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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 2018

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 (together with its subsidiaries, the “Group”) for the six months ended 30 June 2018 together with comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2018 HK\$'000	2017 HK\$'000	
Fee and commission income			
– brokerage	271,437	289,210	–6.1%
– corporate finance	335,355	441,590	–24.1%
– asset management	10,561	14,513	–27.2%
Income from loans and financing	716,824	641,556	11.7%
Gain from financial products, market making and investment holding	344,038	173,089	98.8%
Revenue	1,678,215	1,559,958	7.6%
Profit for the period	541,691	726,052	–25.4%
Profit attributable to ordinary equity holders of the Company	506,841	673,507	–24.7%
Profit attributable to ordinary equity holders of the Company (after excluding the contributions from the listing of parent company in 2017)	506,841	446,334	13.6%
Basic earnings per share (HK cents)	6.73	9.74	–30.9%
Diluted earnings per share (HK cents)	6.71	9.67	–30.6%
Equity per ordinary share (HK\$) (Note)	1.41	1.20	17.5%
Dividend per share (HK cents)	3.3	4.5	–26.7%
Dividend payment ratio (Note)	50%	46%	4 p.p.

Note: Based on 7,643,666,690 shares (30 June 2017: 6,920,877,674 shares) as at 30 June 2018, being 7,715,373,090 shares issued and fully paid less 71,706,400 shares held under the Company’s share award scheme (30 June 2017: 6,993,765,074 shares issued and fully paid less 72,887,400 shares held under the Company’s share award scheme).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2018	2017
	<i>Notes</i>	<i>Unaudited HK\$'000</i>	<i>Unaudited HK\$'000</i>
Revenue	4	1,678,215	1,559,958
Other income		1,100	1,149
Revenue and other income		<u>1,679,315</u>	<u>1,561,107</u>
Staff costs	5	(286,315)	(338,102)
Commission to account executives		(40,510)	(27,832)
Depreciation		(18,363)	(19,674)
Other operating expenses		<u>(368,796)</u>	<u>(141,701)</u>
Operating profit		965,331	1,033,798
Finance costs	6	<u>(328,345)</u>	<u>(162,568)</u>
Profit before tax	7	636,986	871,230
Income tax expense	8	<u>(95,295)</u>	<u>(145,178)</u>
Profit for the period		541,691	726,052
Other comprehensive income for the period, net of tax			
– Exchange difference on translation of foreign exchange		713	(1,140)
Total comprehensive income for the period		<u>542,404</u>	<u>724,912</u>
Profit for the period attributable to:			
Owners of the parent		550,720	725,952
– Holders of ordinary shares		506,841	673,507
– Holders of other equity instrument		43,879	52,445
Non-controlling interests		<u>(9,029)</u>	<u>100</u>
		<u>541,691</u>	<u>726,052</u>
Total comprehensive income for the period attributable to:			
Owners of the parent		551,433	724,812
– Holders of ordinary shares		507,554	672,367
– Holders of other equity instrument		43,879	52,445
Non-controlling interests		<u>(9,029)</u>	<u>100</u>
		<u>542,404</u>	<u>724,912</u>
Earnings per share attributable to ordinary equity holders of the parent			
– Basic (in HK cents)	10(a)	<u>6.73</u>	<u>9.74</u>
– Diluted (in HK cents)	10(b)	<u>6.71</u>	<u>9.67</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2018 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2017 <i>Audited</i> <i>HK\$'000</i>
<i>Notes</i>			
Non-current assets			
Property, plant and equipment		464,074	480,006
Intangible assets		2,823	2,823
Deferred tax assets		79,682	50,745
Other assets		5,759	13,174
Loans and advances to customers	11	2,338,820	29,918
Total non-current assets		2,891,158	576,666
Current assets			
Loans and advances to customers	11	10,637,844	15,553,655
Receivable from reverse repurchase agreements		2,755,803	1,513,177
Accounts receivable	12	5,639,792	4,347,402
Prepayments, deposits and other receivables		422,424	120,252
Financial assets at fair value through profit or loss		41,618,544	37,170,762
– Financial assets held for trading and investments		11,421,618	8,924,271
– Financial assets products		30,196,926	28,246,491
Derivative financial instruments		62,066	110,461
Tax recoverable		6,786	7,495
Client trust bank balances		15,209,739	12,348,012
Cash and cash equivalents		2,467,498	2,212,502
Total current assets		78,820,496	73,383,718
Current liabilities			
Accounts payable	13	(19,478,477)	(16,952,250)
Other payables and accrued liabilities		(191,445)	(473,094)
Derivative financial instruments		(15,388)	(27,722)
Bank borrowings	14	(9,763,433)	(13,781,721)
Debt securities in issue		(24,266,846)	(16,363,891)
– At amortised cost		(9,783,925)	(5,885,015)
– Designated at fair value through profit or loss		(14,482,921)	(10,478,876)
Financial liabilities at fair value through profit or loss		(8,383,716)	(9,008,776)
Obligations under repurchase agreements		(7,912,196)	(6,244,957)
Tax payable		(211,095)	(94,899)
Total current liabilities		(70,222,596)	(62,947,310)
Net current assets		8,597,900	10,436,408
Total assets less current liabilities		11,489,058	11,013,074

	As at 30 June 2018 <i>Unaudited</i> HK\$'000	As at 31 December 2017 <i>Audited</i> HK\$'000
Non-current liabilities		
Deferred tax liabilities	(28,975)	(21,648)
	<u>(28,975)</u>	<u>(21,648)</u>
Net assets	<u>11,460,083</u>	<u>10,991,426</u>
Equity		
Share capital	8,125,489	6,118,060
Other reserve	(1,236,460)	(1,236,460)
Currency translation reserve	(236)	(949)
Share-based compensation reserve	84,178	64,973
– Share option reserve	34,316	40,769
– Share award reserve	49,862	24,204
Shares held under the share award scheme	(202,619)	(181,281)
Retained profits	4,009,921	3,843,743
Equity attributable to holders of the ordinary shares	10,780,273	8,608,086
Equity attributable to holders of other equity instrument	<u>350,788</u>	<u>2,346,794</u>
Equity attributable to owners of the parent	11,131,061	10,954,880
Non-controlling interests	329,022	36,546
Total equity	<u>11,460,083</u>	<u>10,991,426</u>

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 Islands 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 22 August 2018.

2. Basis of preparation and changes in accounting policies

The unaudited interim financial information for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2017 that is included in the Interim Report 2018 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 2017 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.

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 2017 disclosed in the 2017 annual report of the Company, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The Company applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the unaudited interim financial information of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted HKFRS 15 using the modified retrospective approach. The Company has performed a detailed assessment on the impact of the adoption of HKFRS 15 and the standard did not have significant impact on the unaudited interim financial information of the Company.

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's unaudited interim financial information.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKICPA issued amendments to HKFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's 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.

3. Operating segment information (continued)

The unaudited segment results of the Group for the six months ended 30 June 2018 are as follows:

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Loans and financing <i>HK\$'000</i>	Financial products, market making and investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:							
Sales to external customers	271,437	335,355	10,561	716,824	344,038	1,100	1,679,315
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>271,437</u>	<u>335,355</u>	<u>10,561</u>	<u>716,824</u>	<u>344,038</u>	<u>1,100</u>	<u>1,679,315</u>
Segment results	108,275	196,949	(8,803)	264,376	76,189	–	636,986
Income tax expense							(95,295)
Profit for the period							<u>541,691</u>
Other segment information:							
Depreciation	3,773	4,968	903	6,712	2,007	–	18,363
Finance costs	8,381	–	–	158,373	161,591	–	328,345

The unaudited segment results of the Group for the six months ended 30 June 2017 are as follows:

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Loans and financing <i>HK\$'000</i>	Financial products, market making and investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:							
Sales to external customers	289,210	441,590	14,513	641,556	173,089	1,149	1,561,107
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>289,210</u>	<u>441,590</u>	<u>14,513</u>	<u>641,556</u>	<u>173,089</u>	<u>1,149</u>	<u>1,561,107</u>
Segment results	155,158	244,533	(1,400)	352,545	120,394	–	871,230
Income tax expense							(145,178)
Profit for the period							<u>726,052</u>
Other segment information:							
Depreciation	3,739	8,346	956	6,633	–	–	19,674
Finance costs	15	–	–	127,533	35,020	–	162,568

4. Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Brokerage:		
Securities	227,302	248,282
Futures and options	13,688	13,812
Handling income	23,447	17,793
Leveraged foreign exchange	1,489	1,500
Insurance	5,511	7,823
	<u>271,437</u>	<u>289,210</u>
Corporate finance:		
Placing, underwriting and sub-underwriting commission		
– Debt securities	258,439	147,579
– Equity securities	59,875	231,963
Consultancy and financial advisory fee income	17,041	62,048
	<u>335,355</u>	<u>441,590</u>
Asset management:		
Management fee income	6,327	14,403
Performance fee income	4,234	110
	<u>10,561</u>	<u>14,513</u>
Loans and financing:		
Interest and handling income from margin loans	475,575	513,000
Interest and handling income from term loans	71,525	35,308
Interest income from securities borrowing and lending	35,611	6,090
Interest income from reverse repurchase agreements	11,082	1,419
Interest income from IPO loans	9,558	509
Interest income from banks and others	113,473	85,230
	<u>716,824</u>	<u>641,556</u>

4. Revenue (continued)

	For the six months ended 30 June	
	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial products, market making and investments:		
Trading (loss)/gain on debt securities		
– Listed securities	(281,524)	41,110
– Unlisted securities	(12,645)	(464)
Interest income from debt securities		
– Listed securities	230,775	101,161
– Unlisted securities	18,648	927
Trading gain on exchange traded funds	474	138
Trading loss on equity securities	(42,941)	(48,968)
Trading (loss)/gain on unconsolidated investment funds	(4,326)	6,656
Net gain on foreign exchange	26,599	2,663
Net gain/(loss) on financial assets at fair value through profit or loss	16,407	(39,097)
Interest income from unlisted financial assets at fair value through profit or loss	2,127	1,540
Dividend income	3,567	3,176
Net income on structured financial products	386,877	104,247
	<u>344,038</u>	<u>173,089</u>
	<u>1,678,215</u>	<u>1,559,958</u>

5. Staff costs

	For the six months ended 30 June	
	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	253,821	298,449
Share-based compensation expenses		
– Share option scheme	1,677	3,149
– Share award scheme	26,752	32,787
Pension scheme contributions	4,065	3,717
	<u>286,315</u>	<u>338,102</u>

6. Finance costs

	For the six months ended 30 June	
	2018	2017
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Bank borrowings and overdrafts	148,870	137,389
Debt securities in issue	88,188	3,912
Securities borrowing and lending	1,621	68
Financial instruments at fair value through profit or loss		
– Listed debt securities held for trading	38,624	8,635
Repurchase agreements	45,137	7,451
Others	5,905	5,113
	<u>328,345</u>	<u>162,568</u>

7. Profit before tax

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

	For the six months ended 30 June	
	2018	2017
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Professional and consultancy fees	32,544	32,025
Information services expense	13,578	12,749
Repairs and maintenance (including system maintenance)	21,285	17,254
Marketing, advertising and promotion expenses	2,917	3,723
Minimum lease payments under operating leases	2,682	2,525
Foreign exchange difference, net	46,101	(3,510)
Other commission expenses	9,522	19,872
Net impairment charge on loans and advances to customers	188,169	12,516
Net impairment charge on accounts receivable	6,947	1,512
Net reversal of impairment on other financial assets and loan commitments	<u>(503)</u>	<u>(15,961)</u>

8. Income tax expense

	For the six months	
	ended 30 June	
	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current, Hong Kong		
– Charge for the period	117,903	141,237
Deferred	(22,608)	3,941
Total tax charge for the period	<u>95,295</u>	<u>145,178</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. Proposed interim/final dividend

The Board has declared an interim dividend of approximately HK\$252,241,000 or HK\$0.033 per ordinary share (2017: HK\$311,439,000 or HK\$0.045 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\$2,366,000 (2017: HK\$3,280,000) for the six months ended 30 June 2018. 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 recommended a final dividend of HK\$0.045 per ordinary share for the year ended 31 December 2017 on 16 March 2018 and paid the final dividend of approximately HK\$343,960,000 on 15 June 2018, as further adjusted to include the dividend for shares issued under the Company's general mandate and share option scheme and which amounted to approximately HK\$436,000 and the dividend for the shares held and vested shares under the share award scheme amounting to HK\$466,000 and HK\$15,000 respectively.

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

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

(a) *Basic earnings per share*

The calculation of basic earnings per share for the period ended 30 June 2018 is based on the profit attributable to ordinary equity holders of the parent of HK\$506,841,000 (2017: HK\$673,507,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 7,525,941,000 (2017: 6,914,909,000) during the period.

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

(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	
	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	506,841	673,507
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)	7,525,941	6,914,909
Effect of dilution – weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	11,782	33,079
Awarded shares under the share award scheme (in '000)	12,795	16,473
Number of ordinary shares for the purpose of diluted earnings per share (in '000)	7,550,518	6,964,461
Diluted earnings per share (in HK cents)	6.71	9.67

11. Loans and advances to customers

	As at 30 June 2018	As at 31 December 2017
	<i>Unaudited</i>	<i>Audited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Term loans to customers	2,340,000	29,918
Less: impairment	(1,180)	—
	<u>2,338,820</u>	<u>29,918</u>
Current		
Margin loans	9,859,708	12,917,920
Term loans to customers	532,792	3,021,883
IPO loans	741,629	18,705
Less: impairment	(496,285)	(404,853)
	<u>10,637,844</u>	<u>15,553,655</u>
	<u>12,976,664</u>	<u>15,583,573</u>

The movements in the expected credit losses (“ECL”) impairment allowance on loans and advances to customers are as follows:

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired	Total
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2018	7,685	—	397,168	404,853
Transferred to lifetime ECL credit- impaired	(164)	—	164	—
Charged to profit or loss	10,477	2,981	174,711	188,169
Amount written off	—	—	(95,557)	(95,557)
As at 30 June 2018	<u>17,998</u>	<u>2,981</u>	<u>476,486</u>	<u>497,465</u>

11. Loans and advances to customers (continued)

	12-months ECL <i>Audited</i> <i>HK\$'000</i>	Lifetime ECL not credit- impaired <i>Audited</i> <i>HK\$'000</i>	Lifetime ECL credit- impaired <i>Audited</i> <i>HK\$'000</i>	Total <i>Audited</i> <i>HK\$'000</i>
As at 1 January 2017	—	—	93,828	93,828
Adjustment on adoption of HKFRS 9	21,854	—	214,492	236,346
Transferred to lifetime ECL credit- impaired	(5)	—	5	—
Charged/(credited) to profit or loss	(14,164)	—	88,843	74,679
As at 31 December 2017	<u>7,685</u>	<u>—</u>	<u>397,168</u>	<u>404,853</u>

Save as disclosed above, all loans and advances to customers were neither past due nor impaired as at 30 June 2018 and 31 December 2017.

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 2018 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2017 <i>Audited</i> <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	221,547	187,406
– the Stock Exchange and other clearing houses	1,783,853	893,259
– brokers and dealers	3,185,148	2,868,570
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	36	168
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	72,091	123,444
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	411,272	318,692
	<u>5,673,947</u>	<u>4,391,539</u>
Less: impairment	(34,155)	(44,137)
	<u>5,639,792</u>	<u>4,347,402</u>

12. Accounts receivable (continued)

(a) Analysis of accounts receivable (continued)

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

	2018 <i>Unaudited</i> <i>HK\$'000</i>	2017 <i>Audited</i> <i>HK\$'000</i>
At 1 January	44,137	16,960
Restated on adoption of HKFRS 9	–	4,515
Impairment charged to profit or loss during the period	7,692	22,720
Impairment reversed during the period	(745)	(98)
Exchange difference	21	40
Amounts written off	(16,950)	–
At 30 June 2018/31 December 2017	<u>34,155</u>	<u>44,137</u>

(b) Accounts receivable neither past due nor credit-impaired

	Accounts receivable from cash and custodian clients <i>HK\$'000</i>	Accounts receivable from the Stock Exchange and other clearing houses <i>HK\$'000</i>	Accounts receivable from brokers and dealers <i>HK\$'000</i>	Accounts receivable from corporate clients, investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
As at 30 June 2018						
Neither past due nor credit-impaired	199,369	1,783,853	3,257,239	309,174	36	5,549,671
Less: impairment	(100)	(859)	(476)	(126)	–	(1,561)
	<u>199,269</u>	<u>1,782,994</u>	<u>3,256,763</u>	<u>309,048</u>	<u>36</u>	<u>5,548,110</u>
Audited						
As at 31 December 2017						
Neither past due nor credit-impaired	155,884	893,259	2,992,014	218,220	168	4,259,545
Less: impairment	(78)	(423)	(1,151)	(110)	–	(1,762)
	<u>155,806</u>	<u>892,836</u>	<u>2,990,863</u>	<u>218,110</u>	<u>168</u>	<u>4,257,783</u>

12. Accounts receivable (continued)

(c) Accounts receivable past due but not credit-impaired

	Accounts receivable from cash and custodian clients <i>HK\$'000</i>	Accounts receivable from the Stock Exchange and other clearing houses <i>HK\$'000</i>	Accounts receivable from brokers and dealers <i>HK\$'000</i>	Accounts receivable from corporate clients, investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
As at 30 June 2018						
Past due less than 3 months	22,012	–	–	6,708	–	28,720
Past due 3 to 12 months	–	–	–	–	–	–
Past due over 12 months	–	–	–	–	–	–
Less: impairment	(5,943)	–	–	(796)	–	(6,739)
	<u>16,069</u>	<u>–</u>	<u>–</u>	<u>5,912</u>	<u>–</u>	<u>21,981</u>
Audited						
As at 31 December 2017						
Past due less than 3 months	17,670	–	–	76,949	–	94,619
Past due 3 to 12 months	–	–	–	–	–	–
Past due over 12 months	–	–	–	–	–	–
Less: impairment	(4,771)	–	–	(15,107)	–	(19,878)
	<u>12,899</u>	<u>–</u>	<u>–</u>	<u>61,842</u>	<u>–</u>	<u>74,741</u>

12. Accounts receivable (continued)

(d) Credit-impaired accounts receivable

	Accounts receivable from cash and custodian clients <i>HK\$'000</i>	Accounts receivable from the Stock Exchange and other clearing houses <i>HK\$'000</i>	Accounts receivable from brokers and dealers <i>HK\$'000</i>	Accounts receivable from corporate clients, investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited						
As at 30 June 2018						
Credit-impaired accounts receivable	166	–	–	95,390	–	95,556
Less: impairment	(100)	–	–	(25,755)	–	(25,855)
	<u>66</u>	<u>–</u>	<u>–</u>	<u>69,635</u>	<u>–</u>	<u>69,701</u>
Audited						
As at 31 December 2017						
Credit-impaired accounts receivable	13,852	–	–	23,523	–	37,375
Less: impairment	(13,785)	–	–	(8,712)	–	(22,497)
	<u>67</u>	<u>–</u>	<u>–</u>	<u>14,811</u>	<u>–</u>	<u>14,878</u>

13. Accounts payable

	As at 30 June 2018 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2017 <i>Audited</i> <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	15,352,423	13,128,476
– brokers and dealers	1,010,800	1,895,561
– the Stock Exchange and other clearing houses	1,295,179	374,634
Accounts payable arising from securities borrowing and lending	971,854	1,479,445
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	847,693	72,857
Accounts payable arising from insurance brokerage services	528	1,277
	<u>19,478,477</u>	<u>16,952,250</u>

14. Bank borrowings

	As at 30 June 2018	As at 31 December 2017
	<i>Unaudited HK\$'000</i>	<i>Audited HK\$'000</i>
Current:		
Unsecured bank borrowings	9,763,433	13,781,721
Total bank borrowings	<u>9,763,433</u>	<u>13,781,721</u>
Denominated in:		
HK\$	5,486,000	13,195,498
US\$	4,277,433	586,223
	<u>9,763,433</u>	<u>13,781,721</u>

15. Operating lease, capital commitment and other commitment

As at 30 June 2018, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	As at 30 June 2018	As at 31 December 2017
	<i>Unaudited HK\$'000</i>	<i>Audited HK\$'000</i>
Within one year	18,628	3,397
In the second to fifth years, inclusive	44,048	—
	<u>62,676</u>	<u>3,397</u>

Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$14,100,000 which were contracted but not provided for as at 30 June 2018 (31 December 2017: HK\$3,026,000).

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 2018, the underwriting and financial obligations were approximately HK\$7,420 million and HK\$113 million respectively (31 December 2017: HK\$2,836 million and HK\$159 million) and an ECL impairment allowance of HK\$67,000 (31 December 2017: HK\$13,000) was provided.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Macro-economic and Financial Market

During the period under review, the global economy continued to recover in general, of which the economic data of the United States (“US”) stayed positive with interest rates rose in March and June respectively. At the same time, due to the escalation of the Sino-US trade war, the exchange rate of Renminbi (“RMB”) weakened against US dollar since June. Despite the uncertain economic situation from home and abroad, Chinese economy exerted great resilience during the period under review. Driven by the consumer market, the rate of Gross Domestic Product (“GDP”) growth in China reached 6.8%, the unemployment rate remained at a low level, and other major economic performance indicators remained steady.

At the Fifth National Financial Work Conference in 2017, the government emphasised that they would focus on preventing systematic financial risks and deepening financial reform for future economy. In the first half of this year, the local regulatory bodies in China continued to implement the measures of “deleveraging” and aimed to build the economy in a “high quality” manner, the scale of domestic aggregate financing was significantly adjusted. Meanwhile, the trade war between China and the US loomed since March, the market held negative expectations on the future growth of domestic exports and the economy. Under the influence of multiple factors, respective market risks and credit risks gradually emerged in China, causing financial market fluctuations.

In respect of the stock market, affected by various factors of the outbound market, the Hong Kong Hang Seng Index experienced significant fluctuations during the first half after a brief rise in January this year. As at the end of June, the Hang Seng Index closed at 28,955, representing an increase of 12.4% as compared with the corresponding period of last year, whereas a decrease of 3.2% as compared with the end of 2017. The Hang Seng Mid Cap Index recorded a decrease of 10.0% as compared with the end of 2017. Meanwhile, the average daily trading volume of the Hong Kong stock market increased by 67.0% to approximately HK\$126.6 billion for the first half of 2018.

In respect of initial public offering (“IPO”), the reform of listing regime under the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) led to a new breakthrough. Pursuant to the Consultation Paper on a Listing Regime for Companies from Emerging and Innovative Sectors, the corresponding rules amendments (the “New Rules”) came into effect in April, where companies with weighted voting right structure and pre-profit biotech companies are allowed to be listed on the Stock Exchange. Thereafter, it is expected that more companies from these sectors will be listed on the Stock Exchange, further diversifying the industrial spread of Hong Kong listed companies, which in turn will directly benefit the overall market by bringing more opportunities to the financial industry.

Results Overview

The Group recorded a total profit attributable to equity holders of the Company (“Profit Attributable to Shareholders”) of approximately HK\$507 million (2017: HK\$674 million) for the six months ended 30 June 2018, representing a decrease of approximately 25% as compared with the same period of 2017. Excluding the effect of the income (particularly on brokerage and corporate finance businesses) arising from the listing of the parent company in the first half of last year, the Profit Attributable to Shareholders for the first half of this year increased by 13.6%. In spite of the volatile domestic and outbound financial market, the advantages of business diversification of the Group are prominent, as Profit Attributable to Shareholders maintained steady and healthy growth. During the period under review, income from the Group’s financial products business increased significantly, presenting a growth of approximately 271% year on year.

The Board has declared an interim dividend of HK\$0.033 per ordinary share for the six months ended 30 June 2018 (2017: HK\$0.045 per ordinary share).

	For the six months ended 30 June			
	2018		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Fee and commission income				
– brokerage	271,437	16.2	289,210	18.5
– corporate finance	335,355	20.0	441,590	28.3
– asset management	10,561	0.6	14,513	1.0
Income from loans and financing	716,824	42.7	641,556	41.1
Gain from financial products, market making and investment holding	344,038	20.5	173,089	11.1
	<u>1,678,215</u>	<u>100.0</u>	<u>1,559,958</u>	<u>100.0</u>

Brokerage

In the first half of 2018, the Group's brokerage business recorded a total revenue of approximately HK\$271 million (2017: approximately HK\$289 million). Excluding the effect of the income of the Company arising from the listing of the parent company in the first half of 2017, the brokerage income grew by 40.4% year-on-year (2017: approximately HK\$193 million), among which the commission income from securities trading in the Hong Kong market soared by 60% to approximately HK\$155 million.

The breakdown of the revenue of brokerage business is set out below:

	For the six months ended 30 June			
	2018		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Securities	227,302	83.7	248,282	85.8
Futures and options	13,688	5.1	13,812	4.8
Handling income	23,447	8.6	17,793	6.2
Leveraged foreign exchange	1,489	0.6	1,500	0.5
Insurance	5,511	2.0	7,823	2.7
	<u>271,437</u>	<u>100.0</u>	<u>289,210</u>	<u>100.0</u>

Although the Hong Kong stock market encountered certain fluctuations during the period under review, new products and services launched by the Group in the second half of last year, such as the preferential financing rate, “Jun Hong Wealth Management Club (君弘財富管理俱樂部)” service, and the upgraded mobile trading platform of “Tradego (交易寶)”, were very popular and have attracted many quality customers. The number of the Group's professional investors (i.e. those with investible assets of over US\$1 million) has increased steadily to 1,758 (2017: 1,080) in the first half of 2018, with average account balance increasing by nearly 54% to approximately HK\$38.03 million as compared with the same period of last year.

Corporate Finance

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

	For the six months ended 30 June			
	2018		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Placing, underwriting and sub-underwriting commissions				
– debt capital markets	258,439	77.1	147,579	33.4
– equity capital markets	59,875	17.9	231,963	52.5
Consultancy and financial advisory fees	17,041	5.0	62,048	14.1
	<u>335,355</u>	<u>100.0</u>	<u>441,590</u>	<u>100.0</u>

During the period under review, the Group continued to maintain its leading position in the Hong Kong debt capital market. We have participated in 76 debt issuance activities (2017: 30 debt issuance activities), and assisted corporations in fund raising of nearly HK\$165.3 billion. The Group's income arising from debt capital markets substantially increased by 75% to approximately HK\$258 million (2017: approximately HK\$148 million). The debt capital markets team of the Group ranked second in the Asia (ex-Japan) G3 Corporate High-Yield Bond Underwriter League (亞洲(除日本外)G3貨幣高收益債承銷商排行榜) of Bloomberg Asia (in terms of the issuance amount).

In the first half of 2018, the equity capital market team of the Group has completed five IPO projects, including the listing of Bank of Gansu Co., Ltd., which ranked third in the market in terms of capital raising amount. According to statistic data of Dealogic, in the first half of 2018, the Company ranked fourth in fund raising among the Hong Kong IPO bookrunners.

Loans and Financing

The income arising from the overall loan and financing business increased steadily by 12% to approximately HK\$717 million (2017: approximately HK\$642 million) for the first half of 2018.

The Company took the lead in adjusting margin loan business in last year by reducing the proportion of collaterals with low liquidity and market value, so as to improve its overall quality of net assets. In the first half of this year, such adjustment has been well executed, as a result, the proportion of Hang Seng Index stocks and blue-chip stocks among the collaterals held increased significantly. During the period under review, notwithstanding the interest income arising from margin loan business slightly decreased by 7% to

approximately HK\$476 million, management considered that such decrease resulting from business restructure was within expectations. For the second half of this year, the Group will continue to provide attractive financing products to retail and high net worth clients taking advantage of our relatively low funding cost. The Group is confident to develop these businesses steadily and healthily in the future.

Among the diversified businesses that guaranteed stable income, the Group recorded significant increase in interest income arising from term loans, IPO loans and securities borrowing and lending business during the period under review. Particularly, interest income arising from IPO loan business soared around 18 times year-on-year to approximately HK\$9.56 million (2017: approximately HK\$510 thousand). As mentioned above, with its advantages on funding cost, the pricing of IPO loan products launched by the Group since the second half of 2017 was highly competitive with positive client feedback constantly.

The market fluctuations provided opportunities to the securities borrowing and lending business of the Group. As of 30 June 2018, the interest income arising from securities borrowing and lending business of the Group recorded a year-on-year increase of 485% to approximately HK\$35.61 million (2017: approximately HK\$6.09 million).

A breakdown of the revenue of loans and financing business is set out below:

	For the six months ended 30 June			
	2018		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Margin loans	475,575	66.4	513,000	80.0
Term loans	71,525	10.0	35,308	5.5
Securities borrowing and lending	35,611	5.0	6,090	0.9
Reverse repurchase agreements	11,082	1.5	1,419	0.2
IPO Loans	9,558	1.3	509	0.1
Banks and others	113,473	15.8	85,230	13.3
	<u>716,824</u>	<u>100.0</u>	<u>641,556</u>	<u>100.0</u>

Financial Products

During the period under review, the overall income of the Group's financial products, market making and investment business increased by 99% year-on-year to approximately HK\$344 million (2017: approximately HK\$173 million). In particular, the financial product business, as one of the fast-growing businesses in recent years, achieved impressive performance with a significant increase in income of 271% year-on-year. Taking the advantages on its leading credit ratings as well as well-established partnerships with major international financial institutions, the Group refined its product competitiveness and business strength, which enabled itself to provide diversified and tailor-made financial products for corporations, institutions and high net worth clients.

Results of Financial Position

The Group's total assets increased by 11% to HK\$81,712 million as at 30 June 2018 (31 December 2017: HK\$73,960 million).

The Group's total liabilities increased by 12% to HK\$70,252 million as at 30 June 2018 (31 December 2017: HK\$62,969 million).

The equity attributable to holders of ordinary shares increased by 25% to HK\$10,780 million (31 December 2017: HK\$8,608 million) as at 30 June 2018. The leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 5.8 times as at 30 June 2018 (31 December 2017: 5.5 times).

Liquidity, Financial Resources and Capital Structure

As at 30 June 2018, the net current assets of the Group decreased by 18% to HK\$8,598 million (31 December 2017: HK\$10,436 million). The Group's current ratio was at 1.12 times as at 30 June 2018 (31 December 2017: 1.17 times).

The Group had a net cash inflow of HK\$255 million (2017 cash inflow: HK\$248 million) for the period ended 30 June 2018 and the Group's bank balance was HK\$2,467 million as at 30 June 2018 (31 December 2017: HK\$2,213 million). As at 30 June 2018, the Group had outstanding bank borrowings of HK\$9,763 million (31 December 2017: HK\$13,782 million), which were obtained through facilities with a number of banks.

On 6 February 2018, the Company allotted and issued 700,000,000 ordinary shares at a subscription price of HK\$2.85 per share, resulting in additional share capital of HK\$1,987 million, being the proceeds of the above-mentioned ordinary shares issuance less issuing expenses of HK\$8.1 million.

On 3 July 2018, the Company successfully renewed the Medium Term Note Programme of HK\$15,000,000,000 (or the equivalent in other currencies at the date of issue) pursuant to which both listed and unlisted notes may be issued. The structured notes issued by the Group in the first half of 2018 in relation to financial products amounted to HK\$14,483 million (31 December 2017: HK\$10,479 million) and the notes outstanding as at 30 June 2018 were HK\$9,784 million (31 December 2017: HK\$5,885 million).

Taking into account the un-utilized facilities from various financial institutions and large portion of un-issued limit of the above-mentioned note programmes, we believe our operating cash flow is adequate and sufficient 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 from time to time 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 have complied with their respective liquid capital requirements during the period and up to the date of this announcement.

Save as disclosed above, there were no other equity or debt instruments issued by the Group for the six months ended 30 June 2018.

Material Acquisitions, Disposals and Significant Investments

For the six months ended 30 June 2018, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 30 June 2018, the Group did not hold any significant investments.

Charges on the Group's Assets

No asset of the Group was subject to any charge as of 30 June 2018 and 31 December 2017.

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.

OUTLOOK AND FUTURE PLANS

Core Competitiveness of the Group

Prominent brand advantages and excellent risk management capabilities. Guotai Junan Securities Co., Ltd., our parent company, is currently one of the top brokerage firms in China and enjoys high reputation and recognition among the domestic financial market and clients. The Company is one of the earliest mainland brokers tapping into Hong Kong. In recent years, based on its rapid development, the Company has continuously developed innovative services and products, in the meantime putting efforts in enhancing comprehensive risk management capabilities. In the past two years, the Group has been granted a number of awards such as “Securities Company of the Year”, “Excellence Award” in the categories of “Risk Management” and “Securities House of the Year” by renowned magazines such as *Bloomberg Businessweek* and *Asia Risk*.

Leading credit ratings and outstanding advantages in funding cost. The Group has been assigned “Baa2” and “BBB+” credit rating by Moody’s Investor Service and Standard & Poor’s Global Ratings respectively, achieving the top ratings among the Chinese financial institutions in Hong Kong. As the Group continuously explored new financing channels with its high credit ratings, its funding cost was favourable than the average level of the industry, benefiting the profitability of diversified products and services and paving a solid path for the success of wealth management business.

Comprehensive business lines with excellent professional teams. In recent years, the Group has successfully transformed from a traditional brokerage firm to a financial services company providing comprehensive quality products and services. It engaged in five core businesses, including (i) brokerage; (ii) corporate finance; (iii) loans and financing; (iv) asset management; (v) financial products, market making and investments. With rapid development of Chinese financial institutions in Hong Kong, a large number of high-caliber financial talents from worldwide have been attracted to those institutions. Currently, the talents of the Group are further specialised, diversified and globalised with extensive experience in serving domestic and global financial market. As of the end of June 2018, over 41% of the Company's employees held a master degree or higher. The Company has maintained its leading position in the financial market on its service capability and coverage, with excellent human resources with international professional experience and expertise.

Strong and solid customer base with high-end customers growing rapidly. Rooted in Hong Kong over two decades and leveraging on its quality products, as well as strong brand advantages, the Company has laid a solid foundation in serving high-end clients, including a range of large domestic and foreign corporations, fast growing companies, professional financial institutional clients and ever-increasing high net worth individuals. The Company is well recognised for devoting to offering products and services tailor-made for various client needs. The maturity of global financial market is conducive to expansion of the industry and the Company's business in long run, and investors will increase their demands in high quality products and services constantly, which will in turn increase the number of high-end clients steadily as expected.

Business Outlook

In the second half of 2018, global capital market is expected to be affected by various factors such as Sino-US trade disputes and the expectation of continuous US interest rate hikes, and Hong Kong's stock market will also be expected to fluctuate in a certain degree. On the other hand, with the New Rules implemented by the Stock Exchange in the first half of this year, it is expected that the number of "New Economy" companies and bio-pharmaceutical enterprises in Hong Kong market will continue to increase in the second half of this year, which will have a direct positive impact on the financial industry in Hong Kong. Meanwhile, with the steady improvement of the quality of listed companies in general, investors prefer investing in companies with high quality earnings growth, as well as stocks and bonds with good liquidity as expected. As trading in the Hong Kong stock market will be more vigorous in medium and long term, positive influence on brokerage business can be expected.

Under the US interest rate hike cycle, the RMB exchange rate may remain under pressure in the second half of this year, likely resulting in strong demand for overseas assets allocation, overseas financing and credit business from the mainland corporations, institutions and high-end individuals. With the gradual maturity of needs from high net worth clients in terms of return on investment, product liquidity and risk management, the Group believes that there are great opportunities for overseas wealth management products and services. Therefore, in the second half of this year, the Group plans to expand the wealth management service team in order to attract more high net worth clients and provide more competitive wealth management products and services by leveraging its core edges, such as the cost advantage in funding, the accumulated quality customer base and the internationalised professional team.

In addition to the “New Economy” companies to be listed in Hong Kong, the Group will exert its shrewd market insight and rapid execution capability of its professional teams in providing solutions to corporate clients in various market conditions. With the deepening of domestic deleveraging measures, credit and market risks may still exist, and business opportunities such as mergers and acquisitions and asset restructuring may gradually emerge accordingly. The Group will closely monitor the market changes and provide respective opinions and services in a timely manner.

In addition, following the MSCI (Morgan Stanley Capital International) Index included A-shares, the intention of overseas funds entering in the mainland market, the Chinese companies’ demands on overseas financing, investment, mergers and acquisitions, as well as the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the financing demand of the Belt and Road Initiative will bring us more opportunities.

Looking forward, the Company will continue to strengthen its risk management control and elevate the risk-adjusted return on equity. Meanwhile, the Company will persist in “Strong and Quality” growth to reward the ongoing support from our clients and investors with stable compound growth.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.033 per ordinary share for the six months ended 30 June 2018 (the “Interim Dividend”) to the shareholders whose names appear on the register of members of the Company on 7 September 2018. The Interim Dividend will be payable on 26 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 September 2018 to Friday, 7 September 2018 (both days inclusive) for ascertaining shareholders' entitlement to the Interim Dividend, during which period no transfer of shares will be registered. In order to qualify for the Interim Dividend, all duly completed transfer documents, accompanied by the relevant share certificates, must be 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 Wednesday, 5 September 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

On 24 May 2018, the Company had accepted all the subordinate perpetual securities (the "Securities") valid tenders for purchase of an aggregate principal amount of US\$255,000,000, the price payable per US\$1,000 principal amount of the Securities equals to US\$1,000 together with accrued distribution payments. As at the date of this announcement, an aggregate principal amount of US\$45,000,000 of the Securities is outstanding.

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 2018 other than acting as an agent for the trustee of the Company's share award scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all principles and 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. Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the period from 1 January 2018 to 30 June 2018.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, whereas the roles of chairman and chief executive officer of the Company are performed by Dr. YIM Fung. The directors of the Company (the "Directors") believe that Dr. YIM can provide strong and consistent leadership in the development and execution of the Group's business strategies which 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. On specific enquiries made by the Company, all Directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the period from 1 January 2018 to 30 June 2018.

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 audit, internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2018.

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, two non-executive directors, being Dr. XIE Lebin and Mr. LIU Yiyong and four independent non-executive directors, being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2018 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 30 June 2018 is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.gtjai.com.hk>. The interim report for the six months ended 30 June 2018 of the Company containing all information as 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, 22 August 2018