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GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Guotai Junan International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2016 together with comparative figures for the previous financial year as follows:

FINANCIAL HIGHLIGHTS

	For the year ended		Change %
	2016 HK\$'000	2015 HK\$'000	
Fee and commission income			
– brokerage	393,000	719,945	-45.4%
– corporate finance	456,649	281,447	62.3%
– asset management	28,487	53,092	-46.3%
Income from loans and financing	1,297,278	1,076,018	20.6%
Gain from financial products, market making and investments	343,773	146,106	135.3%
Revenue	2,519,187	2,276,608	10.7%
Profit for the year	1,026,087	1,015,433	1.0%
Profit attributable to ordinary equity holders of the Company	969,139	1,013,541	-4.4%
Basic earnings per share (HK cents)	14.1	14.9	-5.4%
Diluted earnings per share (HK cents)	13.9	14.6	-4.8%
Dividend per share (HK cents)	7.5	7.5	0%
Equity per ordinary share (HK\$) (Note)	1.18	1.11	6.3%

Note: Based on 6,902,496,742 shares (2015: 6,857,378,801 shares) as at 31 December 2016, being 6,965,301,142 shares issued and fully paid less 62,804,400 shares held under the Company’s share award scheme (2015: 6,934,308,201 shares issued and fully paid less 76,929,400 shares held under the Company’s share award scheme).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	4	2,519,187	2,276,608
Other income		2,608	1,899
Revenue and other income		<u>2,521,795</u>	<u>2,278,507</u>
Staff costs	5	(526,657)	(505,649)
Commission to account executives		(55,117)	(118,530)
Depreciation		(34,695)	(28,664)
Other operating expenses		<u>(379,923)</u>	<u>(207,980)</u>
Operating profit		1,525,403	1,417,684
Finance costs	6	<u>(336,796)</u>	<u>(249,562)</u>
Profit before tax	7	1,188,607	1,168,122
Income tax expense	8	<u>(162,520)</u>	<u>(152,689)</u>
Profit for the year		1,026,087	1,015,433
Other comprehensive income for the year, net of tax			
– Exchange difference on translation of foreign exchange		724	(125)
Total comprehensive income for the year		<u>1,026,811</u>	<u>1,015,308</u>
Profit for the year attributable to:			
Owners of the parent		1,025,879	1,013,541
– Holders of ordinary shares		969,139	1,013,541
– Holders of other equity instrument		56,740	–
Non-controlling interests		<u>208</u>	<u>1,892</u>
		<u>1,026,087</u>	<u>1,015,433</u>
Total comprehensive income for the year attributable to:			
Owners of the parent		1,026,603	1,013,416
– Holders of ordinary shares		969,863	1,013,416
– Holders of other equity instrument		56,740	–
Non-controlling interests		<u>208</u>	<u>1,892</u>
		<u>1,026,811</u>	<u>1,015,308</u>
Earnings per share attributable to ordinary equity holders of the parent			
– Basic (in HK cents)	<i>10(a)</i>	14.1	14.9
– Diluted (in HK cents)	<i>10(b)</i>	<u>13.9</u>	<u>14.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		493,559	512,166
Intangible assets		2,823	2,823
Deferred tax assets		3,162	576
Other assets		10,168	5,043
Loans and advances to customers	<i>11</i>	251,478	–
Financial assets at fair value through profit or loss		51,701	120,141
Total non-current assets		<u>812,891</u>	<u>640,749</u>
Current assets			
Loans and advances to customers	<i>11</i>	14,286,666	12,375,857
Receivable from reverse repurchase agreements		480,782	509,695
Accounts receivable	<i>12</i>	1,495,924	1,932,119
Prepayments, deposits and other receivables		151,470	258,782
Financial assets at fair value through profit or loss		13,261,624	4,506,947
Derivative financial instruments		122,001	24,952
Tax recoverable		24,072	8,677
Client trust bank balances		12,400,917	14,662,991
Cash and cash equivalents		1,964,398	2,408,666
Total current assets		<u>44,187,854</u>	<u>36,688,686</u>
Current liabilities			
Accounts payable	<i>13</i>	(14,871,038)	(18,218,312)
Other payables and accrued liabilities		(271,681)	(259,942)
Derivative financial instruments		(130,083)	(29,766)
Bank borrowings	<i>14</i>	(6,811,433)	(4,765,662)
Debt securities in issue		(5,823,241)	(2,358,088)
– At amortised cost		(175,710)	(429,040)
– Designated as at fair value through profit or loss		(5,647,531)	(1,929,048)
Financial liabilities at fair value through profit or loss		(3,485,520)	(505,340)
Obligations under repurchase agreements		(930,958)	(400,517)
Tax payable		(9,695)	(44,282)
Total current liabilities		<u>(32,333,649)</u>	<u>(26,581,909)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Net current assets		11,854,205	10,106,777
Total assets less current liabilities		12,667,096	10,747,526
Non-current liabilities			
Bank borrowings	<i>14</i>	(2,100,000)	(3,090,000)
Deferred tax liabilities		(33,262)	(22,269)
		(2,133,262)	(3,112,269)
Net assets		10,533,834	7,635,257
Equity			
Share capital		6,054,025	6,004,362
Other reserve		(1,236,460)	(1,236,460)
Currency translation reserve		599	(125)
Share-based compensation reserve		88,902	95,417
– Share option reserve		48,266	44,469
– Share award reserve		40,636	50,948
Shares held under the share award scheme		(214,323)	(199,643)
Retained profits		3,482,455	2,960,013
Equity attributable to holders of ordinary shares		8,175,198	7,623,564
Equity attributable to holders of other equity instrument		2,346,685	–
Equity attributable to owners of the parent		10,521,883	7,623,564
Non-controlling interests		11,951	11,693
Total equity		10,533,834	7,635,257

NOTES TO 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 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.

The unaudited financial information relating to the year ended 31 December 2016 and the financial information relating to the year ended 31 December 2015 included in this preliminary announcement of annual results for the year ended 31 December 2016 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2015, 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 Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2016 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

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 Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements for the year ended 31 December 2015. 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 Hong Kong Companies Ordinance.

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

2. Basis of preparation and changes in accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, debt securities in issue designated as at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

During the current year, management assessed the presentation of certain items in the consolidated statement of profit or loss. Accordingly the performance fee expenses, other commission expenses and net impairment charges are included in other operating expenses. The comparative figures have been reclassified to conform to the current year’s presentation. There is neither any effect on the profit for the year in the comparative consolidated statement of profit or loss and other comprehensive income nor the net assets in the comparative consolidated statement of financial position.

Changes in accounting policies

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

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 holders of perpetual security classified as equity is recognised as distribution within equity.

- (b) The Group has adopted the following revised standards for the first time for the current year’s financial statements:

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

The adoption of the above amendments has had no significant financial effects on these financial statements.

3. Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management and in accordance with HKFRSs. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's 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, debt and equity investments, structuring of financial products as well as trading and market making of debt securities, exchange traded funds ("ETF") 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 segment results of the Group for the years ended 31 December 2015 and 2016 are as follows:

Year ended 31 December 2016

	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	393,000	456,649	28,487	1,297,278	343,773	2,608	2,521,795
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>393,000</u>	<u>456,649</u>	<u>28,487</u>	<u>1,297,278</u>	<u>343,773</u>	<u>2,608</u>	<u>2,521,795</u>
Segment results	85,637	147,602	(3,912)	674,450	284,830	–	1,188,607
Income tax expense							(162,520)
Profit for the year							<u>1,026,087</u>
Other segment information:							
Net impairment charge on loans and advances to customers	–	–	–	105,830	–	–	105,830
Net impairment charge on accounts receivable	42	–	–	–	–	–	42
Depreciation	6,958	10,447	1,695	15,595	–	–	34,695
Finance costs	<u>8,848</u>	<u>–</u>	<u>–</u>	<u>272,862</u>	<u>55,086</u>	<u>–</u>	<u>336,796</u>

Year ended 31 December 2015

	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	719,945	281,447	53,092	1,076,018	146,106	1,899	2,278,507
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>719,945</u>	<u>281,447</u>	<u>53,092</u>	<u>1,076,018</u>	<u>146,106</u>	<u>1,899</u>	<u>2,278,507</u>
Segment results	288,643	117,458	15,650	645,331	101,040	–	1,168,122
Income tax expense							(152,689)
Profit for the year							<u>1,015,433</u>
Other segment information:							
Net impairment charge on loans and advances to customers	–	–	–	173	–	–	173
Net impairment charge on accounts receivable	5,071	264	–	–	–	–	5,335
Depreciation	9,003	7,532	1,474	10,655	–	–	28,664
Finance costs	<u>21</u>	<u>–</u>	<u>–</u>	<u>204,475</u>	<u>45,066</u>	<u>–</u>	<u>249,562</u>

4. Revenue

An analysis of revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Brokerage:		
Securities	301,318	628,792
Futures and options	44,084	42,946
Handling income	36,396	39,085
Leveraged foreign exchange	2,068	2,363
Insurance	9,134	6,759
	<u>393,000</u>	<u>719,945</u>
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Corporate finance:		
Placing, underwriting and sub-underwriting commission		
– Debt securities	250,249	63,583
– Equity securities	113,180	121,844
Consultancy and financial advisory fee income	93,220	96,020
	<u>456,649</u>	<u>281,447</u>
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Asset management:		
Management fee income	28,487	42,308
Performance fee income	–	10,784
	<u>28,487</u>	<u>53,092</u>
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Loans and financing:		
Interest and handling income from margin loans	1,106,342	924,121
Interest and handling income from term loans	72,993	39,350
Interest income from securities borrowing and lending	19,316	26,549
Interest income from IPO loans	199	5,684
Interest income from reverse repurchase agreements	461	167
Interest income from banks and others	97,967	80,147
	<u>1,297,278</u>	<u>1,076,018</u>
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4. Revenue (continued)

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial products, market making and investments:		
Trading gain/(loss) on debt securities		
– Listed securities	65,855	31,202
– Unlisted securities	2,401	(2,288)
Interest income from debt securities		
– Listed securities	134,066	68,400
– Unlisted securities	2,464	6,460
Trading loss on exchange traded funds	(5,847)	(1,206)
Trading (loss)/gain on equity securities	(22,305)	29,278
Trading gain/(loss) on unconsolidated investment funds	74,012	(22,853)
Net gain on foreign exchange	1,762	–
Net loss on financial instruments designated as at fair value through profit or loss	(36,028)	(5,994)
Interest income from unlisted financial instruments designated as at fair value through profit or loss	3,094	3,092
Dividend income	8,212	5,664
Net income on structured financial products	116,087	34,351
	<u>343,773</u>	<u>146,106</u>
	<u>2,519,187</u>	<u>2,276,608</u>

5. Staff costs

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	422,047	396,950
Share-based compensation expense		
– Share option scheme	14,885	22,130
– Share award scheme	83,228	81,484
Pension scheme contributions	6,497	5,085
	<u>526,657</u>	<u>505,649</u>

6. Finance costs

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings and overdrafts	316,019	238,270
Debt securities in issue	6,582	3,783
Securities borrowing and lending	992	1,659
Repurchase agreements	1,165	2,178
Financial instruments at fair value through profit or loss		
– Listed debt securities held for trading	10,495	2,062
Others	1,543	1,610
	<u>336,796</u>	<u>249,562</u>

7. Profits before tax

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration		
(i) audit services	2,046	1,815
(ii) interim review	673	620
(iii) tax and other consultancy services	3,760	653
Foreign exchange differences, net	7,148	5,494
Other commission expenses	65,951	34,563
Performance fee expenses	–	5,622
Information services expenses	21,290	16,465
Marketing, advertising and promotion expenses	5,248	4,504
Minimum lease payments under operating leases	5,101	1,642
Professional and consultancy fee	49,347	24,283
Repair and maintenance (including system maintenance)	30,503	29,290
Gain on disposal of property, plant and equipment	–	(70)
Net impairment charge on loans and advances to customers	105,830	173
Net impairment charge on accounts receivable	42	5,335
	<u>42</u>	<u>5,335</u>

8. Income tax expense

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 year.

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current – Hong Kong		
– Charge for the year	154,299	166,018
– Overprovision in prior years	(186)	(1,838)
Deferred	8,407	(11,491)
Total tax charge for the year	<u>162,520</u>	<u>152,689</u>

9. Dividends

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid – HK\$0.03 (2015: HK\$0.035) per ordinary share	208,565	242,665
Less: Dividend for shares held under the Company's share award scheme	<u>(2,206)</u>	<u>(3,398)</u>
	<u>206,359</u>	<u>239,267</u>
Final, proposed – HK\$0.045 (2015: HK\$0.04) per ordinary share	313,439	277,372
Less: Dividend for shares held under the Company's share award scheme	<u>(2,826)</u>	<u>(3,077)</u>
	<u>310,613</u>	<u>274,295*</u>
	<u>517,061</u>	<u>513,562</u>

* The Company paid a final dividend of approximately HK\$275,321,000 for the year ended 31 December 2015, as further adjusted to include the dividend for shares issued under the share option scheme amounting to approximately HK\$639,000 and the dividend for vested shares under the share award scheme amounting to HK\$387,000.

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

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

(a) Basic earnings per share

The calculation of basic earnings per share is as follows:

	2016	2015
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>969,139</u>	<u>1,013,541</u>
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in '000)	<u>6,880,994</u>	<u>6,818,237</u>
Basic earnings per share (in HK cents)	<u>14.1</u>	<u>14.9</u>

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

The calculation of diluted earnings per share is as follows:

	2016	2015
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>969,139</u>	<u>1,013,541</u>
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)	<u>6,880,994</u>	<u>6,818,237</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	50,718	76,723
Awarded shares under the share award scheme (in '000)	<u>20,355</u>	<u>28,077</u>
Number of ordinary shares for the purpose of the diluted earnings per share calculation (in '000)	<u>6,952,067</u>	<u>6,923,037</u>
Diluted earnings per share (in HK cents)	<u>13.9</u>	<u>14.6</u>

11. Loans and advances to customers

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Term loans to customers	251,478	–
Current		
Margin loans	13,385,176	11,963,214
Term loans to customers	995,318	413,573
	<u>14,380,494</u>	<u>12,376,787</u>
Gross loans and advances to customers	14,631,972	12,376,787
Less: impairment	(93,828)	(930)
	<u>14,538,144</u>	<u>12,375,857</u>

11. Loans and advances to customers (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
As at 1 January	930	757
Impairment charged to profit or loss during the year	105,830	980
Impairment reversed to profit or loss during the year	–	(807)
Amount written off during the year	(12,932)	–
As at 31 December	<u>93,828</u>	<u>930</u>

The impairment charged to profit or loss included interest income on impaired margin loans of HK\$26,576,000 (2015: HK\$87,000) for the year ended 31 December 2016.

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

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	36,102	89,662
– the Stock Exchange and other clearing houses	712,711	433,509
– brokers and dealers	650,179	1,292,388
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	19	40
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	27,898	69,152
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	85,975	64,283
	<u>1,512,884</u>	<u>1,949,034</u>
Less: impairment	(16,960)	(16,915)
	<u>1,495,924</u>	<u>1,932,119</u>

12. Accounts receivable (continued)

(a) Analysis of accounts receivable (continued)

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
As at 1 January	16,915	11,580
Impairment loss charged to profit or loss during the year	43	5,626
Impairment loss reversed to profit or loss during the year	(1)	(291)
Exchange adjustment	3	–
As at 31 December	<u>16,960</u>	<u>16,915</u>

(b) Accounts receivable neither past due nor 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 and investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016						
Neither past due nor impaired	<u>20,750</u>	<u>712,711</u>	<u>678,077</u>	<u>70,246</u>	<u>19</u>	<u>1,481,803</u>
As at 31 December 2015						
Neither past due nor impaired	<u>67,790</u>	<u>433,509</u>	<u>1,361,540</u>	<u>57,589</u>	<u>40</u>	<u>1,920,468</u>

12. Accounts receivable (continued)

(c) Accounts receivable past due but not 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 and investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016						
Past due less than 6 months	1,618	–	–	5,428	–	7,046
Past due 6 to 12 months	–	–	–	6,567	–	6,567
Past due over 12 months	–	–	–	500	–	500
	<u>1,618</u>	<u>–</u>	<u>–</u>	<u>12,495</u>	<u>–</u>	<u>14,113</u>
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
Past due over 12 months	–	–	–	–	–	–
	<u>8,183</u>	<u>–</u>	<u>–</u>	<u>3,460</u>	<u>–</u>	<u>11,643</u>

(d) 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 and investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016						
Impaired accounts receivable	13,734	–	–	3,234	–	16,968
Less: impairment	(13,726)	–	–	(3,234)	–	(16,960)
	<u>8</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>
As at 31 December 2015						
Impaired accounts receivable	13,689	–	–	3,234	–	16,923
Less: impairment	(13,681)	–	–	(3,234)	–	(16,915)
	<u>8</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8</u>

13. Accounts payable

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	12,641,212	15,214,731
– brokers and dealers	270,374	757,770
– the Stock Exchange and other clearing houses	239,687	29,760
Accounts payable arising from securities borrowing and lending	400,853	542,502
Accounts payable arising from corporate finance, asset management, financial products, market making and investments	1,318,284	1,673,295
Accounts payable arising from insurance brokerage services	628	254
	<u>14,871,038</u>	<u>18,218,312</u>

14. Bank borrowings

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current		
Unsecured bank borrowings	2,100,000	3,090,000
Current		
Unsecured bank borrowings	<u>6,811,433</u>	<u>4,765,662</u>
Total bank borrowings	<u>8,911,433</u>	<u>7,855,662</u>

15. Operating lease commitments, capital commitments and other commitments

As at 31 December 2016, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,627	4,841
In the second to fifth years, inclusive	<u>3,318</u>	<u>7,989</u>
	<u>7,945</u>	<u>12,830</u>

Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$4,724,000 which were contracted but not provided for as at 31 December 2016 (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 31 December 2016, the underwriting and financial obligations were approximately HK\$576 million and HK\$375 million respectively (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\$1,026.1 million (2015: HK\$1,015.4 million) for the year ended 31 December 2016, representing a slight increase of 1.0% as compared to the corresponding year of 2015. During the year under review, the Group's financial products, market making and investments business, corporate finance business and loans and financing business became the growth drivers, resulting an increase in the corresponding income by 135.3%, 62.3%, and 20.6% respectively.

The Board of the Company has proposed a payment of final dividend of HK\$0.045 per share for the year ended 31 December 2016. Together with the interim dividend of HK\$0.03 per share, the dividend declared for the year amounts to a total of HK\$0.075 per share.

Market review

Macro environment

2016 was characterized by spikes of uncertainty which significantly impacted the market performance and confidence. Global events, such as the US presidential election and the Brexit, created uncertainties and increased volatility of the global financial market, resulted in the divergence of the market performance between the US and the rest of the world. In US, there were improvement in GDP growth rate and unemployment figures. The stock market preformed well and the Dow Jones Industrial Average Index went up by 13.4% to 19,762. In December last year, after the US presidential election, the US Federal Open Market Committee announced the increase of interest rate by 0.25%. In Europe, the pace of economic recovery remained slow. The refugee problem created burden to countries within the region. The Brexit Referendum voted for UK's exit and the Constitutional Referendum in Italy caused tension in the financial market.

In China, the Central Government was facing a number of issues, including the slowdown of the economic growth, weakening consumption power, property price inflation and the weak performance of the financial markets. The Renminbi ("RMB") has been depreciated by around 7% against US dollar during the year. In order to control the outflow of RMB, the People's Bank of China ("PBOC") has introduced a number of measures while at the same time encouraging the inflow of the RMB. In addition, the Chinese regulators introduced various measures in strengthening the regulatory supervision over the financial market.

Markets

In 2016, the Hong Kong stock market was on roller coaster. The Hang Seng Index dropped significantly at the beginning of 2016, and subsequently recovered in the second and the third quarters. As at the end of 2016, the Hang Seng Index closed at 22,001, representing a year-on-year increase of 0.4%. However, the average daily turnover of the Hong Kong stock market dropped to HK\$66.9 billion, a decrease of 36.6% when compared with HK\$105.6 billion in 2015. The poor market sentiments also affected the IPO market in Hong Kong where there were only 126 newly listed companies in 2016, a decrease of 8.7 % when compared with 138 newly listed companies in 2015.

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 year of 2016, the performance of the Group's business was diversified. While brokerage and asset management businesses were affected by the frustrating market conditions and the exceptionally high comparative base figures of last year, other business segments' performances were outstanding. The revenue of the Group increased by 10.7% to HK\$2,519.2 million (2015: HK\$2,276.6 million) for the year ended 31 December 2016. A breakdown of the revenue has been listed below:

	For the year ended 31 December			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Fee and commission income				
– brokerage	393,000	15.6	719,945	31.6
– corporate finance	456,649	18.1	281,447	12.4
– asset management	28,487	1.2	53,092	2.3
Income from loans and financing	1,297,278	51.5	1,076,018	47.3
Gain on financial products, market making and investments	343,773	13.6	146,106	6.4
Revenue	<u>2,519,187</u>	<u>100.0</u>	<u>2,276,608</u>	<u>100.0</u>

Brokerage

2016 was a tough year for brokerage business. After the market crash in the middle of 2015, the year started with the circuit breaking incident in China which caused both the China and Hong Kong stock markets to crash again. Market competition from mainland peers became furious as there was increasing number of mainland Chinese players entering into the Hong Kong securities industry. Most of them were looking for cross-border business opportunities. In addition, the tightening of currency outflow in mainland China created barrier for mainland investors in doing offshore investments. With tremendous difficulties in front of the Group, the brokerage revenue of the Group decreased by 45.4% to HK\$393.0 million (2015: HK\$719.9 million). The breakdown of the revenue of brokerage business is set out below:

	For the year ended 31 December			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Securities	301,318	76.7	628,792	87.3
Futures and options	44,084	11.2	42,946	6.0
Handling income	36,396	9.3	39,085	5.4
Leveraged foreign exchange	2,068	0.5	2,363	0.3
Financial planning and insurance products	9,134	2.3	6,759	1.0
	<u>393,000</u>	<u>100.0</u>	<u>719,945</u>	<u>100.0</u>

Although brokerage income is directly affected by market activities, we consider that the expansion of client base is crucial to the success of the business. Investment conferences were regularly organized to expand our clientele and we successfully recruited over 10,000 new clients for the year ended 31 December 2016. A reliable and efficient online trading system is crucial for the expansion of our business, especially for retail clients. During the year under review, 77% of the brokerage commission was executed through our online trading system and 71% of the brokerage commission was generated from individual investors.

The volatility of the stock market enhanced the turnover in futures and options during the year ended 31 December 2016. The brokerage income from futures and options increased by 2.6% to HK\$44.1 million (2015: HK\$42.9 million) for the year ended 31 December 2016. The income from leveraged foreign exchange was HK\$2.1 million (2015: HK\$2.4 million) for the year ended 31 December 2016, representing a decrease of 12.5% as compared to last year.

We commit to develop the financial planning and insurance products services for our clients through co-operating with other experienced market participants. The income from financial planning and insurance products services increased by 35.1% to HK\$9.1 million (2015: HK\$6.8 million) for the year ended 31 December 2016.

The handling income from the brokerage business dropped by 6.9% to HK\$36.4 million (2015: HK\$39.1 million) for the year ended 31 December 2016.

Corporate Finance

Corporate finance business was one of the focus of our businesses in 2016. During the year, the revenue from corporate finance business increased by 62.3% to HK\$456.6 million (2015: HK\$281.4 million). 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 year ended 31 December			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Placing, underwriting and sub-underwriting commission				
– debt capital markets	250,249	54.8	63,583	22.6
– equity capital markets	113,180	24.8	121,844	43.3
Consultancy and financial advisory fee	93,220	20.4	96,020	34.1
	<u>456,649</u>	<u>100.0</u>	<u>281,447</u>	<u>100.0</u>

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

In 2016, due to the strong demand from both corporate issuers and investors, the Hong Kong debt capital market activities were very active. During the year, we have participated in 47 debt issue exercises in Hong Kong (2015: 19 debt issue exercises), and assisted corporates to raise HK\$85.4 billion through the Hong Kong debt capital market. The income from debt capital markets increased by 293.6% to HK\$250.2 million (2015: HK\$63.6 million) for the year ended 31 December 2016.

The equity capital market activities in Hong Kong were very weak during 2016. There were only 126 newly listed companies during the year, a decrease of 8.7% when compared with the 138 newly listed companies in 2015. Funds raised through IPOs for the year ended 31 December 2016 was HK\$194.8 billion, a decrease of 26.0% when compared with HK\$263.1 billion in 2015. Total funds raised in the Hong Kong equity capital market was only HK\$486.7 billion, a decrease of 56.4% when compared with HK\$1,115.6 billion in 2015.

During the year ended 31 December 2016, we acted as the sponsor for 8 IPOs, bookrunner for 19 IPOs, the sub-underwriter for 1 IPO and lead manager for 1 IPO in the primary market. In the secondary market, we acted as placing agent for 9 placing exercises. We assisted corporations to raise a total of more than HK\$57.1 billion and HK\$2.7 billion respectively in primary and secondary markets in Hong Kong (2015: HK\$28.3 billion and HK\$6.7 billion respectively). However, our income from equity capital market activities dropped by 7.1% to HK\$113.2 million in 2016 (2015: HK\$121.8 million).

During the year under review, we were appointed as financial advisor for 24 financial advisory projects and as compliance advisor for 42 projects. The income generated from consultancy and financial advisory services slightly dropped by 2.9% to HK\$93.2 million (2015: HK\$96.0 million) for the year ended 31 December 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 46.3% to HK\$28.5 million (2015: HK\$53.1 million) for the year ended 31 December 2016.

Loans and Financing

Our loans and financing business has been our growth driver since the listing of the Group in 2010. Despite the poor market conditions, the income from our loans and financing activities increased by 20.6% to HK\$1,297.3 million (2015: HK\$1,076.0 million) for the year ended 31 December 2016. A breakdown of the revenue of loans and financing business is set out below:

	For the year ended 31 December			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Margin loans	1,106,342	85.3	924,121	85.9
Term loans	72,993	5.6	39,350	3.7
Securities borrowing and lending	19,316	1.5	26,549	2.5
IPO loans	199	0.0	5,684	0.5
Reverse repurchase agreements	461	0.0	167	0.0
Banks and others	97,967	7.6	80,147	7.4
	<u>1,297,278</u>	<u>100.0</u>	<u>1,076,018</u>	<u>100.0</u>

Due to the tightening of the liquidity outflow of RMB, mainland China investors preferred to increase the leverage when making offshore investments. The average margin loan balance significantly increased by 22.0% to HK\$13,350.1 million (2015: HK\$10,944.3 million) while the income from margin loan increased by 19.7% to HK\$1,106.3 million (2015: HK\$924.1 million).

Other than margin loan business, the Group also engaged in other term loan business to satisfy our customers' other financial needs, including the provision of merger and acquisition financing. The income from term loan increased by 85.5% to HK\$73.0 million (2015: HK\$39.4 million).

The Group also engaged in the securities borrowing and lending business. The interest income from securities borrowing and lending decreased by 27.2% to HK\$19.3 million (2015: HK\$26.5 million) for the year ended 31 December 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 2015, investors' risk appetite changed and they looked for risk adverse investment products with acceptable level of leverage. The Group tailor-made financial products according to clients' needs and risk appetite. As a result, the income from financial products business increased by 237.9% to HK\$116.1 million (2015: HK\$34.4 million). The Group also engaged in debt and ETF market making services so as to facilitate the liquidity for corporate debts and ETFs. During the year, the income from market making services increased by 27.8% to HK\$131.1 million (2015: HK\$102.6 million). The Group also invests for the purpose of supporting the development of corporate finance and institutional businesses. During the year, the income from investments was HK\$96.6 million (2015: HK\$9.2 million), representing an increase of 951.1%.

RESULTS OF FINANCIAL POSITION

The Group's total assets increased by 20.6% to HK\$45,000.7 million (2015: HK\$37,329.4 million) as at 31 December 2016.

The Group's total liabilities increased by 16.1% to HK\$34,466.9 million (2015: HK\$29,694.2 million) as at 31 December 2016.

The equity attributable to holders of ordinary shares increased by 7.2% to HK\$8,175.2 million (2015: HK\$7,623.6 million) as at 31 December 2016. The leveraged ratio (defined as total assets less accounts payable to clients divided by total equity) increased by 5.9% to 3.07 times (2015: 2.90 times) as at 31 December 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the net current assets of the Group increased by 17.3% to HK\$11,854.2 million (2015: HK\$10,106.8 million). The Group's current ratio was 1.37 times as at 31 December 2016 (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 the general working capital. The Perpetual Securities bear an initial distribution rate of 4.5% per annum. Distributions are paid semi-annually in arrear and the first distribution date was 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 consolidated statement of financial position.

The Group had a net cash outflow of HK\$445.0 million (2015: net cash inflow of HK\$1,519.5 million) for the year ended 31 December 2016 and the Group's bank balance was HK\$1,964.4 million as at 31 December 2016 (2015: HK\$2,408.7 million). As at 31 December 2016, the Group had outstanding bank borrowings of HK\$8,911.4 million (2015: HK\$7,855.7 million) through facilities with various banks. During the year under review, the Group has successfully renewed the Medium Term Note Programme (the "MTN Programme") of which both listed and unlisted notes may be issued under the MTN Programme. Apart from the structured notes issued in relation to financial products amounting to HK\$5,647.5 million (2015: HK\$1,929.0 million), the notes outstanding as at 31 December 2016 was HK\$175.7 million (2015: HK\$429.0 million). The gearing ratio (defined as bank and other borrowings to total equity) was 0.86 times as at 31 December 2016 (2015: 1.09 times). Taking into account of the unutilized facilities from various financial institutions and the significant un-issued portion of the MTN Programme, we believe our operating cash flow remains adequate to finance our recurring working capital requirements as well as any investment opportunities that may arise in the near future.

The Group monitors its capital structure in order to ensure the compliance with the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N) for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group complied with their respective liquid capital requirements during the year and up to the date of this announcement.

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

OUTLOOK AND FUTURE PLANS

Looking forward, the Group will target on the development of the high net worth individual and institutional investor markets. We will focus on the expansion of our high net worth individual customer base, including entrepreneurs and senior executives. We adhere to the path of sustainable development, insist on our conservative risk culture, adopt differentiated competition strategy and steadily increase the market share of our core businesses.

We believe that an efficient and effective risk management structure, core talents and innovative ability can create values to our business. The Group will continue to devote its best efforts to enhance the core competence and to maximize the return for shareholders.

FINAL DIVIDEND

The Board recommends the payment of final dividend of HK\$0.045 per ordinary share for the year ended 31 December 2016 to the shareholders whose names appear on the register of members of the Company on 17 May 2017. The dividend will be payable on or about 1 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 May 2017 to Thursday, 11 May 2017 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting ("AGM"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the forthcoming AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 5 May 2017.

The register of members of the Company will be closed on Wednesday, 17 May 2017 for ascertaining shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered on that date. In order to qualify for the proposed final dividend to be approved at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No.183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 16 May 2017.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 31 December 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 year ended 31 December 2016 other than as an agent for the trustee of the share award scheme.

CHARGES ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 December 2016 and 2015.

OPERATING LEASE COMMITMENTS, CAPITAL COMMITMENTS AND OTHER COMMITMENTS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2016, the Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. During the year, the Company has complied with all the code provisions as set out in the Corporate Governance Code, except for deviation from provision A.2.1. The roles of the Chairman and Chief Executive Officer of the Company are not separated and performed by two different individuals. The Directors consider that vesting two roles in the same person provides the Group with strong and consistent leadership in the development and execution of the Group's business strategies and is beneficial to the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in the Appendix 10 of the Listing Rules regarding securities transactions by its Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have fully complied with the required standard set out in the Model Code during the period commencing from 8 July 2010 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange) to the date of this announcement.

AUDIT COMMITTEE

An Audit Committee was established by the Board on 19 June 2010. The Audit Committee comprises Mr. TSANG Yiu Keung, Dr. SONG Ming and Dr. FU Tingmei. The Audit Committee is chaired by Mr. TSANG Yiu Keung. All members of the Audit Committee are independent non-executive directors. The Audit Committee has met with the external auditors of the Group to review the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this announcement of final results of the Group for the year ended 31 December 2016.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK COMMITTEE

A Risk Committee was established by the Board on 17 June 2016. The Risk Committee comprises Dr. YIM Fung, Ms. QI Haiying, Dr. FU Tingmei, Dr. SONG Ming and Mr. TSANG Yiu Keung. The Risk Committee is chaired by Dr. YIM Fung. Majority of the members of the Risk Committee are independent non-executive directors. The Risk Committee was set up to advise the Board on the Group's overall risk appetite and tolerance, risk management framework and other risk-related issues including policies, process and controls. Prior to the establishment of the Risk Committee, the Audit Committee was responsible for reviewing the Group's overall risks.

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 FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement of final results for the year ended 31 December 2016 is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under "Latest Listed Company Information" and the Company at <http://www.gtja.com.hk>. The annual report for the year ended 31 December 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, 17 February 2017