at the end of the reporting period.

The Board declared a final dividend of HK$0.04 per ordinary share for the year ended 31 December 2015 on 18 March 2016 and paid the final dividend of approximately HK$275,321,000 on 10 June 2016, as further adjusted to include the dividend for shares issued under the share option scheme which amounted to approximately HK$639,000.

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**

The calculation of basic earnings per share for the period ended 30 June 2016 is based on the profit attributable to ordinary equity holders of the parent of HK$536,704,000 (2015: HK$600,537,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 6,876,116,000 (2015: 6,795,590,000) 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.

10. **Earnings per share attributable to ordinary equity holders of the parent (continued)**

The calculation of diluted earnings per share is as follows:

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Profit attributable to ordinary equity holders of the parent (in HK$'000)	536,704	600,537
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)	6,876,116	6,795,590
Effect of dilution — weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	50,205	91,060
Awarded shares under the share award scheme (in '000)	14,152	26,585
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	6,940,473	6,913,235
Diluted earnings per share (in HK cents)	7.73	8.69

11. **Loans and advances to customers**

	As at 30 June 2016	As at 31 December 2015
	Unaudited	Audited
	HK$'000	HK$'000
Margin loans	13,279,000	11,963,214
Term loans to customers	1,188,066	413,573
IPO loans	48,232	—
Gross loans and advances to customers	14,515,298	12,376,787
Less: impairment	(930)	(930)
	14,514,368	12,375,857

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

	2016	2015
	Unaudited	Audited
	HK$'000	HK$'000
As at 1 January	930	757
Impairment charged to profit or loss during the period/year	—	980
Impairment reversed to profit or loss during the period/year	—	(807)
As at 30 June 2016/31 December 2015	930	930

Save as disclosed above, all loans and advances to customers were neither past due nor impaired as at 30 June 2016 and 31 December 2015.

The impairment charged to profit or loss included interest income on impaired margin loan of Nil (2015: HK$50,000) for the six months ended 30 June 2016.

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 2016 Unaudited HK$'000	As at 31 December 2015 Audited HK$'000
Accounts receivable arising from brokerage		
- cash and custodian clients	57,133	89,662
- the Stock Exchange and other clearing houses	1,112,934	433,509
- brokers and dealers	1,325,524	1,292,388
Accounts receivable arising from insurance brokerage services	50	40
Accounts receivable arising from securities borrowing and lending		
- brokers and dealers	48,202	69,152
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
- corporate clients, investment funds and others	30,031	64,283
	2,573,874	1,949,034
Less: impairment	(16,934)	(16,915)
	2,556,940	1,932,119

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

	2016 Unaudited HK$'000	2015 Audited HK$'000
At 1 January	16,915	11,580
Impairment charged to profit or loss during the period/year	14	5,626
Impairment reversed to profit or loss during the period/year	—	(291)
Exchange difference	5	—
At 30 June 2016/31 December 2015	16,934	16,915

12. **Accounts receivable (continued)**

(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, investment funds and others	Accounts receivable from insurance brokerage	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Unaudited						
As at 30 June 2016						
Neither past due nor impaired	42,136	1,112,934	1,373,726	25,741	50	2,554,587
Audited						
As at 31 December 2015						
Neither past due nor impaired	67,790	433,509	1,361,540	57,589	40	1,920,468

(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, investment funds and others	Accounts receivable from insurance brokerage	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Unaudited						
As at 30 June 2016						
Past due less than 6 months	1,289	—	—	—	—	1,289
Past due 6 to 12 months	—	—	—	1,056	—	1,056
	1,289	—	—	1,056	—	2,345
Audited						
As at 31 December 2015						
Past due less than 6 months	8,183	—	—	3,399	—	11,582
Past due 6 to 12 months	—	—	—	61	—	61
	8,183	—	—	3,460	—	11,643

12. **Accounts receivable (continued)**

(d) **Impaired accounts receivable**

	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$'000	Accounts receivable from corporate clients, investment funds and others HK$'000	Accounts receivable from insurance brokerage HK$'000	Total HK$'000
Unaudited						
As at 30 June 2016						
Impaired accounts receivable	13,708	—	—	3,234	—	16,942
Less: impairment	(13,700)	—	—	(3,234)	—	(16,934)
	8	—	—	—	—	8
Audited						
As at 31 December 2015						
Impaired accounts receivable	13,689	—	—	3,234	—	16,923
Less: impairment	(13,681)	—	—	(3,234)	—	(16,915)
	8	—	—	—	—	8

13. **Accounts payable**

	As at 30 June 2016 Unaudited HK$'000	As at 31 December 2015 Audited HK$'000
Accounts payable arising from brokerage		
- clients	15,343,387	15,214,731
- brokers and dealers	543,315	757,770
- the Stock Exchange and other clearing houses	443,376	29,760
Accounts payable arising from securities borrowing and lending	410,747	542,502
Accounts payable arising from corporate finance, asset management, financial products, market making and investments	42,226	1,673,295
Accounts payable arising from insurance brokerage services	3,298	254
	16,786,349	18,218,312

14. **Bank borrowings**

	As at 30 June 2016 Unaudited HK$'000	As at 31 December 2015 Audited HK$'000
Non-current		
Unsecured bank borrowings	2,100,000	3,090,000
Current		
Unsecured bank borrowings	8,379,278	4,765,662
Total bank borrowings	10,479,278	7,855,662

15. **Operating lease commitments, capital commitments and other commitments**

As at 30 June 2016, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	As at 30 June 2016 Unaudited HK$'000	As at 31 December 2015 Audited HK$'000
Within one year	4,864	4,841
In the second to fifth years, inclusive	5,868	7,989
	10,732	12,830

Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK$6,065,000 which were contracted but not provided for as at 30 June 2016 (31 December 2015: HK$1,364,000).

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 2016, the underwriting and financial obligations were approximately HK$458 million and HK$1,375 million respectively (31 December 2015: HK$1,383 million and HK$1,272 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Result and Overview

We are pleased to report to our shareholders that the Group achieved a profit after tax of HK$541.2 million (2015: HK$602.6 million) for the period ended 30 June 2016, representing a decrease of 10.2% as compared to the corresponding period of 2015. During the period under review, the Group's corporate finance activities, loans and financing activities, financial products activities and market making activities increased significantly, resulting in the increases of the corresponding income by 21.1%, 23.5%, 974.8% and 234.5% respectively.

The Board of the Company has recommended a payment of interim dividend of HK$0.03 per share for the period ended 30 June 2016.

Market review

Macro environment

In the first half of 2016, the global economy continued to grow slowly. The US economy has been recovering as can been seen in the improving labour market in the US. The US Federal Reserve took a prudent view on the pace of the economic growth and did not propose any interest rate hike in the first half of 2016. In Europe, the pace of economic growth remained slow. The Brexit Referendum created uncertainties in Europe. Though the result of the referendum supported UK's exit, it did not cause material fluctuations in the market. In China, the government was still struggling with the slowdown in economic growth. Economic restructuring was underway with slowdown in productions, investments and consumptions. The growth momentum of the Hong Kong economy was hindered by the weakness in consumptions and the downward pressure on asset prices. Hong Kong dollar interest rates remained at a low level, with US dollar interest rate hikes deferred to the end of this year or early next year. With the expectation of US interest rate hikes, the slowdown of China economic growth and the decrease of the foreign currency reserve in China, RMB continued to depreciate against the US dollar.

Policy issues

Since the crash of the A share market in the middle of last year, the Chinese government introduced a number of measures to deleverage the market and strengthen its supervision. Under the high volatility in the stock market, regulatory supervision was tightened. The introduction of the circuit breaking mechanism in the China stock market early this year caused the market further collapse and resulted in the suspension of the mechanism after its launching for 4 days. A number of planned market opening initiatives, such as the Shenzhen-Hong Kong Stock Connect Program, have been deferred.

Markets

Affected by the circuit breaking mechanism incident in the China stock market early this year, the Brexit Referendum and the outflow of liquidity to US dollar markets, the Hong Kong stock market moved further downwards from the closing level of 2015. The Hang Seng Index dropped to 20,794 by the end of June 2016, a decrease of 20.8% as compared to the end of June 2015 and a decrease of 5.1% as compared to the end of December 2015. The average daily turnover of the Hong Kong stock market was also affected by poor market sentiments where investors were reluctant to participate. The average daily turnover of the Hong Kong stock market dropped to HK$67.5 billion, a decrease of 46.1% when compared with HK$125.3 billion for the same period last year. Poor market sentiments also affected the IPO market in Hong Kong and there were only 40 newly listed companies in the first half of 2016, a decrease of 21.6% when compared with 51 newly listed companies for the same period last year.

Business review

The Group's businesses include brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investments. During the first half of 2016, the performance of the Group was affected by the frustrating market conditions and the exceptionally high comparative base figures of the same period last year, particularly on the brokerage and asset management businesses of the Group. However, the Group still achieved outstanding growth in loans and financing, corporate finance, market making and financial products businesses. The revenue of the Group decreased by 0.4% to HK$1,210.9 million (2015: HK$1,216.3 million) for the period ended 30 June 2016. A breakdown of the revenue is listed below:

	For the period ended 30 June			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Fee and commission income				
- brokerage	211,132	17.4	436,421	35.9
- corporate finance	157,105	13.0	129,724	10.7
- asset management	13,756	1.1	34,584	2.8
Income from loans and financing	633,137	52.3	512,819	42.2
Gain on financial products, market making and investments	195,771	16.2	102,761	8.4
Revenue	1,210,901	100.0	1,216,309	100.0

Brokerage

Affected by the drastic decrease in market turnover, the keen competition from peers and the robust market performance in the first half of last year before the market crash, the revenue generated from the brokerage business decreased by 51.6% to HK$211.1 million for the period ended 30 June 2016 (2015: HK$436.4 million) The breakdown of the revenue of the brokerage business is set out below:

	For the period ended 30 June			
	2016		2015	
	HK$'000	*%*	*HK$'000*	*%*
Securities	160,336	76.0	392,198	89.9
Futures and options	27,374	13.0	22,493	5.1
Handling income	16,951	8.0	16,720	3.8
Leveraged foreign exchange	1,355	0.6	1,192	0.3
Insurance	5,116	2.4	3,818	0.9
	211,132	100.0	436,421	100.0

Although brokerage income is directly affected by the level of market activities, we consider that the expansion of client base is crucial to the success of business. Investment conferences were regularly organized to expand our clientele and we successfully recruited over 6,300 new clients for the period ended 30 June 2016. A reliable and efficient online trading platform is crucial to the expansion of our business, especially for retail clients. During the period under review, 78% of the brokerage commission was generated from our online trading system and 70% of the brokerage commission was from individual investors.

The volatility of the stock market encouraged higher turnover in futures and options during the period ended 30 June 2016. The brokerage income from futures and options increased by 21.7% to HK$27.4 million (2015: HK$22.5 million) for the period ended 30 June 2016. The income from leveraged foreign exchange business was HK$1.4 million (2015: HK$1.2 million) for the period ended 30 June 2016, representing an increase of 13.7% as compared to the same period last year.

We are committed to develop insurance brokerage services for our clients through co-operating with other experienced market participants. The income from insurance brokerage increased by 34.0% to HK$5.1 million (2015: HK$3.8 million) for the period ended 30 June 2016.

Handling income also slightly increased by 1.4% to HK$17.0 million (2015: HK$16.7 million) for the period ended 30 June 2016.

Corporate Finance

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

	For the period ended 30 June			
	2016		**2015**	
	HK$'000	*%*	*HK$'000*	*%*
Placing, underwriting and sub-underwriting commission				
- Debt securities	66,220	42.2	34,312	26.5
- Equity securities	43,958	28.0	58,809	45.3
Consultancy and financial advisory fee income	46,927	29.8	36,603	28.2
	157,105	100.0	129,724	100.0

We endeavor to provide a range of high-quality advisory services on corporate transactions as well as debt and equity capital markets service to Hong Kong, China and international clients. Our corporate finance advisory services include acting as sponsor in the application for the listing of securities on the Main Board and the GEM in Hong Kong and provision of corporate finance and compliance advisory services. Our debt and equity capital market services provide a variety of distribution channels to our customers including underwriting and placements in the primary and secondary markets.

The equity capital market activities in Hong Kong were very weak during the period ended 30 June 2016. There were only 40 newly listed companies during the period under review, a decrease 21.6% when compared with the 51 newly listed companies during the same period last year. Funds raised through IPOs for the period ended 30 June 2016 was HK$43.6 billion, a decrease of 66.3% when compared with HK$129.5 billion for the same period last year. Total funds raised in the Hong Kong equity capital market was only HK$140.7 billion, a decrease of 80.2% when compared with HK$711.7 billion for the same period last year.

During the period ended 30 June 2016, we were the sponsor for 1 company, bookrunner for 5 companies and sub-underwriter for 1 company in the primary market. In the secondary market, we acted as placing agent for 5 placing exercises. We assisted corporates to raise a total of more than HK$26.4 billion and HK$965.6 million respectively in the primary and secondary markets in Hong Kong.

During the period under review, corporate finance advisory activities, especially merger and acquisition activities, were very active. We were appointed as financial advisor for 12 financial advisory projects.

As a result, the income generated from consultancy and financial advisory services significantly increased by 28.2% to HK$46.9 million (2015: HK$36.6 million) for the period ended 30 June 2016 while the income generated from equity capital markets decreased by 25.3% to HK$44.0 million (2015: HK$58.8 million) for the period ended 30 June 2016.

In the first half of 2016, the Hong Kong debt capital market activities were very active despite the economic downturn in mainland China and the decrease in demand in RMB debt issues due to the interest rate cuts in mainland China. We participated in 16 debt issue exercises in Hong Kong, assisting corporates to raise HK$17.7 billion through the Hong Kong debt capital market. The income from debt capital markets increased by 93.0% to HK$66.2 million (2015: HK$34.3 million) for the period ended 30 June 2016.

Asset Management

We provide a series of asset management services including portfolio management, investment advice and transaction execution to individual clients, private and public funds. Income from asset management business decreased by 60.2% to HK$13.8 million (2015: HK$34.6 million) for the period ended 30 June 2016.

Loans and Financing

Loans and financing has been our growth driver since the listing of the Group in 2010. The income from loans and financing business increased by 23.5% to HK$633.1 million (2015: HK$512.8 million) for the period ended 30 June 2016. A breakdown of the revenue of loans and financing is set out below:

	For the period ended 30 June			
	2016		**2015**	
	HK$'000	%	*HK$'000*	%
Margin loans	553,877	87.5	438,147	85.4
Term loans	27,347	4.3	17,205	3.4
Securities borrowing and lending	10,616	1.7	16,698	3.3
IPO loans	74	0.0	4,869	0.9
Reverse repurchase agreements	360	0.0	—	0.0
Banks and others	40,863	6.5	35,900	7.0
	633,137	100.0	512,819	100.0

Due to the tightening of liquidity outflow of RMB, mainland China investors preferred to increase borrowings in doing offshore investments. The average margin loan balance significantly increased by 22.4% to HK$13,003.1 million (2015: HK$10,620.8 million) while the income from margin loan business increased by 26.4% to HK$553.9 million (2015: HK$438.1 million). The effective interest rate has also increased to reflect our current risk level.

Other than the margin loan business, the Group also engaged in term loan business to facilitate our customers' other financial needs, including provision of merger and acquisition financing. The income from term loan business increased by 58.9% to HK$27.3 million (2015: HK$17.2 million).

The Group also engaged in securities borrowing and lending business. Interest income from securities borrowing and lending decreased by 36.4% to HK$10.6 million (2015: HK$16.7 million) for the period ended 30 June 2016.

Financial products, market making and investments

The Group holds financial assets for business development, provision of sophisticated financial products and market making. After the market crash in the middle of last year, investors' risk appetite decreased and they looked for risk adverse investment products with acceptable level of leverage. The Group tailor-made financial products according to the clients' needs and risk appetite. As a result, the income from financial products business increased by 974.8% to HK$62.1 million

(2015: HK$5.8 million).During the period under review, market making increased substantially. The income from market making business increased by 234.5% to HK$107.4 million (2015: HK$ 32.1 million). The Group makes investment for the purpose of supporting the development of its corporate finance and institutional business. During the period under review, the income from investments were HK$26.3 million (2015: HK$64.9 million), representing a decrease of 59.5%.

RESULTS OF FINANCIAL POSITION

The Group's total assets increased by 21.0% to HK$45,179.0 million (31 December 2015: HK$37,329.4 million) as at 30 June 2016.

The Group's total liabilities increased by 17.5% to HK$34,890.3 million (31 December 2015: HK$29,694.2 million) as at 30 June 2016.

The equity attributable to holders of ordinary shares increased by 4.2% to HK$7,942.8 million (31 December 2015: HK$7,623.6 million) as at 30 June 2016. The leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 2.90 times (31 December 2015: 2.90 times) as at 30 June 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2016, the net current assets of the Group increased by 16.0% to HK$11,725.9 million (31 December 2015: HK$10,106.8 million). The Group's current ratio was at 1.36 times as at 30 June 2016 (31 December 2015: 1.38 times).

In order to provide resources for the expansion of the Group's business and to strengthen its capital structure, on 15 June 2016, the Company issued US$300 million subordinated perpetual securities (the "Perpetual Securities") to a total of 5 investors, namely China Industrial Securities International Brokerage Limited, CNPC Finance (HK) Limited, China Guangfa Bank — China Southern Fund — QDII1 — 17, Guotai Junan Financial Holdings Limited and SPDB International Investment Management Limited. The Perpetual Securities were issued at par and the proceeds were used for general working capital. The Perpetual Securities bear an initial distribution rate of 4.5% per annum. Distributions will be paid semi-annually in arrear and the first distribution date will fall on 30 October 2016. The Company may, at its sole discretion, elect to defer any distribution. The Perpetual Securities do not have any maturity date and are only callable at the Company's discretion on 30 April 2019 or on any distribution payment date after 30 April 2019. After 30 April 2019, the distribution rate will be reset to 3 year US swap rate plus 8% per annum. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and are recorded as equity in the condensed consolidated statement of financial position.

The Group had a cash inflow of HK$882.2 million (2015: HK$1,172.3 million) for the period ended 30 June 2016 and the Group's bank balance was HK$3,290.9 million as at 30 June 2016 (31 December 2015: HK$2,408.7 million). As at 30 June 2016, the Group had outstanding bank borrowings of HK$10,479.3 million (31 December 2015: HK$7,855.7 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. The structured notes issued in relation to financial products amounted to HK$3,574.1 million (31 December 2015: HK$1,929.0 million) and the notes outstanding as at 30 June 2016 were HK$276.5 million (31 December 2015: HK$429.0 million). The gearing ratio (defined as bank and other borrowings to total equity) was 1.05 times as at 30 June 2016 (31 December 2015: 1.09 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 corporations 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

Affected by the offshore and mainland China economic uncertainties, the investment market in Hong Kong will be volatile and full of difficulties in the second half of 2016.

In the second half of 2016, the Group will target on the development of services to high net worth individuals and the institutional investors markets. We will focus on the expansion of our high net worth individual customer base, including entrepreneurs and senior executives. We will adhere to the path of sustainable development, insist on maintaining our conservative risk culture, adopt differentiated competitive strategy and steadily increase the market share of our core businesses.

It was announced that the Shenzhen-Hong Kong Stock Connect Program would be launched by the end of 2016. The Group will devote its best efforts in securing all cross border business opportunities that may arise. We will continue to expand our scope of services so as to meet the needs of our clients and will focus on becoming the preferred comprehensive financial services institution for our customers.

INTERIM DIVIDEND

The Board recommends the payment of interim dividend of HK$0.03 per ordinary share for the six months ended 30 June 2016 to the shareholders whose names appear on the register of members of the Company on 5 September 2016. The dividend will be payable on or about 21 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 September 2016 to Thursday, 8 September 2016 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 Friday, 2 September 2016.

MATERIAL ACQUSITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2016, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 30 June 2016, 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 2016 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 2016 and 31 December 2015.

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 2016, 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.

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 four executive directors, being Dr. YIM Fung (Chairman), Mr. WONG Tung Ching, Ms. QI Haiying and Mr. LI Guangjie 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 2016 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 2016 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 2016 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, 19 August 2016