



Guotai Junan International Holdings Limited
 國泰君安國際控股有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 1788



GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators



Joint Bookrunners



Joint Lead Managers
 (in alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents to this prospectus, you should obtain independent professional advice.



GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

國泰君安國際控股有限公司

(incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares	: 410,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 41,000,000 New Shares (subject to adjustment)
Number of International Placing Shares	: 369,000,000 New Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$5.63 per Offer Share (payable in full in Hong Kong dollars on application plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% and subject to refund)
Nominal value	: HK\$0.10 per Share
Stock code	: 1788

Joint Sponsors



國泰君安(香港)
GUOTAI JUNAN (HONG KONG)

Guotai Junan Capital Limited



交銀國際
BOCOM INTERNATIONAL

Joint Global Coordinators



國泰君安(香港)
GUOTAI JUNAN (HONG KONG)

Guotai Junan Securities
(Hong Kong) Limited



UBS



HSBC



工銀國際
ICBC INTERNATIONAL

Joint Bookrunners



國泰君安(香港)
GUOTAI JUNAN (HONG KONG)

Guotai Junan Securities
(Hong Kong) Limited



HSBC



UBS



工銀國際
ICBC INTERNATIONAL

Joint Lead Managers

(in alphabetical order)



HSBC



工銀國際
ICBC INTERNATIONAL



UBS

The Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents to this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents to this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents to this prospectus or any other documents referred to above.

We expect to determine the Offer Price by agreement with the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and Guotai Junan Securities on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 30 June 2010 and, in any event, not later than Tuesday, 6 July 2010. The Offer Price will be not more than HK\$5.63, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$5.63 for each Hong Kong Offer Share together with 1.0% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee subject to refund if the Offer Price as finally determined should be lower than HK\$5.63.

The Joint Lead Managers (on behalf of the Underwriters, and with our consent) and Guotai Junan Securities may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range that is stated in this prospectus (which is HK\$3.88 to HK\$5.63 per Share) at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.gtja.com.hk) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares". If, for whatever reason, we and the Joint Global Coordinators are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse.

Pursuant to the force majeure provisions contained in the Hong Kong Underwriting Agreement, the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and Guotai Junan Securities has the right in certain circumstances, each in its and their sole and absolute discretion as the case may be, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such first dealing date is currently expected to be Thursday, 8 July 2010). Further details of the terms of the force majeure provisions are set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, unless the Offer Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. The Offer Shares are being offered, sold or delivered to non-U.S. persons outside the United States in offshore transactions pursuant to Regulation S.

25 June 2010

EXPECTED TIMETABLE⁽¹⁾

Latest time for lodging **Pink** Application Form 12:00 noon on
Tuesday, 29 June 2010

Application lists open⁽²⁾ 11:45 a.m. on
Wednesday, 30 June 2010

Latest time for lodging **White** and **Yellow** Application
Forms and giving **electronic application instructions**
to HKSCC⁽³⁾ 12:00 noon on
Wednesday, 30 June 2010

Latest time to complete electronic applications under
White Form eIPO service through the designated
website **www.eipo.com.hk** ⁽⁴⁾ 11:30 a.m. on
Wednesday, 30 June 2010

Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on
Wednesday, 30 June 2010

Application lists close⁽²⁾ 12:00 noon on
Wednesday, 30 June 2010

Expected Price Determination Date⁽⁵⁾ Wednesday, 30 June 2010

(1): Announcement of the Offer Price and the indication
of the levels of interest in the International Placing,
the level of applications in respect of the Hong Kong
Public Offering and the basis of allotment of the Hong
Kong Offer Shares to be published in the South China
Morning Post (in English) and the Hong Kong
Economic Times (in Chinese) on or before Wednesday, 7 July 2010

(2): Results of allocation in the Hong Kong Public
Offering (with successful applicants' identification
document numbers, where applicable) will be available
through a variety of channels as described in the
section headed "How to apply for the Hong Kong
Offer Shares" from Wednesday, 7 July 2010

(3): A full announcement of the Hong Kong Public
Offering containing (1) and (2) above will be
published on the website of the Stock Exchange at
www.hkexnews.hk and our Company's website at
www.gtja.com.hk from Wednesday, 7 July 2010

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk with a “search by ID” function. Wednesday, 7 July 2010

Dispatch of share certificates in respect of wholly or partially successful applications on or before⁽⁶⁾ Wednesday, 7 July 2010

Dispatch of White Form e-Refund payment instructions or refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications on or before⁽⁷⁾ Wednesday, 7 July 2010

Dealings in Shares on the Stock Exchange to commence on 9:30 a.m. on Thursday, 8 July 2010

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 June 2010, the application lists will not open and close on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus. If the application lists do not open and close on Wednesday, 30 June 2010, the dates mentioned in this section headed “Expected Timetable” may be affected. An announcement will be made by our Company in such event.
- (3) Applicants who apply by giving **electronic application instructions** to the HKSCC should refer to the paragraph headed “If you apply by giving **electronic application instructions** to HKSCC” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Joint Lead Managers (on behalf of the Hong Kong Underwriters) and Guotai Junan Securities on the Price Determination Date. The Price Determination Date is expected to be on or around 5:00 p.m. on Wednesday, 30 June 2010 and, in any event, not later than Tuesday, 6 July 2010.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 7 July 2010 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed “Grounds for termination” under the section headed “Underwriting” of this prospectus has not been exercised and has lapsed.
- (7) e-Refund payment instruction or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may

EXPECTED TIMETABLE⁽¹⁾

be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques (where applicable) and (where applicable) share certificates in person from our Company's Hong Kong Share Registrar may collect refund cheques (where applicable) and (where applicable) share certificates in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2010. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply via the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** for 1,000,000 Shares or more under the Hong Kong Public Offering, may collect share certificates (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2010. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection. Applicants who apply via the **White Form eIPO** service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be dispatched to their application payment bank account on Wednesday, 7 July 2010. Applicants who apply via the **White Form eIPO** service by paying the application monies through multiple bank accounts, refund cheque(s) will be dispatched to the address specified in their **White Form eIPO** application on Wednesday, 7 July 2010, by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** Application Form applicants. Uncollected cheques will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed "Dispatch/Collection of Share certificates/e-Refund payment instructions/refund cheques" under the section headed "How to apply for the Hong Kong Offer Shares" of this prospectus. For details of the structure of the Global Offering, including its conditions, please refer to the section headed "Structure of the Global Offering" of this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or any party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read this section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are the first Mainland-owned securities brokerage house with CSRC approval to list its shares through IPO on the Stock Exchange. Our operations are based in Hong Kong and our services include: (i) securities and futures dealing and broking services for various financial markets; (ii) corporate finance and ECM services; (iii) asset and fund management services; and (iv) financing services such as margin financing and other types of financing. Further, our Group has a strong research team which focuses on Hong Kong listed securities. Our Group generates most of our revenues from our securities and futures dealing and broking businesses.

Securities and Futures Dealing and Broking

Securities dealing and broking is our Group's largest source of revenue by far, offering trading services in Hong Kong, U.S., Canada, Japan, Singapore, Korea and Taiwan securities as well as China B shares. In addition, we provide dealing and broking services in Hong Kong debt instruments. During the Track Record Period, revenues generated through securities dealing and broking accounted for 41.4%, 40.6% and 51.5% of our Group's total revenues. As at the Latest Practicable Date, our Group had 18,942 brokerage accounts with trading activity within the past 12 months. In terms of trading volume for the year ended 31 December 2009, income attributable to retail trading accounted for approximately 87% of the total trading volume of our Group.

We established an online trading platform in 2001 to support securities dealing and broking via the Internet. For the year ended 31 December 2009, Internet trading accounted for approximately 84% of our Group's trading volume. Clients may use the online trading platform to conduct real-time trading in securities, as well as to subscribe for shares under Hong Kong IPOs.

We provide futures trading services through Guotai Junan Futures. Our clients may trade in 17 global markets through our 24-hour and fully-automated online trading platform. We also accept trade orders placed by our clients over the telephone for futures products in the Australian and Italian markets. Our Group's futures operations have experienced promising year-on-year growth in revenue of 33.9%, 59% and 108.5% for 2007, 2008 and 2009, respectively. Revenues generated by our futures trading operations were approximately HK\$9.8 million, HK\$15.6 million, HK\$32.6 million for 2007, 2008 and 2009, respectively.

Financing

Our Group offers financing services to our clients through two subsidiaries: Guotai Junan Securities for margin and IPO financing and Guotai Junan Finance for other financing services.

SUMMARY

Margin financing refers to offering of securities-backed financing to clients who wish to purchase securities on a margin basis. IPO financing refers to the financing for subscriptions of new shares relating to an IPO. Our Group's margin and IPO financing services are complementary to our Group's brokerage business.

For each of the three years ended 31 December 2009, interest income derived from margin and IPO financing accounted for approximately 14.7%, 10.7% and 8.9%, respectively, of our Group's total revenue. As at the Latest Practicable Date, our Group had 459 active margin clients whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past twelve months.

In addition to margin and IPO financing, our Group also provides loans and advances to our clients through Guotai Junan Finance.

Asset management

Our asset management team provides services on portfolio management and investment advice for private and public funds. Currently, our Group provides services to 6 Japanese public funds, 1 Hong Kong authorized fund and 11 private funds. Our asset management services are provided through two subsidiaries, Guotai Junan Assets and Guotai Junan Fund Management. It is our Group's long term business strategy to develop our wealth management operations based on the existing business platform of Guotai Junan Assets, while Guotai Junan Fund Management will focus on fund management operations and related advisory services.

Corporate finance and ECM services

Our Group provides corporate finance and ECM services to local, PRC and international clients through Guotai Junan Capital and Guotai Junan Securities, respectively. These two entities offer our clients corporate finance and ECM services on corporate transactions.

Since its establishment in 1995, Guotai Junan Capital, our corporate finance arm, has been providing our Hong Kong and PRC clients with equity raising capabilities including acting as sponsor in relation to Main Board and GEM listing of securities, providing corporate finance and compliance advisory services, and other capital raising solutions services.

Guotai Junan Securities, our capital markets arm, provides distribution services during the fund raising exercises including underwriting and public and private placement of securities.

Research

We believe that one of our Group's core competitive advantages is founded upon our strong equity research capabilities, which is supported by our award-winning equity research team and sector-focused analysts. Equity research has been a consistent focus of our Group's investment so that we are empowered to deliver valuable and timely investment strategies to clients through our various equity research products.

SUMMARY

Our relationship with Guotai Junan

Guotai Junan is one of the largest securities houses operating in the PRC, whilst our Group is operating in Hong Kong. It is Guotai Junan's strategy to conduct all Hong Kong-based SFC regulated activities through the Group. Based on the Directors' understanding, Guotai Junan will not operate by itself or develop another business in Hong Kong to conduct the said activities. Furthermore, our Group currently has no plan to develop any new business in the PRC market. However, if our Group develops any new business in the PRC market, there may be potential competition between our Group and domestic financial institutions in the PRC including but not limited to Guotai Junan.

OUR COMPETITIVE STRENGTHS

The Directors believe that our Group's success can be attributed to the following competitive strengths:

- Our Controlling Shareholder's well-renowned brand name in the PRC benefits us in terms of client network development as well as business synergies;
- A diversified clientele, comprising of institutional and retail clients with whom we have maintained very strong client relationships;
- Advanced and comprehensive online trading platforms which allow our investors access to global markets through our website. We are committed to investing in our technology infrastructure and aim to become a "one-stop" global investment services provider;
- A strong, award-winning equity research team which provides our clients with reliable and value-added information and investment strategies;
- A dedicated senior management team with an average service period of 10 years;
- Thorough understanding and knowledge of the capital markets of Hong Kong and the PRC;
- Our corporate finance and ECM services provide expert advice, one-stop solutions and outstanding transaction execution services to our clients; and
- A prudent credit risk management policy and effective internal control procedures.

SUMMARY

OUR STRATEGIES

Our Group's objective is to become a regional financial services provider of comprehensive financial and investment management services to our clients. To achieve this objective, we intend to pursue the following strategies:

- Continue to expand into international markets and introduce new lines of business and services except in the PRC market.
- Reinforce our existing foundation in brokerage business by continuing to expand and invest in our online trading platforms, and developing institutional client business to enhance our global reputation and competitiveness.
- Develop our corporate finance and ECM services by capturing more market share and business opportunities in Hong Kong and the PRC.
- Develop our fund management business by introducing new fund products under the brand "Guotai Junan", attracting more offshore investors to invest in Hong Kong and the PRC.
- Strive to strengthen our equity research capabilities to provide more value-added services to existing and potential clients.

SUMMARY OF RISK FACTORS

There are certain risks involved in our operations. These risks can be categorized into (i) risks relating to our Group and its businesses; (ii) risks relating to the industry in which our Group operates; (iii) risks relating to the international financial markets; (iv) risks relating to the Shares; and (v) risks relating to this document. A detailed discussion of the risk factors is set forth in the section headed "Risk Factors" of this prospectus. The following is a list of the risk factors:

Risks relating to our Group and its businesses

- We are based in Hong Kong and our Group's business is subject to many applicable laws, regulations and codes of the relevant regulatory authorities in Hong Kong, which may from time to time have material and adverse impact on our business, financial condition and results of operations and prospects.
- Certain aspects in our risk management and internal control procedures may require constant monitoring, maintenance and improvements. Our Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.
- Our Group's business performance is affected by fluctuations in interest rates, which could adversely affect financial markets conditions.

SUMMARY

- Our securities dealing and broking and financing businesses have been our Group's principal source of income during the Track Record Period. As such, business operations are generally influenced by the performance of financial markets and other external factors, there is no assurance that our Group's income from these businesses can be sustained.
- Fluctuations in stock markets could affect our investments and financial assets.
- Our Group is exposed to significant levels of credit risk, due to our engagement in the provision of financing services. If our Group fails to implement and exercise proper credit risk management and control procedures, our Group's business and financial performance may be adversely affected.
- Negative market publicity associated with our Group may damage our business reputation, as we operate in an environment where integrity and the trust of clients are of utmost importance.
- Failure to expand into new businesses in time could adversely affect our overall business and financial performance.
- Negative market publicity associated with Guotai Junan, our Controlling Shareholder, could result in material adverse effect on our Group's reputation, business, growth prospects, results of operations and/or financial condition.
- The success of our Group's business depends, in part, upon a reliable and effective network infrastructure. If our IT systems fail to operate effectively or completely, or are affected by system failures of third parties, our Group's business, financial condition or results of operations may be materially and adversely affected.
- Our technology systems are prone to damages by computer viruses, hackers and other disruptive problems. In the event that client confidential information is stolen and misused, our Group may become exposed to potential risks of losses from litigation and possible liability.
- Our computer hardware and server data are prone to damages from acts of nature, power failures, telecommunication failures and other events which are beyond our control.
- Our Group may not be able to identify money laundering activities or other illegal/improper activities fully or in a timely manner, which could expose our Group to potential liability and adverse effect to our operations.
- Performance of our underwriting business may severely deteriorate during sluggish and volatile market conditions, and the financial position of our Group would be adversely affected if the underwritten securities taken up by our Group become illiquid and/or their market values decrease.

SUMMARY

- In order to comply with the FRR, our Group must maintain a high level of liquidity at all times. Failing to meet our capital requirements may cause the SFC to take disciplinary actions against our Group, which may adversely affect our Group's operations and performance.
- Any business disruptions resulting from acts of God, acts of war, epidemics, including the recent outbreak of the swine influenza, and other factors outside of our control may affect our business and result in substantial costs to our Group.
- As our Group's online trading platform and financial information portal may involve the displaying of information from other websites, our Group may become the subject of claims relating to defamation, negligence, copyright or trademark infringement.
- Dividends paid during the Track Record Period should not be used as a reference for our Company's future dividend policy.
- Internationalization of the RMB and the PRC stock market may result in potential competition between our Group and Guotai Junan and a blurring of the delineation between our Group and Guotai Junan.
- Although Guotai Junan (Shenzhen)'s Licensed Representatives are not the employees of our Group, any of their misconducts would adversely affect our Group because they are accredited to the subsidiaries of our Group.

Risks relating to the industry in which our Group operates

- Our Group is vulnerable to fluctuations in market and economic sentiments, which may adversely impact on our Group's business and financial results.
- Our Group competes with a large number of participants in the financial services industry in Hong Kong and abroad. There is no assurance that our Group can compete effectively against our Group's current and future competitors, or that competitive forces in the market will not alter the industry landscape such that our Group's business objectives would become impractical and/or impossible.
- The recent global financial crisis and economic downturn had and may continue to have a material and adverse effect on our business, results of operations and financial condition.

Risk relating to the international financial markets

- We offer our clients access to financial markets worldwide. In case there is a deterioration of economic climate and/or financial market conditions in any of the financial markets, our Group's business, prospects, financial condition and results of operation may be adversely affected.

SUMMARY

Risks relating to the Shares

- There is no assurance that an active trading market for the Shares will develop or be sustained upon the Listing. Also, it is possible that the Shares will be subject to fluctuations in price that may not be directly related to our Group's financial condition or business performance.
- In case additional fund raising or acquisitions are made through the issue of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, existing Shareholders may experience dilution of their equity interests.

Risks relating to this document

- Forward-looking statements included in this prospectus may not be accurate.
- Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Company and the Global Offering which may include information for which we have not authorized to disclose. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Shares.

INTERNAL CONTROL SYSTEM

Our Group's overall internal control system is well integrated into our organizational structure, it is carried out by (1) the legal and compliance department for setting of internal control standards and monitoring various control; (2) all operation departments for implementation of control measures; and (3) the internal audit manager for testing various controls. Moreover, our Group has successfully implemented a number of rectifications or improvements in the internal control measures in order to address the findings based on the SFC disciplinary actions which took place prior to the Track Record Period and certain other minor internal control problems identified by the SFC, the details of which are set out in the paragraph headed "Internal Control and Risk Management" under the section headed "Business" of this prospectus.

DISCIPLINARY ACTIONS

For the three years ended 31 December 2009 and as at the Latest Practicable Date, no disciplinary action has been taken against members of our Group and/or its employees. However, prior to the Track Record Period, several disciplinary actions had been taken by the SFC against Guotai Junan Securities and two staff members and one executive Director. For details of the disciplinary actions, please refer to the paragraph headed "Litigation and Disciplinary Actions" under the section headed "Business" of this prospectus.

SUMMARY

SUMMARY OF COMBINED FINANCIAL INFORMATION

The following is a summary of the audited combined results of the Group for each of the three years ended 31 December 2009 extracted from the accountant's report, the text of which is set out in Appendix I to this prospectus. The audited combined results are prepared in accordance with HKFRSs on the basis of presentation set out in the accountant's report in Appendix I to this prospectus. This summary should be read in conjunction with the accountant's report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations			
Revenue	973,794	517,013	583,370
Other income	<u>2,161</u>	<u>2,294</u>	<u>3,715</u>
Revenue and other income	975,955	519,307	587,085
Staff costs	(164,503)	(103,609)	(140,455)
Commission to account executives	(83,358)	(38,028)	(60,244)
Other commission expenses	(34,628)	(58,234)	(30,024)
Performance fee expense	(133,621)	—	—
Depreciation	(3,648)	(9,442)	(10,611)
Net write back of provision for accounts receivable	12,519	6,244	1,847
Other operating expenses	(71,759)	(83,467)	(70,582)
Finance costs	<u>(133,015)</u>	<u>(19,747)</u>	<u>(5,168)</u>
Profit before income tax	363,942	213,024	271,848
Income tax expense	<u>(63,622)</u>	<u>(2,596)</u>	<u>(27,808)</u>
Profit for the year from continuing operations	300,320	210,428	244,040
Discontinued operations			
Profit/(loss) for the year from discontinued operations	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>
Profit for the year	<u><u>385,428</u></u>	<u><u>123,447</u></u>	<u><u>300,394</u></u>
Attributable to:			
Equity holders of the Company	385,428	126,045	298,307
Minority interest — continuing operations	<u>—</u>	<u>(2,598)</u>	<u>2,087</u>
	<u><u>385,428</u></u>	<u><u>123,447</u></u>	<u><u>300,394</u></u>
Dividend	<u>—</u>	<u>—</u>	<u>150,000</u>

SUMMARY

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Global Offering, assuming an Offer Price of HK\$4.755 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), will be approximately HK\$1,846.3 million (assuming the Over-allotment Option is not exercised and after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering).

We currently intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK\$738.5 million or 40% of the net proceeds, will be used for expanding the margin finance portfolio and facilitating corresponding growth in our Group's brokerage business;
- Approximately HK\$184.6 million or 10% of the net proceeds, will be used for developing new business, including but not limited to the leveraged foreign exchange business, wealth management business and money lending business;
- Approximately HK\$554.0 million or 30% of the net proceeds, will be used for reducing bank borrowings, which were used as working capital of our Group. The remaining balance, after repayment of bank borrowings, if any, will be used for facilitating the growth in our Group's margin financing business. For details of bank borrowings, please refer to the paragraph headed "Indebtedness" under the section headed "Financial Information" of this prospectus;
- Approximately HK\$184.6 million or 10% of the net proceeds, will be used for expanding the direct investments;
- The balance of approximately HK\$184.6 million or 10% of the net proceeds, will be used for providing general working capital for our Group.

In the event the Over-allotment Option is exercised in full and based on an Offer Price of HK\$4.755 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$188.1 million. We intend to apply the net proceeds derived from the exercise of the Over-allotment Option for the purposes set forth above on pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we presently intend to deposit such net proceeds into short-term interest-bearing deposits and/or money market instrument.

SUMMARY

GLOBAL OFFERING STATISTICS ⁽¹⁾

	Based on an Offer Price of HK\$3.88 per Share	Based on an Offer Price of HK\$5.63 per Share
Market Capitalization	HK\$6,363.2 million	HK\$9,233.2 million
Historical price-earnings multiple ⁽²⁾	21.2 times	30.7 times
Adjusted net tangible asset value per Share ⁽³⁾	HK\$1.63	HK\$2.05

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised and are calculated without taking into account any Shares that may be allotted and issued pursuant to any options that may be granted pursuant to the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed “Written Resolutions of our sole Shareholder passed on 19 June 2010” in Appendix V to this prospectus or otherwise.
2. The calculation of the market capitalization is based on the audited net profit of approximately HK\$300,394,000 for the year ended 31 December 2009 and 1,640,000,000 Shares expected to be in issue immediately following completion of the Global Offering.
3. The adjusted net tangible asset value per Share is based on the net tangible assets attributable to the equity holders of the Company, the estimated net proceeds from the Global Offering and 1,640,000,000 Shares expected to be in issue immediately following completion of the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set below. Certain other technical terms are explained in the section headed “Glossary” of this prospectus.

“Application Form(s)”	White Application Form(s), Yellow Application Form(s), Pink Application Form(s) and Green Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company approved on 19 June 2010 by the sole Shareholder and as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of Our Company” in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Best New”	Best New Management Limited (新好管理有限公司), a company incorporated on 8 November 2007 under the laws of BVI with limited liability, which is held as to 92%, 2% and 2% by Dr. Yim Fung, our executive Director, vice-chairman and chief executive officer, Mr. Wong Tung Ching, our executive Director and Mr. Li Guangjie, our executive Director, respectively, with the remaining interest held by certain employees
“Board” or “Board of Directors”	the board of Directors
“BOCOM International”	BOCOM International (Asia) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Business Day”	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of shares to be made upon capitalization of part of the share premium account of the Company referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 19 June 2010” in Appendix V to this prospectus.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC” or “Mainland”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company”, “we” and “us”	Guotai Junan International Holdings Limited (國泰君安國際控股有限公司), a company incorporated in Hong Kong on 8 March 2010 under the Companies Ordinance with limited liability
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended and supplemented from time to time
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus means the controlling shareholders of our Company, namely Guotai Junan Financial Holdings, Guotai Junan and Guotai Junan (BVI) and Controlling Shareholder means any one of them
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	director(s) of our Company, respectively
“ECM”	equity capital markets
“Eligible Employees”	full-time employees of the Group in Hong Kong (other than a director of our Company or our subsidiaries and their respective associates, and any other connected persons of our Company)
“Employee Preferential Offer”	our offer of up to 4,100,000 Reserved Shares to Eligible Employees as described in the section headed “Structure of the Global Offering — Employee Preferential Offer” of this prospectus
“Exchange Participant(s)”	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Futures Exchange”	The Hong Kong Futures Exchange Limited

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Golden Investor”	Golden Investor Investments Limited, a company incorporated on 15 November 2007 under the laws of BVI with limited liability, an Independent Third Party
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“Guotai Junan”	Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司), a company incorporated on 18 August 1999 under the laws of PRC with limited liability. Details of Guotai Junan are set out in the section headed “Relationship with Controlling Shareholders” of this prospectus
“Guotai Junan Assets”	Guotai Junan Assets (Asia) Limited (國泰君安資產管理(亞洲)有限公司), a company incorporated on 15 August 1995 in Hong Kong under the Companies Ordinance with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Guotai Junan (BVI)”	Guotai Junan Holdings Limited (國泰君安控股有限公司), a company incorporated on 3 March 2010 under the laws of BVI with limited liability, which is wholly-owned by Guotai Junan Financial Holdings
“Guotai Junan Capital”	Guotai Junan Capital Limited (國泰君安融資有限公司), a company incorporated on 8 August 1995 in Hong Kong under the Companies Ordinance with limited liability, which is licensed under the SFO for Type 6 (advising on corporate finance) regulated activities as defined under the SFO and an indirect wholly-owned subsidiary of our Company
“Guotai Junan Finance”	Guotai Junan Finance (Hong Kong) Limited (國泰君安財務(香港)有限公司), a company incorporated on 3 August 1995 in Hong Kong under the Companies Ordinance with limited liability, which is an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Guotai Junan Financial Holdings”	Guotai Junan Financial Holdings Limited (國泰君安金融控股有限公司), a company incorporated on 10 August 2007 in Hong Kong under the Companies Ordinance with limited liability, which is wholly-owned by Guotai Junan
“Guotai Junan Fund Management”	Guotai Junan Fund Management Limited (國泰君安基金管理有限公司), a company incorporated on 3 January 2008 in Hong Kong under the Companies Ordinance with limited liability, which is held as to 50%, 29.9% and 20.1% by Guotai Junan (Hong Kong), Golden Investor and Best New, respectively
“Guotai Junan Futures”	Guotai Junan Futures (Hong Kong) Limited (國泰君安期貨(香港)有限公司), a company incorporated on 3 August 1995 in Hong Kong under the Companies Ordinance with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Guotai Junan FX”	Guotai Junan FX Limited (國泰君安外匯有限公司), a company incorporated on 31 March 2010 in Hong Kong under the Companies Ordinance with limited liability, which is an indirect wholly-owned subsidiary of our Company
“Guotai Junan (Hong Kong)”	Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) (previously known as Guotai Junan Financial Holdings (Samoa) Limited), a company incorporated on 28 June 1995 under the laws of Samoa with limited liability, which is a direct wholly-owned subsidiary of our Company
“Guotai Junan Investments”	Guotai Junan Investments (Hong Kong) Limited (國泰君安證券投資(香港)有限公司), a company incorporated on 12 February 1997 in Hong Kong under the Companies Ordinance with limited liability, which was an indirect wholly-owned subsidiary of our Company until it was disposed of by Guotai Junan (Hong Kong) to Guotai Junan Financial Holdings in late 2009
“Guotai Junan Investments Group”	Guotai Junan Investments and its subsidiaries which were engaged in investment holding in equity funds and provision of consultancy services in Shenzhen, the PRC
“Guotai Junan (Shenzhen)”	Guotai Junan Consultancy Services (Shenzhen) Co., Ltd.* (國泰君安諮詢服務(深圳)有限公司), a company incorporated on 6 May 2003 under the laws of PRC with limited liability, which is wholly-owned by Guotai Junan Investments

DEFINITIONS

“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited (國泰君安證券(香港)有限公司), a company incorporated on 8 July 1993 in Hong Kong under the Companies Ordinance with limited liability, which is an indirect wholly-owned subsidiary of our Company
“HK\$” or “HK dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 41,000,000 New Shares being initially offered by our Company at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus)
“Hong Kong Public Offering”	our offer to the public in Hong Kong for subscription of the Hong Kong Offer Shares for cash (subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus) at the Offer Price (plus brokerage fee of 1.0%, Stock Exchange trading fee of 0.005%, and SFC transaction levy of 0.004%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the paragraph headed “The Hong Kong Public Offering” under the section headed “Structure of the Global Offering” of this prospectus
“Hong Kong Underwriters”	the underwriters listed in the paragraph headed “Underwriters — Hong Kong Underwriters” under the section headed “Underwriting” of this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 24 June 2010 relating to the Hong Kong Public Offering and entered into by, among others, Guotai Junan Securities, the Hong Kong Underwriters and our Company, as further described in the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” of this prospectus

DEFINITIONS

“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“ICBCI Capital”	ICBC International Capital Limited
“ICBCI Securities”	ICBC International Securities Limited
“Independent Third Party(ies)”	party which is not a connected person (as defined in the Listing Rules) and “Independent Third Parties” shall be construed accordingly
“International Placing”	the conditional placing of the International Placing Shares by the International Underwriters with professional and institutional investors at the Offer Price, as further described in the section headed “Structure of the Global Offering” of this prospectus
“International Placing Shares”	the 369,000,000 New Shares initially being offered by our Company for subscription at the Offer Price under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering” of this prospectus
“International Underwriting Agreement”	the International Underwriting Agreement relating to the International Placing to be entered into on or about 30 June 2010 by, among others, Guotai Junan Securities, the International Underwriters and our Company, as further described in the paragraph headed “International Placing” under the section headed “Underwriting” of this prospectus
“International Underwriters”	the underwriters listed in the paragraph headed “Underwriters — International Underwriters” under the section headed “Underwriting” of this prospectus, being the underwriters of the International Placing
“Joint Bookrunners”	Guotai Junan Securities, HSBC, UBS, ICBCI Capital
“Joint Global Coordinators”	Guotai Junan Securities, UBS, HSBC and ICBCI Capital
“Joint Lead Managers”	HSBC, ICBCI Securities and UBS
“Joint Sponsors”	Guotai Junan Capital and BOCOM International
“Latest Practicable Date”	18 June 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Licensed Representative”	means an individual who is granted a licence under section 120 or 121 of the SFO

DEFINITIONS

“Listing”	listing of the Shares on the Main Board
“Listing Date”	the date, expected to be on or about Thursday, 8 July 2010, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company (as amended from time to time)
“New Shares”	a total of 410,000,000 Shares initially being offered by our Company under the Global Offering
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) of not more than HK\$5.63, such price to be agreed upon by our Company and the Joint Lead Managers (on behalf of the Underwriters) and Guotai Junan Securities on or around the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares
“OP”	OP Financial Investments Limited, is an investment company which shares are listed on the Main Board of the Stock Exchange (stock code: 1140)
“Over-allotment Option”	the option to be granted by our Company to the Joint Lead Managers (on behalf of the International Underwriters), pursuant to the International Underwriting Agreement, to require our Company to issue up to an aggregate of 41,000,000 additional Shares at the Offer Price to cover, among other things, over-allocations in the International Placing, if any, exercisable at any time from the date of International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for the lodging of applications under the Hong Kong Public Offering

DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between us and the Joint Lead Managers (on behalf of the Underwriters) and Guotai Junan Securities pursuant to the Hong Kong Underwriting Agreement on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 30 June 2010 (Hong Kong time) on which the Offer Price is determined, or such later time as our Company, the Joint Lead Managers (on behalf of the Underwriters) and Guotai Junan Securities may agree, but in any event not later than Tuesday, 6 July 2010
“Property Valuation Report”	the summary of valuation and valuation certificates from Cushman & Wakefield Valuation Advisory Services (HK) Limited, as set out in Appendix III to this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of our Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the sub-paragraph headed “Corporate reorganization” under the paragraph headed “Further information about our Company” in Appendix V to this prospectus
“Reserved Shares”	the 4,100,000 Shares to be offered to Eligible Employees under the Employee Preferential Offering
“Responsible Officer”	an individual who is approved by the Commission under section 126(1) of the SFO as a responsible officer of a licensed corporation
“RMB”	Chinese Yuan Renminbi, the lawful currency of the PRC, excluding, for purposes of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFC”	The Securities and Futures Commission of Hong Kong
“SAFE”	State Administration of Foreign Exchange
“SAT”	State Administration of Taxation
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share Option Scheme”	the Share Option Scheme conditionally adopted by us on 19 June 2010, details of which are set out in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the capital of our Company
“Shareholder(s)”	holder of the Share(s)
“Stabilization Manager”	UBS
“State Council”	The State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilization Manager (or its affiliate acting on its behalf) and Guotai Junan (BVI), pursuant to which Guotai Junan (BVI) will agree to lend up to 41,000,000 Shares to the Stabilization Manager on the terms set forth therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended 31 December 2009
“UBS”	UBS AG, Hong Kong Branch, a registered institution under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading activities) and Type 9 (asset management) regulated activities as defined under the SFO
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars” or “USD”	United States dollars, the lawful currency of the United States

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

In this prospectus, the terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The provision of English translation of company names in Chinese language which are marked with “” is for identification purposes only.*

Unless otherwise specified, amounts denominated in HK\$, US\$, RMB have been converted, for the purpose of this prospectus, based on the rates set out below (for the purpose of illustration only):

*US\$1.00 : HK\$7.755
RMB1.00 : HK\$1.1361*

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“AMS”	Automatic Order Matching and Execution System
“AMS/2”	An upgraded version of AMS implemented in Hong Kong in January 1996
“AMS/3”	An upgraded version of AMS/2 implemented in Hong Kong in October 2000
“AUM”	asset under management
“China A shares”	the shares that are traded on the Shanghai Stock Exchange or Shenzhen Stock Exchange in Renminbi
“China B shares”	the shares that are traded on the Shanghai Stock Exchange or Shenzhen Stock Exchange in foreign currencies
“eIPO”	electronic IPO
“H shares”	the shares of companies incorporated in China which are either controlled by Chinese government entities or individuals that are traded on the Stock Exchange
“HSI”	the Hang Seng Index
“HSCEI”	the Hang Seng China Enterprises Index
“Internet”	a global system of interconnected computer networks linked by numerous electronic and optical networking technologies for conveying information, resources and services
“IPO”	Initial public offering
“IT”	Information technology
“JFIU”	Joint Financial Intelligence Unit
“QFII”	Qualified Foreign Institutional Investors
“Red chips”	the shares of Chinese companies incorporated outside of China and listed on the Stock Exchange
“UT Code”	Code on Unit Trusts and Mutual Funds

RISK FACTORS

Shareholders should consider carefully all of the information set out in this prospectus and, in particular, the following risks associated with our Group before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR GROUP AND ITS BUSINESSES

Highly regulated business environment

We are based in Hong Kong and our Group's business operations are subject to many applicable laws, regulations and codes of relevant regulatory authorities in Hong Kong. From time to time, the Hong Kong regulatory regime for the financial services industry (namely the SFO, Money Lenders Ordinance, Listing Rules, Takeovers Code etc.) has implemented changes in such rules and regulations, some of which have resulted in additional costs to or restrictions on our business activities. In addition, our engagement in China B shares trading business is subject to the applicable PRC laws and regulations. If we fail to comply with such rules and regulations, we may become subject to enquiries and/or investigations by the relevant regulatory bodies, which may result in fines or restrictions on our business activities. If results of any investigations or enquiries are severe or proved to involve serious misconduct, we may become subject to penalties including censure, reprimand and fines. In extreme cases, we may be hampered or prevented from conducting business in a normal manner and some or all of our Group's operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, our reputation and financial position may be jeopardized. In such cases, there may be material and adverse impact on our business, financial condition, results of operations and prospects.

During the Track Record Period, our Group has not been the subject of any disciplinary action. For details, please refer to the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus.

Our Group's risk management and internal control system

Our Group has established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. Our Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in our Group's risk management and internal control systems and procedures may adversely affect our ability to record, process, summarize and report financial and other data in an accurate and timely manner, as well as adversely impact on our ability to identify any reporting errors and non-compliance with rules and regulations. As set out in detail under the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus, certain disciplinary actions had been taken by the SFC prior to the Track Record Period against Guotai Junan Securities and certain staff members of our Group, including (i) Mr. Wong Tung Ching, for making reckless representation in relation to account opening documents of five clients; (ii) Mr. Wong Tin Lai

RISK FACTORS

for failure to maintain Guotai Junan Securities' minimum liquid capital ratio; and (iii) Mr. Wong Chi Ming for breaching our Group's staff dealing policy. In addition, the SFC identified certain minor internal control problems in our operations. In response to the SFC's comments, the Group had promptly taken remedial actions to rectify areas of non-compliance and implemented appropriate internal control measures to safeguard against future breaches. For the summary of the disciplinary actions, certain other minor internal control problems and rectification actions, please refer to the paragraph headed "Internal Control and Risk Management" under the section headed "Business" of this prospectus. To the best knowledge of our Directors, save as disclosed in this prospectus and up to the Latest Practicable Date, no other disciplinary action has been taken by the SFC, the Stock Exchange and/or any other enforcement authority in Hong Kong against members of our Group. In addition, no subsequent checks have been performed by the SFC on the rectified internal control problems and results.

The principal businesses operated by our Group are regulated by the SFC and it is expected that our employees shall comply with the relevant rules under the SFO. However, owing to the nature of our Group's business, no matter how sophisticated an internal control system can be, we cannot rule out the possibility that our employees may in the performance of their duties commit offences under the SFO. These offences may include but not limited to market manipulation, false trading and price rigging. Accordingly, commission of offences by our employees resulting from such activities or any allegation of such activities could have an adverse effect on our Group's reputation and goodwill. As set out in the paragraph headed "Prosecution by the SFC against an employee of our Group" under the section headed "Business" of this prospectus, a director and Responsible Officer of one of our subsidiaries is currently being prosecuted by the SFC. This employee was charged in his personal capacity of "creating an artificial price for dealings in securities". Since this case is currently pending trial, the Company is not able to ascertain the magnitude of the impact on the Group if this employee was subsequently convicted after trial. However, the Directors consider that if such employee was subsequently convicted, it might adversely affect the Group's reputation and goodwill.

Our internal control system, no matter how sophisticated in designs, still contains inherent limitations caused by misjudgment or fault. As such, there is no assurance that our risk management and internal control systems are adequate or effective notwithstanding the above-mentioned efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against our Group and/or our employees, disruption to our risk management system, and material and adverse effects on our Group's financial condition and results of operations.

Interest rate fluctuations

Our Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases our costs of capital, may also limit our Group's interest income from our margin loan financing business, thus adversely affecting our Group's business and its financial results. Interest rates volatility may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on our business performance.

RISK FACTORS

Reliance on stockbroking commission and securities financing

During the three years ended 31 December 2009, our securities dealing and broking and financing businesses have been the principal source of income of our Group. For each of the three years ended 31 December 2009, commission income derived from securities dealing and broking businesses accounted for approximately 41.4%, 40.6% and 51.5%, respectively, of our Group's total revenue, while interest income generated from our Group's financing business including margin financing and IPO financing and other financing activities accounted for approximately 25.1%, 25.9% and 12.1%, respectively, of our Group's total revenue for the corresponding period.

Our securities dealing and broking and financing businesses are affected by external and global factors, including but not limited to the performance of China, Hong Kong, the U.S., and Japan financial markets which are generally subject to economic conditions, investment sentiment and fluctuations in interest rates, which are beyond our control. There is no assurance that our Group's income derived from its stockbroking and financing businesses can be sustained.

Fluctuations in stock markets could affect our financial assets

Fluctuations in stock markets could affect our investments and financial assets. Poor market conditions would affect the value of our financial assets while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the financial assets that we invest in or manage which, in turn, may have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

Credit risk control

Our Group engages in the provision of financing services to clients, including margin financing, IPO financing and other financing services. Margin financing is particularly vulnerable to stock price volatility and the liquidity of those securities which are pledged as security for loans. In a volatile market, if stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet his margin call, our Group is entitled to sell the relevant pledged securities and use the sale proceeds toward repayment of the loans. As proceeds from forced selling of pledged securities may not result in sufficient proceeds to cover the amount of margin loan outstanding, failure of a client to makeup for such a shortfall could adversely affect our Group's businesses and financial performance. With regard to the other financing, there may also be adverse impact on our Group's businesses and financial performance if any borrower fails to repay the amount owed to us.

Clients of securities transactions are required to settle transaction before the prescribed period of time. If a client fails to do so, our Group will be required to use its own funds to cover the shortfall. If our Group has insufficient funds to do so, our SFC licences may become suspended.

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All futures exchanges prescribe the minimum margin deposit for opening of each futures and option contract. Clients of our Group are required to maintain the minimum margin deposit with our Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, our Group may close out the futures and/or option contract. In the event that the client's margin deposit with our Group is unable to cover the loss arising from closing out of the futures and/or option contract, our Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

There may be an adverse impact on our Group's business as a result of a loss of business reputation or negative publicity

Our Group operates in an environment where integrity and the trust of clients are of utmost importance. In other word, we are vulnerable to negative market perceptions. Negative publicity associated with us or any of our subsidiaries, officers or employees or the occurrence of any of the risks set out in this section could result in loss of clients. Our Group intends to diversify our operations into direct investments and leveraged foreign exchange. For the latter purpose, Guotai Junan FX, our newly incorporated subsidiary, has been established. Since our business operations depend to a large extent on our officers and employees, the actions, misconduct, omissions, failures or breaches of any of such officers or employees, their subsidiaries and/or service providers may, by association, create negative publicity on our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. For details on disciplinary actions against members of our Group and/or our employees prior to the Track Record Period, please refer to the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus.

Failure to expand into new businesses in time

The success of our Group's operations depends on, among other things, the proper timing on launching new businesses, products and services to our clients. Because our businesses operate in a highly competitive environment, any delay or failure to introduce new businesses in time or in response to market demand, or any failure of our new products and services to gain timely market acceptance could adversely affect the overall businesses and financial performance of Group.

Our Group is indirectly affected by our Controlling Shareholder's reputation

Our Controlling Shareholder, Guotai Junan, is one of the largest securities houses in the PRC. Like ourselves, market reputation and the trust of clients are of great importance to our Controlling Shareholder's business. Hence, negative publicity associated with our Controlling Shareholder or any of its funds, officers or employees or the occurrence of any of the risks set out in this section may result in a loss of clients. Such negative publicity may by association create a material adverse effect on our Group's reputation, business, growth prospects, results of operations and/or financial condition.

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In addition, the trademark of our Group is identical to the trademark of Guotai Junan, our Controlling Shareholder. Whilst Guotai Junan has registered this mark in the PRC, our Group has registered the same mark in Hong Kong. To the Directors' best knowledge, although Guotai Junan has not been using this mark as its trademark to indicate the source of its services in Hong Kong, or vice versa, our Group may be indirectly affected by any negative publicity associated with our Controlling Shareholder.

Reliance on computers and electronic systems

The success of our Group's business depends, in part, upon a reliable and effective network infrastructure, which requires substantial financial, operational and management resources to develop, maintain and expand. There is no assurance that we will be able to expand or adapt our network infrastructure to meet additional demands in a timely manner and at commercially reasonable costs, or at all. In the event that our IT systems fail to operate effectively or completely, or is affected by system failures of third parties, our Group's business, financial condition or results of operations may be materially and adversely affected. As at the Latest Practicable Date, our transactions are occupying approximately 10% of the capacity of our trading system.

During the Track Record Period, there had been nine computer system failures, none of which caused significant impact on our business operations or incurred financial losses for the Group. Save as disclosed above, during the Track Record Period, there had been no other system failure which resulted in delays in our operations.

Computer network security

Our technology systems are prone to damages by computer viruses, hackers and other disruptive problems, which may cause our Group to suffer financial losses. In particular, as we rely on third party encryption and authentication technology to transmit confidential information over public network, the security of such confidential information may become jeopardized. There is no assurance that advancements in cryptography technology will not ultimately result in customer data leakage. In the event that client confidential information is stolen and misused, our Group may become exposed to potential risks of losses from litigation and possible liability. This could materially and adversely affect our Group's business, financial condition and results of operations, reputation and our ability to attract and maintain customers.

Computer hardware and data storage risk

Our computer hardware and server data are prone to damages from acts of nature, power failures, telecommunication failures and other events which are beyond our control. Our data center is located within our office premises and is restricted to authorized members of senior management and certain information technology staff. In order to comply with the Securities and Futures (Keeping of Records) Rules, we have the off-site data storage system. We are undertaking daily backup process by using tape backup device. Nine backup tapes will be used on every month. Tape 1 to tape 4 are daily backup tapes dedicated for Monday to Thursday and are recycled weekly within the month. Tape 5 to tape 8 are dedicated for each Friday or weekend and are recycled monthly. The last tape is only used at the end of each month. This month end tape will be stored in bank's safe deposit box securely. In the event

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of natural disasters or other unanticipated problems at our Group's premises, there is no assurance that we can respond effectively in a timely manner and we may lose one day's trading data. Any damage or failure to our computer hardware and/or our servers could have an adverse effect on our Group's business, financial condition and results of operations.

Failure to detect illegal or improper activities

Our Group may not be able to identify money laundering activities or other illegal/improper activities fully or in a timely manner, which could expose our Group to additional liability and adverse effect to our operations.

Our Group is required to comply with applicable anti-money laundering laws and regulations in Hong Kong. For example, the SFC "Prevention of Money Laundering and Terrorist Financing Guidance Note" which took effect from April 2006. Such laws and regulations require us, amongst other things, to adopt and enforce "know-your-client" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While we have established policies and procedures aimed at detecting and preventing money laundering activities and other illegal or improper activities through our Group's operations, such policies and procedures may not in all cases prevent possibilities of money laundering and other illegal or improper activities. To the extent our Group fails to comply with the applicable laws and regulations, the relevant government agencies to whom we report have the power and authority to impose fines and other penalties on our Group, and this may significantly affect our business and financial results.

Underwriting business

Underwriting (including sub-underwriting) and placing commissions accounted for approximately 7.9%, 28.3% and 11.7% of our Group's total revenue for each of the three years ended 31 December 2009, respectively. Performance of underwriting business may severely deteriorate during sluggish and volatile market conditions when the securities underwritten by our Group are undersubscribed and our Group and the underwriters/sub-underwriters are required to take up unsubscribed securities. The financial position of our Group would be adversely affected if the underwritten securities taken up by our Group become illiquid and/or their market values decrease.

Liquidity requirements

As stipulated under the Securities and Futures (Financial Resources) Rules ("FRR"), a licensed corporation shall at all times maintain liquid capital which is not less than the FRR requirement. For Guotai Junan Securities and Guotai Junan Futures, the required liquid capital is the higher of HK\$3 million and 5% of the aggregate of (a) its adjusted liabilities; (b) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients; and (c) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

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In order to comply with the FRR, our Group must maintain a high level of liquidity at all times. In addition, our Group may need additional funding after the Listing in order to respond to unanticipated opportunities, including opportunities to support its expansion, development of new or enhanced services and products, acquisition of complementary business or technologies. We may raise additional funding through public or private financing, strategic alliance or other arrangements. There can be no assurance that such additional funding, if required, will be available on terms attractive to us, or at all. Furthermore, any additional equity financing may dilute the shareholding interest of the Shareholders. On the other hand, debt financing, if available, may involve restrictive covenants.

Failing to meet our capital requirements may cause the SFC to take disciplinary actions against our Group, which may adversely affect our Group's operations and performance. On an operational level, our Group may be hindered from developing or maintaining its services, taking advantage of opportunities or responding to competitive pressures, any of which could have a material adverse effect on our Group's reputation, operations and performance. For details on disciplinary actions brought against members of our Group during the Track Record Period relating to the FRR, please refer to the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus.

Any business disruptions resulting from acts of God, acts of war, epidemics, including the recent outbreak of swine influenza, and other factors outside of our control could affect our business and might result in substantial costs

Our Group's business is subject to general, social and political conditions. Our Group's business would be adversely affected if there are any unexpected events, including but not limited to riots, fire, power outages, natural disasters, terrorist activities, equipment or system failures, industrial action and environmental issues, which increase the cost of us doing business or otherwise adversely affect our Group's operations or those of our customers or suppliers.

Natural disasters, epidemics, acts of God and other disasters that are beyond our Group's control may materially and adversely affect the economy and infrastructure. Our Group's business, financial condition and operating results may be materially and adversely affected as a result.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that another outbreak of severe acute respiratory syndrome or swine influenza will not happen. In 2009, there has been a global outbreak of H1N1 swine influenza.

There is no assurance that an outbreak of this or any other disease will not become an epidemic or pandemic. Any epidemic or pandemic occurring in areas in which we operate, or even in areas in which it does not operate, may materially and adversely affect our business, financial condition and operating results.

RISK FACTORS

Acts of war and terrorism may cause damage or disruption to our Group or its employees, facilities, distribution channels (including the distribution channels operated by third parties), markets, suppliers or customers, any of which may materially and adversely impact our revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainty and cause our Group's business to suffer in ways that we cannot currently predict.

Potential claims and liabilities in relation to information retrieved from our Group's website

As our Group's online trading platform and financial information portal may involve the displaying of or hyperlinking to information from other websites, there is a risk that claims may be made against our Group for defamation, negligence, copyright or trademark infringement or other claims related to the nature and content of such materials. Our Group has published disclaimers in prominent areas to discharge its liability arising from content provided by third parties. No claims were ever made against our Group for defamation, negligence copy right or trademark infringement or other claims related to the nature and content of such materials during the Track Record Period. However, legal action may still be taken against our Group in respect of any such liability. Any imposition of liability could have a material and adverse effect on our Group's business, financial condition and results of operations.

Past dividends should not be used as a reference for our Company's future dividend policy

During the Track Record Period, we declared and paid an interim dividend of HK\$150 million during the year ended 31 December 2009. The Directors currently intend that our Group will retain certain portions of its distributable profit for future business expansion plan. At present, the Directors have not determined the percentage of our Group's total distributable profit for future business expansion and for future dividends, as the same should be subject to the discretion of the Directors and will depend upon earnings, financial condition, tax treatment of dividends, capital and cash requirements and availability, business strategies and such other factors as the Directors may deem relevant at the time of declaration of any dividends. Hence, the dividends declared and paid by us in the past, in particular during the Track Record Period, should not be regarded as indicative of our future dividends.

Potential competition with Guotai Junan going forward

Along with the internationalization of the RMB and the PRC stock market in the foreseeable future, there may be potential competition between our Group and Guotai Junan and a blurring of the delineation between our Group and Guotai Junan as described in the section headed "Relationship with Controlling Shareholders" of this prospectus. If there are any markets liberalization or future bilateral trading arrangements between the governments of PRC and Hong Kong or any future policy developments that may impact on the PRC and Hong Kong financial services industries, our Group may encounter increased competition from financial institutions in the PRC. As a result, our Group's business operations and financial performance may be adversely affected. Moreover, if our Group develops any new business in the PRC, there may be potential competition between our Group and other domestic financial institutions in the PRC including but not limited to Guotai Junan.

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Certain Guotai Junan (Shenzhen)'s employees obtained SFC licenses as Licensed Representatives of some subsidiaries of our Group

Guotai Junan (Shenzhen) had been our wholly-owned subsidiary until late 2009 when it was disposed of by us to Guotai Junan Financial Holdings, our Controlling Shareholder. Since then, Guotai Junan (Shenzhen) ceased to be part of our Group. For details, please refer to the paragraph headed “Discontinued Operations” in the section headed “History and Development” of this prospectus.

We have maintained Guotai Junan (Shenzhen) as our service provider and outsourcing partner during the Track Record Period and entered into a service agreement with Guotai Junan (Shenzhen), details of which are set out in the paragraph headed “C. Service Agreement between Guotai Junan (Hong Kong) and Guotai Junan (Shenzhen)” under the section headed “Connected Transactions” of this prospectus. Pursuant to this service agreement, certain Guotai Junan (Shenzhen)'s employees are expected to carry out certain regulated activities in Hong Kong for the Group's business including research report writing, due diligence checking and client relationship management for brokerage business, therefore, those employees have obtained the relevant SFC licenses as Licensed Representatives of some of our subsidiaries to conduct such regulated activities in Hong Kong. For details, please refer to the paragraph headed “Businesses of the Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus. As these Licensed Representatives are not our Group's employees but are accredited to the subsidiaries of our Group, any of their misconduct would adversely affect our Group.

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

Volatility of the securities and futures markets

Our Group's revenues are mainly derived from five principal sources, namely (i) securities and futures dealing and broking services; (ii) corporate finance and ECM services; (iii) fund management activities, (iv) investment holding; and (v) interest income; all of which are dependent upon the performance of the global economic conditions and the general financial markets landscape. During the Track Record Period, our Group's business operations in securities and futures dealing and broking services accounted for approximately 42.4%, 43.6% and 57.1%, respectively, of our Group's revenues from continuing operations.

Hong Kong's financial market is subject to the direct influence of global economic and socio-political environments. Fluctuations in the global corporate finance environment and capital raising activity levels may have adverse effects on the performance of our Group. Severe fluctuations or shifts in market and economic sentiments may adversely affect our Group's business and financial results.

The subprime mortgage crisis, triggered by a dramatic rise in mortgage delinquencies and foreclosures in the United States, has created major adverse consequences for banks and financial markets around the world. Having become severe in 2008, the crisis has exposed pervasive weaknesses

RISK FACTORS

in financial industry regulation and the global financial system. As our Group's key revenue flows are closely correlated to the health of the financial markets, should there be deterioration of the global economy or, in the event of another downturn in the U.S. economy, our Group's business would be adversely affected.

Competition in the financial services industry

The financial services industry in Asia and Hong Kong in particular, houses a large number of participants and is highly competitive. For instance, as at 31 December 2009, the total number of active Exchange Participants was 463. In addition, according to information published by the SFC, as at end of 2009, there were a total of 2,939 licensed corporations engaging in regulated activities in Hong Kong, with break down as follows:

Type 1 (dealing in securities) —	775
Type 2 (dealing in futures contracts) —	224
Type 3 (leveraged foreign exchange and trading) —	29
Type 4 (advising on securities) —	783
Type 5 (advising on futures contracts) —	133
Type 6 (advising on corporate finance) —	243
Type 7 (providing automated trading services) —	20
Type 8 (securities margin financing) —	4
Type 9 (asset management) —	728

New participants may enter the industry provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits.

Apart from the multinational financial institutions including banks and investment banks with global networks and a local presence in Hong Kong, our Group faces further competition from other financial services firms with similar target clients and offering a similar range of services including traditional and online brokerage services, fund management, asset management, corporate finance and ECM services.

Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals, have become commonplace, intensifying competition for online business revenues. The Directors expect that competition in securities brokerage, one of our Group's core business operations, will continue to be intense. Moreover, our Group may not be able to compete effectively and successfully in all the business areas in which it currently operates or plans to operate. Increased competitive pressure may adversely affect our Group's business, financial position, results of operations and prospects by, amongst other things:

- reducing our Group's market share in its principal lines of businesses;
- decreasing our Group's net interest margins and spreads;
- decreasing our Group's fee and commission income;
- increasing non-interest expenses, such as sales and marketing expenses; and
- increasing competition for qualified employees.

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There is no assurance that our Group can compete effectively against our Group's current and future competitors, or that competitive forces in the market will not alter the industry landscape such that our Group's business objectives would become impractical and/or impossible. Under those circumstances, our Group's core business and financial performance would be adversely affected.

Any prolonged economic downturn could materially and adversely affect our business, financial condition and results of operations.

Since the commencement of the global financial crisis in late 2008, certain major global economies, such as the U.S., continue to experience a slow economy. Concerns over inflation or deflation, energy costs, the availability and cost of credit, the U.S. mortgage market and a global declining residential real estate market have continued to contribute to market volatility and diminished expectations for the global economy. These factors, combined with volatile oil prices, declining business activity and increased unemployment, have precipitated an economic slowdown and a possibly prolonged global recession. As our financial services operations are highly dependent on the general economic sentiment and health of the global financial markets, any prolonged economic downturn or relapse of a global recession could further decrease demand for our services, thereby materially and adversely affecting our business, financial performance and results of operations.

RISK RELATING TO THE INTERNATIONAL FINANCIAL MARKETS

Economic and political considerations

Although our Group's operations are based primarily in Hong Kong, our financial services extend beyond the local market to various international financial markets including U.S., Japan, Singapore, Taiwan and Canada. The long term impact of sustained historically high global oil prices still remains uncertain going forward, and any further increases in prices may significantly affect the region's economies. Foreign investors have in recent years continued to invest heavily into Asia generally, drawn in particular by the strong growth prospects in markets such as the PRC, Hong Kong, South Korea, Singapore, India and Vietnam as such liquidity in the regions remains healthy. Liquidity in Hong Kong has been particularly strong as the local financial market and systems were well-established, and as investors look to participate in the PRC's rapid economic growth via its Hong Kong listed companies. However, if oil prices continue to soar, the U.S. bank interest rates change unfavourably and unexpectedly, the subprime mortgage problem in the U.S. deteriorates, the PRC and other key Asia markets begin to slow down, and/or any unanticipated event, which gives rise to adverse impact on the financial market takes place, current liquidity levels and capital inflows into the PRC and Hong Kong markets may decrease, and the economic climate in the region may deteriorate, and our Group's business, prospects, financial condition and results of operations may be adversely affected.

RISK FACTORS

RISKS RELATING TO THE SHARES

Marketability and possible price volatility of the Shares

There is no assurance that an active trading market for the Shares will develop or be sustained upon the Listing. It is possible that the Shares will be subject to fluctuations in price that may not be directly related to our Group's financial condition or business performance.

Dilution of Shareholders' equity interests

Our Group may need additional funding in the future to finance, among other things, acquisitions, new developments or expansion of existing developments relating to its operations. In case additional fund raising or acquisitions are made through the issue of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of existing Shareholders may be reduced and existing Shareholders may experience dilution of their equity interests in our Company and/or such securities may have rights, preferences and privileges over those attaching to the Shares.

RISKS RELATING TO THIS DOCUMENT

Forward-looking statements included in this prospectus may not be accurate

This prospectus contains certain forward-looking statements and information relating to our Group which are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "anticipate", "estimate", "could", "expect", "going forward", "intend", "may", "should", "plan", "sales", "will", "would", "believe" or other similar words. These statements reflect the current expectations of the Board. These statements are subject to a number of risks and uncertainties, including but not limited to, changes in the economic and political environments. In light of the inherent risks and uncertainties, there can be no assurance that the forward-looking statements described in this document will materialize.

You should not rely on any information contained in press articles or other media regarding our Company and the Global Offering

Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Company and the Global Offering which may include certain financial information, industry comparisons, profit forecasts and other information about our Company that does not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Offer Shares.

FORWARD-LOOKING STATEMENTS

This prospectus contains many statements that are “forward-looking”. You can identify these statements by the use of terms such as “believe,” “anticipate,” “expect,” “estimate,” “future,” “intend,” “may,” “ought to,” “plan,” “should,” “will,” negatives of such terms or other similar statements. You should not place undue reliance on any of these forward-looking statements. Although we believe our assumptions in making these forward-looking statements are reasonable, our assumptions may prove to be incorrect and you are cautioned not to place undue reliance on such statements. The forward-looking statements in this prospectus include, but are not limited to, statements relating to:

- our goals and strategies and our various measures to implement such strategies;
- our future business development, results of operations and financial condition;
- expected growth of and changes in the local and global financial markets;
- projected revenues, profits, earnings and other estimated financial information;
- our ability to capture future market share;
- our ability to maintain strong relationships with our customers and suppliers;
- our planned use of proceeds; and
- government policies regarding the finance industry.

The forward-looking statements included in this prospectus are subject to risks, uncertainties and assumptions about our businesses and business environments. These statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results of our operations may differ materially from information contained in the forward-looking statements as a result of many factors, including but not limited to the following:

- competition in the financial services market;
- growth of, and risks inherent in, the financial services industry;
- our reliance on our key customers for our revenue;
- the reliance of our business on the performance of the financial markets as a whole; and
- our ability to attract and retain qualified executives and personnel.

We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, our Company has sought certain waivers, as described below, from the Stock Exchange in relation to certain requirements under the Listing Rules.

CONNECTED TRANSACTIONS

Some of our subsidiaries have entered into and are expected to continue certain transactions, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements regarding the announcements and/or independent shareholders' approval in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed "Connected Transactions" of this prospectus.

The Stock Exchange has granted a waiver from strict compliance with the applicable requirements under the Listing Rules as mentioned above and our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40. Further details of such waiver are set out in "Connected Transactions" of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material aspects and not misleading, there are no other facts the omission of which would make any statement in this prospectus misleading, there are no other facts the omission of which would make any statement in this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out terms and conditions of the Hong Kong Public Offering.

The Listing is jointly sponsored by Guotai Junan Capital and BOCOM International. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Lead Managers (on behalf of the Hong Kong Underwriters), Guotai Junan Securities and our Company on the Price Determination Date. The Global Offering is managed by the Joint Global Coordinators. For further details of the Underwriters and the underwriting arrangements, please refer to the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

The Hong Kong Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorized in connection with the Hong Kong Public Offering to give any information, or to make any representation, not contained in

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters or any of their respective directors or any other persons or parties involved in the Global Offering.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering or sale of the Offer Shares in certain jurisdictions is restricted by law, in particular, but without limitation, the jurisdictions listed below. Accordingly, and without limitation to the jurisdictions listed below, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Joint Global Coordinators, the Joint Sponsors and the Underwriters that such restrictions have been observed. Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective investors of the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors of the Offer Shares should inform themselves as to the relevant legal requirements of applying any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United Kingdom

This prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the United Kingdom Financial Services Authority (“FSA”) pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) and has not been approved by or filed with the FSA. The Offer Shares may not be offered or sold and will not be offered or sold to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of FSMA does not apply to the Company. This prospectus is directed only at (i) persons outside the United Kingdom; or (ii) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in article 19(5) of the Financial Services and Markets Act 2000 (Financial Order Promotions) 2005 (as amended) (the “FPO”); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

49 of the FPO or persons who fall within another exemption to the FPO. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and any person who does not fall within (i) to (iii) above should not rely on or act upon this prospectus.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made under Section 275 except:

- (a) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further in accordance with the conditions specified in Section 275 of the SFA;
- (b) where no consideration is or will be given for the transfer; or
- (c) where the transfer is by operation of law.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law. No 25 of 1948 as amended) (the “FIEL”) has not been and will not be made with respect to the Offer Shares. Accordingly, the Offer Shares may not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other relevant laws, regulations and governmental guidelines of Japan. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

France

The offering of the Offer Shares does not constitute a public offering of financial instruments in France (“appel public à l’épargne”), as defined in article L. 411-1 of the French Code Monétaire et Financier. Only providers of investment services relating to portfolio management for the account of third parties or qualified investors (“investisseurs qualifiés”) acting for their own account, all as defined in Articles L.411-1, L.411-2 and D.411.1 to D. 411-4 of the French Code Monétaire et Financier, are eligible to participate to the offer.

As required by article 211-4 of the General Regulations of the Autorité des Marchés Financiers, such providers of investment services relating to portfolio management for the account of third parties and/or qualified investors are informed that: (i) this Prospectus has not been submitted and will not be submitted to the clearance procedures of the Autorité des Marchés Financiers in France ; (ii) with respect only to qualified investors, they must participate in the offer on their own account, in the conditions set out in articles D. 411-1, D. 411-2, D.734-1, D. 744-1, D. 754-1 and D.764-1 of the French Code Monétaire et Financier.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the listing committee of the Stock Exchange (the “Listing Committee”) for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares, any Shares which may be issued pursuant to the Capitalization Issue, the exercise of the Over-allotment Option, and the exercise of any options that may be granted under the Share Option Scheme.

Except as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of dealing in the Shares under the laws of the place at your operations, domicile, residence, citizenship or incorporation. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Hong Kong Public Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our register of members to be maintained in Hong Kong.

Dealings in the Shares registered in our register in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by us, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on our Hong Kong Share Register, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

In connection with the Global Offering, UBS, as the Stabilization Manager, or, any person acting for it, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period from Listing Date and ending on the 30th day after the last day for the lodging of applications under the Public Offer. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilization) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, purchasing, or agreeing to subscribe or purchase, shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling, or agreeing to sell, Shares to liquidate any long position held as a result of those purchases in (iv) and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). Any market purchases will be effected in compliance with all applicable laws and regulatory requirements. However there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager or any person acting for it and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed 41,000,000 Shares, which is 10% of the number of Shares initially available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. As a result, demand for the Shares, and its market price, may fall after the end of the stabilizing period. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules.

Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for on-market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Chairman and non-executive Director</i>		
CHEN Geng (陳耿)	No. 595, Lane 3333 Jin Hai Road Shanghai PRC	Chinese
<i>Executive Directors</i>		
YIM Fung (閻峰)	Flat A, 23/F, Tower 7 One Silversea, 18 Hoi Fai Road Kowloon Hong Kong	Chinese
LI Guangjie (李光杰)	Flat F, 8/F, Block 7 Park Island Ma Wan New Territories Hong Kong	Chinese
WONG Tung Ching (王冬青)	Flat E, 26/F, Block 6 The Belcher's 89 Pok Fu Lam Road Sai Wan Hong Kong	Chinese
LI Sang Edward (李生)	No. 16 Tung Tau Yuen Yuen Long Kau Hui Road Yuen Long New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
TSANG Yiu Keung (曾耀強)	Flat C1607, Villa Lotto 18 Broadwood Road Happy Valley Hong Kong	Chinese
SONG Ming (宋敏)	Flat B, 7/F, Block 26 Baguio Villa 555 Victoria Road Pokfulam Hong Kong	Chinese
FU Tingmei (傅廷美)	Flat A, 2/F Dragon Peak 9 Dragon Terrance, Tin Hau Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Joint Bookrunners

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

ICBC International Capital Limited
Levels 17&18
Three Pacific Place
1 Queen's Road East
Hong Kong

Joint Global Coordinators

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

ICBC International Capital Limited
Levels 17&18
Three Pacific Place
1 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers
(in alphabetical order)

The Hongkong and Shanghai Banking Corporation Limited
Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

ICBC International Securities Limited
Levels 17&18
Three Pacific Place
1 Queen's Road East
Hong Kong

UBS AG, Hong Kong Branch
52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Joint Sponsors

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International (Asia) Limited
9th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong law
Li & Partners
22nd Floor
World Wide House
Central
Hong Kong

As to PRC Law
Li & Partners Attorneys at Law
15th Floor, West Tower, Baihuo Plaza
No. 3022 Shennan East Road
Shenzhen
PRC

**Legal Advisers to the Joint
Sponsors and the Underwriters**

As to Hong Kong law
DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Property Valuers

Cushman & Wakefield Valuation Advisory Services (HK) Limited
6th Floor, Henley Building
5 Queen's Road Central
Hong Kong

Receiving Bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kowloon
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office and Headquarters	27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Company's Website	http://www.gtja.com.hk (information contained in this website does not form part of this prospectus)
Company Secretary	Mr. Li Sang Edward
Members of the Audit Committee	Mr. Tsang Yiu Keung (<i>Chairman</i>) Dr. Song Ming Dr. Fu Tingmei
Members of the Remuneration Committee	Dr. Fu Tingmei (<i>Chairman</i>) Dr. Yim Fung Dr. Song Ming
Members of the Nomination Committee	Dr. Song Ming (<i>Chairman</i>) Dr. Chen Geng Mr. Tsang Yiu Keung
Authorized Representatives	Mr. Li Sang Edward Dr. Yim Fung
Compliance Adviser	Cinda International Capital Limited 45th Floor COSCO Tower 183 Queen's Road Central Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited 4-4A Des Voeux Road Central Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

**The Hongkong and Shanghai Banking Corporation
Limited**

1 Queen's Road Central
Hong Kong

**Industrial and Commercial Bank of China (Asia)
Limited**

3 Garden Road, Central
Hong Kong

INDUSTRY OVERVIEW

We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors, the Underwriters or any of their respective affiliates or advisers. We, the Joint Sponsors, the Underwriters and any of their respective affiliates and advisers and any other parties involved in the Global Offering make no representation as to the accuracy or completeness of the information set out in this section.

WORLDWIDE STOCK MARKETS AND ECONOMIC CONDITIONS IN 2009

Since the fourth quarter of 2008, the U.S. and Europe experienced a sharp decrease in their output of goods and services. By the end of March 2009, the U.S. unemployment rate climbed to 8.6%. Amid concerns over capital shortfalls of U.S. and European financial institutions, bankruptcy of U.S. automakers and a weakening global economy, worldwide stock markets started to slide. By March 2009, the U.S. and European markets troughed at record lows since 1996. In Hong Kong, the HSI fell to 11,344 on 9 March 2009.

In response to the global economic crisis, governments and central banks around the world lowered interest rates, injected cash to the banking systems and relaxed monetary policies to stimulate economies and support financial institutions and stock markets. By the second quarter of 2009, the pace of economic contractions slowed down as conditions in financial markets improved generally. Household spending showed further signs of stabilization but remained constrained by ongoing job losses, lower household wealth, and relatively tight credit. Businesses were cutting back on fixed investment and staffing but appeared to be making progress in bringing inventory stocks into better alignment with sales. Although economic activity was still relatively weak by the end of 2009, government policies to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces contributed to a gradual resumption of global economic growth.

In the first quarter of 2009, China's economic growth was at 6.1%, the lowest quarterly growth in more than 10 years. The Chinese government immediately launched a stimulus package of RMB4 trillion (equivalent to approximately US\$586 billion). Together with new bank loans of approximately RMB9 trillion, the government policies revived the Chinese economy by the end of 2009, lifting the national economic growth rate to 8.7% for the whole year. China's economic revival had also spurred regional and global economic recovery by encouraging investors to slowly shift their investments back to riskier assets. By the end of 2009, worldwide stock markets generally rebounded on optimism and recouped losses over an improving corporate earnings and economic outlook. In Hong Kong, the HSI climbed more than 90% from 11,344 on 9 March 2009 to 21,873 by 31 December 2009.

INDUSTRY OVERVIEW

THE STOCK MARKET IN HONG KONG

History of Hong Kong's stock exchanges

In 1891, the Association of Stockbrokers in Hong Kong was established as the first formal market for trading of securities in Hong Kong. It was later re-named the Hong Kong Stock Exchange.

In 1921, a second stock exchange, the Hong Kong Stockbrokers' Association, was incorporated. The two exchanges merged in 1947 to form the Hong Kong Stock Exchange, which re-instated Hong Kong's stock market after the end of the Second World War. Rapid growth of the Hong Kong economy led to the establishment of three other exchanges - the Far East Exchange in 1969, the Kam Ngan Stock Exchange in 1971 and the Kowloon Stock Exchange in 1972.

Pressure to strengthen market regulation and to unify the four exchanges led to the incorporation of The Stock Exchange of Hong Kong Limited in 1980. On 27 March 1986, the four exchanges ceased business; and the new exchange commenced trading through a computer-assisted system on 2 April 1986. In the 1990's, total market capitalization of companies listed on the Main Board increased substantially due to the increased number of local and PRC company listings in Hong Kong, significant additional fund raising by existing listed companies, and the general increase in stock prices. From 14 September 1999, HKEx accepted listing applications from potential issuers wishing to list on the GEM. In November 1999, GEM was established in order to provide fund-raising opportunities for growth companies of all sizes from all industries, and to promote the development of technology industries in the region.

On 6 March 2000, the Stock Exchange and the Futures Exchange demutualized and together with Hong Kong Securities Clearing Company Limited, merged on 27 June 2000 under the name of a holding company - HKEx. HKEx subsequently listed its shares on the Main Board by way of an introduction.

INDUSTRY OVERVIEW

At the end of December 2009, the Stock Exchange was amongst the leading stock exchanges in the world and ranked the seventh largest territorial stock market in the world in terms of market capitalization of companies listed on both the Main Board and GEM, as well as the third largest stock market in Asia. Between 1997 and 2009, the number of listed companies on the Main Board increased from 658 companies to 1,319 while total market capitalization increased more than three-fold to approximately HK\$17,874 billion. By December 2009, total market capitalization of all companies listed on the Stock Exchange (inclusive of Main Board and GEM listed companies) was US\$2,305 billion.

**Table: Market capitalization of the world's top stock exchanges
(as at end of December 2009)**

	Worldwide Ranking	Ranking in Asia	Market Capitalization (US\$ billion)
U.S. (NYSE Euronext)	1		11,838
Japan (Tokyo)	2	1	3,306
U.S. (Nasdaq OMX)	3		3,239
Europe (NYSE Euronext)	4		2,869
UK (London)	5		2,796
China (Shanghai)	6	2	2,705
Hong Kong	7	3	2,305
Canada (Toronto)	8		1,608
Brazil (BM&FBOVESPA)	9		1,337
India (Bombay)	10	4	1,307
Spain	11		1,297
Germany (Deutsche Börse)	12		1,292
Australia	13	5	1,262
Switzerland	14		1,065
China (Shenzhen)	15	6	868

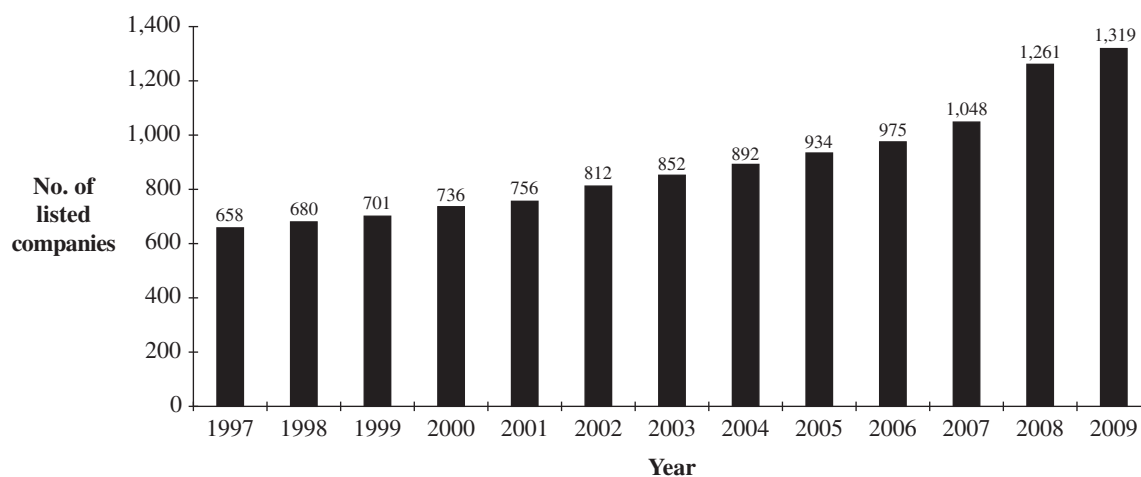
Source: WFE

Note: Ranking is based on market capitalization. Market capitalization excludes investment funds.

INDUSTRY OVERVIEW

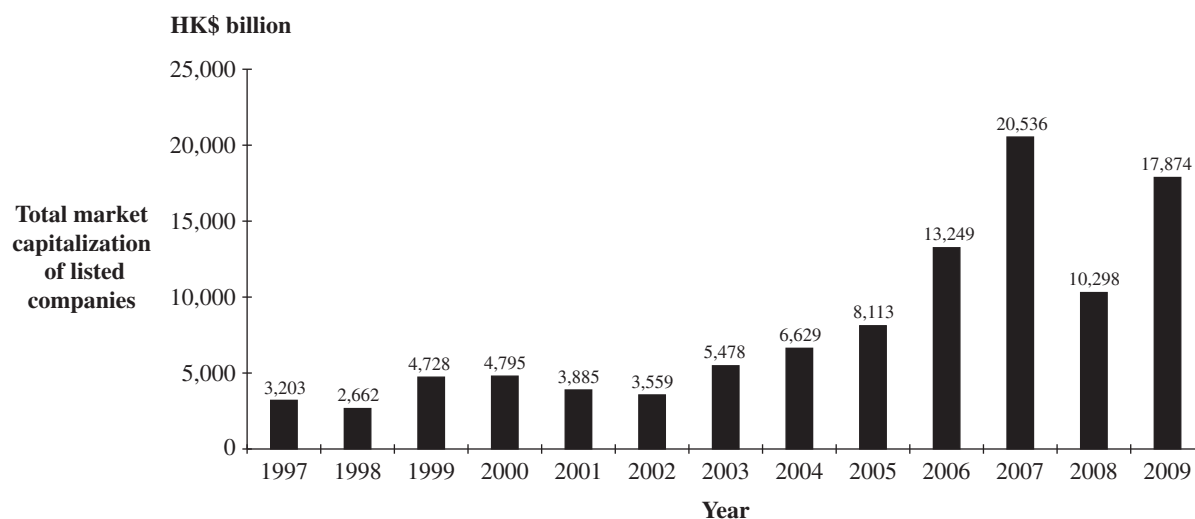
Between 1999 and 2009, the number of companies having shares listed on GEM has increased from 7 listed companies to 174 listed companies.

**Number of companies with shares listed on the Main Board and GEM
as at 31 December 1997 through 2009**



Source: HKEx

**Total market capitalization of the Main Board and GEM listed companies
as at 31 December 1997 through 2009**

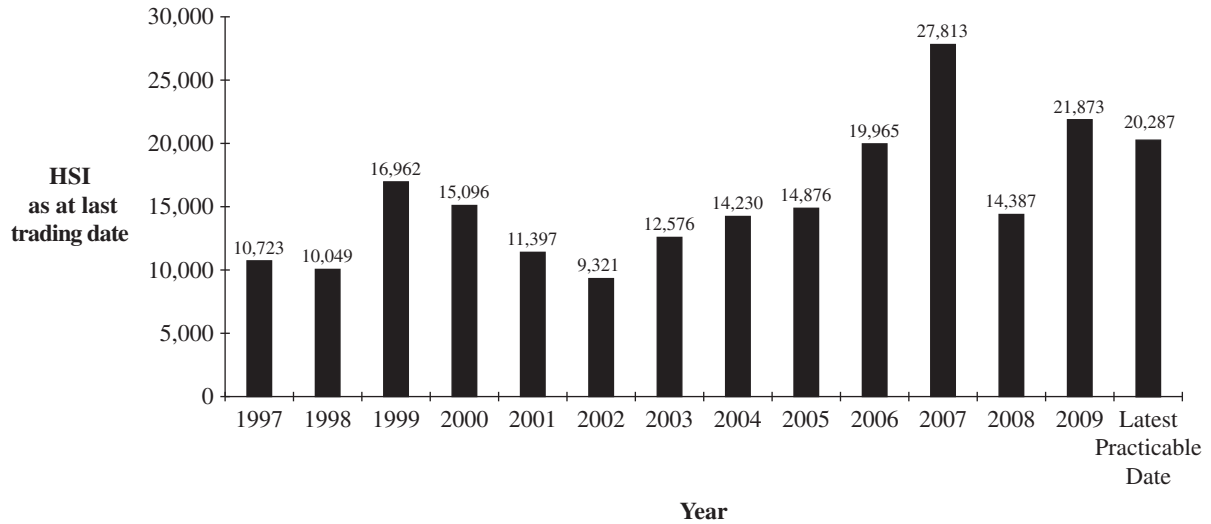


Source: HKEx

INDUSTRY OVERVIEW

Set out below is a summary of the HSI as at the last trading date for each of the years from 1997 to 2009 and as at the Latest Practicable Date:

**HSI as at last trading date for each of the years from 1997 to 2009
and as at the Latest Practicable Date**



Source: HKEx

Between 1997 and 2009, HSI increased from 10,723 as at 31 December 1997 to 21,873 as at 31 December 2009 and decreased by 1,586 points to 20,287 as at the Latest Practicable Date.

INDUSTRY OVERVIEW

Securities products on the Stock Exchange

Securities listed on the Main Board include equity securities, warrants, debt securities, unit trusts and CBBC (Callable Bull/Bear Contract). Please refer to the chart below for listed securities by type on HKEx securities market. The first derivative warrant was admitted for listing in Hong Kong in February 1988. Regulated short selling was introduced in January 1994 to enable more flexible portfolio investment by investors.

Stock market highlights — Main Board and GEM

	Year										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Listed securities											
(as at year end)											
No. of listed companies	708	790	867	978	1,037	1,096	1,135	1,173	1,241	1,261	1,319
Domestic ⁽¹⁾	695	779	857	968	1,027	1,086	1,126	1,165	1,232	1,251	1,308
Foreign ⁽²⁾	13	11	10	10	10	10	9	8	9	10	11
No. of listed securities	1,212	1,349	1,189	1,586	1,785	2,176	2,649	3,383	6,092	5,831	6,616
No. of new listed companies ⁽³⁾	38	90	88	117	73	70	67	62	84	49	73
New listing companies	38	90	88	115	67	68	65	60	80	31	69
Transfer of listing from GEM	—	—	—	2	6	2	2	2	4	18	4
Total issued capital (HK\$billion)	225.87	288.92	328.63	387.34	409.08	441.06	712.75	901.10	963.89	980.56	1,043.52
Total market capitalization (HK\$billion)	4,734.76	4,862.44	3,946.31	3,611.32	5,547.85	6,695.89	8,179.94	13,337.71	20,697.54	10,298.75	17,874.31
Equity funds raised (HK\$billion)	149.70	467.34	64.42	110.51	213.76	281.80	301.71	524.54	590.85	427.25	642.12
Initial public offers	17.14	132.12	25.71	51.98	59.14	97.16	165.65	333.85	292.44	65.98	248.23
Secondary market	132.56	335.22	38.71	58.53	154.62	184.64	136.06	190.69	298.41	361.27	393.89

Notes:

- (1) All PRC incorporated enterprises with H shares listed on the Stock Exchange are included.
- (2) A listed company would be counted as a foreign company if it is incorporated overseas and has a majority of its business outside of Hong Kong and PRC, and as a domestic company if otherwise.
- (3) Figures include the number of companies for the transfer of listing from GEM to Main Board.

Source: HKEx

INDUSTRY OVERVIEW

Listed debt securities, 2005 - 2009

Country	2005		2006		2007		2008		2009	
	No. of issues	Nominal amount	No. of issues	Nominal amount	No. of issues	Nominal amount	No. of issues	Nominal amount	No. of issues	Nominal amount
		(HK\$ million)		(HK\$ million)		(HK\$ million)		(HK\$ million)		(HK\$ million)
Hong Kong	111	178,714.26	138	199,413.65	141	219,316.12	141	230,173.89	132	232,960.25
PRC	17	86,653.05	15	80,611.04	15	80,611.04	13	69,183.50	11	61,383.50
Foreign	36	171,832.69	25	146,645.53	19	127,886.08	18	114,644.30	14	97,564.63
Supranational	2	8,800.00	2	8,800.00	—	—	—	—	—	—
Total	166	446,000.00	180	435,470.22	175	427,813.24	172	414,001.69	157	391,908.38

Source: HKEx

Market value and trading for equity warrants, 2005 - 2009

Year	Number	Market value (HK\$ million)	Turnover value (HK\$ million)	(%) of market total
2005	27	1,156.84	2,283.25	0.05
2006	27	3,991.91	2,711.69	0.03
2007	30	6,873.37	5,099.36	0.02
2008	34	548.52	1,130.25	0.01
2009	25	1,103.37	524.07	0.00

Source: HKEx

Market value for unit trusts and mutual funds, 2005 - 2009

Year/Month	Exchange Traded Funds (ETF)		Real Estate Investment Trust (REIT)		Others		Total	
	No. of issues	Market value	No. of issues	Market value	No. of issues	Market value	No. of issues	Market value
		(HK\$ million)		(HK\$ million)		(HK\$ million)		(HK\$ million)
2005	8	54,134.38	3	37,935.43	2	11.70	13	92,081.51
2006	9	73,484.31	5	53,057.24	1	—	15	126,541.55
2007	17	105,623.36	7	66,089.08	2	4,098.45	26	175,810.89
2008	24	266,475.46	7	46,405.95	2	1,439.29	33	314,320.70
2009	43	496,812.50	7	73,818.20	2	3,038.50	52	573,669.20

Source: HKEx

INDUSTRY OVERVIEW

Derivatives market highlights

	Year		
	2007	2008	2009
All futures and options products (excluding stock options)			
No. of trading days	245	243	247.5
Contract volume	42,002,718	50,313,871	51,098,362
Equity index products	41,618,802	50,029,072	50,817,046
Equity products	351,514	257,015	271,766
Interest rates products	32,402	24,709	2,777
Gold Futures*	—	3,075	6,773
 Average daily	 171,440	 207,053	 206,458
 Open interest at the year end	 465,980	 321,768	 455,898
Equity index products	457,894	309,661	451,269
Equity products	5,954	9,449	4,407
Interest rates products	2,132	2,526	103
Gold Futures*	—	132	119

* Trading on Gold Futures commenced in October 2008

Source: HKEx

The Stock Exchange's mission is to promote capital formation in Hong Kong and the PRC, and in July 1993, the first PRC incorporated enterprise was listed in Hong Kong. As at 31 December 2009, there were 253 PRC related enterprises (including H share and Red chips companies) listed on the Main Board and GEM. The number is expected to increase as more PRC companies seek to raise foreign capital to fuel business growth.

INDUSTRY OVERVIEW

According to data provided by HKEx, market capitalization of all PRC-based listed companies, including H shares and Red chips, reached HK\$8,058,060.02 million as at the end of May 2010, representing 48.4% of total market capitalization on the Main Board. However, the market share of Chinese listed companies was only about 4.8% at the end of 1993. In addition, those Chinese listed companies we mentioned above do not include Chinese private companies incorporated overseas but listed in Hong Kong, such as Tencent (00700.HK), Alibaba (01688.HK) and Mengniu Dairy (02319.HK). Taking these companies into account, the market share of PRC-based companies by capitalization would be approximately 58.7%. With China's economic growth and more PRC-based companies seeking overseas listing, that ratio is expected to rise in the future.

Main Board

Year-end	H shares		Red chips		H Shares and Red chips	
	Market capitalization	% of market	Market capitalization	% of market	Market capitalization	% of market
	(HK\$ million)		(HK\$ million)		(HK\$ million)	
1993	18,228.70	0.61%	124,129.51	4.17%	142,358.21	4.78%
1994	19,981.32	0.96%	84,279.33	4.04%	104,260.65	5.00%
1995	16,463.77	0.70%	110,701.97	4.71%	127,165.74	5.42%
1996	31,530.63	0.91%	263,330.90	7.58%	294,861.53	8.49%
1997	48,622.01	1.52%	472,970.42	14.77%	521,592.43	16.29%
1998	33,532.66	1.26%	334,966.21	12.58%	368,498.87	13.84%
1999	41,888.78	0.89%	956,942.33	20.24%	998,831.11	21.13%
2000	85,139.58	1.78%	1,203,551.95	25.10%	1,288,691.53	26.88%
2001	99,813.09	2.57%	908,854.82	23.39%	1,008,667.91	25.96%
2002	129,248.37	3.63%	806,407.41	22.66%	935,655.78	26.29%
2003	403,116.50	7.36%	1,197,770.75	21.87%	1,600,887.25	29.23%
2004	455,151.75	6.87%	1,409,357.12	21.26%	1,864,508.88	28.13%
2005	1,280,495.01	15.78%	1,709,960.75	21.08%	2,990,455.76	36.86%
2006	3,363,788.46	25.39%	2,951,581.05	22.28%	6,315,369.51	47.67%
2007	5,056,820.09	24.62%	5,514,059.49	26.85%	10,570,879.58	51.47%
2008	2,720,188.76	26.53%	2,874,906.69	28.04%	5,595,095.45	54.57%
2009	4,686,418.75	26.37%	3,862,143.29	21.73%	8,548,562.04	48.10%
2010*	4,327,883.79	26.01%	3,730,176.23	22.42%	8,058,060.02	48.42%

* As at the end of May 2010

Source: HKEx

INDUSTRY OVERVIEW

GEM

Year-end	H shares		Red chips		H Shares and Red chips	
	Market	% of	Market	% of	Market	% of
	capitalization (HK\$ million)	market	capitalization (HK\$ million)	market	capitalization (HK\$ million)	market
1999	—	—	1,255.50	17.35%	1,255.50	17.35%
2000	991.69	1.47%	806	1.20%	1,797.69	2.67%
2001	1,888.75	3.10%	1,010.60	1.66%	2,899.35	4.76%
2002	2,393.01	4.58%	830.8	1.59%	3,223.81	6.17%
2003	5,063.25	7.21%	—	—	5,063.25	7.21%
2004	6,376.35	9.56%	727.56	1.09%	7,103.91	10.65%
2005	6,420.65	9.64%	836.23	1.26%	7,256.88	10.90%
2006	14,952.03	16.82%	790.31	0.89%	15,742.35	17.71%
2007	22,695.38	14.09%	10,378.89	6.44%	33,074.27	20.53%
2008	11,550.65	25.57%	988.62	2.19%	12,539.27	27.76%
2009	27,059.82	25.76%	6,551.60	6.24%	33,611.41	32.00%
2010*	32,289.78	26.18%	4,097.08	3.32%	36,386.86	29.50%

* As at the end of May 2010

Source: HKEx

The HSI

Of the various indices which track the performance of listed companies in Hong Kong, the most frequently cited is the HSI. The HSI is compiled and managed by HSI Services Limited, a private company wholly-owned by Hang Seng Bank Limited. Since its inception in November 1969, the HSI has been the most widely-quoted index of the Hong Kong stock market, both locally and internationally. It is a market-value-weighted index in which the contribution of each constituent stock to the index is weighted against the total market value of all constituent stocks in the HSI. As at the Latest Practicable Date, the HSI had 43 constituent stocks, comprising companies in the financial, utility, property, commercial and industrial sectors.

THE STOCK BROKERAGE INDUSTRY IN HONG KONG

According to the World Federation of Exchanges, the total value of shares traded in the Hong Kong stock market was US\$1,416 billion in 2009, ranking 10th amongst major stock exchanges in the world. Hong Kong's trading value enhanced significantly since 2006, after surpassing the US\$500 billion mark for the first time.

INDUSTRY OVERVIEW

Exchange Participants

To trade through the facilities of the Stock Exchange, a company must be an Exchange Participant. Becoming an Exchange Participant requires, among other things, the company to be a limited company incorporated in Hong Kong or an individual ordinarily resident in Hong Kong, to meet certain liquid capital requirements.

As at 31 December 2009, there were a total of 495 Exchange Participants, including 463 trading participants and 32 non-trading participants.

Exchange Participants are classified into three groups:

- Group A - the 14 largest firms by market turnover;
- Group B - the 15th to 65th largest firms by market turnover; and
- Group C - other stockbrokers in the market.

Group A firms are engaged mainly in institutional trading, predominantly serving large overseas institutional clients. Group B firms are engaged in a mixture of overseas and local institutional trading and retail trading. Group C firms have historically captured a majority of the retail trading in Hong Kong, but are gradually being squeezed out of the market by large institutions from Group A, as well as Group B firms which have sufficient economies of scale to offer comprehensive and sophisticated service platforms than the traditional brokers. We belong to Group B firms. In 2009, our position amongst the Exchange Participants was 38 out of 454 and our market share was approximately 0.55%.

THE FUTURES MARKET IN HONG KONG

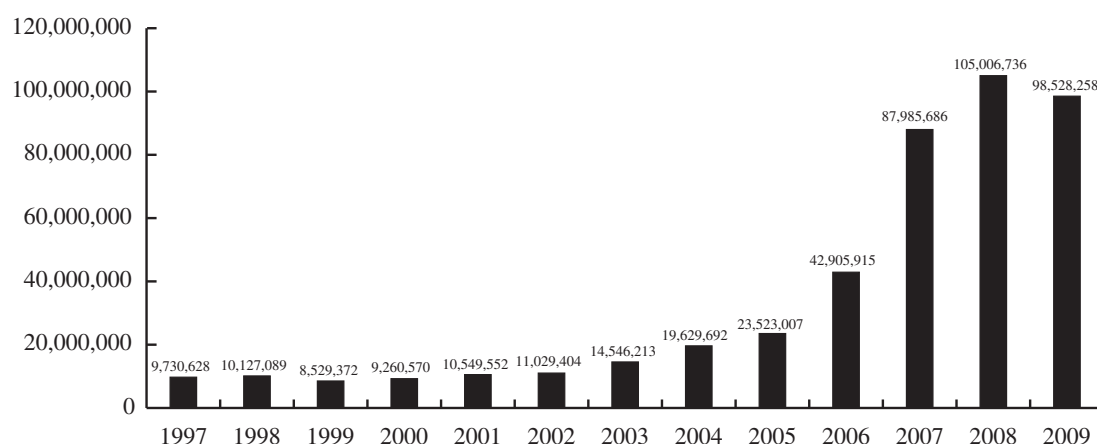
Futures and options trading in Hong Kong over the last 15 years has grown in tandem with the growth of the territory's securities market. In 1976, the Futures Exchange was established and was licensed by the Government of Hong Kong as the exchange company to establish and operate the commodity exchange in Hong Kong under the Commodities Trading Ordinance (Chapter 250 of the Laws of Hong Kong).

On 6 March 2000, the Stock Exchange and the Futures Exchange demutualized and together with HKSCC, merged under a single holding company, namely HKEx.

The Futures Exchange provides efficient and diversified markets for the trading of futures and option contracts by its more than 167 exchange participant organizations as at 31 December 2009, including many that are affiliated with international financial institutions. The Futures Exchange provides a spectrum of financial products including stock futures, index futures and options, and interest rate futures. The total annual futures contracts and option contracts traded in Hong Kong have grown from approximately 9.7 million contracts in 1997 to approximately 98.5 million contracts in 2009.

INDUSTRY OVERVIEW

Total futures and option contracts traded on the Futures Exchange between the years 1997-2009



Source: HKEx

In November 1995, to enhance capacity and functionality, the Futures Exchange switched from the open outcry trading arrangement to the Hong Kong Futures Automatic Trading System (“HKATS”). The HKATS is an upgraded version and a new electronic screen-based trading system through which investors can have direct access to comprehensive price information on a real time basis. Moreover, investors’ orders are matched automatically on a real time basis. Upon the establishment of an account with the Futures Exchange, an individual investor can conduct trades via the HKATS workstations located at the premises of a futures exchange participant.

DEVELOPMENT OF TRADING INFRASTRUCTURE AND SETTLEMENT

Trading system in Hong Kong

Prior to November 1993, trading on the Stock Exchange was conducted manually, either through the Stock Exchange’s internal telephone system or via the “open outcry” system where Exchange Participants negotiated face-to-face on the trading floor. To accommodate the increasing trading volume, the Stock Exchange commissioned the AMS system in order to support both manual and fully-automated trading. All securities listed on the Stock Exchange are now traded through an “automatching” mechanism through the AMS.

AMS/3

The Stock Exchange’s electronic trading platform currently uses AMS/3, which was launched by the Stock Exchange in 2000 to replace AMS/2. AMS/3 has extensive capabilities in various areas, including market model, trading methods, market access and trading facilities, and investor access channels.

INDUSTRY OVERVIEW

Under AMS/3, automatching is the core mode for trading. In addition, AMS/3 also features new methods such as single price auction and quote-based market-making. Other new order types, such as enhanced limit order and special limit order, have been introduced to support different investors' needs.

Under AMS/3, there are two approaches to trading - Terminal Approach and Gateway Approach:

- Terminal Approach - trading is conducted through an AMS/3 Trading Terminal similar to the previous on-floor and off-floor AMS/2 terminals in terms of operation and functionality. In other words, trading can be conducted via input terminals located on the Stock Exchange's trading floor, or via off-floor terminals installed at the Exchange Participants' offices with a maximum of two off-floor terminals per Stock Exchange seat held.
- Gateway Approach - brokers can access the market with an Open Gateway ("OG") device. To perform trading functions, brokers need to connect their trading facility to the OG device. Brokers can connect OG to an Exchange Participant's Broker Supplied System ("BSS"), i.e. an in-house developed system or third-party software package developed by commercial vendors. With this setup, brokers can then make use of their BSS to provide online trading services to investors.
- AMS/3 trading terminals allow for securities and futures trading in Hong Kong only.

Finally, AMS/3 provides investors with channels including the Internet and mobile phones for submitting their trade orders. An Order Routing System developed by the Stock Exchange links AMS/3 access channels to brokers' OG. The connection enables two-way electronic data transfer and allows brokers to offer new types of services to their clients.

Settlement

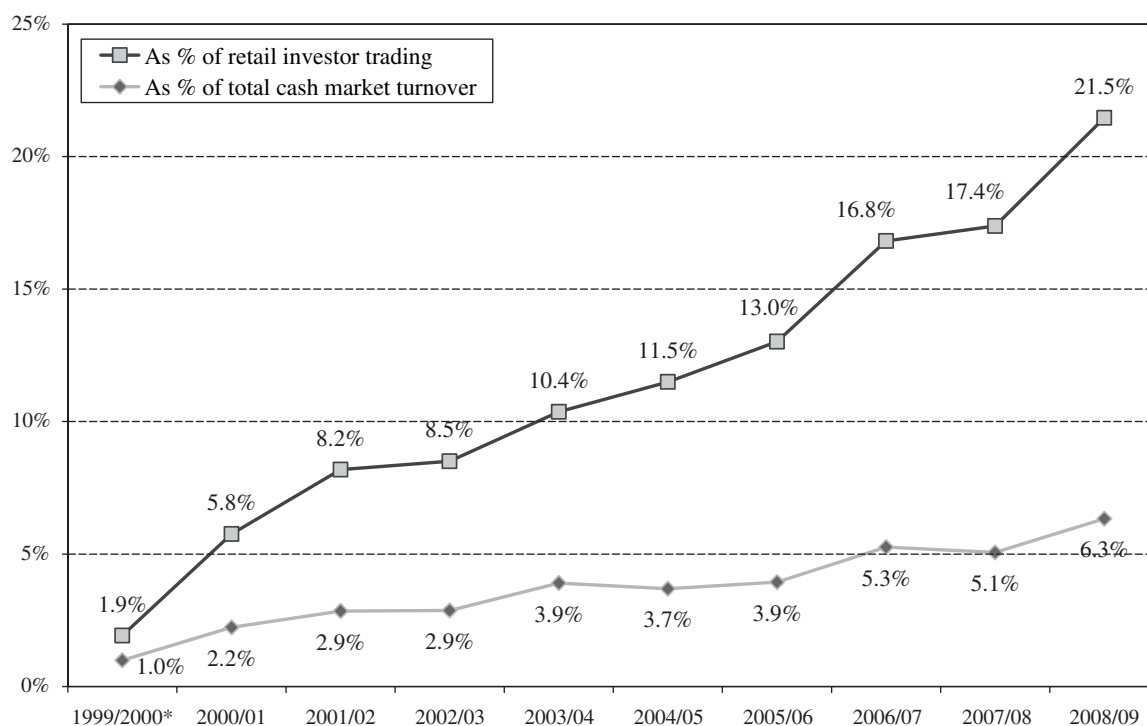
In 1992, the market was introduced to CCASS - a computerized book-entry clearing and settlement system for transactions executed on the Stock Exchange. The system accepts share certificates from its participants, "holds" them in the CCASS depository, and posts electronic share credits to the stock accounts of the depositing participants. Settlement of transactions is recorded electronically by HKSCC as net increases or decreases in participants' stock account balances, without any physical transfer of share certificates. HKSCC also facilitates payments through the use of electronic money transfers between the participants' designated banks. Exchange Participants are required to settle all their trades in eligible securities through CCASS. Operation of investor accounts in CCASS was launched in May 1998. HKEx currently has six categories of CCASS participants, namely, investors, brokers, clearing agencies, custodians, stock lenders and stock pledgees.

INDUSTRY OVERVIEW

THE ONLINE BROKERAGE INDUSTRY IN HONG KONG

Since 2000, the number of financial institutions and brokers offering online trading in Hong Kong has been increasing. Many brokers now offer online services in conjunction with traditional brokerage services. According to the Cash Market Transaction Survey 2008/2009 performed by HKEx, the uptrend of retail online trading continued in 2009.

Percentage share of retail online trading value in cash market (1999/2000-2008/09)



* The term "Internet trading" instead of "online trading" was used in the 1999/2000 survey.

Source: Cash Market Transaction Survey 2008/2009

Note: The Cash Market Transaction Survey has been conducted annually since 1991 to study the trading composition of Exchange Participants.

As at the Latest Practicable Date, there were no additional registration and licensing requirements in Hong Kong for a company to conduct securities and commodities dealing through the Internet. The SFC would expect registered persons to put in place additional operational measures if they intend to conduct securities dealing, commodity and futures trading and leveraged foreign exchange trading activities over the Internet. These measures address suitability and general conduct, order handling and execution, system integrity, responsible personnel, written procedures, client agreements, record keeping and reporting.

INDUSTRY OVERVIEW

CAPITAL MARKETS BUSINESS IN HONG KONG

The capital markets business is a fee and/or commission-based business, namely negotiated fees, retainers and commissions agreed between the service provider and the corporate client. Historically, the capital markets business was characterized by long-standing personal relationships between banker and client; but as more and more investment banks enter into the market to provide similar services, product expertise, distribution power, corporate expediency and competitive pricing are as important as personal relationships. The ability to remain competitive therefore depends upon economies of scale, rankings in league tables, effective publicity, strong deal execution track record, ability to provide creative and effective financial solutions, as well as the ability to maintain the best origination and execution professionals whilst maintaining efficient cost structures.

The capital markets sector is largely dependent on the region's fundamental economic health, capital inflows, the stability of political and regulatory environments, as well as continued development of the region's capital markets. As the region's economies continue to grow, particularly the PRC, Hong Kong, Taiwan, Vietnam, India, South Korea and Singapore, we anticipate increasing needs for capital markets expertise in such countries.

Due to the effect of the global financial crisis in late 2008, Hong Kong's capital markets business retreated significantly, it is not until the second quarter of 2009, Hong Kong's capital markets business showed significant recovery. In 2009, total value of the Hong Kong capital markets business was HK\$630.7 billion, compared to HK\$427.2 billion in 2008 and HK\$590.8 billion in 2007.

INDUSTRY OVERVIEW

Table: Equity funds raised on the Stock Exchange

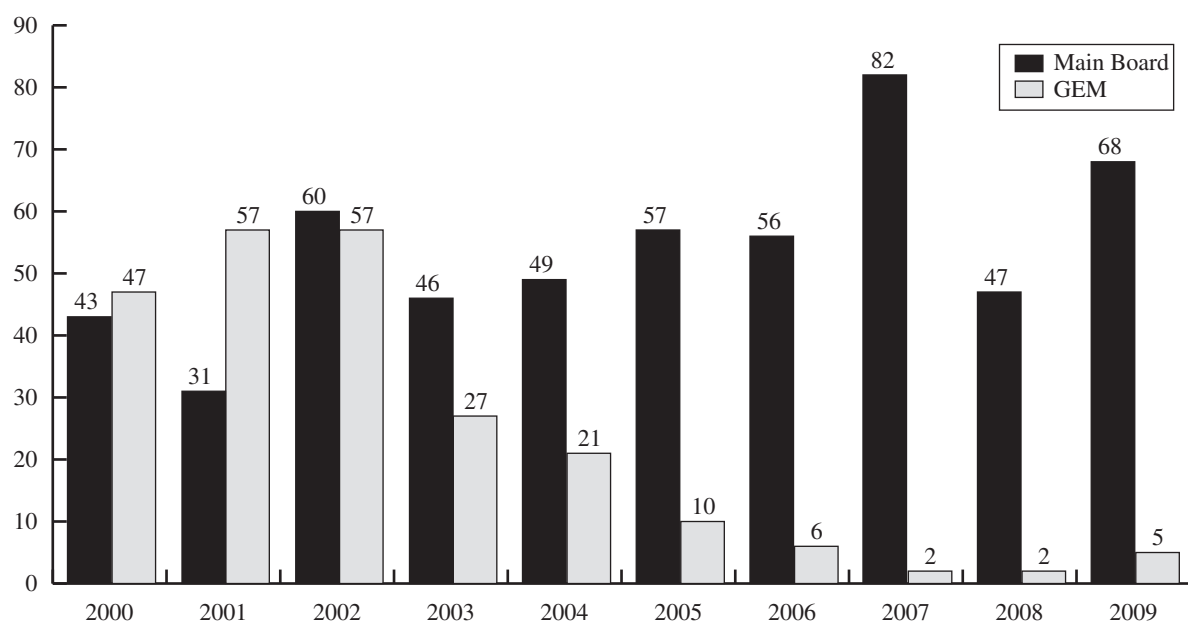
For the period	IPO		Rights issue		Placing		Others		Total
	(HK\$ million)	%	(HK\$ million)	%	(HK\$ million)	%	(HK\$ million)	%	
Main Board									
1997	81,654	33	16,512	7	78,174	31	71,238	29	247,578
1998	5,954	16	5,385	14	16,400	43	10,519	27	38,258
1999	15,558	11	8,067	5	69,318	47	55,178	37	148,121
2000	117,303	26	12,650	3	106,247	24	215,080	48	451,280
2001	21,599	37	3,937	7	11,611	20	21,447	37	58,594
2002	44,974	44	5,744	6	15,556	15	35,140	35	101,414
2003	57,066	27	2,777	1	16,301	8	132,971	64	209,115
2004	94,465	34	8,094	3	45,962	17	127,999	46	276,520
2005	164,985	55	10,432	3	62,258	21	60,985	20	298,660
2006	332,083	64	10,477	2	110,682	21	62,783	12	516,025
2007	290,443	51	29,752	5	152,922	27	97,961	17	571,078
2008	65,760	16	47,605	11	54,234	13	250,589	60	418,188
2009	247,871	39	177,316	28	140,590	22	71,957	11	637,734
GEM									
1999	1,583	100	—	—	—	—	—	—	1,583
2000	14,815	92	—	—	509	3	732	5	16,056
2001	4,116	71	154	3	274	5	1,292	22	5,836
2002	7,011	77	155	2	1,217	13	718	8	9,101
2003	2,075	45	349	8	1,512	33	708	15	4,644
2004	2,694	51	197	4	1,651	31	738	14	5,280
2005	665	22	75	2	1,646	54	659	22	3,045
2006	1,769	21	2,225	26	3,164	37	1,355	16	8,513
2007	1,994	10	2,102	11	10,910	55	4,761	24	19,767
2008	217	2	315	3	3,729	41	4,799	53	9,060
2009	356	8	675	15	2,535	58	818	19	4,384

Source: SFC

All major international investment banks have a presence in the region and they compete with each other to serve the region's governments and listed and unlisted corporations. Many of these financial institutions have regional head offices in Hong Kong, and many also have offices in other parts of Asia and in the PRC.

INDUSTRY OVERVIEW

Number of new listing companies in Hong Kong from 2000 to 2009



Source: SFC

Hong Kong IPO activities and performance - IPO activities were quiet in the first half of 2009, but became very active in the second half due to improved market sentiment (as shown by the table below). For example, total fund raised from IPOs was only HK\$17.6 billion in the first half of 2009, compared to HK\$226.2 billion in the second half of 2009. There were a total of 68 IPOs on Main Board during 2009, raising a total of HK\$244 billion, compared to 47 IPOs raising HK\$66 billion in 2008, and 82 IPOs raising HK\$290 billion in 2007. This rendered Hong Kong the largest IPO centre in the world in 2009.

Table: IPOs on the Stock Exchange in 2009

	Total fund raised (HK\$ million)		Total number of IPOs	
	Main Board	GEM	Main Board	GEM
1st Quarter 2009	1,562	—	7	—
2nd Quarter 2009	16,086	—	11	—
3rd Quarter 2009	45,371	159	13	2
4th Quarter 2009	184,852	198	37	3

Source: HKEx

INDUSTRY OVERVIEW

Competition is fierce among international investment banks for large advisory and capital raising transactions, particularly those relating to government or privatizations of state-owned enterprises, or to the region's leading blue-chip companies. Competition is also strong amongst the local firms to serve the region's small- to medium-sized corporations. Besides large government-related or state-owned enterprises or blue-chip deals, many investment banks have begun to focus on private sector companies particularly in the PRC with potential for listing offshore markets such as Hong Kong, Singapore, New York and London.

With regard to the PRC, on the back of the rapid economic growth over the past three decades, many companies have sought offshore listings, particularly in Hong Kong. However, many of these listings have had to do with large government or state-owned enterprises privatizations. Going forward, as the PRC private sector becomes the driving force behind the PRC's economic growth, the flow of non-government entities seeking offshore capital will increase. The Directors are of the view that many of these companies may seek to list their securities in Hong Kong - Asia's third largest capital markets after Tokyo and Shanghai.

THE FOREIGN EXCHANGE MARKET

According to the Hong Kong Monetary Authority, daily average trading value of the Hong Kong traditional foreign exchange market was US\$175 billion in April 2007, a 70.9% increase compared to in April 2004.

Table: Average daily turnover of Hong Kong traditional foreign exchange market

(USD billion)	Hong Kong Average Daily Turnover			Global Average Daily Turnover		
	04/2007	04/2004	% Increase	04/2007	04/2004	% Increase
Spot transaction	38	36	6.4%	1,005	621	61.8%
Outright forwards	15	5	174.3%	362	208	74.0%
Foreign exchange swaps	122	61	99.5%	1,714	944	81.6%
Estimated gaps in reporting	—	—	—	129	107	20.6%
Total traditional turnover	175	102	70.9%	3,210	1,880	70.7%

Source: The Hong Kong Monetary Authority 2007

Note: Information available at the Hong Kong Monetary Authority is updated according to the Triennial Central Bank Survey Report. The Triennial Central Bank issues its report every three years and the "Triennial Central Bank Survey 2007" is the latest available survey report. The next survey report will be issued at the end of 2010.

On the other hand, the daily average trading value of the Hong Kong over-the-counter foreign exchange derivatives was USD17.3 billion in April 2007, a 71.1% increase compared to that in April 2004.

Globally, in April 2007, Hong Kong dollar is ranked 8th in terms of daily trading turnover in the foreign exchange market. In April 2007, the share of Hong Kong dollar in the foreign exchange market is 2.8%, compared to only 1.8% in April 2004.

INDUSTRY OVERVIEW

Table: Currency distribution of reported foreign exchange market turnover

Rank	Currency	ISO 4217 code (Symbol)	% daily share (April 2007)
1	United States dollar	USD (\$)	86.3%
2	Euro	EUR (€)	37.0%
3	Japanese yen	JPY (¥)	17.0%
4	Pound sterling	GBP (£)	15.0%
5	Swiss franc	CHF (Fr)	6.8%
6	Australian dollar	AUD (\$)	6.7%
7	Canadian dollar	CAD (\$)	4.2%
8-9	Swedish krona	SEK (kr)	2.8%
8-9	Hong Kong dollar	HKD (\$)	2.8%
10	Norwegian krone	NOK (kr)	2.2%
11	New Zealand dollar	NZD (\$)	1.9%
12	Mexican peso	MXN (\$)	1.3%
13	Singapore dollar	SGD (\$)	1.2%
14	South Korean won	KRW (₩)	1.1%
	Other		13.7%
		Total	200%

Source: Triennial Central Bank Survey 2007

Note: The Triennial Central Bank Survey is conducted by The Bank for International Settlements (BIS) every three years and the “Triennial Central Bank Survey 2007” is the latest available survey report. The next survey report will be issued at the end of 2010. The Bank for International Settlements (BIS) is an international organization which fosters international monetary and financial cooperation and serves as a bank for central banks. It was established in 1830 and is an independent third party from our Company.

SUMMARY OF LEGAL AND REGULATORY PROVISIONS

This section provides a brief summary of some of the key areas of the SFO and other laws, rules and regulations relevant to our activities. It is not exhaustive and investors should not place undue reliance on statements in this section. You should consult your own advisers about the legislation referred to in this section.

1. HONG KONG REGULATORY OVERVIEW

1.1 Introduction

The securities and futures markets in Hong Kong are regulated by the SFC. The SFC supervises the recognized exchange company, HKEx, which operates the Stock Exchange, the Futures Exchange and HKSCC. The SFC also regulates other financial intermediaries and the representatives from these financial intermediaries, namely, licensed corporation in Hong Kong who are not necessarily members of these exchanges.

We are licensed by the SFC in Hong Kong.

The SFC is divided into four operational divisions:

- Corporate Finance Division — responsible for the dual filing functions in relation to listing matters, administering the Takeovers Code, overseeing the Stock Exchange's listing-related functions and responsibilities, and administering securities and company legislation relating to listed companies.
- Intermediaries and Investment Products Division — responsible for devising and administering licensing requirements for securities and futures, and leveraged foreign exchange trading intermediaries, supervising and monitoring intermediaries' conduct and financial resources, and regulating the public marketing of investment products.
- Enforcement Division — responsible for conducting market surveillance to identify market misconduct for further investigation, undertaking inquiry into alleged breaches of relevant ordinances and codes, including insider dealing and market manipulation, and instituting disciplinary procedures for misconduct by licensed intermediaries.
- Supervision of Markets Division — responsible for supervising and monitoring activities of the exchanges and clearing houses, encouraging development of the securities and futures markets, promoting and developing self-regulation by market bodies.

The SFC's regulatory objectives as set out in the SFO are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to promote understanding by the public of the operation and functioning of the securities and futures industry;

SUMMARY OF LEGAL AND REGULATORY PROVISIONS

- to provide protection for members of the public investing in or holding financial products;
- to minimize crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

The SFC derives its powers principally from the SFO and is as a self-regulatory organization outside the civil service. The SFO provides for the fundamental framework within which dealings in securities are conducted and regulated. Apart from SFO, the operation of the securities market is also governed by the subsidiary legislations and regulations, administrative procedures and guidelines developed by the SFC, as well as by the rules and regulations introduced and administered by the exchange companies (i.e. the Stock Exchange and the Futures Exchange) of the HKEx.

The SFO is Hong Kong's principal legislation regulating financial products, the securities and futures market and the securities and futures industry, the regulation of activities and other matters connected with financial products and the protection of investors. It is administered by the SFC which is a statutory body in Hong Kong.

The SFO categorises various types of "regulated activity". The regulated activities are:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 3: Leveraged foreign exchange trading
- Type 4: Advising on securities
- Type 5: Advising on futures contracts
- Type 6: Advising on corporate finance
- Type 7: Providing automated trading services
- Type 8: Securities margin financing
- Type 9: Asset management

The Group carries on and is licensed for Types 1, 2, 4, 6 and 9 of the above regulated activities.

There are many rules and regulations in Hong Kong that are applicable to the Group's products and services. We have set out below a description of certain requirements under the SFO that we consider to be most pertinent in the context of giving investors information that enable them to make an informed assessment of the Group's business.

SUMMARY OF LEGAL AND REGULATORY PROVISIONS

1.2 Overview of licensing requirements

Under the SFO, any person:

- (a) carrying on a regulated activity (or holding out as carrying on a regulated activity); or
- (b) actively marketing (whether in Hong Kong or from a place outside of Hong Kong) to the Hong Kong public such services which, if provided in Hong Kong, would constitute a regulated activity

must be licensed by the SFC to carry out that regulated activity, unless one of the exemptions under the SFO applies. Authorized financial institutions are subject to slightly different rules.

These licences are only available to corporations. With the exception of corporations that carry on the activity of securities margin financing, a corporation may be licensed for more than one type of regulated activity that does not entail a conflict of interest. Each licence sets out the regulated activities which the licensee is permitted to carry out and any conditions to which it is subject. An individual performing a regulated function for a licensed corporation in relation to a regulated activity, or holding himself out as performing such a function, must separately be licensed under the SFO as a “representative” accredited to his principal.

Only a corporation that is incorporated in Hong Kong or an overseas company registered in Hong Kong under Part XI of the Companies Ordinance can be licensed to carry out a regulated activity under the SFO. Each applicant for a licence must satisfy the SFC that, among other things, it is “fit and proper” to be licensed to carry out the regulated activity in question and will be able, if licensed, to comply with certain financial resources rules. In substance, these rules are designed to ensure maintenance of specified levels of paid-up share capital and liquid capital depending on the type of regulated activity involved. A licensed corporation (other than one which carries on a regulated activity solely as one or more of (a) an approved introducing agent who is not a licensed corporation licensed for Type 3 regulated activity; (b) a trader; (c) a futures non-clearing dealer; or (d) a licensed corporation licensed for Type 4, Type 5, Type 6 or Type 9 regulated activity, which is subject to the specified licensing condition) shall maintain a minimum paid-up capital of:

- (i) HK\$10,000,000 for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing;
- (ii) HK\$5,000,000 in any other case for Type 1 regulated activity; and
- (iii) HK\$5,000,000 for Type 4, Type 5 and Type 9 regulated activities.

SUMMARY OF LEGAL AND REGULATORY PROVISIONS

A licensed corporation shall maintain a minimum liquid capital of the higher of the amount of (a) and (b) below:

- (a) the amount of:
- (i) HK\$100,000, where the licensed corporation is licensed for Type 4, Type 5 and Type 9 regulated activities in the case where the licensed corporation is subject to the licensing condition that it shall not hold client assets;
 - (ii) HK\$500,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation is an approved introducing agent or trader;
 - (iii) HK\$3,000,000, where the licensed corporation is licensed for Type 1 regulated activity in the case where the licensed corporation provides securities margin financing; or
 - (iv) HK\$3,000,000, where the licensed corporation is licensed in any other case for Type 1, Type 4, Type 5 and Type 9 regulated activities.
- (b) 5% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

In considering whether a person is fit and proper to be licensed to carry out a regulated activity, or to be a representative of a licensed corporation, in addition to any other matter that it considers relevant, the SFC has regard to:

- financial status or solvency;
- educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;
- the ability to carry on the regulated activity competently, honestly and fairly; and
- the reputation, character, reliability and financial integrity of the applicant and relevant individuals.

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The substantial shareholders of a licensed corporation, its officers (including every director, manager or secretary and any person involved in its management) and any other person who is or is to be employed by or associated with the licensed corporation must also meet the fit and proper test. For this purpose a person is a “substantial shareholder” of a corporation if he, either alone or with his “associates” (as defined in the SFO):

- has an interest in its shares which is equal to more than the nominal value of 10% of the issued share capital of the corporation or which entitles the person, either alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation; or
- holds shares in any other corporation which entitles him, either alone or with his associates, to exercise or control the exercise of 35% or more of the voting power at general meetings of the other corporation, or of a further corporation, which is itself entitled, alone or with his associates, to exercise or control the exercise of more than 10% of the voting power at general meetings of the corporation.

Each licensed corporation must have two “responsible officers”, at least one of whom is an executive director approved by the SFC, to supervise the regulated activity of the licensed corporation to which they are accredited. Even if a corporation is licensed under the SFO, it is not allowed to carry on any regulated activity for which it is licensed unless every director of the licensed corporation who actively participates in or is responsible for supervising its regulated activities is approved by the SFC as a responsible officer in relation to such regulated activity.

Licensed corporations and licensed representatives have to comply with ongoing requirements. For licensed corporations these include obligations:

- to notify the SFC of changes in certain information concerning themselves which has been provided to the SFC;
- to continue to meet the fit and proper test at all times;
- to submit audited accounts and certain other documents to the SFC each financial year;
- to maintain certain financial resources and to submit financial resources returns to the SFC; and
- to design, implement and complete continuous professional training for each regulated activity which they carry out.

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1.3 Overview of Hong Kong regulatory requirements for collective investment schemes

A “collective investment scheme” is defined in detail in the SFO. Broadly speaking, a “collective investment scheme” is an arrangement under which investors pool their assets for management by an independent professional manager, for example in a unit trust or mutual fund, the purpose or effect of which is to enable participants to participate in or receive returns from the acquisition, holding, management or disposal of assets by the professional manager. Investments in collective investment schemes often include bonds and quoted equities, but can include other assets, for example, unquoted investments, real estate and foreign currencies.

Unless specific exemptions apply, the publication of an advertisement or issue of an invitation to the public in Hong Kong to invest in a collective investment scheme that has not been authorized by the SFC is prohibited under the SFO. Funds which are intended to be disposed of only to “professional investors” (as defined in the SFO) or to be disposed of only to persons outside of Hong Kong are exempt from SFC authorization. Other exemptions include an offer of securities made by an intermediary licensed or registered for Type 1, Type 4 or Type 6 regulated activity in respect of securities or Type 2 or Type 5 regulated activities in respect of futures contracts.

The UT Code, published by the SFC, sets out the guidelines for the authorization of collective investment schemes in the nature of mutual fund corporations or unit trusts. Authorization by the SFC involves consideration of the following:

- (a) the scheme’s legal form and structure;
- (b) the scheme’s key operating parties, including the fund manager and the trustee/custodian;
- (c) the scheme’s operational features;
- (d) the scheme’s investment nature;
- (e) the disclosure quality of the scheme’s offering document; and
- (f) the scheme’s compliance with the UT Code.

There are two broad categories of schemes under the UT Code:

- (a) “Chapter 7 funds” include collective investment schemes for example straightforward equity or bond funds; and
- (b) “Chapter 8 specialized schemes” which include Unit Portfolio Management Funds, Money Market/Cash Management Funds, Warrant Funds, Leveraged Funds, Futures and Option Funds, Guaranteed Funds, Index Funds, Hedge Funds and Exchange Traded Funds (all as defined under the UT Code).

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The UT Code sets out core requirements in respect of the investment limitations and prohibitions of these funds, including, among others, short selling limitations, limitations on making loans, limitations on investments in securities in which directors or officers have interests and limitations on borrowing.

The UT Code further sets out requirements on acceptability of the management company of a collective investment scheme. This is assessed generally based on the following:

- sufficiency of human and technical resources;
- key personnel investment experience;
- full time dedication by key personnel with a demonstrable track record in the management of unit trusts or mutual funds;
- overall integrity of the applicant management company; and
- on-going supervision and regular monitoring and proper internal controls.

1.4 Fund Manager Code of Conduct

Two of our Group's subsidiaries are involved in asset management business. Therefore our Group is subject to the rules and regulations set out under the "Fund Manager Code of Conduct" (the "**Code**") issued by the SFC in April 2003, which sets out conduct requirements for fund managers, which, as specified under the Code, as "persons licensed by or registered with the SFC whose business involves the discretionary management of collective investment schemes (whether authorized or unauthorized)". These guidelines apply to all licensed or registered persons acting as fund managers, including their representatives.

The Code aims to supplement codes and guidelines applicable to all categories of licensed or registered person with guidance in respect of the minimum standards of conduct specifically applicable to fund managers. Breach of any of the requirements of the Code will, in the absence of extenuating circumstances, reflect adversely on the fitness and properness of a fund manager and may result in disciplinary action.

Below are some of the basic guidelines for fund managers contained in the Code:

- *Incorporation and registration* — A fund manager should ensure that its business is properly incorporated and that any person it employs or appoints to conduct business is properly licensed or registered in accordance with all applicable statutory requirements
- *Organization and resources* — A fund manager should maintain the following:
 - (i) financial resources in accordance with all applicable statutory requirements;

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- (ii) sufficient human and technical resources and experience for the proper performance of its duties;
 - (iii) satisfactory internal controls and written compliance procedures which address all applicable regulatory requirements;
 - (iv) satisfactory risk management procedures commensurate with its business; and
 - (v) adequate professional indemnity insurance cover.
- *Functional separation* — Where a fund manager is part of a group of companies which undertake other financial activities such as advising on corporate finance, banking or broking, it should ensure there are effective Chinese Walls in place to prevent the flow of information that may be confidential and/or price sensitive between the different areas of operations.
 - *Segregation of duties* — A fund manager should ensure that key duties and functions are appropriately segregated.
 - *Compliance* — A fund manager should maintain an effective compliance function within the corporation to ensure that the corporation complies with its own internal policies and procedures, and with all applicable legal and regulatory requirements, and ensure that the compliance function possesses the technical competence and experience necessary for the performance of its functions.
 - *Audit* — Where practicable, a fund manager should maintain an independent and objective audit function to report on the adequacy, effectiveness and efficiency of the corporation's management, operations and internal controls.
 - *Delegation* — Where functions are delegated to third parties, there should be ongoing monitoring of the competence of delegates, to ensure that the principles of this Code are followed. Although the investment management role of the corporation may be sub-contracted, the responsibilities and obligations of the corporation to its clients may not be delegated.
 - *Withdrawal from business* — A fund manager who withdraws from business should ensure that any affected clients are promptly notified and that proper arrangements remain in place for the safekeeping of client assets.

The Code's guidelines on staff personal dealing

The Code sets out the certain guidelines in respect of personal account dealings by (i) employees or directors of fund managers who, in their regular functions or duties, make or participate in investment decisions or obtain information prior to making investments on behalf of a client; and (ii)

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any persons over whom they exercise control and influence (“relevant persons”). These guidelines are aimed to ensure that relevant persons, when making transactions for themselves, give their clients priority and avoid conflicts of interest. Below are some highlights of the section:

- (a) A fund manager should ensure that internal rules are contained in its contracts of employment for relevant persons as follows:
 - (i) that they are required to disclose existing holdings upon joining a fund manager and at least annually thereafter;
 - (ii) that they are required to obtain prior written permission for personal account dealing from the designated compliance officer. The permission should be valid for no more than 5 trading days, and be subject to certain constraints;
 - (iii) that they are required to hold all personal investments for at least 30 days, unless prior written approval is obtained; and
 - (iv) that they are required, either:
 - to hold their personal accounts with the fund manager or a connected person and place all deals through that corporation; or
 - obtain approval from the designated compliance officer for outside broking accounts, and ensure that copies of records and statements of personal transactions entered into by them are submitted to the designated compliance officer.
- (b) A fund manager should maintain appropriate procedures to distinguish personal transactions for relevant persons from other transactions, and to ensure that such transactions are properly approved and there is an adequate audit trail of such approval and the transaction.

1.5 Money laundering and terrorist financing

“Money laundering” is a term used to refer to all types of procedures which mask the source of unlawfully obtained money so that it appears to have originated from a legitimate source.

“Terrorist financing” is a term used to refer to financial transactions involving assets owned or controlled by terrorists and transactions linked to terrorist activities.

The three principal pieces of legislation in Hong Kong directed against money laundering and terrorist financing are the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405), the Organized and Serious Crimes Ordinance (Cap. 455) and the United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575). The SFC has also published the “Prevention of Money Laundering

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and Terrorist Financing Guidance Note” which provides general background to the subject of money laundering and terrorist financing, summarizing the main provisions of the applicable anti-money laundering and anti-terrorist financing legislation in Hong Kong and providing guidance on the practical implications of that legislation.

Amongst other things, the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap. 405) provides that it is a criminal offence if a person “deals with” property knowing or having reasonable grounds to believe it represents a person’s proceeds of drug trafficking. It imposes an obligation on a person who knows or suspects that any property represents proceeds from drug trafficking to disclose such knowledge or suspicion to an “authorized officer”.

Amongst other things, the Organized and Serious Crimes Ordinance (Cap. 455) extends the money laundering offence to cover the proceeds of all indictable offences in addition to drug trafficking.

The United Nations (Anti-Terrorism Measures) Ordinance (Cap. 575) criminalizes the supply of funds and making funds or financial (or related) services available to terrorists or their associates amongst other provisions.

The SFC recommends that licensed corporations develop customer acceptance policies and procedures that aim to identify the types of customers that are likely to pose a higher than average risk of money laundering and terrorist financing. A more extensive customer due diligence process should be adopted for higher risk customers. There should also be clear internal policies specifying the level of management that is able to approve a business relationship with customers.

A licensed corporation should have monitoring procedures for the identification of suspicious transactions in place. This is to satisfy its legal obligation to report any funds or property known or suspected by it to be proceeds of crime or terrorist property to the JFIU, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money-laundering.

The JFIU recommends four steps to identify suspicious activity:

- recognition of indicators of suspicious financial activity;
- questioning of the customer;
- review of information already known about the customer to decide if (apparently) suspicious activity is to be expected from the customer; and
- consideration of steps one to three to make a subjective decision on whether the customer’s financial activity is genuinely suspicious or not.

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1.6 Money lending business in Hong Kong

In provision of the credit facilities or financing to their clients in ordinary course of business, the relevant members of our Group will also be regarded as carrying on the business of money lenders within the meaning of the Money Lenders Ordinance (Cap. 163).

The money lenders and money-lending transactions in Hong Kong are controlled and regulated by the Money Lenders Ordinance (Cap. 163). In general, any person who carries on business as a money lender must apply for and maintain a licence (valid for 12 months) issued by the licensing court under this ordinance. An application for or renewal of this licence is subject to any objection by the Registrar of Companies and the Hong Kong Police Force, the latter being empowered to carry out investigation in respect of such application or renewal including inspection of books and records provided by the applicant. The register of licensed money lenders is currently kept in the Companies Registry of Hong Kong and available for inspection.

The Money Lenders Ordinance also provides for protection against and relief against excessive interest rates by, for example, making it an offence for a person to charge effective interest rate exceeding 60% per annum or extortionate provisions. It also stipulates various mandatory documentary and procedural requirements that are required to be observed by a money lender in order to enforce in the courts of law a lending agreement or security being the subject of this ordinance.

2. THE PRC

PRC laws regulate and require licensing for persons who engage in the investment management and investment advisory business in the PRC. However, PRC laws do not require registration or licensing in the PRC for persons who provide investment advisory services in jurisdictions outside of the PRC.

Pursuant to the “Administration of Qualifications of Domestic and Foreign Securities Trading Institutions for Engagement in Foreign Investment Shares Business Tentative Provisions (境內及境外證券經營機構從事外資股業務資格管理暫行規定)” promulgated on 15 November 1996 by the CSRC and effective on 1 December 1996, domestic and foreign securities trading institutions engaging in the trading of foreign investment shares shall obtain a qualification certificate for engagement in foreign investment shares business issued by the CSRC.

HISTORY AND DEVELOPMENT

OVERVIEW

We were incorporated in Hong Kong with limited liability on 8 March 2010 in anticipation of the Global Offering. We have seven subsidiaries in Hong Kong, namely, Guotai Junan Securities, Guotai Junan Capital, Guotai Junan Futures, Guotai Junan Finance, Guotai Junan Assets, Guotai Junan Fund Management and Guotai Junan FX. Through Guotai Junan (Hong Kong), a company incorporated in Samoa, we indirectly own 100% of all our subsidiaries except for Guotai Junan Fund Management in which we hold 50% interest. For details of our corporate structure, please see the paragraph headed “Corporate Structure” of this section.

On 28 June 1995, Guotai Junan (Hong Kong) was incorporated with limited liability in Samoa under the name of J & A Holdings Limited (君安控股有限公司). Later in 1995, our major subsidiaries, Guotai Junan Securities, Guotai Junan Capital, Guotai Junan Futures, Guotai Junan Finance and Guotai Junan Assets were respectively established or acquired by Guotai Junan (Hong Kong) and started to operate in Hong Kong. In January 2008, Guotai Junan Fund Management was established as a joint venture company in Hong Kong and we invested in 50% of its share capital and controlled its board of directors. Therefore, Guotai Junan Fund Management has been treated as our subsidiary since its incorporation. In March 2010, Guotai Junan FX was incorporated but has yet to commence business.

Our Group offers a wide range of financial services including (i) securities and futures dealing and broking services in various financial markets; (ii) corporate finance and ECM services; (iii) asset and fund management services; and (iv) financing services such as margin financing and other types of financing. For details of our services and operations, please refer to the paragraph headed “Description of our Group’s Operations” under the section headed “Business” of this prospectus.

Our major achievements

We commenced our securities trading service in December 1995 immediately after Guotai Junan Securities became a member of the Stock Exchange and our futures trading business commenced later in August 1997. In April 2001 and August 2003, we respectively launched an online trading platform for securities and futures which is a milestone in our history. We further developed our online trading platform in the following years and in February 2009, Guotai Junan Securities launched an online trading service for trading of securities in the U.S. market. Later in December 2009, it also obtained the approval from the CSRC for trading of China B shares. As at the Latest Practicable Date, our online trading platform supports securities trading in the Hong Kong, U.S., Taiwan, Japan, Canada and China (B shares) markets, as well as futures trading in the global markets. We had over 48,000 customers who opened online trading accounts with us at the end of 2009.

Our research team was awarded top broker by StarMine Corporation, an independent equity research performance ratings company, in the “HSCEI Earnings Estimates” category in 2007 and amongst the top five brokers for “HSCEI Recommendations” category in 2008. For further details on our research team’s achievements and StarMine Corporation, please refer to the paragraph headed “Research” under the section headed “Business” of this prospectus.

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In November 2007, our Group's first public fund, Guotai Junan Investment Funds — Guotai Junan Greater China Growth Fund, for which Guotai Junan Assets acted as fund manager, was successfully launched in Hong Kong.

We also established a solid reputation in the corporate finance industry in Hong Kong by acting as sole or joint sponsor in several landmark IPO projects, including ZTE Corporation — the first listed company having A shares seeking listing in Hong Kong in 2004, Shandong Molong Petroleum Machinery Company Limited, the first H shares company transferred from GEM to the Main Board in 2007. Shandong Chenming Paper Holdings Limited — the first listed company having A shares and B shares seeking listing in Hong Kong in 2008 and Schramm Holding AG — the first company incorporated in Germany seeking listing in Hong Kong in 2009.

OUR CORPORATE HISTORY

As at the Latest Practicable Date, we have seven subsidiaries incorporated in Hong Kong, namely Guotai Junan Securities, Guotai Junan Capital, Guotai Junan Futures, Guotai Junan Finance, Guotai Junan Assets, Guotai Junan Fund Management and Guotai Junan FX. Guotai Junan (Hong Kong) is the immediate holding company of the seven subsidiaries. During the Track Record Period, we also operated another subsidiary, namely Guotai Junan Investments, which ceased to be our subsidiary at the end of 2009 when we disposed of its entire equity interest to Guotai Junan Financial Holdings, our Controlling Shareholder.

Details of each of our subsidiaries are set forth as follows:

Guotai Junan (Hong Kong)

On 28 June 1995, Guotai Junan (Hong Kong) was incorporated with limited liability in Samoa under the name of J & A Holdings Limited with an authorized share capital of US\$1,000,000 divided into 1,000,000 shares of US\$1.00 each. On 8 July 1995, the subscriber share of US\$1.00 in Guotai Junan (Hong Kong) was transferred to J & A Securities Co., Ltd. (“J & A Securities”) and Guotai Junan (Hong Kong) thus became a wholly-owned subsidiary of J & A Securities.

In May 1997, the authorized share capital of Guotai Junan (Hong Kong) was increased to US\$6,500,000 and 4,099,999 shares of US\$1.00 each were allotted and issued at par value to J & A Securities.

The entire equity interest in Guotai Junan (Hong Kong) was subsequently transferred to Guotai Junan in August 2000 after it was incorporated to merge the interests of J & A Securities and 國泰證券有限公司 (Guotai Securities Co., Ltd.).

On 23 November 2007, Guotai Junan transferred the entire equity interest held by it in Guotai Junan (Hong Kong) to its wholly-owned subsidiary, Guotai Junan Financial Holdings in consideration of Guotai Junan Financial Holdings allotting 31,979,999 shares to it. Upon completion of the transfer, Guotai Junan (Hong Kong) became a direct wholly-owned subsidiary of Guotai Junan Financial Holdings and an indirect wholly-owned subsidiary of Guotai Junan. Guotai Junan (Hong Kong) is principally engaged in the business of investment holding and management services.

HISTORY AND DEVELOPMENT

Guotai Junan Securities

On 8 July 1993, Guotai Junan Securities was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$1,000 divided into 1,000 shares of HK\$1.00 each. On 12 July 1994 and on 9 June 1995, the authorized share capital was increased to HK\$5,000,000 and HK\$8,000,000, respectively. On 8 July 1995, 4,999,998 shares were allotted and issued to Guotai Junan (Hong Kong) (then named as J & A Holdings Limited). After Guotai Junan (Hong Kong) acquired one share from another shareholder and the remaining one share was held on trust for Guotai Junan (Hong Kong), it was beneficially interested in the 100% equity interest in Guotai Junan Securities since July 1995. On 11 February 2010, that one share held on trust was transferred to Guotai Junan (Hong Kong) and Guotai Junan (Hong Kong) became the legal and beneficial owner of the 100% equity interest in Guotai Junan Securities since then.

The authorized share capital of Guotai Junan Securities was further increased two times to HK\$650,000,000 as at the Latest Practicable Date and all issued and fully paid up shares, i.e. 250,000,000 shares of Guotai Junan Securities were wholly-owned by Guotai Junan (Hong Kong). Guotai Junan Securities is principally engaged in the provision of securities dealing and broking services.

Guotai Junan Futures

On 3 August 1995, Guotai Junan Futures was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The authorized share capital of Guotai Junan Futures was increased three times to HK\$50,000,000 as at the Latest Practicable Date and were all issued and allotted to Guotai Junan (Hong Kong). Guotai Junan (Hong Kong) has held 100% of the equity interest of Guotai Junan Futures since its incorporation. Guotai Junan Futures is principally engaged in the provision of futures dealing services.

Guotai Junan Finance

On 3 August 1995, Guotai Junan Finance was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The authorized share capital of Guotai Junan Finance was increased to HK\$1,000,000 on 23 October 1997 and were all issued and allotted to Guotai Junan (Hong Kong). Guotai Junan (Hong Kong) has held 100% of the equity interest of Guotai Junan Finance since its incorporation. Guotai Junan Finance is principally engaged in money lending and investment in securities.

Guotai Junan Capital

On 8 August 1995, Guotai Junan Capital was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The authorized share capital of Guotai Junan Capital was increased three times to HK\$50,000,000 as at the Latest Practicable Date and were all issued and allotted to Guotai Junan (Hong Kong). Guotai Junan (Hong Kong) has held 100% of the equity interest of Guotai Junan Capital since its incorporation. Guotai Junan Capital is principally engaged in the provision of corporate finance advisory services.

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Guotai Junan Assets

On 15 August 1995, Guotai Junan Assets was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Since then, the authorized share capital of Guotai Junan Assets had been increased twice to HK\$5,000,000 as at the Latest Practicable Date and has been fully issued and allotted to Guotai Junan (Hong Kong). Guotai Junan (Hong Kong) has held 100% of the equity interest of Guotai Junan Assets since its incorporation. Guotai Junan Assets is principally engaged in the business of provision of fund management services and asset management services.

Guotai Junan Fund Management

On 3 January 2008, Guotai Junan Fund Management was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$10,000,000 divided into 10,000,000 shares of HK\$1.00 each. On 25 January 2008, one share of Guotai Junan Fund Management was transferred to Guotai Junan (Hong Kong) from the nominee shareholder of Guotai Junan Fund Management. Pursuant to a joint venture agreement entered into amongst Guotai Junan (Hong Kong), Golden Investor and Best New on 25 January 2008, all parties agreed to invest in Guotai Junan Fund Management. Subsequently, 4,999,999 shares, 2,990,000 shares and 2,010,000 shares in Guotai Junan Fund Management of HK\$1.00 each were allotted at par value for cash to Guotai Junan (Hong Kong), Golden Investor and Best New, respectively, on the same date. After the allotment, Guotai Junan Fund Management was held as to 50%, 29.9% and 20.1%, respectively, by Guotai Junan (Hong Kong), Golden Investor and Best New. Guotai Junan Fund Management is principally engaged in the business of provision of fund management services.

Golden Investor was incorporated in the BVI on 15 November 2007 and is an investment holding company. Golden Investor, formerly known as Concepta Investments Limited, is a wholly-owned subsidiary of OP. The Directors believe that the involvement of OP in our fund management business would be beneficial to both parties.

Best New was incorporated in the BVI on 8 November 2007 and is an investment holding company. Best New is held as to 92%, 2% and 2% by Dr. Yim Fung, Mr. Wong Tung Ching and Mr. Li Guangjie, our executive Directors. The introduction of Best New as a shareholder of Guotai Junan Fund Management was to provide goodwill for our senior staff to put more efforts in developing the fund management business.

Dr. Yim Fung is also a director of Guotai Junan Fund Management and Guotai Junan Assets and is responsible for the overall business management of these two companies. Mr. Wong Tung Ching and Mr. Li Guangjie do not have any directorship in these two companies and are not involved in their daily management and operation. However, as Mr. Wong Tung Ching and Mr. Li Guangjie are executive Directors of the Company, they are also responsible to oversee and promote the overall business of these two companies. Dr. Yim Fung has been a Responsible Officer for Type 9 regulated activities (asset management) since April 2003. Mr. Li Guangjie has a Type 9 licence since March

HISTORY AND DEVELOPMENT

2006. Both of them have substantial experiences in the asset management business. Mr. Wong Tung Ching has a licence for Type 1 regulated activities (dealing in securities) and Type 6 regulated activities (advising on corporate finance) since 2003. Although he is not licenced for Type 9 regulated activities, his experience in financial services is a valuable asset to our Group.

The key terms of the abovementioned joint venture agreement which was entered into on 25 January 2008 are as follows:

- Business of Guotai Junan Fund Management : To liaise with regard to the establishment and operation of the fund management business and to promote and market the service of Guotai Junan Fund Management
- Responsibilities of the parties : Each of the parties agrees that it will use all reasonable endeavors to promote the business and profitability of Guotai Junan Fund Management
- Board of directors : Maximum number of directors shall be five, and any shareholder holding not less than 20% of the then issued shares shall be entitled to appoint, remove or substitute one director
- Quorum of the board meeting : At least 4 directors shall form the quorum of the board meeting
- Management of Guotai Junan Fund Management (Note) : Guotai Junan Fund Management and/or its board of directors shall not, without the prior written approval of shareholders of not less than 80% of the issued shares, make any major decision as to the management of Guotai Junan Fund Management
- Distribution policy : The distributable profits of Guotai Junan Fund Management shall be applied to pay dividends to the shareholders after retaining sufficient working capital to enable Guotai Junan Fund Management to carry on business in a prudent and business-like manner

Note: It is acknowledged among the shareholders that the management, control, operation and the composition of the board of directors have been entrusted to Guotai Junan (Hong Kong) since the incorporation of Guotai Junan Fund Management.

Guotai Junan FX

On 31 March 2010, Guotai Junan FX was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$50,000,000 divided into 50,000,000 shares of HK\$1.00 each, of which 1 share was issued and allotted to Guotai Junan (Hong Kong). Guotai Junan (Hong Kong) has held 100% interest of Guotai Junan FX since its incorporation. As at the Latest Practicable Date, Guotai Junan FX has yet to commence business.

HISTORY AND DEVELOPMENT

DISCONTINUED OPERATIONS

Guotai Junan Investments

On 12 February 1997, Guotai Junan Investments was incorporated with limited liability in Hong Kong and held as to 100% by Guotai Junan (Hong Kong) since its incorporation until it was disposed of by Guotai Junan (Hong Kong) in late 2009. Guotai Junan Investments is principally engaged in investment holding in equity funds and held 100% equity interest in Guotai Junan (Shenzhen), a company principally engaged in the business of providing consultancy services relating to project management and economic information as well as marketing and planning.

Guotai Junan Investments invested in several funds and before it was disposed of, one of these funds was regarded as a subsidiary of Guotai Junan (Hong Kong) under the HKFRSs. The fluctuation in the valuation of such fund was thus included in the results of our Group. For each of the years ended 31 December 2007 and 2009, Guotai Junan Investments and its subsidiary contributed 22.1% and 18.8% to our profit while recorded a loss of HK\$87 million in 2008. As investing in funds do not form any part of our Group's core businesses, the Directors considered such fluctuation in the valuation of funds not reflective of the results of our core business as a financial service provider and hence our Group's financial performance would be distorted. The Directors are of the view that the disposal of Guotai Junan Investments is in the interests of the Group and represents a fair view on the overall financial performance of our Group's core business.

In addition, Guotai Junan (Shenzhen) served partly as our service provider and outsourcing partner but its contribution to our Group's results was considered insignificant. We have maintained Guotai Junan (Shenzhen) as our service provider during the Track Record Period and entered into a service agreement with Guotai Junan (Shenzhen) for their continuous provision of consultancy services to our Group. There has been no change in the role of Guotai Junan (Shenzhen) since it was disposed of by the Group in late 2009. Therefore, the exclusion of Guotai Junan (Shenzhen) from our Group would not materially affect our operation. For details of the service agreement between our Group and Guotai Junan (Shenzhen), please refer to the section headed "Connected Transactions" of this prospectus.

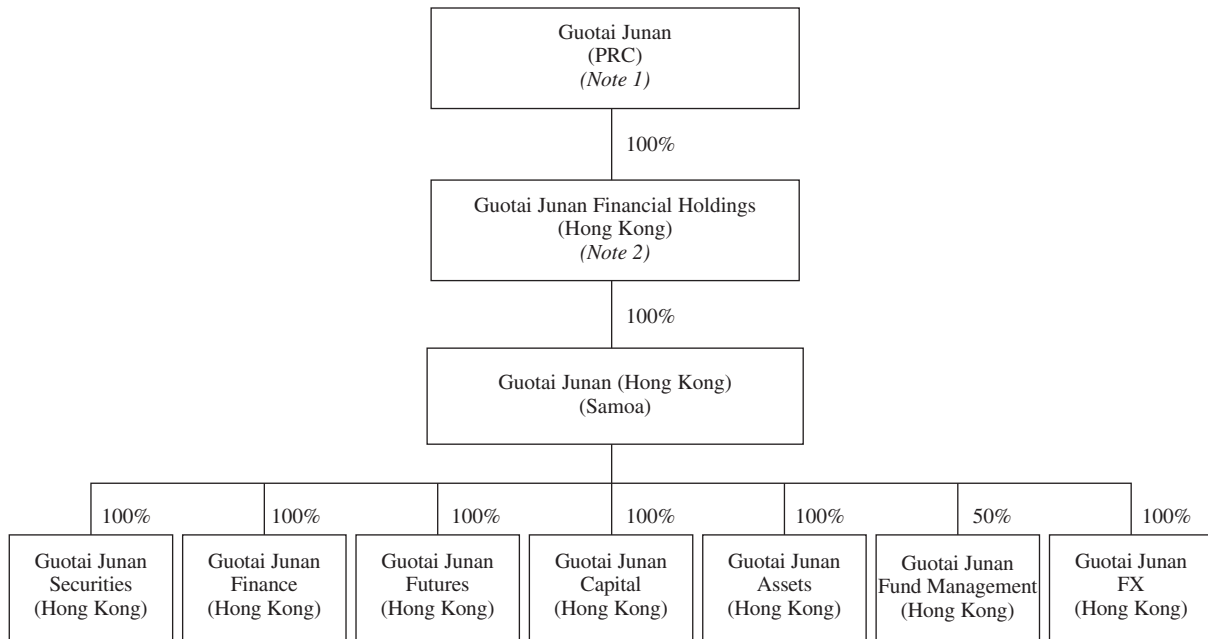
In consideration of the above reasons and to streamline our core business in Hong Kong, on 30 October 2009, we decided to restructure our Group and transfer all shares held by us in Guotai Junan Investments at a consideration of HK\$47,796,125, calculated based on its net asset value as at 30 October 2009, to Guotai Junan Financial Holdings and such transfer was completed on 11 December 2009. Upon completion of the share transfer, Guotai Junan Investments and Guotai Junan (Shenzhen) were excluded from our Group. Our Group is no longer engaged in the business of investment holding in equity funds after disposing the interests in Guotai Junan Investments and we currently have no plan to develop such business.

HISTORY AND DEVELOPMENT

CORPORATE STRUCTURE

In anticipation of the Global Offering, we underwent the Reorganization as a result of which our Company became the holding company of other members of our Group.

The following chart sets out the corporate structure of our Group immediately prior to the Reorganization:



Notes:

- (1) Guotai Junan was incorporated on 18 August 1999 in the PRC. As at the Latest Practicable Date, the top four shareholders of Guotai Junan, namely, Shanghai State-owned Asset Operation Co., Ltd., Central Huijin Investment Ltd., Shenzhen Investment Holdings Co., Ltd. and State Grid Corporation of China, held approximately 23.81%, 21.28%, 11.15% and 5.55% equity interest in Guotai Junan respectively. For details of Guotai Junan, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.
- (2) For details of Guotai Junan Financial Holdings, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.

HISTORY AND DEVELOPMENT

The Reorganization

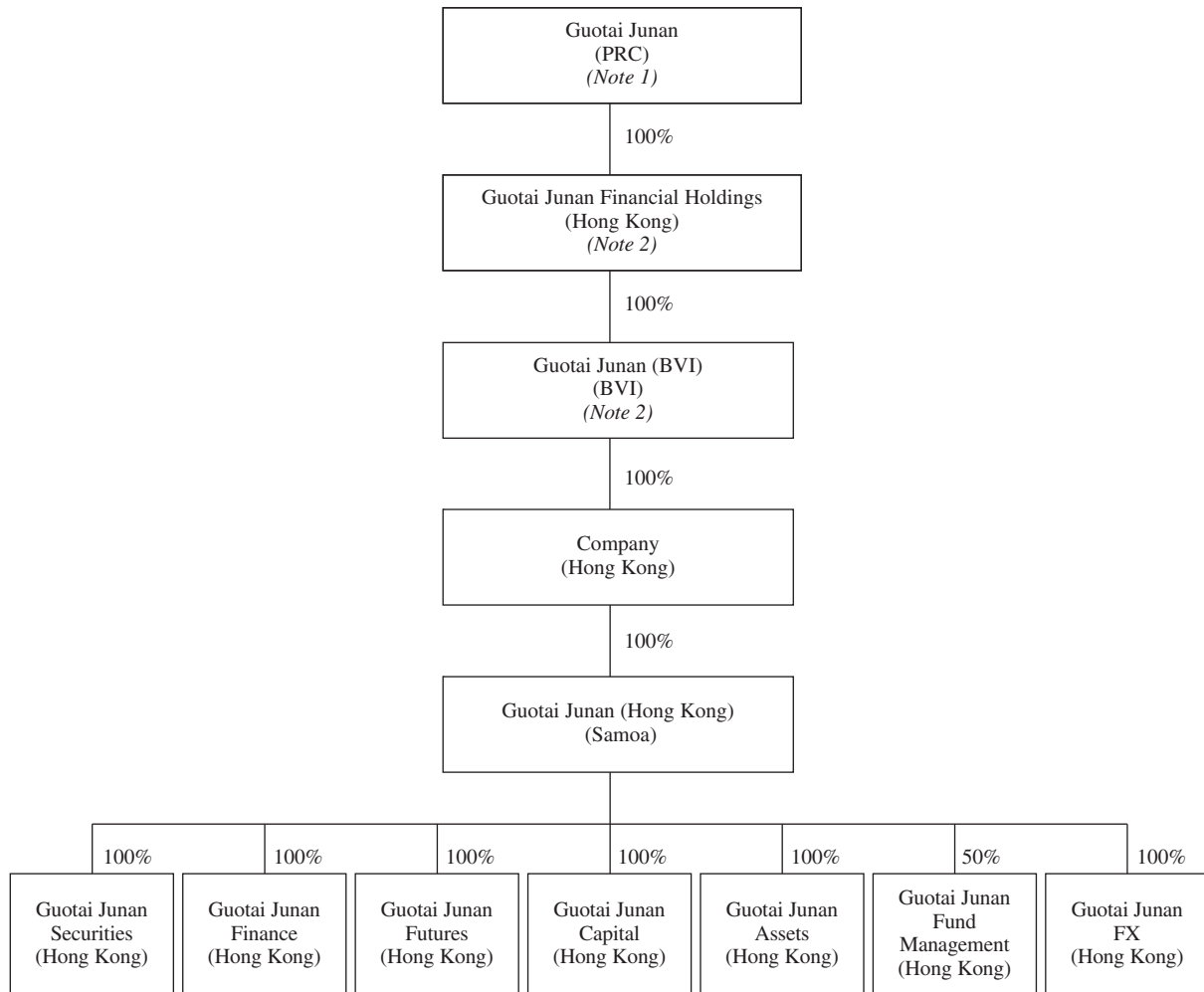
On 3 March 2010, Guotai Junan (BVI) was incorporated with limited liability in BVI with 50,000 authorized shares of nil par value. On the same day, the par value of each share in the capital of Guotai Junan (BVI) was determined to be US\$1.00, and one share was issued and allotted at par to Guotai Junan Financial Holdings.

On 8 March 2010, our Company was incorporated with limited liability in Hong Kong with an authorized share capital of HK\$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.10 each. On the same day, one subscriber Share of our Company of HK\$0.10, representing 100% of our issued share capital, was transferred at par value to Guotai Junan (BVI).

On 14 June 2010, our Company, Guotai Junan Financial Holdings and Guotai Junan (Hong Kong) entered into a share swap agreement (the “**Share Swap Agreement**”). Pursuant to the Share Swap Agreement, Guotai Junan Financial Holdings transferred to our Company 4,100,000 shares, representing 100% of the issued share capital in Guotai Junan (Hong Kong), in consideration and exchange of our Company, at the direction of Guotai Junan Financial Holdings, issuing and allotting 999 Shares at par value to Guotai Junan (BVI) credited as fully paid by an instrument of transfer dated 14 June 2010.

HISTORY AND DEVELOPMENT

The following chart sets out the corporate structure after the Reorganization but immediately before the Global Offering:



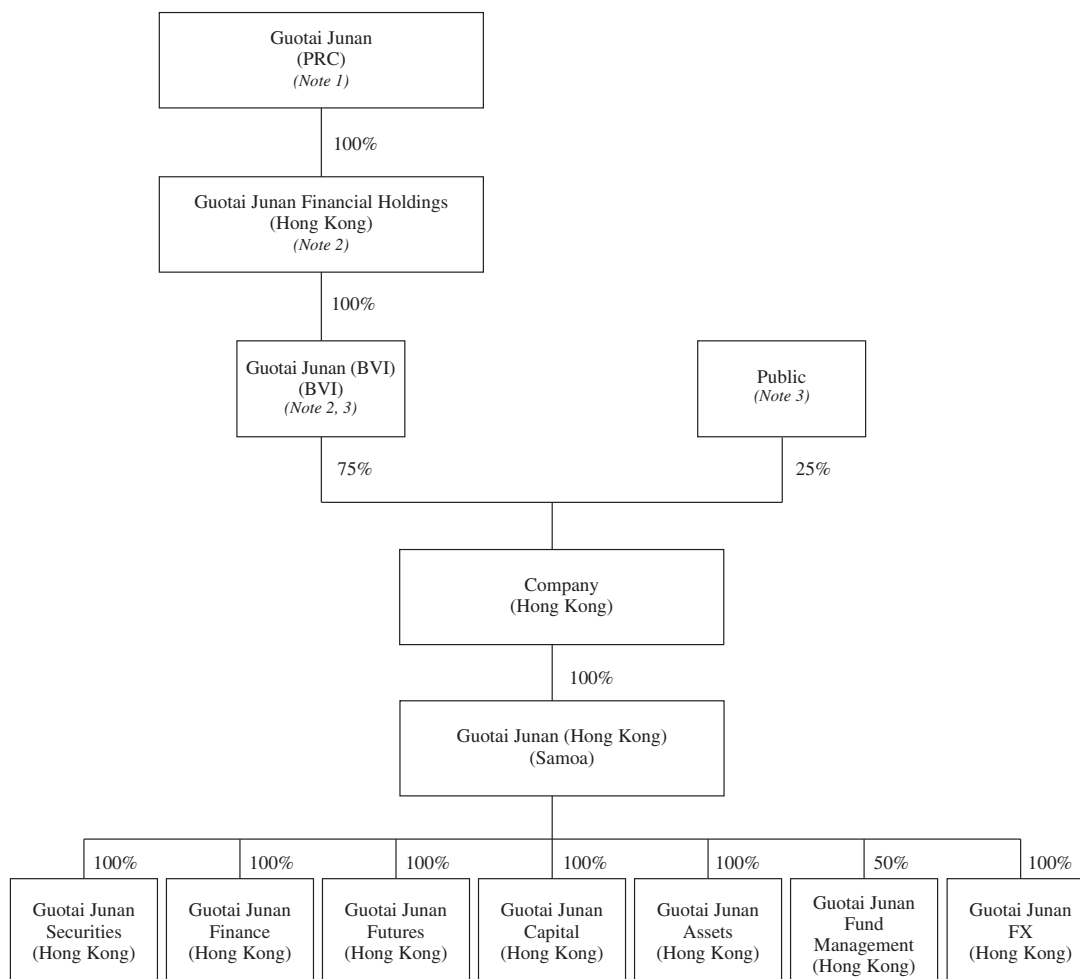
Notes:

- (1) Guotai Junan was incorporated on 18 August 1999 in the PRC. As at the Latest Practicable Date, the top four shareholders of Guotai Junan, namely, Shanghai State-owned Asset Operation Co., Ltd., Central Huijin Investment Ltd., Shenzhen Investment Holdings Co., Ltd. and State Grid Corporation of China, held approximately 23.81%, 21.28%, 11.15% and 5.55% equity interest in Guotai Junan respectively. For details of Guotai Junan, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.
- (2) For details of Guotai Junan (BVI) and Guotai Junan Financial Holdings, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.

HISTORY AND DEVELOPMENT

Global Offering

The following chart shows (i) our corporate and shareholding structure immediately following the completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and there is no allotment or issuing of new Share under the Share Option Scheme, and (ii) the place of incorporation of each of the subsidiaries of our Group:



Notes:

- (1) Guotai Junan was incorporated on 18 August 1999 in the PRC. As at the Latest Practicable Date, the top four shareholders of Guotai Junan, namely, Shanghai State-owned Asset Operation Co., Ltd., Central Huijin Investment Ltd., Shenzhen Investment Holdings Co., Ltd. and State Grid Corporation of China, held approximately 23.81%, 21.28%, 11.15% and 5.55% equity interest in Guotai Junan respectively. For details of Guotai Junan, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.
- (2) For details of Guotai Junan (BVI) and Guotai Junan Financial Holdings, please refer to the paragraph headed “Information of our Controlling Shareholders” under the section headed “Relationship with Controlling Shareholders” of this prospectus.
- (3) If the Over-allotment Option is exercised in full, the shareholding of Guotai Junan (BVI) and the public Shareholders will be approximately 73.2% and 26.8% respectively.

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INTRODUCTION

We are the first Mainland-owned securities brokerage house with CSRC approval to list its shares through IPO on the Stock Exchange. Our operations are based in Hong Kong and our services include: (i) securities and futures dealing and broking services for various financial markets; (ii) corporate finance and ECM services; (iii) asset and fund management services; and (iv) financing services such as margin financing and other types of financing. Further, our Group has a strong research team which focuses on Hong Kong listed securities. Our Group generates most of our revenues from our securities and futures dealing and broking businesses.

Our Controlling Shareholder, Guotai Junan, is one of the largest PRC-based conglomerates involved in securities business in the PRC. It is Guotai Junan's strategy to conduct all Hong Kong-based SFC regulated activities through the Company. Based on the Directors' understanding, Guotai Junan will not operate by itself or develop another business in Hong Kong to conduct the said activities. Furthermore, the Group currently has no plan to develop any new business in the PRC market. As at the Latest Practicable Date, Guotai Junan, through its indirectly wholly-owned subsidiary, Guotai Junan (BVI), beneficially owned 1,000 Shares, representing 100% of our Company's issued share capital.

COMPETITIVE STRENGTHS

Despite the effects of the recent U.S. subprime mortgage crisis and its repercussions on the global economy, over the Track Record Period, our Group has maintained an increase in net profit margin in our continuing operations, from 31% in 2007 to 42% in 2009. The Directors believe that our Group's success hinges on the following competitive strengths:

- A well-renowned brand name in the PRC of our Controlling Shareholder benefits in client network development as well as business synergies; our Group is therefore at an advantage to procure business from PRC or PRC-based companies;
- We have a strong client base, comprising institutional and retail clients from a wide range of business industries and with whom we have maintained strong and lasting client relationships;
- Our Group has established advanced and comprehensive online trading platforms which allow our investors to access global markets through our website. The trading platforms are well recognized by retail investors as being stable and efficient. Our online trading system is accessible through our proprietary website, www.gtja.com.hk, which provides our clients with stock quotes, access to financial information, and a user-friendly interface for round-the-clock equity and futures trading. During the Track Record Period, there has been no system failure which caused material interruption to our operations. We are committed to investing in our technology infrastructure and aim to become a "one-stop" investment services provider for our clients to invest globally;

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- We have a strong equity research team which provides our clients with reliable and value-added information and investment strategies. The team has won a number of awards during the Track Record Period;
- With thorough understanding and knowledge in the Hong Kong and the PRC's capital markets, our corporate finance and ECM teams provide expert advice, one-stop solutions and outstanding transaction execution services to our clients;
- We have a dedicated senior management team which has served our Group for an average of 10 years and has contributed to a solid business model that can well adopt to market changes. Our management team includes qualified and experienced professionals; and
- Our Group has established a prudent credit risk management policy and effective internal control operations system, which are critical to the success of our Group.

BUSINESS STRATEGIES

Our Group is the only offshore institution of Guotai Junan to develop international business. Our Group aims to become a regional financial services enterprise providing comprehensive financial and investment management services to our clients. Our Group will continue to expand into international markets and introduce new lines of business and services to our clients, except in the PRC market. We strive to assist our clients in making investment decisions under different market conditions and to maximize their returns.

To further reinforce our existing foundation on brokerage business, our Group will continue to expand and invest in our online trading platforms, offering our clients access to global investment markets in an efficient and effective manner.

Our Group will take an active role in developing institutional client business. This will enhance our global reputation and our competitiveness in the long run.

Our Group will also focus on the development of business by broadening our range of services and capturing more market share and business opportunities in Hong Kong and the PRC. In 2009, we successfully sponsored the listing of the first Germany incorporated company in Hong Kong. We believe that our Group will continue to develop its offshore business and to assist more foreign companies to list in Hong Kong.

Our Group will continue to develop its fund management business by introducing new fund products under the brand of "Guotai Junan", and to attract more offshore investors to invest in Hong Kong and the PRC.

To support our overall investment services, our Group will strive to strengthen our equity research capabilities. The Directors believe that excellence in equity research capabilities is a value-added service to our existing and potential clients around the world.

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DESCRIPTION OF OUR GROUP'S OPERATIONS

Our Company confirms that we have obtained all necessary licenses and approvals in Hong Kong in relation to the conduct of our business.

Securities and Futures Dealing and Broking

Overview of our securities dealing and broking business

Securities dealing and broking is our Group's largest source of revenue by far, offering trading services in Hong Kong, U.S., Canada, Japan, Singapore, Korea and Taiwan securities as well as China B shares. In addition, we provide dealing and broking services in Hong Kong debt instruments. Our Group's securities dealing and broking services are offered through our wholly-owned subsidiary, Guotai Junan Securities, a licensed corporation under the SFO to engage in Type 1 (dealing in securities) regulated activities as well as an Exchange Participant. Our dealing and broking services in U.S., Canada, Japan, Singapore, Korea and Taiwan securities are operated through brokers which are licensed in the jurisdictions of those respective markets. As our Group does not have actual brokerage activities within such overseas jurisdictions we are not subject to the relevant laws, rules and regulations of the jurisdictions of the respective markets.

As the Internet began to take a key role in daily communication, our Group recognized the need to make our dealing and broking services electronically available to our customers. This development was particularly necessary in view of the need to better serve our retail clients, whose business with us is highly valued by our Group. Today, our Internet trading platform allows our clients to trade Hong Kong, U.S. and Taiwan securities as well as China B shares. In March 2010, our online trading services extended to the Japan and Canada markets.

At present, our China B shares business is operated through Guotai Junan as a broker of Guotai Junan Securities. The trading of China B shares included certain direct expenses such as settlement fee paid to China Securities Depository and Clearing Corporation Limited (the "CSDCC"); and levy, management fee and stamp duties (applicable for selling of shares) paid to the Shenzhen Stock Exchange and the Shanghai Stock Exchange. During the Track Record Period, the total direct expenses paid on behalf of our clients to the CSDCC and the two stock exchanges was approximately HK\$36.9 million, HK\$12.3 million and HK\$10.0 million respectively. As at the Latest Practicable Date, the respective rate of the settlement fee was 0.05%; and the levy, management fee and stamp duties (applicable for selling of shares) at the Shenzhen Stock Exchange and the Shanghai Stock Exchange were 0.0301%, 0.004% and 0.1%; and 0.026%, 0.004% and 0.1%, respectively. On 29 December 2009, our Group received CSRC's approval to carry on our trading business in China B shares and obtained the certificate of trading in China B shares (經營外資股業務資格證書) issued by the CSRC on 15 April 2010. Our group has applied for trading rights from the Shenzhen Stock Exchange and the Shanghai Stock Exchange to carry on our China B shares business under the name of Guotai Junan Securities.

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However, we cannot ascertain as to whether trading seats approvals will be granted or, when they will be granted. To the best knowledge of the Directors, no China B shares trading rights have been granted by the Shenzhen Stock Exchange or the Shanghai Stock Exchange to offshore brokers in the past several years. In addition, based on the most recent communications with the said two stock exchanges, our Directors were given to understand that the two stock exchanges were not positive in respect of the likelihood of issuing the China B shares trading rights to us. As of the Latest Practicable Date, we have not received any formal reply from the two stock exchanges in respect of the status of those applications. Therefore, there is no assurance that our Group will obtain the trading rights approvals from the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Our Company will continue to contact the two stock exchanges to push for the grant of the approvals. Until such approvals are obtained, the existing China B shares trading arrangement between our Group and Guotai Junan will continue to enable our Group to operate our China B shares business.

The table below sets out a breakdown of the net commission income derived from our Hong Kong shares dealing, China B shares dealings and U.S. shares dealings; and the relevant net commission rate for each market during the Track Record Period:

Year ended 31 December	Turnover <i>HK\$'000</i>	Net commission income <i>HK\$'000</i> <i>(Note)</i>	Net commission rate <i>(Note)</i>
2009			
Hong Kong shares	169,286,208	254,652	0.15%
China B shares	7,708,377	10,800	0.14%
U.S. shares	8,119,194	22,553	0.28%
2008			
Hong Kong shares	119,485,118	192,406	0.16%
China B shares	5,617,140	7,246	0.13%
U.S. shares	673,573	2,049	0.30%
2007			
Hong Kong shares	222,550,649	361,334	0.16%
China B shares	13,084,399	15,706	0.12%
U.S. shares	241,111	819	0.34%

Note: The net commission income is derived from the commission income after deducting, if any the commission expenses paid to brokers for execution of China B shares and U.S. shares transactions and rebate for Hong Kong shares from transactions made over the Internet and the interactive voice responding system.

Commissions

The securities brokerage business generates income by charging commissions and certain administrative fees for transactions executed through our Group's traditional and online trading platform.

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During the Track Record Period, revenues generated through securities brokerage accounted for 41.4%, 40.6% and 51.5% of our Group's total revenues, respectively. As our Group's revenues are directly affected by the level of market activity and trading volume through our trading platforms, our securities brokerage business is dependent upon the prevailing economic environment and general market sentiment.

Since 1 April 2003, minimum brokerage commission rates in respect of securities and commodities trading in Hong Kong had been deregulated, and brokerage commissions have since been subject to market forces and have become susceptible to competitive pressure. In equity brokerage, our average net commission rate over the Track Record Period were 0.16%, 0.16% and 0.15% respectively. In anticipation of a falling price trend, our Group's strategy is to bring in more new clients to improve the turnover so as to counteract the effect of decreasing margin and sustain growth.

Commission rebate scheme

Since April 2005, the Company has adopted a commission rebate scheme for all trades of Hong Kong shares made over the Internet and the interactive voice responding system ("IVRS"). Clients who place instructions over the Internet or the IVRS are entitled to receive a cash commission rebate (paid in the form of a credit balance to the client's account) in next calendar month. The amount of commission rebate is calculated based on the transaction value. As at the Latest Practicable Date, the applicable rebate percentages are set out below:

Transaction value (HKD)	Rebate Commission (% of transaction value)
more than 1 million and up to 2 million	0.02
more than 2 million and up to 5 million	0.05
more than 5 million and up to 50 million	0.075
more than 50 million and up to 200 million	0.1
more than 200 million	0.12

For the three years ended 31 December 2009, total amount rebated by the Group to the top five customers were nil, nil and approximately HK\$17,530, respectively.

Clientele

We serve our brokerage clients through our Group's house team staff and account executives. Our clients may be classified into institutional clients and retail clients. Institutional clients are qualified professional investors and/or funds who trade in large volumes. As at the Latest Practicable Date, our Group had 18,942 brokerage accounts with trading activity within the past 12 months, which comprised of: (i) 310 institutional (corporate) clients, of which 83 are incorporated in Hong Kong, 154 in the BVI, 22 in the Cayman Islands and 51 in other jurisdictions and (ii) 18,632 retail clients who have declared their nationality, of which 18,316 are Chinese, 50 are Korean, 52 are Japanese, 53 are Canadian, 44 are American, 33 are Australian and 84 are from other countries. In terms of trading

BUSINESS

volume for the year ended 31 December 2009, income attributable to retail trading accounted for approximately 87% of the total trading volume of our Group. (Among the 15,918 individual clients, as declared, 14,740 reside in the PRC, 924 in Hong Kong, 50 in Japan, 45 in Korea, 29 in Australia and 130 in other countries.

The customer due diligence process of our Group was established in accordance with the relevant SFC guidance and is applicable to all clients, both institutional clients and retail clients. Please refer to the paragraph headed “Anti-Money Laundering” under the section headed “Business” of this prospectus for further details of our customer due diligence process.

Risk management

All trading activities of our Group are closely monitored on a real time basis through our computer systems by the staff of our credit and risk management department. Any unusual trading activities will be brought immediately to the attention of the Responsible Officers, who are responsible for the overall daily management of the securities brokerage business and would take appropriate actions in compliance with our control policies and procedures in order to minimize or mitigate any risk to our Group and our clients.

Our online trading platform

We established online trading platform in 2001 to support securities trading via the Internet. For the year ended 31 December 2009, Internet trading accounted for approximately 84% of our Group’s trading volume. Clients may use the online trading platform to conduct real-time trading in securities, as well as to subscribe for shares under Hong Kong IPOs.

Our online trading platform allows clients to place orders, view account information and balances, check trading positions, transaction status and trading history.

Under the AMS/3 system of the Stock Exchange, securities trading orders are processed by electronically routing the buy or sell orders to the Stock Exchange. Likewise, under the HKATS system of the Futures Exchange, commodities trading orders are processed by electronically routing the buy or sell orders to the Futures Exchange. Our Internet trading system sends electronic notification of executed orders and generates order confirmations. Online brokerage clients of our online trading system are enabled to give instructions to transfer funds to and from their own accounts maintained with certain designated banks. Our system also offers eIPO services, through which our clients may view the electronic file of a prospectus on our website or through a hyperlink, and file an electronic application for IPOs (and at the same time apply for margin financing for IPOs).

Our core Internet programs in relation to our online securities trading was originally developed for us by Guotai Junan. Major system components consist of a graphical user interface, a back-end interfacing system and a web server that connects the clients to the Stock Exchange. Our Group maintains a technology team comprising four programmers who are responsible for developing and maintaining our proprietary online securities trading system and three project communication staff who are responsible for coordinating with trading system software vendors for maintenance and operation support. During the Track Record Period, our trading infrastructure has been stable, as there

BUSINESS

were only nine computer system failures and none of which caused material interruption to the operation of the Company. For risks associated with the Group's Internet trading operations, please refer to the paragraphs headed "Reliance on computers and electronic systems", "Computer network security" and "Computer hardware and data storage risk" under the section headed "Risk Factors" of this prospectus.

On average, our electronic trading activities utilize approximately 10% of the capacity of our online trading platform.

For electronic trading security, we use a combination of proprietary and industry standard security measures to prevent unauthorized access and protect customers' data integrity. The Company uses 128 bits secure sockets layer cryptography ("SSL") for data encryption. SSL is used to provide an encrypted link between a point in one computer system to a point in another, such that information flowing between those two points is encrypted using a symmetric algorithm. All trades are encrypted and transmitted in a secured mode with digital certification and authentication services. Each online user is assigned an account login and password for accessing the system. The client's password must contain at least six digits and is prompted to be renewed every 180 days.

Our user-friendly online trading system is accessible by clients via www.gtja.com.hk, our Group's trading and information website, which was formally launched in 2001. The website provides stock quotes, financial market news, morning focus reports, up-to-date global market commentary and views on companies listed on the Stock Exchange provided by our research team. It also offers clients an option to subscribe for real time stock quotes feeds provided through hyperlinks to external information providers.

Futures trading

We provide futures trading services through Guotai Junan Futures, a wholly-owned subsidiary of our Company and licensed corporation under the SFO to engage in Type 2 (dealing in futures contracts) regulated activities as well as a futures exchange participant under the Futures Commission Merchant category of the Futures Exchange.

Our futures trading platform provides 24-hour and fully-automated service. Our clients may trade in 17 global markets through such online trading platform. We also accept trade orders placed by our clients over the telephone for trading of futures products in Australia and Italian markets. Our futures trading business in such markets are operated through brokers which are licensed in the jurisdictions of the respective markets. Our Group has entered into commodities and futures customer agreements with overseas brokers pursuant to which our Group, as a customer, will maintain trading accounts in such overseas brokers, subject to the relevant fees and charges. The Group does not have futures trading business within the jurisdictions of those countries. The Group therefore is not subject to the relevant laws, rules and regulations of the jurisdictions of the respective markets. At present, the range of our products offered by Guotai Junan Futures include foreign exchange futures, commodity futures (including metals, agriculture and energy), interest rates futures and financial index futures.

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Our Group's futures operations have experienced promising year-on-year growth in revenue of 33.9%, 59% and 108.5% for 2007, 2008 and 2009, respectively. Revenues generated from Hong Kong and international markets were as follows:

Breakdown of revenues of Guotai Junan Futures during the Track Record Period

	Hong Kong market		International markets		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
2007	5,351	54.5	4,469	45.5	9,820	100.0
2008	6,365	40.8	9,248	59.2	15,613	100.0
2009	7,102	21.8	25,453	78.2	32,555	100.0

Financing

Our Group offers financing services to our clients through two subsidiaries: Guotai Junan Securities for margin and IPO financing and Guotai Junan Finance for other financing services.

Margin and IPO financing

Margin financing refers to the offering of securities-backed financing to clients who wish to purchase securities on a margin basis. Margin financing offers funding flexibility to our clients by assisting them to leverage their investments. IPO financing refers to the financing for subscriptions of new shares relating to an IPO. Our Group's margin and IPO financing services are complementary to our Group's brokerage business.

For each of the three years ended 31 December 2009, interest income derived from margin and IPO financing accounted for approximately 14.7%, 10.7% and 8.9% of our Group's total revenue, respectively. Interest rates charged by our Group for the three years ended 31 December 2009 ranged from prime rate to 3% over prime rate per annum. In determining the interest rate, reference will be made to the credit standing of the relevant clients and the quality of the securities pledged.

During the Track Record Period, the maximum outstanding balance in our margin loan advances was approximately HK\$964 million. As at 31 December of each of 2007, 2008 and 2009, the amounts of margin loan advances outstanding were approximately HK\$815 million, HK\$369 million and HK\$758 million, respectively, and total market value of securities pledged as collateral in respect of our margin loans were HK\$6,274.7 million, HK\$3,718.3 million and HK\$8,782.3 million, respectively.

As at the Latest Practicable Date, our Group had 459 active margin clients whose margin securities trading accounts had recorded activities for purchase and/or sale of securities in the past twelve months. For each of the three years ended 31 December 2009, interest income derived from our Group's margin financing business accounted for approximately 5.7%, 9.6% and 7.5% of our Group's total revenue respectively.

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Other financing services - In addition to margin and IPO financing, our Group also provides loans and advances to its clients, through Guotai Junan Finance, a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Interest rates charged by our Group for the three years ended 31 December 2009 consists of fixed rates of 4% per annum or variable rate of 3% over prime rate per annum. In determining the interest rates, reference will be made to the credit standing of the relevant clients and the quality of the securities pledged.

Risk control and management - Our Group has established credit control measures to monitor its financing activities, which are supervised and managed by our Group's credit and risk management committee, comprising 6 members (of which five are Responsible Officers). The committee is responsible for credit risk control and management procedures, and oversees all financing activities of our Group.

With regard to margin financing, the credit and risk management committee pre-defines margin ratios or acceptable collateral securities which applies to all margin financing activities. The committee also carries out due diligence exercises as to the background of each margin client, including composition of his investment portfolio and trading history. On a daily basis, dedicated members of the credit and risk management department monitor the margin loans along with changes in market condition. In the event of any margin call, clients will be required to settle immediately.

Our Group's computer system tracks on a real time basis all client accounts (whether traditional brokerage accounts or online trading accounts). In the event of any large stock trading activity, the system will alert the staff of the credit and risk management department to review and approve the transaction. When making credit limit decisions, the committee would review a client's personal profile and financial position, trading history and patterns, relevant market conditions, stock/sector outlook and relevant risks posed to our Group.

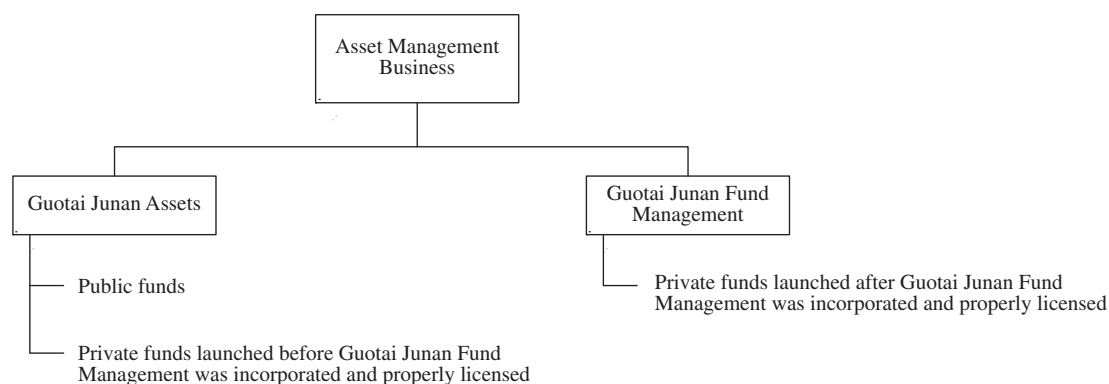
For further details on our Group's risk control measures, please refer to the paragraph headed "Internal Control and Risk Management" of this section.

Asset management

Our asset management team provides a scope of services including portfolio management and maintenance, providing investment advice and executing transactions on behalf of private and public funds. Currently, our Group provides services to six Japanese public funds, one Hong Kong authorized fund and 11 private funds. Our asset management services are provided through two subsidiaries, Guotai Junan Assets and Guotai Junan Fund Management.

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The diagram below shows a simplified business structure of our Group and the allocations of funds that we administer or advise:



Our asset management operations were launched in 2001 by Guotai Junan Assets, a wholly-owned subsidiary of our Company, which provides tailored-made securities portfolio investment services and medium to long term investment solutions through discretionary managed portfolios.

It is our Group's long term strategy to bolster and enhance our fund management business by building a multi-entity fund management platform. Therefore, in 2008, our Group entered into a joint venture arrangement with Golden Investor and Best New to form Guotai Junan Fund Management (in which our Group holds a 50% interest) to develop new clientele. Golden Investor is a wholly-owned subsidiary of OP. All private funds established after the formation of Guotai Junan Fund Management are managed and advised exclusively by Guotai Junan Fund Management. Guotai Junan Assets will slowly shift its business focus towards providing management and advisory services for (i) high net worth individuals, while maintaining its role in respect of private funds already under management; and (ii) for public (authorized) funds (until Guotai Junan Fund Management develops the requisite track record to manage such public funds).

As at the Latest Practicable Date, Guotai Junan Assets manages seven public funds and two private funds, and provides investment advisory services to three other private funds. All private funds managed or served by Guotai Junan Assets were launched before Guotai Junan Fund Management commenced its operations. Subsequently, Guotai Junan Assets managed only one Japanese public fund. As at the Latest Practicable Date, Guotai Junan Fund Management managed one private fund and provided investment advisory services to five other private funds.

We derive our fee income primarily from management fees and performance fees, which are linked to AUM and the returns of funds, respectively. Over the Track Record Period, management fees for our asset management services ranged approximately between 1% and 1.5% and we expect management fees to remain stable in the near future. Performance fee is calculated at approximately 20% of the positive increment in the net asset value of the related investment funds over its high water mark at the relevant performance period.

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Assets under management - The table below sets out the AUM of each of the funds, which are managed or advised by our Group for each of the years ended 31 December 2007, 2008, 2009:

	Year ended 31 December 2007		Year ended 31 December 2008		Year ended 31 December 2009	
	Number of funds	AUM HK\$ million	Number of funds	AUM HK\$ million	Number of funds	AUM HK\$ million
Fund manager role						
Guotai Junan Assets						
— Public funds (note 1)	4	2,989.5	6	1,041.2	7	2,470.9
— Private funds (note 2)	3	321.5	4	205.6	2	328.0
Guotai Junan Fund						
Management — private funds (note 3)	—	—	—	—	1	60.9
Total	7	3,311.0	10	1,246.8	10	2,859.8
Investment advisor role						
Guotai Junan Assets						
— private funds (note 4)	4	2,696.9	4	318.2	3	222.3
Guotai Junan Fund						
Management — private funds (note 5)	—	—	—	—	5	1,154.6
Total	4	2,696.9	4	318.2	8	1,376.9

Notes:

(1) Name of the public funds and launch dates, initial sizes and AUM as at 31 December 2009 are as follows:-

Name of public fund and launch date	Initial AUM	AUM as at 31 December 2009
China Real Watch (April 2005)	Approximately Yen 4.2 billion	Approximately Yen 3.9 billion (Approximately HK\$324 million)
China Discovery (June 2006)	Approximately Yen 3.2 billion	Approximately Yen 3.6 billion (Approximately HK\$305 million)
China Focus Mother Fund (July 2006)	Approximately Yen 4.6 billion	Approximately Yen 3 billion (Approximately HK\$278.2 million)
The Greater China Equity Mother Fund (April 2007)	Approximately Yen 6.3 billion	Approximately Yen 5 billion (Approximately HK\$424 million)
China Environment Related Mother Fund (June 2008)	Approximately Yen 2.521 billion	Approximately Yen 1.3 billion (Approximately HK\$110.9 million)
Rising China Fund (December 2009)	Approximately Yen 11 billion	Approximately Yen 11.7 billion (Approximately HK\$977.1 million)
The Greater China Growth Fund (August 2007)	Approximately HK\$21.45 million	Approximately HK\$52 million

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(2) The launch dates, initial sizes and AUM as at 31 December 2009 of the private funds are as follows:-

Launch date	Initial size	AUM as at 31 December 2009
Private Fund “A1” (July 2006)	Approximately HK\$118 million	Approximately HK\$220.5 million
Private Fund “A2” (May 2007)	Approximately US\$10.5 million	Approximately US\$14 million (Approximately HK\$108.6 million)

(3) The launch dates, initial sizes and AUM as at 31 December 2009 of the private funds are as follows:-

Launch date	Initial size	AUM as at 31 December 2009
Private Fund “FM1” (October 2009)	Approximately HK\$57.6 million	Approximately HK\$60.9 million

(4) The launch dates, initial sizes and AUM as at 31 December 2009 of the private funds are as follows:-

Launch date	Initial size	AUM as at 31 December 2009
Private Fund “A3” (June 2008)	Approximately HK\$86 million	Approximately HK\$101 million
Private Fund “A4” (July 2008)	Approximately HK\$34.7 million	Approximately HK\$41 million
Private Fund “A5” (August 2008)	Approximately HK\$43 million	Approximately HK\$81 million

(5) The launch dates, initial sizes and AUM as at 31 December 2009 of the private funds are as follows:-

Launch date	Initial size	AUM as at 31 December 2009
Private Fund “FM2” (December 2008)	Approximately HK\$169 million	Approximately HK\$244.4 million
Private Fund “FM3” (February 2009)	Approximately HK\$90 million	Approximately HK\$115.5 million
Private Fund “FM4” (July 2009)	Approximately HK\$47 million	Approximately HK\$57.4 million
Private Fund “FM5” (July 2009)	Approximately HK\$164 million	Approximately HK\$186.1 million
Private Fund “FM6” (July 2009)	Approximately HK\$480 million	Approximately HK\$551.3 million

The management team

The directors of Guotai Junan Assets are Dr. Yim Fung, our vice chairman, chief executive officer and an executive Director, Mr. Cheung Lai Yan, Charles, our head of assets management. Please refer to the section headed “Directors, Senior Management and Staff” of this prospectus for the work experience of Dr. Yim and Mr. Cheung. The management team of Guotai Junan Assets comprises of Dr. Yim, Mr. Cheung and two other team members.

The directors of Guotai Junan Fund Management are Dr. Yim Fung, Mr. Cheung Lai Yan, Charles, and three other directors with over 15, 20 and 20 years of experience in financial and equity industry, respectively.

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Corporate finance and ECM services

Our Group provides corporate finance and ECM services to local, PRC and international clients through Guotai Junan Capital and Guotai Junan Securities, respectively. These two entities provide our clients with corporate financial advisory service on corporate transactions and capital markets services.

Corporate Finance Advisory Service

Guotai Junan Capital, our corporate finance arm, provides our clients with equity raising capabilities including acting as sponsor in relation to Main Board and GEM listing of securities, providing corporate finance, compliance advisory services and other capital raising solutions services. Founded in August 1995, Guotai Junan Capital is a licensed corporation under the SFO to engage in Type 6 (advising on corporate finance) regulated activities. Our advisory service fees are based on negotiation with clients.

ECM Service

Guotai Junan Securities, our capital markets arm, provides distribution services during the fund raising exercises including underwriting and public and private placement of securities.

Over the Track Record Period, our ECM business established a strong clientele comprising of mainly Hong Kong-based and PRC-based companies and a solid underwriting track record in Hong Kong. Our clients include companies in a variety of industries including retails and consumers, pharmaceuticals, telecommunication and new energy sector. The Directors are of the view that ECM transactions originating from the PRC, particularly those relating to pre-IPO advisory and listings in Hong Kong, will continue to enhance our pipeline. Hence, it is our Group's objective to leverage upon our PRC background to capture more PRC based clients seeking overseas listings and other expansion opportunities.

Research

We believe that one of our Group's core competitive advantages is founded upon our strong equity research capabilities. We have a team of equity research analysts focused on different industry sectors. Guotai Junan (Shenzhen) has provided certain services to our Group relating to our equity research services. For details regarding such arrangements between our Group and Guotai Junan (Shenzhen), please refer to the paragraph "C" in the section headed "Connected Transactions" of this prospectus.

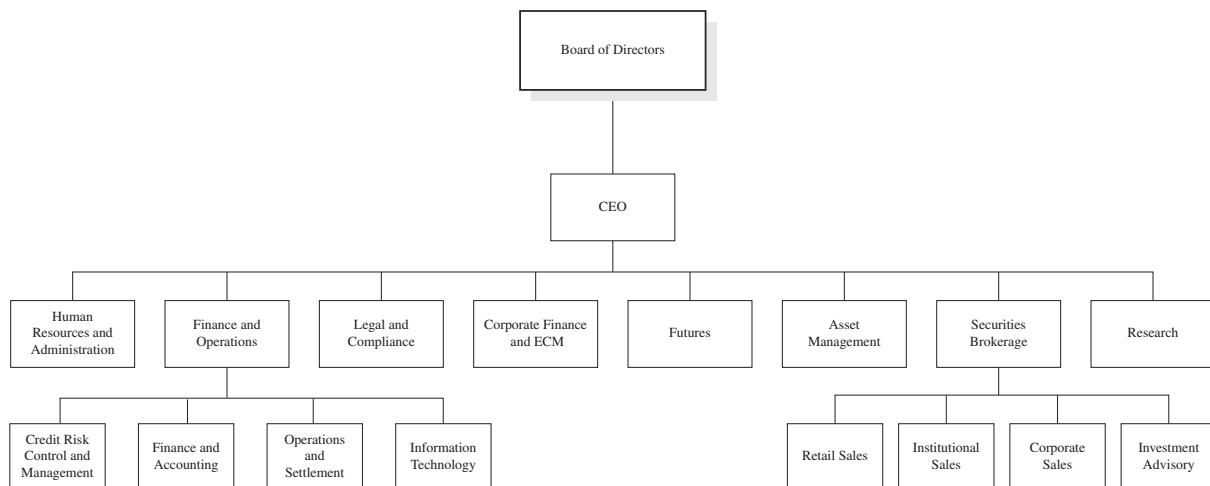
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We strive to deliver valuable and timely investment strategies to clients through our equity research products, which include daily morning focus reports, company and sector reports, quick comment notes, and annual and interim outlook reports, all generated through our systematic and disciplined analysis and research methodologies. Major sectors currently under our coverage include energy, commodities, IT and telecommunication, banking and insurance, aviation and construction. All of our reports are available in our website. No revenue is generated from our Group's research services.

In 2009, StarMine awarded our team the eighth in the "HSI Earnings Estimates" ranking, seventh in the "HSCEI Earnings Estimates" category, and amongst the top five "Most Award-Winning Brokers" in 2009. StarMine Corporation is a privately held company founded in 1998 and is independent from our Group. It is currently one of the world's largest source of objective equity research performance ratings, providing objective ratings of securities analysts around the globe by measuring their stock-picking performance and the accuracy of their earnings forecasts. In 2007, our team came first in the "HSCEI Earnings Estimates" ranking. As for individual achievements, five of our analysts were ranked in 2009 amongst the top three in their respective sectors, and Ms. Liu Gu, the head of our research team, was awarded "Top Earnings Estimator in Asia" in the energy & chemical sector in 2008 and 2009.

MANAGEMENT ORGANIZATION STRUCTURE OF OUR GROUP

Set out below is the management organization structure of our Group.



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MAJOR CLIENTS AND SUPPLIERS

Our Group's key clients consist of individual and corporate clients. As at 31 December 2009, our Group had 16,204 brokerage accounts with trading activities within the last 12 months. Our Group's corporate finance and ECM clients consist of mainly Hong Kong listed companies and private corporations with PRC background.

Our Group's largest operation is its securities brokerage businesses, which has historically accounted for the bulk of our Group's revenue and profit. Due to the nature of the securities brokerage businesses, our Group's largest clients vary from year to year, depending on the clients' trading volume. For each of the three years ended 31 December 2009, our Group's revenue attributable to its five largest clients accounted for approximately 21.6%, 22.6% and 9.9% of our Group's total revenue, respectively. During the same period, our largest client accounted for approximately 9.5%, 18.5% and 3.7% of our Group's total revenue for such periods, respectively.

To the best knowledge of the Directors, except for Guotai Junan Funds SPC for the account of Guotai Junan Harvest China Segregated Portfolio, none of the Directors or substantial Shareholders has any interests in the share capital of the five largest clients during the Track Record Period.

Due to the nature of the Group's principal activities, we have no major suppliers.

SALES AND MARKETING

Our Group's sales and marketing strategy focuses on building of brand name and products and services awareness. The sales and marketing functions of our Group are carried out by our sales and marketing team which have extensive sales and marketing experience in the finance industry and have knowledge of a wide range of financial products.

To build awareness of and promote our Group's brand name, our sales and marketing team has been launching advertising campaigns in Hong Kong and performing road-shows, issuing publications and holding various public relations events throughout the Track Record Period. Through our Group's website, prospective users can obtain detailed information on our Group's products and services and request additional information on the products and services provided by our Group. As a continuous effort to expand our clientele, our Group regularly holds investment conferences. Our Group has also established a team of nine customer service personnel to handle customer enquiries, account opening procedures and provide after sales services and technical support.

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INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

Our Group's overall internal control system is well integrated into our organizational structure, it is carried out by (1) the legal and compliance department for setting of internal control standards and monitoring various controls; (2) all operation departments for implementation of control measures; and (3) the internal audit manager for testing various controls.

The legal and compliance department plays an important role in setting the standards by devising internal control policies and procedures. The department is staffed by 5 persons, among them one is a Hong Kong solicitor and one is a Hong Kong certified public accountant. The department is headed by Mr. Li Sang Edward, an executive Director, the experience and qualification of whom can be found in the section headed "Directors, Senior Management and Staff" of this prospectus.

The compliance function of the legal and compliance department consists of setting of internal control standards and regulatory compliance. On the regulatory compliance side, we have a dedicated person to constantly monitor the requirements applicable for our business and the changes in licensing as well as regulatory requirements of the SFC. On the internal control side, we set procedures such as staff dealing policy and review control areas such as Chinese Wall, segregation of duties, conflict of interests, policies on accounts opening and dealing practices. The legal and compliance department also periodically reviews the internal policies in order to cope with the new development of the relevant laws and regulations. Furthermore, the legal and compliance department also provides legal support to the Group's business units. There are regular meetings among the staff of this department to discuss and evaluate the need for improvement in the control system on regular basis.

All other operation departments are responsible for the implementation of the control measures based on the established policies and procedures. There are executive Directors overseeing the day-to-day operation of these departments and to ensure that the internal control procedures are being followed.

The internal audit manager is responsible for testing the control system and to make recommendations to the management on improvement of the system. After Listing, the head of internal audit will report to the audit committee which comprises of only independent non-executive Directors, making the internal audit function completely independent from the management. Furthermore, the Company will strengthen the resources of the internal audit function.

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The Group has successfully implemented a number of rectifications or improvements in the internal control measures in order to address the findings based on the SFC disciplinary actions which took place prior to the Track Record Period and certain other minor internal control problems identified by the SFC, the details of which are set out in the following tables:

PREVIOUS DISCIPLINARY ACTIONS BY THE SFC

	Disciplinary actions	Rectification actions	Person-in-charge of designing and implementing remedial actions	Time of implementation	Personnel responsible for on-going monitoring and their experience and their expertise	Result of implementation
1	Breach of Financial Resources Rules in 2003 because of Guotai Junan Securities failed to maintain its liquid capital ratio at minimum statutory requirement by HK\$55 million.	The breach was automatically rectified when the relevant IPO margin finance period was due and the bank borrowings were repaid.	The head of compliance department	Immediately after identification by SFC.	The head of finance department	No such problem being identified again.
2	Breach of Client Money Rules in 2003 because Guotai Junan Securities inadvertently deposited client money with 3 overseas financial institutions which were not authorized financial institutions under the Banking Ordinance.	Staff requesting opening of new client bank accounts is required to declare that new bank account is with an authorized institution.	The head of compliance department	Immediately after identification by SFC.	The head of compliance department	No such problem being identified again.
3	An employee opened securities trading account and futures trading account with another broker in 2002 and 2003 to conduct his personal trades without informing the Company.	The legal and compliance department requests annual declaration from all employees on the updated position of their personal accounts.	The head of compliance department	Immediately after identification by SFC.	The head of compliance department	No such problem being identified again.
4	An employee represented that he had witnessed the signing of the account opening documents of 5 clients and in fact he did not witness the clients' signatures at the material time.	The Group required the production of signed original account opening documents before an account is approved for opening.	The head of compliance department	Immediately after identification by SFC.	The head of operations and settlement department	No such problem being identified again.

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For details of the disciplinary actions, please refer to the paragraph headed “Litigations and Disciplinary Actions” of this section.

MINOR INTERNAL CONTROL PROBLEMS IDENTIFIED BY THE SFC

Minor internal control problems	Rectification actions	Person-in-charge of designing and implementing remedial actions	Time of implementation	Personnel responsible for on-going monitoring and their experience and their expertise	Result of implementation	
1	Improper and unclear third party authorization	Adopted a revised set of third party authorization documents (after seeking legal advice).	The head of compliance department	Immediately after identification by SFC.	The head of operations and settlement department	No such problem being identified again.
2	Lack of audit trail on tape recordings	<ul style="list-style-type: none"> • Prohibiting the use of mobile phones for taking client orders during trading hours; • Strictly requiring that all orders received and executed are timely stamped; • Appointed a Responsible Officer to supervise the day-to-day operations of the trading floor and managing phone recordings. 	The head of compliance department	Immediately after identification by SFC.	The head of compliance department	No such problem being identified again.
3	Payment out of a client’s account under the instructions of a third party	Prohibiting all future payments to third parties without the provision of updated authorizations.	The head of compliance department	Immediately after identification by SFC.	The head of compliance department	No such problem being identified again.
4	Failure to ask clients to complete information about their financial position and investment experience in the account opening form	Updating our clients’ information database on a regular basis.	The head of compliance department	Immediately after identification by SFC.	The head of operations and settlement department	No such problem being identified again.

The existing credit committee will be expanded with defined terms of reference to cover other risk management aspects to reposition and renamed as the risk management committee in order to oversee the company-wide risk management issues. There will be representative from the legal and compliance department in this risk management committee in order to provide more input from the perspective of internal control and compliance. For details of the risk management issue in relation to the China B share’s non-compliance, please refer to the paragraph headed “China B shares business by Guotai Junan Securities” of this section.

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We engaged an independent external consulting firm as our internal control adviser to review selected areas of our internal control system over financial reporting. A summary of key findings and recommendations of the internal control adviser as well as our action plans, are set out below:

Key Area/Process	Observation	Recommendations	Management Action Plan
1	Code of conduct and policy regarding conflict of interest, anti-fraud program; prevention, detection and reporting system	<p>The Group’s management (the “Management”) should consider establishing formal reporting channels (e.g. a whistleblower system such as ethics hotline or similar means) for internal and external stakeholders (e.g. vendors) to report fraud or concerns over ethical misconduct.</p> <p>The amended manuals or the newly established internal procedure manual should be communicated to all employees on a regular (e.g. annually) basis.</p> <p>Furthermore, declaration of compliance with the requirements in the compliance manual and the departmental procedure manuals should be performed on a regular basis (e.g. annually) to ensure compliance.</p>	<p>We have a set of “Compliance Manual” and various departmental procedures manuals of different business functions covering code of conduct and conflict of interest.</p> <p>We consider that any staff identifying any violation may report to their department heads or the legal and compliance department that is headed up by an executive Director. We will also formally set up a ethics hotline as a proper channel for communication between the staff and the Management on business ethical issues.</p> <p>By the end of this year, we will conduct a complete review of all existing procedure manuals. Staff will be required to acknowledge receipt of the procedure manuals and have a regular declaration of compliance.</p>
2	Entity-wide risk management committee	<p>An overall entity-wide risk management function (e.g. risk management committee) should be established.</p> <p>The Management should establish an overall entity-wide risk management function at the Group level (e.g. a risk management committee).</p> <p>From a practical perspective, as a minimum, suggest that the risk management committee assists the Board to perform an annual risk assessment to identify the most significant risks facing the group and how these are mitigated.</p>	<p>The credit committee will be expanded with terms of reference clearly defined to cover other risk management aspects on top of credit risk.</p>

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Key Area/Process	Observation	Recommendations	Management Action Plan
3 Internal audit	The internal audit function should be enhanced.	<p>The internal audit function should not perform daily operations in order to maintain its independence.</p> <p>In addition, it should have a reporting line directly to the audit committee when the audit committee is established.</p> <p>In addition, the Management should perform an assessment of the capabilities, resources and structure of the internal audit function to ensure that it is adequately resourced.</p>	<p>The internal audit manager will cease to perform any operational duties.</p> <p>The internal audit manager will report to the head of internal audit who will report to the audit committee in the future. We will discuss with the audit committee members after Listing in order to decide the need to strengthen the resource of the internal audit function.</p>
4 Organization structure, authority and responsibility	Delegation of authority has not yet been formally documented.	The Management should finalize the authorization matrix as soon as possible to document the authority and limits by nature of transaction for relevant staff grading. This should be approved by the Board and/or relevant senior management and then communicated to all relevant management and staff.	The matrix will be completed before the end of this year to address the issue.
5 Compliance with the Listing Rules in relation to financial reporting and disclosures	System and control procedures to ensure compliance with the Listing Rules in relation to financial reporting and disclosures.	The Management should establish relevant system and control procedures to ensure compliance with the Listing Rules in relation to financial reporting and disclosures.	<p>The Board members have attended a directors' training organized by the legal advisers to the Company in March 2010 to acquaint with the Listing Rules requirements.</p> <p>We will appoint a compliance adviser to ensure that the operation of the Company will be in compliance with the Listing Rule requirements.</p>

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Key Area/Process	Observation	Recommendations	Management Action Plan
6 Securities and futures brokerage	Client information for anti-money laundering purposes should be reviewed on a regular basis.	The Management is recommended to consider performing reviews of client information for anti-money laundering purposes with reference to the paragraph 6.1.12 of the “Prevention of Money Laundering and Terrorist Financing Guidance Note (September 2009)” issued by the SFC. If reviews are performed, evidence of performance of review such as sign-off should be retained.	We will include prevention of money laundering activities as a standard topic for its annual continuing professional training to the staff. We will review client trading pattern and fund flow pattern on a daily basis. Ad-hoc and regular reviews will also be conducted after the procedures have been properly designed.
7 Securities and futures brokerage	Rationale for approving the opening of trading accounts for corporate clients with certain documents waived should be documented.	The Management is recommended to establish a policy requiring the documentation of the rationale for approving the opening of trading accounts for corporate clients when certain documents are waived.	In the event if any document(s) relating to trading account opening for corporate clients is/are waived by the Company, the approving officer is required to specify the reason.
8 Financing	Wording in a loan agreement entered into with a Company’s client during the Track Record Period should be fine-tuned.	The Management should revisit the wording in the loan agreement to make sure that section 22 of the Money Lender Ordinance (Cap. 163) (“MLO”) is sufficiently considered.	The relevant loan agreement was amended to take into consideration of the said section of the MLO by way of supplemental agreement dated 19 April 2010.
9 Compliance	System generated reports for monitoring of suspicious transactions may be used.	The Management is recommended to consider using system generated suspicious transaction reports if they are feasible / practical to implement in due course to help in the identification of certain suspicious transactions.	We will assess the viability and practicability of using certain search engines for identifying suspected money laundering cases.
10 Compliance	Maintenance of policies and procedures regarding client trading account opening should be enhanced.	The Management should manage the policies and procedures centrally (e.g. by the legal and compliance department on the intranet (or alternative)), so that only the most up-to-date and applicable policies and procedures exists in the Company.	We noted the recommendations and will set accordingly.

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Key Area/Process	Observation	Recommendations	Management Action Plan
11 Human resources/Payroll	Key master data entered into the human resource (“HR”) system should be independently reviewed.	The Management is recommended to appoint an independent person of an appropriate level to review the key master data entered into the system by the HR and administration director.	At present, the HR assistant inputs all data into the HR system and the HR and administration director performs the review of the input.
12 Accounting/Financial reporting	Definition of related parties should align with the definition in HKAS 24	The Management is recommended to identify the Group’s related parties in accordance with the definition of related parties in HKAS 24 and prepare a list of related parties to facilitate the disclosure of related party transactions in the financial statements. This list of related parties should be updated regularly.	We are designing the procedures to capture the relevant data of related parties. A policy will be developed after the completion of the design. We are expecting the formulation of the policy and procedures will be completed by end of August 2010.
13 Information systems	Incompatible and excessive access right in the system should be removed.	A properly defined application access control mechanism is critical to a strong internal control framework. The Management should review user profile assignments to ensure that access rights are granted to users on a valid “need-to-have” basis and an effective segregation of incompatible duties is enforced. If incompatible access rights have to be assigned to users due to business needs, compensating controls such as review of exception reports should be developed and implemented.	We maintain a well defined access control mechanism. For example, only 2 users in the operations and settlement department are granted access rights in the OctoFutures — FuturesBack system as they are the only 2 persons involved in those operations, one acts as the back up for the other when he is on leave. The futures back office operations is performed outside normal office hours and the workload can be completed by one person. As such, we grant such person full control rights to operate the system.

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Key Area/Process	Observation	Recommendations	Management Action Plan
			<p>The full control right of the staff of the legal and compliance department has been cancelled.</p>
			<p>No account executive has been granted any rights in the Octoback system.</p>
			<p>Dealers are granted the rights of “trade entry”, “trade approval“ and “trade final match” as they are the persons responsible for matching all trades with HKEx and the system. After matching the transactions with HKEx, they are responsible for importing the trades from the front office system to the back office system, and approve them in the back office system. No staff from the back office is allowed to handle trade input.</p>
			<p>The reason for the system administrators to have the same rights as the dealers in this respect is to facilitate the input of trade for settlements during the Hong Kong holidays where the offshore markets are still operating. We will cancel these rights from the system administrators with effective from June 2010 and such operations will be rested with the dealers.</p>

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Key Area/Process	Observation	Recommendations	Management Action Plan
14 Information systems	Sharing of privileged or business user accounts should be prohibited.	Recommend assigning separate user accounts to individual users to enhance the accountability of users' actions.	In most of the systems, a number of functions can only be conducted by the system administrators. As there is only one administrator for the system but there are a few IT staff maintaining the system, the system administration password is unavoidably shared by the staff. However, we maintain a log to record the user of the password and the head of IT will perform check on regular basis.
15 Information systems	Program developer should be restricted to have access right to the production environment.	<p>The Management should ensure that there is adequate segregation of duties maintained between program administration and development.</p> <p>Developer access to the production environment, if required, should be limited to read-only access.</p> <p>If full segregation of duties is considered not feasible under the current operational environment, the Management should ensure that there are sufficient monitoring control procedures to detect suspicious activities performed by developers in the production environment.</p>	In the past, the system engineer was responsible for system maintenance as well as system development. We have recently hired new staff focusing on development. As such, the role between system development and system maintenance is now segregated and the system developer is not allowed to access the production environment of the system.

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Key Area/Process	Observation	Recommendations	Management Action Plan
16 General	Insufficient formalized and documented policies and procedures are in place	The Management should formalize, document and implement policies and procedures for the processes noted within the organization. These policies and procedures should be standardized across the organization wherever possible and detailed enough to provide guidance to process owners when they encounter unusual or one off transactions. The written policies and procedures should be communicated to relevant management and employees. The Management should also consider assigning a designated person(s) to update, review and approve the policies and procedures periodically.	We are currently re-drafting the cash management and treasury policy, the accounting and financial reporting policy and expect to finish by end of August, 2010.
17 General	Evidence for the performance of internal control procedures is not maintained	The Management is recommended to adopts a pragmatic approach towards the retention of evidence in order to support effective operation of internal controls. Where internal controls are high risk in nature and may be subject to internal and external review, the Management is recommended to retain an adequate form of evidence to demonstrate their effective operation (e.g. written or electronic sign off, emails, review comments, etc.).	We will carry out a review of its procedural manuals and reemphasize on the evidence of the control points. Such review is expected to be completed by the end of September 2010.

Save as disclosed above, during the Track Record Period, the Directors were not aware of any significant internal control related problems which materially affected the Group's operation. For risks associated with the Group's risk management and internal control, please refer to the paragraph headed "Risk management and internal control" under the section headed "Risk Factors" of this prospectus.

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Chinese wall

As a securities house with a diversified range of businesses, our Group inevitably faces conflict of interests where two or more interests exist legitimately but which are competitive in nature. The Group recognizes the importance of managing such conflict of interests so as to protect the interests of our clients and our staff. Hence, Chinese walls are established within our Group to prevent and control possible areas of conflicts by controlling the flow of non-public material information, hence preserving the integrity of our operations.

The Chinese wall is a theoretical barrier to ensure that non-public material information regarding listed companies which is obtained in one part of our business (normally, the corporate finance department) is not released to other divisions of our Group.

The Chinese wall aims to isolate those persons who make investment decisions from those who are privy to non-public material information which may influence those decisions. Our Group has developed and implemented reasonable policies and procedures to safeguard inside information, and to ensure no improper trading occurs. To enforce the Chinese wall policy on an administrative level, our Group has established physical segregation and password-protected access between departments and functional units, including the following:

- Securities and futures brokerage
- Corporate finance
- Equity capital markets
- Asset management
- Equity research
- Legal and compliance

As a general rule, staff engaged in a particular operational activity should not enter the premises or separate office area occupied by any other operational activity on the other side of a Chinese wall.

Segregation of duties

To minimize the chance of collusion, duties and functions within each of our business operations are assigned to and discharged by different teams of staff. Below is an overview of the allocation of duties within the securities brokerage division, the largest business operation within our Group:

- **Customer service** - Guotai Junan Securities has a team of customer service personnel responsible to handle account opening applications and customer enquiries. Policies governing opening of client trading accounts are governed by our Group's internal guidelines and relevant SFC regulations. All account opening applications are processed by SFC-licensed staff.

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- ***Taking trade orders*** - As at the Latest Practicable Date. There were 30 personnel, including 26 account executives and dealers and four customer service personnel, who are responsible for taking orders placed over the phone by clients and who provide investment advice where appropriate.
- ***Dealing and broking in securities*** - Dealing orders placed by clients or their account executives are processed by our dealers into a direct dealing system, which interfaces Stock Exchange's trading system. As part of our internal control procedure, an error trade report is submitted by the dealing department to the Responsible Officers for review.
- ***Account administration*** - Printing and mailing of client statements are handled by staff members of the settlement department. The process is almost completely computerized to minimize time and costs and to maintain client confidentiality.
- ***Custody of client assets*** - Our Group ensures that our clients' assets are adequately safeguarded and properly accounted for. Our Group has established procedural guidelines, developed in accordance with the relevant SFC regulations to protect our client's money. For example, all client money must be paid into a trust account at an authorized financial institution within one business day after our receipt of the same, and no account executive is allowed to handle client fund deposits or transfers. Where our Group holds clients' securities for safe custody in Hong Kong, then we are required, in case of registered securities, promptly register the securities in the name of the client, or deposit the same with CCASS or with any institution that provides facilities for the safe custody of documents to the satisfaction of the SFC.
- ***Customer complaints*** - Complaints from clients are reported to and handled by the legal and compliance department. According to our Group's policy, no staff should handle client complaints by themselves without first notifying the legal and compliance department. Upon receipt of a complaint, the legal and compliance team would study the details and conduct independent investigation. Where necessary, the results of investigation may be reported to the Board for consideration. Ultimately, the legal and compliance department reverts to the client with investigation results and takes remedial action as appropriate.

Conflict of interests

Conflict of interests arises in situations where two or more interests legitimately exist but which are in competition or conflict.

Conflicts may arise between:

- a. interests of different operating activities within our Group;
- b. interests of our Group and those of our clients;
- c. interests of different clients;

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- d. interests of staff's personal activities and those of our Group; or
- e. interests of staff's personal activities and those of our clients.

Staff's personal activities include any personal trading, outside directorship and business or independent practice.

It is our Group's policy to ensure that:

- a. there is an adequate level of staff awareness of the issues relating to conflict of interests;
- b. staff understand the basic principles relating to client priority, insider dealing, confidentiality, staff dealing and Chinese wall;
- c. conflict of interests is avoided whenever possible or kept to a minimum; and
- d. conflict of interests is properly disclosed and handled.

Staff must avoid any actual or potential conflict of interests as defined above. Where a conflict cannot be reasonably avoided, staff must ensure that the conflict is properly disclosed to the relevant parties and approval is sought from management before any action can be taken. Under all circumstances, staff must ensure clients are fairly treated and the interest of staff should be subordinated to those of clients where conflict of interests arises with clients.

To further enhance our internal control procedures and minimize potential conflict of interests, our Group has established a conflict committee (the "**Conflict Committee**") comprising Directors and members of senior management who assist the Board to monitor and identify actual or potential conflict of interests. The Conflict Committee is authorized by the Board to monitor and identify actual or potential issues of conflict of interests, and works to ensure that employee of our Group involving such conflicting interests would take appropriate precautions and abstain from making decisions in connection with such issues. Further, the Conflict Committee identifies and ratifies any errors in our Group's internal control system and makes recommendations to the Board wherever appropriate. The Board may, at its discretion, convene a meeting of the Conflict Committee to review, investigate and discuss the issues.

The composition of the Conflict Committee is determined by the Board on an ad hoc basis with regard to the nature and background of the subject conflict of interest issue. Members of the Conflict Committee may include executive Directors, non-executive Directors, independent non-executive Directors and/or senior management members, whose functional responsibilities are independent of the issues in question.

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Policies on accounts handling and dealing practices

Our Group enforces a detailed set of internal control procedures on opening and handling client accounts, dealing practices and managing error trades.

Accounts handling

(i) Opening client accounts

In accordance with the provisions under the “Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission” and “Client Identity Rule Policy”, client account opening procedures are handled exclusively by registered persons of the Group who are required to take all reasonable steps to establish, confirm and maintain the true identities of the client, beneficial owner(s) (if a company), authorized third parties who represent the client and its financial background, investment experience and objectives. Related specimen signatures and supporting documents must be obtained prior to the establishment of an account. All information relating to the clients are kept in strict confidence and maintained in an orderly manner.

(ii) Accounts opening by staff with other licensed corporations

Staff members who wish to open an account with another licensed corporation must obtain prior written approval from our legal and compliance department. A separate register of such accounts is maintained by the Group for future monitoring.

(iii) Maintenance and review of associated accounts of staff

Our account opening application form requires the client to disclose the details of any relative(s) currently employed by our Group. Moreover, our securities trading agreement imposes an obligation on the client to warrant that he/she is not associated with any of the Group’s employees or agents and to agree that, if he/she becomes associated with any such persons after the date of account opening, he/she shall promptly notify Guotai Junan Securities of the existence and nature of such association. All information in respect of client-employee associations are entered into our electronic client information database for future monitoring.

(iv) Staff of other licensed corporations opening an account with the Group

Our account opening application form also requires our client to declare if he/she is an employee of other SFC licenced corporations. Where the answer is yes, we will request written consent from the client’s employer. A separate register is maintained by the Group for future monitoring.

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Dealing practices

When a client calls the dealing desk, all telephones on the desk would ring and the first available dealer must pick up the call to take the client's instructions. Such dealer is responsible for ascertaining the client's name and account number and checking against our electronic client information database to confirm that there is sufficient equity in the client account to cover the trade. The dealer should instantly record the trade details onto a blotter and a dealing ticket, before entering the trade into the electronic trading system (ETS). As soon as the order is matched, the dealer time-stamps the dealing ticket to record the execution time, and then confirms the executed order with the client. Dealers are encouraged to confirm all trades by means of a tape recording telephone.

Tracking and handling error trades

If an employee becomes aware of any suspicious or error trade, he/she must immediately report it to a Responsible Officer, who shall then rectify the same as soon as possible to the best interest of our Company. In the case of a dealer becoming aware of an error trade which is rectifiable at a loss below HK\$1,000, then he/she should rectify the trade immediately before reporting it to the Responsible Officer. Unless inevitable or with the approval of two Directors, no error trade should be carried over to the next trading day. The employee(s) responsible for the error trade must complete an "error report", stating the resulting profit or loss, if any. The report is then signed by the responsible employee(s) and a Responsible Officer, and submitted to the settlement department to be booked into the house account and finally passed to the legal and compliance department for permanent record.

Proprietary trading activities

The proprietary trading activities of the Company shall be discussed and approved by the Board of Directors. As at the Latest Practicable Date, the Company only has proprietary trading in the H shares of one company listed on the Stock Exchange.

Staff dealing policies and procedures

Our Group strictly enforces our internal policies in respect of staff dealing in securities, and other financial products. Staff members of our asset management team are strictly prohibited from dealing in securities for their own account, whether through our Group or another broker.

As for all other staff members, approval is required from the head of our legal and compliance department if the employee wishes to have securities trading.

Each staff member who is allowed to have a securities trading account is required to disclose information about the employee's accounts, the employee's children under the age of 18 and all other accounts in which the employee has a beneficial interest. The employees are required to disclose the updated position of their personal account(s) to our legal and compliance department on a monthly basis as well as declaring the same annually.

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However, the following activities are strictly prohibited from staff account dealing:

- (a) ***Restricted list of securities*** - Personal dealing is not allowed in certain securities designated from time to time by the legal and compliance department.
- (b) ***Price sensitive information*** - Trading stocks with respect to which our Group has price sensitive information, which is not yet available to the public, is not allowed.
- (c) ***Conflict of interests*** - Trading in securities with the knowledge that there will be a conflict of interest with our clients.
- (d) ***Placing tranche in IPOs*** - Staff and their connected persons (as defined in the Listing Rules) are not allowed to participate in the placing tranche of initial public offerings available to our clients.
- (e) ***Research stocks*** - Employees of the research department are not allowed to trade on securities of listed company which are being monitored by the research department.

All staff with personal securities trading account(s) are required to provide to our Group's legal and compliance department a copy of their monthly statements for ongoing monitoring purpose.

Anti-money laundering

Our Group is fully committed to establishing appropriate policies and procedures for the prevention of money laundering and terrorist financing and our compliance with all relevant legal and regulatory requirements. Money laundering covers a wide range of activities intended to mask or alter the source of illegally obtained money. Staff members of our Group are required to comply with the Hong Kong laws and the "Prevention of Money Laundering and Terrorist Financing Guidance Note" issued by the SFC in April 2006. We have subscribed to World-Check, a proprietary intelligence database that enables us to check individuals and organizations against potential exposure to fraud, corruption, money laundering, narcotics trafficking and other types of financial crime, since 1 July 2008. Our Group has since used "World-Check" intelligence database to check the clients' identity against the list of suspected money launderers for anti-money laundering checking purpose. Before 1 July 2008, our Group manually checked the clients' identity against the list of suspected money launderers. Staff members who know, suspect or have reasonable grounds to believe that a client might have engaged in money laundering activities must immediately report the details to the legal and compliance department which, in turn, will notify the JFIU.

In addition, our Group has established a risk-based approach in our customer acceptance policy which aims to identify the types of customers that are likely to pose a higher than average risk of money laundering and terrorist financing. Such approach is based on a customer due diligence process, which takes into account factors such as the client's background, nature of its business, its origin or place of establishment, associated entities, structure of ownership and any other information that may suggest that the customer is of any risk in respect of money laundering and terrorist financing.

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Further, as mentioned above, the Group has established procedures to report suspicious financial transactions to the JFIU. It is the Group's policies not to accept client money by cash and not participate in the clients' fund transfer, whether from the PRC or elsewhere. Client money for securities/futures transactions that enters into the Group is money coming from financial institutions within the Hong Kong banking system.

The Group has never engaged in any money laundering activities. For risks associated with money laundering activities exposed by the Group, please refer to the paragraph headed "Failure to detect illegal or improper activities" under the section headed "Risk Factors" of this prospectus.

Risk management

Our Group has policies and procedures to ensure the proper management of risks to which our Group and, if applicable, our clients are exposed, particularly with regard to their identification, whether financial or otherwise, and the provision of timely and adequate information to management to enable it to take appropriate and timely action to manage such risks. Principal types of risk inherent in our Group's business include credit, market, interest rate and liquidity risks. Credit risk occurs mainly in relation to our Group's financing activities. Market risk is associated with our Group's position in changing market position. Interest rate risk relates to the risk to our Group's financial condition resulting from adverse movements in interest rates. Liquidity risk arises across the liquidity of our Group's balance sheet.

In addition, our Group's major financial instruments include equity investments, other deposits, bank borrowings, accounts receivables, accounts payables and bank balances. The risks associated with these financial instruments and the policies on how our Group mitigate these risks are set out below. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Prior to granting approval on credit limits for any client, our Group applies established policies and procedures for evaluating the financial and other status of such client. Credit limits are monitored by the credit and risk management committee and are subject to review from time to time. In the case of credit review, the credit and risk management committee makes reference to the clients' trading and margin call records maintained by our Group.

The credit risk control department generates daily reports on (1) top 20 outstanding securities-backed loans; and (2) outstanding receivables. The committee members would review such reports and take action as necessary. For example, making downward adjustments to the margin ratio or, if the risk related to a margin account exceeds certain pre-determined levels, the client may be requested to deposit additional funds into the account to cover the positions.

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Our Group has a list of approved-securities which are “acceptable collaterals” for margin lending purposes. Each of such securities has its own margin lending ratio. The credit risk and management committee holds regular meetings to review the repayment records of clients and newly granted credit limits to see whether our Group’s credit control procedures are properly followed.

For all loans and advances applications, the credit and risk management committee will assess, in accordance with our credit control procedures, each application and grant approval where appropriate. The committee would make reference to the quality of securities pledged to determine the terms of the loans and advances. Our credit control staff will review the settlement records of the loans and advances on a regular basis and take appropriate action as necessary, including making downward adjustments to the approved credit limit.

For other risks associated with credit risk exposed by the Group, please refer to the paragraph headed “Credit risk control” under the section headed “Risk Factors” of this prospectus.

Market risk

Our Group uses different methodologies (e.g., stress test and sensitivity analysis) to assess the impact of changing market conditions on our Group and our clients. The Board and the credit and risk management committee regularly reviews our Group’s balance sheet, profit and loss accounts and credit granted to clients to identify the risk exposure of our Group, especially during adverse market movements.

During trading hours, the credit and risk management department and the dealing department monitors our clients’ trading activities. If a client’s trading exceeds the pre-approved credit limit, unless special approval is granted by senior management, our Group would freeze such account until it falls within the approved credit limit. The credit and risk management department will also monitor securities with the biggest drops in share price for each day and stocks classified as highly concentrated collaterals of our Group. Follow up action such as reducing the margin ratio for the pledged securities and requiring clients to top up their position would be taken if needed.

Margin calls would be made to clients if the outstanding loan balances exceed the margin value of clients’ portfolio (in the case of securities accounts) or when outstanding balances in his accounts fall below the required maintenance margin level (in the case of futures account). If the client’s position fall below our Group’s pre-defined level, our Group would liquidate the client’s position, unless special tolerance from senior management is given.

Liquidity risk

As part of ordinary broking activities, our Group is exposed to liquidity risk arising from timing difference between settlement with CCASS or brokers and clients. For other risks associated with liquidity levels of the Group, please refer to the paragraph headed “Liquidity requirements” under the section headed “Risk Factors” of this prospectus. To address the risk, our Group’s finance and

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accounting department works closely with the settlement department on monitoring the liquidity gap. Pursuant to the operation manual, daily reports are prepared to monitor cash deposits in hand and bank facilities utilization for better management of the overall liquidity position. For contingency purposes, unutilized loan facilities are obtained as additional precautions.

Interest rate risk

Interest rate fluctuations affects our business performance as much as they affect stock market performance and general financial market sentiments. Hypothetically, a decrease in interest rate of 1% per annum would have lowered our Group's cost of capital by HK\$5 million, nil and HK\$5 million for the years ended 31 December 2007, 2008 and 2009, respectively. At the same time, it would have caused our total interest income to decrease by HK\$59,908,000, HK\$51,310,000 and HK\$68,978,000, respectively, over the same period. Effectively, such interest rate change would have resulted in net decreases in profit before taxation of HK\$54,908,000, HK\$51,310,000 and HK\$63,978,000, for the years ended 31 December 2007, 2008 and 2009, respectively.

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. Foreign exchange risk, if any, arising from broking in foreign shares and commodities, is closely monitored by our Group's finance and accounting department. The Directors are of the view that the foreign exchange risk to our Group is minimal.

Operational risk

Our management regularly reviews our Group's operations to ensure that our risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

COMPETITION

The financial services sector in Hong Kong is highly competitive due to the vast number of market players in securities brokerage services, financing, corporate finance and ECM services and asset management. For example, there are currently over 500 securities houses in Hong Kong engaged in the securities brokerage business, yet approximately 90% of the market share is held by the top 65 players. Our Directors believe that our main competitors are other securities houses with PRC background based in Hong Kong. If our Group develops any new business in the PRC, there may be potential competition between our Group and domestic financial institutions in the PRC including but not limited to Guotai Junan.

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To compete effectively, our Group strives to stay in touch with the market in order to have insightful knowledge about our clients' demand and our competitors. We continue to maximize opportunities by meeting new clients and delivering products and services that measure up to or exceed market expectations. Our Group also recruits, trains and maintains suitable professionals and management personnel to improve our corporate control, IT infrastructure, marketing strategies and technical expertise so as to cater for any changes in market conditions. Finally, our Group maintains an efficient and lean cost structure in order to maximize shareholders' returns.

REGULATORY REQUIREMENTS

Due to the licensing regime of the SFC, in order to engage in the core businesses of our Group, the relevant subsidiaries of our Group and our responsible personnel have obtained the relevant licences and been in compliance with the relevant regulatory requirements from time to time.

Set out below is a summary of the relevant licenses (including conditions imposed) currently held by the relevant licensed subsidiaries of our Group.

Name of licensed subsidiary	Type 1 Dealing in securities	Type 2 Dealing in futures contracts	Type 4 Advising on securities	Type 6 Advising on corporate finance	Type 9 Asset management	Money lenders	Number of Licensed Representatives (Note)	Number of Responsible Officers
Guotai Junan Assets (Asia) Limited	Yes		Yes		Yes		14	3
Guotai Junan Finance (Hong Kong) Limited						Yes	N/A	N/A
Guotai Junan Fund Management Limited					Yes		1	2
Guotai Junan Futures (Hong Kong) Limited		Yes					38	2
Guotai Junan Securities (Hong Kong) Limited	Yes		Yes				97	5
Guotai Junan Capital Limited				Yes			15	6

Notes:

- 29 of the Licensed Representatives accredited to the above companies are employees of Guotai Junan (Shenzhen). The above companies having these 29 Licensed Representatives are not as a result of the recent disposal of Guotai Junan (Shenzhen) by the Company and this arrangement is not transitional. These 29 Licensed Representatives will not be removed from the Group's licensed subsidiaries going forward.
- Guotai Junan FX is in the process of applying for Type 3 license as at the Latest Practicable Date.

Apart from the SFO, the operation of the securities market is also governed by the subsidiary legislations and regulations, administrative procedures and guidelines developed by the SFC, as well as by the rules and regulations introduced and administered by the Stock Exchange and the Futures Exchange. Guotai Junan Securities is an Exchange Participant and Guotai Junan Futures is a futures exchange participant. Save as disclosed in this prospectus, for risks associated with the regulatory environment, please refer to the paragraph headed "Highly regulated business environment" under the section headed "Risk Factors" of this prospectus.

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Up to the Latest Practicable Date, except for the disciplinary actions against members of our Group and/or its employees as disclosed in “Litigations and Disciplinary Actions” below, each relevant subsidiary of our Group being a licensed corporation under the SFO, or a participant of HKEx, or a holder of a money lender licence is in full compliance with the relevant rules/legislations/codes in performance of its relevant business and has not experienced any difficulties in relation to the renewal of its licences/certificates/approvals since the incorporation of each of the relevant subsidiaries of our Group.

LITIGATIONS AND DISCIPLINARY ACTIONS

Litigations

For the three years ended 31 December 2009 and as at the Latest Practicable Date, there is no pending or outstanding material litigation, arbitration or claims of significance involving our Group. For the summary of the disciplinary actions, certain other minor internal control problems and rectification actions, please refer to the paragraph headed “Internal Control and Risk Management” of this section.

Disciplinary actions against members of our Group and/or its employees during the Track Record Period

For the three years ended 31 December 2009 and as at the Latest Practicable Date, no disciplinary action has been taken against members of our Group and/or its employees. However, prior to the Track Record Period, the following disciplinary actions had been taken by the SFC against Guotai Junan Securities and two staff members and one executive Director:

1. SFC’s disciplinary action against Guotai Junan Securities for breaches of the Financial Resources Rules and the Client Money Rules and other internal control failure, and against its employee, Mr. Wong Tin Lai. Details of Mr. Wong Tin Lai’s biography is set out in the section headed “Directors, Senior Management and Staff” of this prospectus.

On 30 October 2003, Guotai Junan Securities failed to maintain its liquid capital ratio at the minimum statutory requirement (FRR) by HK\$55 million, due to certain clients’ financing needs in respect of an initial public offering.

In their investigations, the SFC found that during the period from December 2002 to November 2003, Guotai Junan Securities had inadvertently deposited client money with three overseas banks which were not authorized financial institutions under the Banking Ordinance and was therefore in breach of the Client Money Rules. The SFC further identified other minor internal control problems with Guotai Junan Securities which include improper and unclear third party authorization, lack of audit trail on tape recordings, payment out of a client’s accounts under the instructions of a third party and failure to ask clients to complete information about their financial position and investment experience in the account opening documents. The Group has taken relevant rectification actions and internal control measures, for example, to adopt a new set of third party authorizations, to prohibit the use of mobile phones to take clients orders during trading hours, to time stamp all orders received from clients, to appoint a Responsible Officer

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to supervise the daily operations, to monitor phone recordings on a daily basis, to prohibit all future payments to third parties without fresh authorizations and to expand the customer services department of the Group. The said minor internal control problems were rectified. As a result of the above breaches, the SFC reprimanded Guotai Junan Securities and imposed a fine in the amount of HK\$400,000 on 8 September 2005.

The SFC found that Mr. Wong Tin Lai, being responsible for reviewing the Group's FRR returns, failed to do the following four things, such as (i) exercise due care and diligence in performing his duties, (ii) have or employ effective procedures in performing his duties, (iii) diligently supervise his staff members and (iv) ensure compliance with the law. Therefore, he is not considered to be a fit and proper regulated person. As a result, the SFC reprimanded Mr. Wong Tin Lai and imposed a fine in the amount of HK\$40,000 on 9 August 2006. Since Mr. Wong Tin Lai's scope of work is not regulated activities and does not require him to be a licensed person under the SFO, he voluntarily gave up his license under the SFO to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities in 2005.

2. SFC's disciplinary action against Guotai Junan Securities' Responsible Officer, Mr. Wong Tung Ching, for being reckless in making representation. Details of Mr. Wong Tung Ching's biography is set out in the section headed "Directors, Senior Management and Staff" of this prospectus.

Mr. Wong Tung Ching recklessly represented that he had witnessed the signing of the account opening documents by five clients and had inspected their original identity documents. As a result, the SFC issued a reprimand to Mr. Wong Tung Ching and imposed a fine in the amount of HK\$210,000 on 6 December 2006.

The Company has rectified each of the above breaches and promptly established proper internal control to safeguard against future breaches. The Group has implemented the following improved control measures during the Track Record Period:

- (a) To avoid funds being deposited into overseas banks not authorized institutions under the Banking Ordinance, staff requesting opening of new client bank accounts is required to declare that the new bank account is with an authorized financial institution under the Banking Ordinance. The request will be checked by the legal and compliance department of the Group before the account opening request is approved and processed.
- (b) To ensure the compliance with the FRR, the Group has implemented procedures to monitor the liquid capital and records of liquid capital calculations are kept and reviewed on a daily basis.
- (c) To avoid staff opening securities or futures trading accounts at outside brokers without the approval of the Group, all staff are required to disclose his/her own securities trading account(s) upon joining the Group as employee. The legal and compliance department of the Group would also ask for annual declaration from all employees on the updated position of their personal account(s).

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- (d) To avoid staff signing on photocopy documents as witness of client signature(s), the Group has implemented internal procedures by requiring the production of signed original account opening documents before an account is approved for opening. Supporting document must be properly certified.
3. SFC's disciplinary action against a Guotai Junan Securities' employee, Mr. Wong Chi Ming, for breach of our Group's staff dealing policy.

On 7 November 2002 and 24 June 2003, respectively, Mr. Wong Chi Ming opened a securities trading account and a futures trading account, with another broker to conduct his personal trades without informing his then employer, Guotai Junan Securities, of his interests in those accounts. Thus he was in breach of Guotai Junan Securities' staff dealing policy. SFC reprimanded Mr. Wong Chi Ming and imposed a fine in the amount of HK\$35,000 on 22 May 2006.

The Group has adopted measures to rectify other minor internal control problems, including adopting a new set of third party authorization documents (after seeking legal advice), prohibiting the use of mobile phones for taking client orders during trading hours, strictly requiring that all orders received and executed are timely stamped, appointing a Responsible Officer to supervise the day-to-day operations of the trading floor and managing phone recordings, prohibiting all future payments to third parties without the provision of updated authorizations and updating our clients' information database on a regular basis.

Save as disclosed in this section, as at the Latest Practicable Date, no other disciplinary action had been taken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against any members of the Group and/or its employees. In addition, no subsequent checks have been performed by the SFC on the rectified internal control problems and results.

In the past 18 months, the Group has received a number of investigation notices issued by the SFC and addressed to one of our subsidiaries which resulted in a director and Responsible Officer of the said subsidiary being prosecuted by the SFC, the details of which have already been disclosed in the paragraph headed "Prosecution by the SFC against an employee of the Group" of this section. Save as aforesaid, none of our subsidiaries, their respective directors or Responsible Officers is aware of any other investigations or potential disciplinary actions currently undertaken by the SFC against it/him/her. As at the Latest Practicable Date, the Directors confirm that to their best knowledge and understanding, the Group is not subject to any other investigations currently undertaken by the SFC.

Customer complaints

The Group has a standard mechanism for handling client complaints, each client complaint is documented and filed. According to our client complaints handling procedure, all complaints are required to be reported to the Responsible Officer of the relevant business unit and investigated by our legal and compliance department. No employees of the Group are allowed to handle client complaints by themselves without notifying our legal and compliance department. Our legal and compliance department would then investigate the subject of complaint and prepare a draft reply to the complainant. The Directors and the relevant department head will be consulted on the draft reply before it is issued. Our legal and compliance department keeps a register of complaints containing

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information including date of complaint, client name, subject of complaint, disputed amount and remedies offered, if any. For the three years ended 31 December 2009, the Group received 37 complaints lodged by the customers of the Group, the nature of which mainly relates to unsatisfactory customers services, miscommunication between customer service department and settlement department with customers, online platform issues and order execution issues, failure of settlement department to notify clients on corporate actions, etc. Out of the 37 complaints, 21 complaints claimed monetary loss which amounted from several hundred dollars to HK\$160,000. The Company has responded to the complaints and only 10 complaints required monetary compensation, ranging from HK\$100 to US\$10,600. The Directors have confirmed that they have no material financial impact on the Group and have not indicated any major deficiencies in the Group's internal control.

The table below sets out the summary of the customer complaints received by the Group during the Track Record Period:

	Number of customer complaints	Approximately amount involved (HK\$'000)
2007	18	347
2008	7	89
2009	12	229 ⁽¹⁾

Note:

- (1) The total amount includes CAD 6,562.5 (HK\$ 7.76=CAD 1), USD 5,800 (HK\$ 7.76=USD 1) and SGD 5,700 (HK\$ 5.66=SGD 1).

China B shares business by Guotai Junan Securities

Since 2003, the Group has operated its China B shares business through Guotai Junan as a broker. In December 2009, Guotai Junan Securities obtained CSRC's approval for trading qualification in China B shares. Prior to the date of such approval, our Group's arrangements in respect of our China B shares business was not in compliance with the provisions under the "Administration of Qualifications of Domestic and Foreign Securities Trading Institutions for Engagement in Foreign Investment Shares Business Tentative Provisions (境內及境外證券經營機構從事外資股業務資格管理暫行規定) (the "Rules"). In accordance with the Rules, the business arrangement between Guotai Junan Securities and Guotai Junan is punishable by one or more of the penalties including warnings, forfeit of the illegal income, suspension of operations of China B share business for a period from half to one year, and suspension of operation license (the "Penalties"). Accordingly, the maximum penalties to the business arrangements between Guotai Junan Securities and Guotai Junan are the sum of all the Penalties. The Group has disclosed its non-compliance with the Rules to the CSRC in its applications for operating China B shares business in its own capacity, which was later approved by the CSRC on 29 December 2009. Accordingly, the Company's PRC legal adviser is of the view that the risk of being penalized by the CSRC in connection with the Group's aforementioned

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non-compliance of the Rules is not significant. As confirmed by the Company's PRC legal adviser, as Guotai Junan Securities has obtained CSRC's approval for trading qualification in China B Shares, the Group's current operation of its China B Shares business through Guotai Junan as a broker is in compliance with the relevant PRC laws and regulations.

Further, under the deed of indemnity dated 19 June 2010, Guotai Junan Financial Holdings and Guotai Junan (BVI) have agreed to indemnify our Company from and against, inter alia, all losses, damages or expenses which any member of our Group may directly or indirectly in connection with the Group's aforementioned non-compliance. Please refer to the paragraph headed "Other Information — Estate Duty and Tax Indemnity" in Appendix V to this prospectus for details.

The reason for such non-compliance was because when we commenced the China B shares trading service in 2003, such business was conducted through a broker which had valid China B shares trading right in the PRC. The Directors genuinely believed that such arrangement did not require our Group to apply for a licence in the PRC and they were not aware that such arrangement violated the Rules. It was until in 2009 when we applied to the CSRC for our own China B shares licence that the Directors noticed that our previous China B shares trading arrangement did not comply with the Rules. Such non-compliance was disclosed to the CSRC and we obtained the certificated of trading in China B shares issued by the CSRC on 14 April 2010.

Prosecution by the SFC against an employee of the Group

A director and Responsible Officer of one of our subsidiaries is currently being prosecuted by the SFC. This employee was charged in his personal capacity in December 2009 of "creating an artificial price for dealings in securities" in the Eastern Magistrates' Courts and this case is currently pending trial.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INFORMATION OF OUR CONTROLLING SHAREHOLDERS

Guotai Junan (BVI)

Guotai Junan (BVI) was incorporated on 3 March 2010 in BVI with limited liability. It is an investment holding company and a wholly-owned subsidiary of Guotai Junan Financial Holdings. Immediately following the completion of the Global Offering and the Capitalization Issue, assuming no exercise of the Over-allotment Option and not taking into account of any Shares which may be issued upon the exercise of the options under the Share Option Scheme, Guotai Junan (BVI) will hold 75% interest in our Company, thus a Controlling Shareholder.

Guotai Junan Financial Holdings

Guotai Junan Financial Holdings was incorporated on 10 August 2007 in Hong Kong with limited liability. It is an investment holding company and a wholly-owned subsidiary of Guotai Junan. Immediately following the completion of the Global Offering and the Capitalization Issue, assuming no exercise of the Over-allotment Option and not taking into account of any Shares which may be issued upon the exercise of the options under the Share Option Scheme, Guotai Junan Financial Holdings will be deemed to hold 75% interest in our Company through its interest in Guotai Junan (BVI), thus a Controlling Shareholder.

Guotai Junan

Guotai Junan was incorporated on 18 August 1999 in the PRC, through the merger of former 國泰證券有限公司 (Guotai Securities Co., Ltd.) and J & A Securities Co., Ltd. and additional stock issue. Guotai Junan is one of the largest securities houses in the PRC. As at the Latest Practicable Date, Guotai Junan has 26 branches, 23 regional marketing headquarters and more than 100 business offices located all over the PRC.

As at the Latest Practicable Date, the top four shareholders of Guotai Junan, namely, Shanghai State-owned Asset Operation Co., Ltd. (上海國有資產經營有限公司), Central Huijin Investment Ltd. (中央匯金投資有限責任公司), Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司) and State Grid Corporation of China (國家電網公司), held 1,118,854,952 shares, 1,000,000,000 shares, 524,161,538 shares and 260,635,387 shares, representing approximately 23.81%, 21.28%, 11.15% and 5.55% equity interest in Guotai Junan respectively. The remaining approximately 38.21% shareholding of Guotai Junan was held by 109 other shareholders, and each does not hold more than 5% interest in Guotai Junan.

Shanghai State-Owned Assets Operation Co., Ltd. is a wholly state-owned company with limited liability established in September 1999. Its main businesses include entrepreneurial investments, capital operations, assets acquisition, restructuring and transfer, enterprise trust and asset custody, bond restructuring, property right brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its authorized businesses, as well as guaranty related to its asset management and capital operation businesses.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Central Huijin Investment Ltd. was established in December 2003 as a wholly state-owned investment company with the approval of the State Council. Central Huijin Investment Ltd. represents the PRC government in exercising its investor's rights and obligations in certain financial institutions, including but not limited to the China Construction Bank Corporation and Bank of China Limited, and implements and executes PRC government policy arrangements in relation to the reform of state-owned financial institutions.

Shenzhen Investment Holdings Co., Ltd. was established in October 2004 as a wholly state-owned investment company. The principal activities of Shenzhen Investment Holdings Co., Ltd. include asset management, capital operations, as well as representing Shenzhen Municipal State-owned Assets Supervision and Administration Commission (深圳市人民政府國有資產監督管理局) ("SASAC") in exercising its investor's rights and obligations in certain financial institutions pursuant to its authorizations, involving in the reformation and reorganization activities of state-owned enterprises in Shenzhen and administrative bodies, acting as guarantor in the financing activities of state-owned enterprises in Shenzhen and performing policy-approved and strategic investments subject to the instructions of SASAC.

State Grid Corporation of China was founded on 29 December 2002 as a state-owned corporation by the State Council of the PRC. Its core business is to build and operate power grids and provide power supply for the development of the society.

Immediately following the completion of the Global Offering and the Capitalization Issue, assuming no exercise of the Over-allotment Option and not taking into account of any Shares which may be issued upon the exercise of the options under the Share Option Scheme, Guotai Junan will be deemed to hold 75% interest in our Company through its interest in Guotai Junan Financial Holdings, thus a Controlling Shareholder.

BUSINESSES OF THE CONTROLLING SHAREHOLDERS

Guotai Junan is one of the largest securities houses operating in the PRC, whilst our Group is operating in Hong Kong. Given the nature of the businesses Guotai Junan and our Group respectively carry on, both of us need to obtain licenses from the respective regulatory authorities of the jurisdiction in which we respectively operate, and no one can legally carry on such regulated businesses without obtaining relevant licenses in that jurisdiction. In other words, the financial services provided by the Group and Guotai Junan are different.

As at the Latest Practicable Date and to the best knowledge of the Directors, Guotai Junan has not obtained any license in Hong Kong to carry on same businesses as we do. On the other hand, our Group has not obtained any license in the PRC to carry on same businesses as they do except for the China B shares trading of which we are currently applying our own licenses in the PRC. However, the target customers of Guotai Junan in respect of such trading are those persons and entities having legitimate foreign currencies within the PRC whilst we focus on the customers with legitimate Hong Kong dollars or US dollars who are able to do settlement in Hong Kong, therefore, there is generally no competition between Guotai Junan and our Group in the China B shares trading. In addition, Guotai Junan is engaged in asset management business. However, there is clear delineation between the asset

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

management business of Guotai Junan and that of the Group. The funds managed by Guotai Junan are RMB denominated funds offered in China, while funds managed by the Group are non-RMB denominated funds offered outside China. On this basis, the Directors are of the view that there is clear delineation between the asset management businesses of Guotai Junan and of the Group.

Although there is clear delineation between the businesses of the Group and Guotai Junan, certain customers may be able to choose between the financial services offered by the Group and Guotai Junan. Accordingly, the Group and Guotai Junan are somehow competing the financial resources in the market as a whole. However, the Directors consider that this should not be strictly viewed as the existence of common customer base or to a larger extent a direct competition between the two parties because the services provided by the Group and Guotai Junan are different in nature and the customers can choose the services based on their own investing performance in terms of risk and benefit and the availability of such services to them. Furthermore, the Directors are of the view that customers should not be used as a basis to determine competition of business between our Group and Guotai Junan. For example, customers can have trading account with our Group and with Guotai Junan at the same time, whilst the services provided to the customers are different.

Our Group and Guotai Junan operate in different jurisdictions and the business and services they are permitted to provide require licenses issued by the respective regulatory authorities of the jurisdiction in which they respectively operate, the Directors believe that the separation of jurisdiction and regulatory authorities between the PRC and Hong Kong have provided a reasonable basis to delineate the business between our Group and Guotai Junan. However, considering the progress of the internationalization of RMB and the PRC stock market in the coming future, the competition landscape between the Group and Guotai Junan will be different from presence in particular when the customers are provided with more flexibility in choosing between the services offered by the Group and Guotai Junan. As a result, the delineation of certain business areas between the Group and Guotai Junan such as corporate finance, asset management and financing may be less defined. Notwithstanding this, the Directors are of the view that the Group's interest would be properly safeguarded as far as the business between the Group and Guotai Junan can be delineated by the separation of jurisdiction in which they offer different services and the different regulatory requirements imposed in the PRC and Hong Kong. The Group is the subsidiary and positioned as the overseas investment arm of Guotai Junan, therefore it is the business strategy of Guotai Junan to conduct all Hong Kong-based regulated activities including corporate finance, asset management and financing business through the Group. However, if our Group develops any new business in the PRC, there may be potential competition between our Group and domestic financial institutions in the PRC including but not limited to Guotai Junan. Based on the non-competition undertaking given by the Controlling Shareholders, the summary of which is set out in the paragraph headed "Non-competition Undertaking" of this section and the Directors' understanding, Guotai Junan will not operate by itself or develop another business in Hong Kong to conduct the abovementioned businesses. Furthermore, in the possibility that the future regulation allows the securities broker in the PRC to trade Hong Kong shares, Guotai Junan will direct such business to the Group and not conduct this business itself or through other third party brokers unless the Board (including all independent non-executive Directors but excluding any Directors with conflicted interests) gives up such business opportunity. In case the abovementioned constitutes connected transactions under Chapter 14A of the Listing Rules, our Company will comply with the relevant requirements, e.g. reporting, announcement, independent

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

shareholders' approval, etc. of Chapter 14A of the Listing Rules. In view of the abovementioned, the Directors believe that the Group is well protected to face the potential challenge resulting from the progressive internationalization of RMB and the closer interaction of the PRC and Hong Kong market.

As at the Latest Practicable Date, apart from its investment in our Group, Guotai Junan Financial Holdings held 100% interest in Guotai Junan Investments which in turn held 100% interests in Guotai Junan (Shenzhen). Guotai Junan Investments was our subsidiary until it was disposed of by our Group by the end of 2009. For details of Guotai Junan Investments, please refer to the paragraph headed "Discontinued Operations" under the section headed "History and Development" of this prospectus. The principal business of Guotai Junan Investments is investment holding in equity funds. The principal businesses of Guotai Junan (Shenzhen) are provision of consultancy services relating to project management and economic information as well as marketing and planning. Our Group is not engaged in any such businesses as at the Latest Practicable Date, and we currently have no intention to develop any such businesses. In addition, neither Guotai Junan Investments nor Guotai Junan (Shenzhen) is engaged in the asset management or fund management business as described in the paragraph headed "Asset Management" in the section headed "Business" of this prospectus. Guotai Junan Investments simply acts as an investor of the funds and such funds are managed by fund managers engaged by the funds. Furthermore, Guotai Junan (Shenzhen) does not provide consultancy services relating to asset management or fund management. Guotai Junan (Shenzhen)'s employees are expected to carry out certain regulated activities in Hong Kong for the Group's business, including research report writing, due diligence checking and client relationship management for brokerage business. The arrangement of having such persons licensed under the SFC and accredited to the members of our Group, as confirmed by our Hong Kong legal adviser, is permitted under the current SFC licensing regime, even though Guotai Junan (Shenzhen) ceased to be part of our Group since late 2009, provided that if such persons shall not or are not expected to perform any further regulated function in relation to regulated activities in Hong Kong at any time, their licenses are subject to the revocation by the SFC. As these Licensed Representatives are accredited to the subsidiaries of our Group, any of their misconduct would affect our Group.

As mentioned in the above paragraph, there is generally no competition between (i) our Group's and Guotai Junan Investments' businesses; and (ii) our Group's and Guotai Junan (Shenzhen)'s businesses. Guotai Junan Financial Holdings has also confirmed that, as at the Latest Practicable Date, Guotai Junan Investments and Guotai Junan (Shenzhen) do not carry on or participate in any business which is or may be in competition with the businesses of our Group.

Taking into consideration the above factors, the Directors are of the view that Guotai Junan, Guotai Junan Financial Holdings and Guotai Junan (BVI) are generally not engaged in any other business which is or may be in competition with the businesses of our Group. Furthermore, each of them entered into a deed of non-competition undertaking with us. For details, please refer to the paragraph headed "Non-competition Undertaking" of this section.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from the Controlling Shareholders and their associates after the Global Offering.

Financial independence

Our Directors are of the view that our Group does not rely on advances from the Controlling Shareholders for its business operations. Save as a current account we maintain with Guotai Junan for the commission of dealing and broking in China B shares paid by our Group to Guotai Junan which is in the ordinary and usual course of business of the Group, there was no outstanding balance between our Group and each of the Controlling Shareholders after March 2010. We also have independent means to obtain banking facilities or other financial resources without seeking financial assistance from our Controlling Shareholders. As such, our Directors consider that our Group can operate independently from the Controlling Shareholders from the financial perspective.

Management independence

Our Board

Our Board comprises eight Directors, which include four executive Directors, namely Dr. Yim Fung, Mr. Li Guangjie, Mr. Wong Tung Ching and Mr. Li Sang Edward, one non-executive Director, namely Dr. Chen Geng, and three independent non-executive Directors, namely Mr. Tsang Yiu Keung, Mr. Song Ming and Dr. Fu Tingmei. Dr. Chen Geng, our chairman and non-executive Director, is also a director of Guotai Junan (BVI), Guotai Junan Financial Holdings and Guotai Junan. Dr. Chen Geng, being our chairman and non-executive Director, is responsible for the overall strategic direction of our Group and is not involved in the daily management and operations of our Group. Dr. Yim Fung, our vice chairman and executive Director and chief executive officer, is also a director of Guotai Junan (BVI) and Guotai Junan Financial Holdings. Save as disclosed above, none of our Directors is a director of Guotai Junan and/or Guotai Junan Financial Holdings and/or Guotai Junan (BVI).

In addition, Guotai Junan Financial Holdings and Guotai Junan (BVI) are investment holding companies and do not carry out any business except for their direct or indirect investment in our Company and Guotai Junan Financial Holdings' investment in Guotai Junan Investments. Therefore, we believe Dr. Chen Geng and Dr. Yim Fung are unlikely to have to address the conflict of interests issues between Guotai Junan Financial Holdings and our Company or Guotai Junan (BVI) and our Company when they carry out their duties as a Director. Furthermore, Dr. Yim Fung is committed to the management of our Company on a full-time basis.

To further ensure that our Group can be managed independently from the Controlling Shareholders, certain corporate governance measures have been adopted. In the event there are conflicts of interests for approving a proposed transaction due to the dual positions of a Director as both directors of our Company and another company, pursuant to the relevant provisions of the Articles, the relevant Director shall abstain from voting (nor be counted in the quorum) in the resolution(s) of our Board approving such transaction.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our senior management

Our Group has an independent team of senior management who can work and carry out our business independently from our Controlling Shareholders. For details of our senior management, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus.

Having considered the above factors, our Directors are of the view that the management team of our Group is able to perform its role in our Group independently from our Controlling Shareholders.

Operational independence

We have established our own corporate structure made up of various subsidiaries, each with specific areas of business. The Group has not relied on any operational resources, such as customers, research, operating system, sales and marketing and general administration resources of the Controlling Shareholders. To the best knowledge of our Directors, none of the Controlling Shareholders had any interest in the major customers of the Group during the Track Record Period. We have also established a set of internal controls to facilitate the effective operation of our business.

The Group entered into a service agreement with Guotai Junan (Shenzhen) pursuant to which Guotai Junan (Shenzhen) agreed to provide various consultancy services to our Group. For details of this agreement, please refer to paragraph “C” in the section headed “Connected Transactions” of this prospectus. The Directors are of the view that the services currently provided by Guotai Junan (Shenzhen) could be handled by the Group itself and thus there is no reliance on Guotai Junan (Shenzhen) for the services provided under such agreement. However, as labor cost is comparably lower in the PRC than in Hong Kong and our operating costs will be increased significantly if our employees are required to travel frequently to the PRC, our Directors consider the entering into such service agreement as a cost effective and efficient way for the provision of supportive services to our clients locating in the PRC. Guotai Junan (Shenzhen) simply serves as a service provider and an outsourcing partner of our Group.

Save as the service agreement mentioned above and other connected transactions entered into by our Group companies as described in the section headed “Connected Transactions” of this prospectus, the Group has not entered into any other transaction with its Controlling Shareholders and/or their subsidiaries. The Directors are of the view that the service provider of such services can be easily replaced and such services are not essential to the core business of our Group. Therefore, our Group’s business does not rely on such connected persons.

In addition, we have an independent management team to handle our operations. We have obtained all necessary licenses for our business operation and we have sufficient operational capacity in term of capital and employees to operate independently from the Controlling Shareholders.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DIRECTORS

Guotai Junan Fund Management, one of our operating subsidiaries, is held as to 20.1% by Best New which is held as to 92%, 2% and 2% by Dr. Yim Fung, Mr. Wong Tung Ching and Mr. Li Guangjie, our executive Directors, respectively and the remaining 4% shares of Best New are held by other employees of our Group. It is principally engaged in the provision of fund management services. For details of Guotai Junan Fund Management, please refer to the paragraph headed “Asset management” under the section headed “Business” of this prospectus.

Save as disclosed above, each of the Directors confirms that he does not have any competing business with our Group’s business. Moreover, pursuant to their service agreements, each of the executive Directors has undertaken to the Group, among other things, that he will not, without any prior written approval from our Board, (i) accept any position of a company whose business may directly or indirectly compete with our Group’s business or be engaged in any business which may directly or indirectly compete with our Group’s business; or (ii) solicit any employee of our Group or induce them to leave our Group or solicit any customers of our Group, during the term and within the six months after termination of his service agreement.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (collectively, the “Covenantors” and each a “Covenantor”) entered into a deed of non-competition undertaking with the Company on 19 June 2010 pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with the Company that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that its associates (other than members of our Group):

- (i) not, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its own account or with each other or in conjunction with or on behalf of any person or company,
 - (a) in Hong Kong and/or any other countries (excluding the PRC), in respect of business involving Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange and trading), Type 4 (advising on securities) or Type 5 (advising on futures contracts) regulated activities under the SFO and business involving precious metals (the “Restricted Brokerage Business”); and
 - (b) in Hong Kong, in respect of the other regulated business in Hong Kong other than the Restricted Brokerage Business, including but not limited to Type 6 (advising on corporate finance), Type 7 (providing automated trading services), Type 8 (securities margin financing) or Type 9 (asset management) regulated activities under the SFO and other regulated business in Hong Kong (the “Other Restricted Business”);

any business which will or may compete with the business then engaged and from time to time engaged by the Group; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) not make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as the Controlling Shareholders or their respective associates for the purpose of competing with the business then engaged and from time to time engaged by the Group (the “Restricted Business”).

The above restrictions do not apply in the following cases:

- (i) each of the Covenantors and its associates (excluding members of our Group) may hold securities of any company which conducts or is engaged in any Restricted Business provided that the aggregate number of securities held by the Covenantors and their respective associates (excluding members of our Group) do not exceed 30% of the issued shares of such company or any of the Covenantors and their respective associates (excluding members of our Group) not being the controlling shareholder of such company;
- (ii) each of the Covenantors and its associates (excluding members of our Group) may invest in the Group; and
- (iii) the business of each of the Covenantors subject to the mandatory requirement by relevant regulatory or supervisory bodies or authorities which will or may compete with the business then engaged and from time to time engaged by the Group.

Under the deed of non-competition undertaking, the Covenantors further undertake to the Company the following:

- (i) the Covenantors shall allow, and shall procure that their associates (excluding members of our Group) to allow, during the Relevant Period, the independent non-executive Directors to review, whereas necessary, at least on an annual basis, the Covenantors’ compliance with the deed of non-competition undertaking;
- (ii) The Covenantors shall provide, and shall procure that their associates (other than members of our Group) to provide, during the Relevant Period, all information necessary for the annual review by the independent non-executive Directors without prejudicing any relevant laws, rules and regulations or any contractual obligations, in making a fair and reasonable assessment of the Covenantors’ and/or their associates’ (other than members of our Group) compliance with the deed of non-competition undertaking and the enforcement of the deed of non-competition undertaking by the independent non-executive Directors;
- (iii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to the Company with a declaration annually for inclusion by the Company in its annual report, in respect of their compliance with the terms of the deed of non-competition undertaking and disclose such information in the corporate governance report under the annual report of the Company (any such disclosure would be consistent with the principles of making voluntary disclosures in the corporate governance report);

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) the Covenantors shall agree and authorize the Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the deed of non-competition undertaking either through the annual report, or by way of announcements to the public;
- (v) during the Relevant Period, in the event the Covenantors or their associates (excluding members of our Group) were given any business opportunity that is or may involve in direct or indirect competition with the business of the Group, in connection with:
 - (a) the Restricted Brokerage Business in Hong Kong and/or any other countries (excluding the PRC); and
 - (b) the Other Restricted Business in Hong Kong,

the Covenantors shall inform the Group and shall assist the Group in obtaining such business opportunity on the same or more favourable terms being acceptable to the Group. In the event that the Board (including all independent non-executive Directors but excluding any Directors with conflicted interests) gives up such business opportunity within a commercially reasonable period, the Covenantors and their associates (excluding members of our Group) may take up such business opportunity and the involvement in the business derived from such business opportunity shall not be regarded as a breach of the deed of non-competition undertaking; and

- (vi) each of the Covenantors agrees to indemnify the Company from and against any and all losses, damages and costs (including legal costs) which loss, damage or cost is resulted from any failure to comply with the terms of the deed of non-competition undertaking by the Covenantors or any of their respective associates.

For the above purpose, the “Relevant Period” means the period commencing from the date of the deed of non-competition undertaking and shall expire on the earlier of (i) the date on which the Covenantors (together with their respective associates), whether directly or indirectly, jointly or severally, cease to be the Controlling Shareholders of the Company; and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the deed of non-competition undertaking by the Covenantors.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

Our Group has entered into the following continuing connected transactions, each of which as described below will constitute (1) continuing connected transactions of our Group exempt from the reporting, announcement and independent Shareholders' approval requirements; or (2) continuing connected transactions of our Group subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement; or (3) continuing connected transactions of our Group subject to the reporting, announcement and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules upon the Listing.

Continuing connected transactions exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements

- A. Cost Sharing Agreement between, *inter alia*, Guotai Junan (Hong Kong) and Guotai Junan Fund Management

Continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements

- B. Cooperation Agreement between Guotai Junan Securities and Guotai Junan
- C. Service Agreement between Guotai Junan (Hong Kong) and Guotai Junan (Shenzhen)

Continuing connected transactions subject to the reporting, announcement and independent Shareholders' approval requirements

- D. Agreements entered into between Guotai Junan KS Select Equity Fund (the "**KS Select Equity Fund**") and between Guotai Junan Funds SPC for the account of Guotai Junan Harvest China Fund Segregated Portfolio (the "**Harvest China Fund**") and our Group companies
1. Investment Management Agreement between KS Select Equity Fund and Guotai Junan Fund Management
 2. Client Agreement between KS Select Equity Fund and Guotai Junan Securities
 3. Investment Management Agreement between Harvest China Fund and Guotai Junan Assets
 4. Client Agreement and Margin Trading Agreement between Harvest China Fund and Guotai Junan Securities

CONNECTED TRANSACTIONS

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions exempt from the reporting, announcement and independent Shareholders' approval requirements

A. Cost Sharing Agreement between, inter alia, Guotai Junan (Hong Kong) and Guotai Junan Fund Management

On 31 December 2008, Guotai Junan (Hong Kong) entered into a cost sharing agreement (the “**Cost Sharing Agreement**”) with our six operating subsidiaries, including Guotai Junan Fund Management, pursuant to which Guotai Junan Fund Management agreed to share with other parties of the Cost Sharing Agreement certain centralized administration expenses which were first paid by Guotai Junan (Hong Kong) and incurred for the business operations of our Group, including office rental, building management expenses, depreciation charges, utilities, telephone and fax, remuneration of our management and other administrative expenses (“**Common Expenses**”). The expenses which are clearly incurred for any one operating subsidiary, such as remuneration for an employee who works exclusively for that subsidiary, shall be settled by that subsidiary directly to Guotai Junan (Hong Kong). The term of the Cost Sharing Agreement is for a period of two years from 1 January 2009 to 31 December 2010, and will be automatically renewed every year.

Guotai Junan Fund Management is held as to 50%, 29.9% and 20.1% by Guotai Junan (Hong Kong), Golden Investor (whose beneficial owner is an Independent Third Party to our Company) and Best New, respectively. Best New is held as to 92% by Dr. Yim Fung, our vice Chairman, executive Director and chief executive officer. According to the Listing Rules, Guotai Junan Fund Management is an associate of Dr. Yim Fung and thus a connected person. For details of Guotai Junan Fund Management, please refer to the paragraph headed “**Asset Management**” under the section headed “**Business**” of this prospectus.

As Guotai Junan Fund Management is a connected person, the transactions contemplated under the Cost Sharing Agreement will constitute a continuing connected transaction of our Company pursuant to Rule 14A.14 of the Listing Rules.

Guotai Junan (Hong Kong), as the intermediate holding company of our Group, is responsible for settling the Common Expenses. Our Directors are of the view that such payment system facilitates management and can lower the administrative expenses of each of our subsidiaries. The sharing of Common Expenses is calculated with reference to the net contribution of Guotai Junan Fund Management to the Group, i.e. gross revenue minus direct expenses.

Historical transaction value

For the three years ended 31 December 2009, the fees paid by Guotai Junan Fund Management for the provision of administrative services by Guotai Junan (Hong Kong) amounted to nil, nil and approximately HK\$1.5 million respectively.

CONNECTED TRANSACTIONS

The transactions under the Cost Sharing Agreement are continuing connected transactions under Rule 14A.14 of the Listing Rules and involves the provision of services on a continuing basis. These transactions are exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.33(2) of the Listing Rules, which exempts the sharing of administrative services as set out in Rule 14A.31(8) of the Listing Rules. Rule 14A.31(8) of the Listing Rules exempts the sharing of administrative services between a listed issuer and a connected person on a cost basis. The cost of the services must be identifiable and allocated to the parties involved on a fair and equitable basis. The exemption is applicable to the abovementioned transactions. The transactions are also exempt from the three year annual cap requirements under Rule 14A.35 of the Listing Rules because of the exemption under Rule 14A.33(2) of the Listing Rules.

Our Directors, including the independent non-executive Directors, consider that above exempted continuing connected transactions are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirements

B. Cooperation Agreement between Guotai Junan Securities and Guotai Junan

After Guotai Junan Securities' application for China B shares trading qualification was approved by the CSRC on 29 December 2009, Guotai Junan Securities and Guotai Junan entered into a cooperation agreement (the "**Cooperation Agreement**") on 17 June 2010 pursuant to which the parties agreed to cooperate in the China B shares trading business.

Under the Cooperation Agreement, Guotai Junan Securities would maintain a China B shares trading account with Guotai Junan and place orders on behalf of its customers to Guotai Junan. Guotai Junan would then execute the orders using its China B shares trading platform. Both parties have agreed to share the China B shares trading commission charged to the customers on a ratio of 7:3, i.e. Guotai Junan Securities would pay 30% of its commission income to Guotai Junan. The Cooperation Agreement will terminate upon on the earlier of (i) three years from the date of agreement and (ii) the date Guotai Junan Securities obtain its own trading seats and complete the administration works such as setting up the system connectors and arranging the settlement method with Shanghai Stock Exchange and Shenzhen Stock Exchange.

Guotai Junan is our Controlling Shareholder, thus a connected person of our Company. The Cooperation Agreement will constitute a continuing connected transaction of our Company pursuant to Rule 14A.14 of the Listing Rules.

To the best of the Directors' understanding, there is no market available information on commission sharing ratios between a Hong Kong securities house and its PRC partner relating to the China B shares trading business. The commission sharing ratio is determined by reference to the average net commission rate attributable to the securities trading service in the Stock Exchange

CONNECTED TRANSACTIONS

provided by the Group and is agreed after arm's length negotiations between Guotai Junan and Guotai Junan Securities. The terms offered to Guotai Junan Securities by Guotai Junan under the Cooperation Agreement are no less favourable than those offered by Independent Third Parties under the prevailing market conditions.

In determining the commission sharing ratio, our Group has considered the following factors: (i) our China B shares trading services require a qualified PRC partner licensed under the relevant PRC rules and regulations to carry on such trading business; (ii) Guotai Junan is one of the largest securities houses in China with a reliable and well-established trading platform and a long cooperation history with our Group in China B shares trading business; and (iii) the respective average net commission rate in respect of securities and commodities trading in Hong Kong of our Group for the three years ended 31 December 2009 (being 0.16%, 0.16% and 0.15% respectively as disclosed in the paragraph headed "Commissions" under the section headed "Business" of this prospectus).

For the period from 1 January 2007 to 31 May 2008, we charged our clients a commission rate of 0.3% of the transaction value of China B shares traded. Based on the previous sharing ratio of 4:6 effective up to 7 June 2008, the net commission rate received by the Group and Guotai Junan are 0.12% and 0.18% of the transaction value respectively.

From 1 June 2008 onwards, we charge our clients a commission rate of 0.2% of the transaction value of China B shares traded. Based on the current sharing ratio of 7:3 effective since 8 June 2008, the net commission rates received by the Group and Guotai Junan are 0.14% and 0.06% of the transaction value respectively. Though the net commission rate of 0.12% and 0.14% are slightly lower than the average net commission rate as mentioned in the previous paragraph, the Directors consider it acceptable given the abovementioned average net commission rate is mainly applicable to shares traded in the Stock Exchange where no external trading partner of the kind similar to China B shares trading is involved.

Historical transaction value

For the three years ended 31 December 2009, the commissions paid by Guotai Junan Securities for the provision of China B shares trading platform to Guotai Junan amounted to approximately HK\$23.6 million, HK\$6.7 million and HK\$4.6 million respectively. The reasons for the significant decrease in the historical transaction amount include: (i) the decrease in the commission sharing ratio from 60% to 30% since June 2008 as explained in the paragraph below; and (ii) the decrease in total China B shares trading during the Track Record Period.

Annual caps

The proposed cap amounts of the commissions to be paid by Guotai Junan Securities under the Cooperation Agreement for each of the three years ending 31 December 2012 are approximately HK\$6.0 million, HK\$6.6 million and HK\$7.26 million respectively. The proposed cap amount for the year ending 31 December 2010 was determined based on the actual amount of the commission paid by Guotai Junan Securities from January 2010 to May 2010 and taking into account an estimated growth of 30% in the commission paid for the seven months from June 2010 to December 2010, while the proposed cap amounts for each of the two years ending 31 December 2012 were determined based

CONNECTED TRANSACTIONS

on the proposed cap amount for the year ending 31 December 2010 by applying an estimated annual growth rate of 10%. The Directors are of the view that the growth rate for the seven months from June 2010 to December 2010 is justifiable as the Group is under negotiation with two securities companies in Hong Kong who intended to conduct China B share business through the Group's electronic trading platform and the estimated 10% annual growth rate for each of the two years ending 31 December 2012 is accounted for the generic growth of the Group's business in the coming years. Under the Cooperation Agreement, the latest agreed commission sharing ratio is 7:3 (i.e., 70% payable to Guotai Junan Securities and 30% to Guotai Junan) and the commission rate is 0.2%. The commission sharing ratio between Guotai Junan Securities and Guotai Junan has been changed from 4:6 (i.e., 40% payable to Guotai Junan Securities and 60% to Guotai Junan) to 7:3 (i.e., 70% payable to Guotai Junan Securities and 30% to Guotai Junan) since 8 June 2008 and the commission rate charged to our clients was reduced from 0.3% to 0.2% since 1 June 2008. Such reduction was for the purpose of increasing our competitiveness as a mean to boost our China B shares trading business. Guotai Junan Securities is currently applying for the trading seats of China B shares at Shanghai Stock Exchange and Shenzhen Stock Exchange and we will terminate the Cooperation Agreement once we obtain the trading seats and complete the administration works such as setting up the system connections and arranging the settlement method with Shenzhen Stock Exchange and Shanghai Stock Exchange. Our Directors, including independent non-executive Directors, consider that the Cooperation Agreement has been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

As each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the transactions under the Cooperation Agreement is, on an annual basis, less than 5%. As such, transactions under the Cooperation Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.34 (1) of the Listing Rules and are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. Service Agreement between Guotai Junan (Hong Kong) and Guotai Junan (Shenzhen)

On 17 June 2010, Guotai Junan (Hong Kong) and Guotai Junan (Shenzhen) entered into a service agreement (the "**Service Agreement**") pursuant to which Guotai Junan (Shenzhen) agreed to provide consultancy services to Guotai Junan (Hong Kong), including the provision of information on macro economics, PRC financial market news, updated news on various industries and listed companies. Guotai Junan (Shenzhen) further agreed to provide certain promotional services for the projects of the Group, such as preparing marketing materials and maintaining client relationships in the PRC, including the provision of customer support and after sales services to our existing customers. In addition, Guotai Junan (Shenzhen)'s employees are also expected to carry out some research report writing and due diligence checking work. The major reason for such arrangement is to lower the staff and other operating costs for our Group. The term of the Service Agreement is for three years from 1 January 2010 to 31 December 2012. The Company's PRC legal adviser is of the view that the arrangement under the Service Agreement does not require approval by the relevant regulators in the PRC. As advised by the Hong Kong legal adviser, no approval is required to be obtained by Guotai Junan (Hong Kong) to enter into the Service Agreement under the Hong Kong laws and regulations.

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Guotai Junan (Shenzhen) is an indirect wholly-owned subsidiary of Guotai Junan Financial Holdings, which is our Controlling Shareholder. According to the Listing Rules, Guotai Junan (Shenzhen) is a connected person of our Company.

As Guotai Junan (Shenzhen) is a connected person, services provided under the Service Agreement will constitute continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

Guotai Junan (Shenzhen) is principally engaged in the business of providing consultancy services relating to project management and economic information as well as marketing and planning. The consultancy fees are determined by reference to the costs plus a reasonable mark up of around 20% to 25%. The terms offered to Guotai Junan (Hong Kong) by Guotai Junan (Shenzhen) under the Service Agreement are negotiated on arm's length basis and entered into in the ordinary and usual course of business. No approval is required to be obtained by Guotai Junan (Hong Kong) to enter into the Service Agreement under the Hong Kong laws and regulations.

Historical transaction value

For the three years ended 31 December 2009, the total fees paid by Guotai Junan (Hong Kong) to Guotai Junan (Shenzhen) amounted to HK\$6.1 million, HK\$8.6 million and HK\$8.8 million, respectively.

Annual caps

The proposed cap amounts for the provision of abovementioned services by Guotai Junan (Shenzhen) to Guotai Junan (Hong Kong) is approximately HK\$9.6 million, HK\$12 million and HK\$15 million for each of the three years ending 31 December 2012 respectively. The proposed cap amounts in 2010 was based on the operational costs incurred by Guotai Junan (Shenzhen) for carrying out its duties under the Service Agreement in 2009 plus an estimated increase in such costs of about 20% in 2010. It is expected that the proposed cap amounts would increase by approximately 25% each year in 2011 and 2012 due to estimated increases in operating costs. The estimated increment in the operating costs from 2010 to 2012 is based on the forecast that our operating scale will increase and the costs of Guotai Junan (Shenzhen) would increase accordingly as they may need to hire more staff to provide services to meet our requirements. In addition, it is expected that there will also be inflation in the PRC in the coming three years which will increase the overall costs. Our Directors, including independent non-executive Directors, consider that the Service Agreement has been and shall be entered into on an arm's length basis and in the ordinary and usual course of business of our Group.

As each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules, where applicable, in respect of the transactions under the Service Agreement is, on an annual basis, less than 5%. As such, the transactions under the Service Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.34(1) of the Listing Rules and are subject to the reporting and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Continuing connected transactions subject to the reporting, announcement and independent Shareholders' approval requirements

D. Agreements entered into between KS Select Equity Fund and between Guotai Junan Harvest China Fund and our Group companies

1. Investment Management Agreement between KS Select Equity Fund and Guotai Junan Fund Management

On 30 October 2009, KS Select Equity Fund entered into an investment management agreement (the “**KS Select Equity Investment Management Agreement**”) with Guotai Junan Fund Management, pursuant to which Guotai Junan Fund Management agreed to act as a fund manager for the KS Select Equity Fund for the management and administration of the assets of the KS Select Equity Fund.

The KS Select Equity Fund would pay to Guotai Junan Fund Management a management fee equal to 1.25% per annum of the Net Asset Value (as defined therein) calculated on the Valuation Day (as defined therein) at the end of each calendar month, and a performance fee. The first performance fee payable will be calculated at 20% of the positive difference between the Net Asset Value per share as at the last valuation day of the first upcoming calendar quarter right after the initial offer when there is a positive difference and the initial Net Asset Value per share. For subsequent services provided by Guotai Junan Fund Management under the KS Select Equity Investment Management Agreement, performance fee payable is to be calculated at 20% of the positive difference between the net asset value per share at the last valuation day of the current calendar quarter and the net asset value per share at the last Valuation Day of the previous quarter in which the quarterly performance fee was paid. As agreed in the KS Select Equity Investment Management Agreement, the management fee and the performance fee would be paid monthly in arrears to Guotai Junan Fund Management from the custodian of the KS Select Equity Fund directly on its behalf.

According to a supplemental agreement entered into on 17 June 2010, both parties have agreed that the term of the KS Select Equity Investment Management Agreement is for three years from 1 January 2010 to 31 December 2012.

The KS Select Equity Fund is an exempted company incorporated in the Cayman Islands with limited liability, and is regarded as a subsidiary of Guotai Junan Financial Holdings, our Controlling Shareholder, under the HKFRSs. According to the Listing Rules, KS Select Equity Fund is a connected person of our Company.

As the KS Select Equity Fund is a connected person, the transactions under the KS Select Equity Investment Management Agreement will constitute continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

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The management fees and performance fees agreed under the KS Select Equity Investment Management Agreement are determined by reference to the current charging rate of management and performance fees under our other private funds. The terms offered to Guotai Junan Fund Management by the KS Select Equity Fund under the KS Select Equity Investment Management Agreement are no less favorable than those offered by other Independent Third Parties in the ordinary course of business.

Historical transaction value

For the three years ended 31 December 2009, the total fees paid by the KS Select Equity Fund to Guotai Junan Fund Management amounted to nil, nil and approximately HK\$1.3 million (for the period of 1 November 2009 to 31 December 2009 and comprising an one-off initial set up fee of approximately HK\$374,000, management fees of HK\$127,000 and performance fees of HK\$821,000) respectively.

Annual caps

The proposed cap amounts of the total fees to be paid by the KS Select Equity Fund under the KS Select Equity Investment Management Agreement for each of the three years ending 31 December 2012 are approximately HK\$11 million (comprising management fees of HK\$1 million and performance fees of HK\$10 million), HK\$13.2 million (comprising management fees of HK\$1.2 million and performance fees of HK\$12 million) and HK\$15.84 million (comprising management fees of HK\$1.44 million and performance fees of HK\$14.4 million) respectively. The proposed cap amounts of the management fees are determined based on the average management fees per month in 2009 and a reasonable growth of 20% per annum in AUM. The proposed cap amounts of the performance fees are determined based on the performance fees received in November and December 2009 which amounted to approximately HK\$820,000 for the two months and applying the expected growth rate of approximately 100% of the net asset value of the KS Select Equity Fund in 2010. Such growth rate was determined based on the average growth rate of three other funds since their initial establishment up to 31 December 2009, all of which are under the management and advisory of the Group. The KS select Equity Fund is in line with those three other funds, in terms of size, and the scope of investments. In considering the said three other funds, it is also expected that there will be an annual increase of 20% in both management and performance fees in the following years. The estimated increase in the management and performance fees is based on the forecast of the expected growth rate of 20% in AUM of the fund as both the management and performance fees are calculated on the AUM. Our Directors, including independent non-executive Directors, consider that the KS Select Equity Investment Management Agreement has been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

2. Client Agreement between KS Select Equity Fund and Guotai Junan Securities

The KS Select Equity Fund also entered into a client agreement (the “**KS Select Equity Securities Agreement**”) with Guotai Junan Securities on 27 October 2009 pursuant to which Guotai Junan Securities agreed to provide securities trading services to KS Select Equity Fund.

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Both parties have agreed that the commission rate for securities trading would be determined and set solely by Guotai Junan Securities and as at the Latest Practicable Date, the commission rate was 0.125% of the transaction value.

According to a supplemental agreement entered into on 17 June 2010, both parties have agreed that the term of each of the KS Select Equity Securities Agreements is for three years from 1 January 2010 to 31 December 2012.

The KS Select Equity Fund is an exempted company incorporated in the Cayman Islands with limited liability, and is regarded as a subsidiary of Guotai Junan Financial Holdings, our Controlling Shareholder, under the HKFRSs. According to the Listing Rules, KS Select Equity Fund is a connected person of our Company.

As the KS Select Equity Fund is a connected person, the transactions under the KS Select Equity Securities Agreement will constitute continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The commission rate agreed under the KS Select Equity Securities Agreement is determined by reference to the current market rate. The terms offered to Guotai Junan Securities by the KS Select Equity Fund under the KS Select Equity Securities Agreement are no less favorable than those offered to Independent Third Parties under the prevailing market conditions.

Historical transaction value

For the three years ended 31 December 2009, the total fees paid by the KS Select Equity Fund to Guotai Junan Securities amounted to nil, nil and approximately HK\$84,000 (for the period of 1 November 2009 to 31 December 2009) respectively.

Annual caps

The proposed cap amounts of the commission fees to be paid by the KS Select Equity Fund under the KS Select Equity Securities Agreement for each of the three years ending 31 December 2012 are approximately HK\$2 million, HK\$2 million and HK\$2 million respectively. The proposed cap amounts are determined based on the proposed cap amounts of the commission fees under the Harvest China Securities Agreements which is expected to involve similar trading volume as the KS Select Equity Fund (as referred to in paragraph “4. Client Agreement and Margin Trading Agreement between Harvest China Fund and Guotai Junan Securities” below). As there is no sufficient trading record for the KS Select Equity Fund, in order to make the best estimation on the proposed cap amounts, our Directors have benchmarked the KS Select Equity Fund with the Harvest China Fund, which has sufficient trading history for them to make reference, on the basis that the scope of investments is similar as both of the funds are focusing on the China related Hong Kong stocks and China B shares. Our Directors, including independent non-executive Directors, consider that the KS Select Equity Securities Agreement has been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

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3. *Investment Management Agreement between Harvest China Fund and Guotai Junan Assets*

On 27 June 2006, Harvest China Fund entered into an investment management agreement (the “**Harvest China Investment Management Agreement**”) with Guotai Junan Assets, pursuant to which Guotai Junan Assets agreed to act as the investment manager for the Harvest China Fund to manage the investments by the Harvest China Fund for the account of each of its segregated portfolio and to advise and assist the Harvest China Fund to identify, evaluate, acquire, manage and realize investments and monitor the performance of the investments of each segregated portfolio.

The Harvest China Fund would pay to Guotai Junan Assets a management fee equal to 1.5% per annum of the net asset value calculated as at the valuation point in each month, and a performance fee equal to 20% of the positive difference between the net asset value per share as at the last valuation day of the current calendar month and the net asset value per share as at the preceding valuation day in respect of which a performance fee was paid.

According to a supplemental agreement entered into on 17 June 2010, both parties have agreed that the term of the Harvest China Investment Management Agreement is for three years from 1 January 2010 to 31 December 2012.

The Harvest China Fund is regarded as a subsidiary of Guotai Junan Financial Holdings, our Controlling Shareholder, under the HKFRSs. According to the Listing Rules, Harvest China Fund is a connected person of our Company.

As the Harvest China Fund is a connected person, the transactions under the Harvest China Investment Management Agreement will constitute continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The management fees and performance fees agreed under the Harvest China Investment Management Agreement are determined by reference to the current market rates for managing similar sized investment portfolio. The terms offered to Guotai Junan Assets by the Harvest China Fund under the Harvest China Investment Management Agreement are no less favorable than those offered to Independent Third Parties under the prevailing market conditions.

Historical transaction value

For the three years ended 31 December 2009, the total fees paid by the Harvest China Fund to Guotai Junan Assets amounted to approximately HK\$50.9 million (comprising management fees of HK\$4 million and performance fees of HK\$46.9 million), HK\$3.2 million (management fees only) and HK\$3 million (management fees only) respectively.

Annual caps

The proposed cap amounts of the total fees to be paid by the Harvest China Fund under the Harvest China Investment Management Agreement for each of the three years ending 31 December 2012 will be approximately HK\$50 million (comprising management fees of HK\$4 million and performance fees of HK\$46 million), HK\$50 million (comprising management fees of HK\$4 million

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and performance fees of HK\$46 million) and HK\$50 million (comprising management fees of HK\$4 million and performance fees of HK\$46 million) respectively. The proposed cap amounts are determined based on the historical transaction value in 2007 when the stock market was at its peak and the expected stock market conditions for the three years ending 2012. Our Directors, including independent non-executive Directors, consider that the Harvest China Investment Management Agreement has been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of the Group.

4. *Client Agreement and Margin Trading Agreement between Harvest China Fund and Guotai Junan Securities*

The Harvest China Fund also entered into a client agreement and a margin trading agreement (together the “**Harvest China Securities Agreements**”) with Guotai Junan Securities on 1 September 2006 pursuant to which Guotai Junan Securities agreed to provide securities trading services and margin facilities for the securities trading account of Harvest China Fund at Guotai Junan Securities.

Both parties have agreed that the commission rate of securities trading would be determined and set solely by Guotai Junan Securities and as at the Latest Practicable Date, the commission rate was 0.25%. The interest rate on overdue debts has been agreed at an annual rate of 3% above the best lending rate on Hong Kong dollars quoted by The Standard Chartered Bank from time to time or at such rate as be stipulated by Guotai Junan Securities by its sole discretion from time to time.

According to a supplemental agreement entered into on 17 June 2010, both parties have agreed that the term of each of the Harvest China Securities Agreements is for three years from 1 January 2010 to 31 December 2012.

The Harvest China Fund is regarded as a subsidiary of Guotai Junan Financial Holdings, our Controlling Shareholder, under the HKFRSs. According to the Listing Rules, Harvest China Fund is a connected person of our Company.

As the Harvest China Fund is a connected person, the transactions under the Harvest China Securities Agreements will constitute continuing connected transactions of our Company pursuant to Rule 14A.14 of the Listing Rules.

The commission rate and interest rate agreed under the Harvest China Securities Agreements are determined by reference to the current market rate. The terms offered to Guotai Junan Securities by the Harvest China Fund under the Harvest China Securities Agreements are no less favorable than those offered to Independent Third Parties under the prevailing market conditions.

Historical transaction value

For the three years ended 31 December 2009, the total fees paid by the Harvest China Fund to Guotai Junan Securities amounted to approximately HK\$2.1 million, HK\$1.9 million and HK\$1.9 million respectively.

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Annual caps

The proposed cap amounts of the total fees to be paid by the Harvest China Fund under the Harvest China Securities Agreements for each of the three years ending 31 December 2012 are approximately HK\$2 million, HK\$2 million and HK\$2 million respectively. The proposed cap amounts are determined based on the historical transaction value in 2009 which was the highest transaction amount under the Harvest China Securities Agreements during the Track Record Period. Our Directors, including independent non-executive Directors, consider that the Harvest China Securities Agreements have been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Group.

Pursuant to Rules 14A.25 and 14A.26 of the Listing Rules, the transactions under the KS Select Equity Investment Management Agreement, the KS Select Equity Securities Agreement, the Harvest China Investment Management Agreement and the Harvest China Securities Agreements (together the “**Agreements**”) have been aggregated. It is anticipated that on an annual basis, the aggregated fees to be charged by the Group under the Agreements for each of the three years ending 31 December 2012 are approximately HK\$65 million, HK\$67.2 million and HK\$69.84 million respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Agreements is, on an annual basis, higher than 5%. As such, the transactions under the Agreements shall constitute non-exempt continuing connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

Upon completion of the Global Offering, the continuing connected transactions described in paragraphs B to D above will constitute non-exempt continuing connected transactions under the Listing Rules, and will generally need to comply with the reporting, announcement and/or independent shareholders’ approval requirements.

Our Directors (including independent non-executive Directors) are of the view that the continuing connected transactions described above have been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Company that are fair and reasonable and in the interest of the Shareholders and will be so in the future, and the transactions and proposed annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole. Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for the continuing connected transactions as referred to in paragraphs B to D above to be exempt from strict compliance with announcement and/or independent shareholders’ approval requirements and the Stock Exchange has granted a waiver in relation thereto. Except for the waiver granted to exempt from compliance with announcement and/or independent shareholders’ approval requirements, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40. Our Company confirms that for the purpose of Rules 14A.37 and 14A.38 of the Listing Rules, all the relevant contracts in relation to continuing connected transactions in the relevant years as disclosed above are available for review by the

CONNECTED TRANSACTIONS

independent non-executive Directors and auditors of our Company. Our independent non-executive Directors and auditors will check whether the relevant continuing connected transactions are entered into in accordance with the terms and pricing disclosed in this prospectus and will disclose their confirmation annually in accordance with the requirements of the Listing Rules.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions described above for which the waiver are sought have been and shall be entered into on normal commercial terms and in the ordinary and usual course of business of our Company; and (ii) the terms and conditions of the agreements and the proposed annual cap amounts of such continuing connected transactions are fair and reasonable and are in the interest of our Shareholders as a whole.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions. Details of which are set out in Note 30 headed “Related Party Transactions” to the Accountant’s Report set out in Appendix I to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

Our Board consists of eight Directors, three of whom are independent non-executive Directors. Our Board is responsible and has general powers for the management and operation of our business. All Directors have entered into service contracts with our Company. The following table sets forth information regarding the current Directors:

Name	Age	Position
CHEN Geng (陳耿)	41	Chairman and non-executive Director
YIM Fung (閻峰)	47	Vice chairman, chief executive officer and executive Director
LI Guangjie (李光杰)	41	Executive Director
WONG Tung Ching (王冬青)	38	Executive Director
LI Sang Edward (李生)	46	Executive Director
TSANG Yiu Keung (曾耀強)	56	Independent non-executive Director
SONG Ming (宋敏)	48	Independent non-executive Director
FU Tingmei (傅廷美)	44	Independent non-executive Director

Chairman and non-executive Director

CHEN Geng (陳耿), aged 41, is the chairman and a non-executive Director of our Company. Dr. Chen is responsible for the overall strategic development of the Group. Dr. Chen is the president and vice chairman of Guotai Junan and a vice chairman of the Securities Association of China. Dr. Chen has over 19 years' experience in securities industry and participated in the establishment of the Shenzhen Stock Exchange and was the general manager of the listing division from 1993 to 1996. After joining J & A Securities Co., Ltd., Dr. Chen was appointed as the president assistant and the general manager of the investment banking department in 1996 and as the vice president and a director in 1998. Dr. Chen holds a doctorate in Economics from the Zhongnan University of Economics and Law (中南財經政法大學) and a bachelor degree in Law from the Shenzhen University (深圳大學) and is a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Dr. Chen is a director of Guotai Junan Financial Holdings and Guotai Junan. In the three years preceding the Latest Practicable Date, Dr. Chen did not hold any directorship in any other listed company. He was appointed as our non-executive Director on 8 March 2010.

Executive Directors

YIM Fung (閻峰), aged 47, is the vice chairman and an executive Director and the chief executive officer of our Group. Dr. Yim joined Guotai Junan in 1993 and joined our Group in 2000 and is responsible for the overall business management of our Group. Dr. Yim has over 18 years' experience in the securities industry. Dr. Yim is a senior economist and holds a doctorate in Economics from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) and

DIRECTORS, SENIOR MANAGEMENT AND STAFF

a bachelor degree in Environmental Engineering from the Tsinghua University (清華大學). Dr. Yim is a director of Guotai Junan (BVI), Guotai Junan Financial Holdings, Guotai Junan (Hong Kong), Guotai Junan Fund Management, Guotai Junan Assets, Guotai Junan Finance, Guotai Junan Futures, Guotai Junan Capital and Guotai Junan Securities. Dr. Yim was a director of Pakan International Limited, a private company incorporated in Hong Kong which was dissolved by striking off in October 2003. In the three years preceding the Latest Practicable Date, Dr. Yim did not hold any directorship in any other listed company. He was appointed as an executive Director on 8 March 2010.

LI Guangjie (李光杰), aged 41, is an executive Director and the head of the sales house team of our Group. Mr. Li joined our Group in November 2001 and is responsible for the supervision and management of the Group's sales house team. He has over 19 years' experience in accounting, audit, taxation and asset appraisal. Mr. Li started his career at Shenzhen Jinpeng Certified Public Accountants (深圳金鵬會計師事務所) as the deputy head of appraisal department. Mr. Li was the finance director and the secretary of the board of directors of Guotai Junan (Hong Kong) from 2001 to 2008. Mr. Li holds a bachelor degree in Economics from the Shenzhen University (深圳大學) and a master degree in Economics from the Central University of Finance and Economics (中央財經大學). He is also an economist and a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a member of the Chinese Certified Tax Agents Association (中國註冊稅務師協會). Mr. Li is a director of Guotai Junan (Hong Kong), Guotai Junan Finance and Guotai Junan Securities and a legal representative and director of Guotai Junan (Shenzhen). In the three years preceding the Latest Practicable Date, Mr. Li did not hold any directorship in any other listed company. He was appointed as an executive Director on 8 March 2010.

WONG Tung Ching (王冬青), aged 38, is an executive Director and the head of the corporate finance and ECM divisions of our Group. Mr. Wong joined our Group in October 2000 and is responsible for the overall business and marketing matters of corporate finance and equity capital markets business of our Group. Mr. Wong obtained a master degree in Business Administration from the University of Lincolnshire & Humberside (now known as the University of Lincoln) in 2001 and a higher diploma in International Trading from the Shenzhen University (深圳大學) in 1992. Mr. Wong is a director of Guotai Junan (Hong Kong), Guotai Junan Capital and Guotai Junan Securities. In the three years preceding the Latest Practicable Date, Mr. Wong did not hold any directorship in any other listed company. He was appointed as an executive Director on 8 March 2010. For the disciplinary action the SFC took against Mr. Wong prior to the Track Record Period, please refer to the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus.

LI Sang Edward (李生), aged 46, is an executive Director and the head of legal and compliance of our Group. Mr. Li joined our Group in May 2007 and is responsible for the legal, compliance and company secretarial matters of our Group. Mr. Li has over 17 years' of experience in legal and financial services. Prior to joining our Group, Mr. Li was the legal & compliance director of Ajia Partners Asset Management (HK) Limited, which is a manager in hedge fund, real estate fund and private equity fund. He holds a master degree of Laws in Corporate and Financial Law from the University of Hong Kong, a master degree in Corporate Finance from the Hong Kong Polytechnics University and a bachelor degree in Law from the University of London. Mr. Li admitted as a solicitor in Hong Kong and England and Wales in 1995. Mr. Li is a director of Guotai Junan (Hong Kong). In the three years preceding the Latest Practicable Date, Mr. Li did not hold any directorship in any other listed company. He was appointed as an executive Director on 8 March 2010.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent Non-executive Directors

TSANG Yiu Keung (曾耀強), aged 56, is an independent non-executive Director. Mr. Tsang is a professional accountant and a fellow member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Secretaries and Administrators. Mr. Tsang was with KPMG for more than 27 years, where he was a senior banking partner until he retired from the firm in 2003. Mr. Tsang is an independent non-executive director and the chairman of the audit committee of L. K. Technology Holdings Limited (Stock code: 558), a company listed on the Stock Exchange, and CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited), a licensed bank in Hong Kong and CITIC International Financial Holdings Limited. Mr. Tsang holds a higher diploma in Accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). Saved as disclosed above, in the three years preceding the Latest Practicable Date, Mr. Tsang did not hold any directorship in any other listed company. He was appointed as an independent non-executive Director on 19 June 2010.

SONG Ming (宋敏), aged 48, is an independent non-executive Director. Dr. Song has over 18 years' experience in research of bank regulation and management, financial market, derivatives and macroeconomics. Between 1991 and 1997, Dr. Song was the Associate Professor (tenured) and Assistant Professor at Department of Economics, Cleveland State University. Dr. Song is the director of Centre for China Financial Research (CCFR) at the University of Hong Kong since 2001 and the Professor and Associate Professor (tenured) at Faculty of Business and Economics of the University of Hong Kong since 1997. Dr. Song holds a doctorate degree in Economics from Ohio State University, a master degree of Science in Mathematics from Huazhong University of Science and Technology (華中科技大學) and a bachelor degree of Science in Mathematics from Zhejiang University (浙江大學). Dr. Song was awarded as the top 500 economists around the world according to 2002 Thomson's ranking. Dr. Song also serves on the editorial boards of several financial research journals such as China Financial Research and Financial Economics Journal. Dr. Song is appointed as an independent non-executive director of the United Laboratories International Holdings Limited (Stock code: 3933) since May 2007. Save as disclosed, in the three years preceding the Latest Practicable Date, Dr. Song did not hold any directorship in any other listed company. He was appointed as an independent non-executive Director on 19 June 2010.

FU Tingmei (傅廷美), aged 44, is an independent non-executive Director. Dr. Fu has around 18 years' experience in investment, finance, law and business management. Between 1992 and 2003, he conducted many corporate finance transactions in several investment banking firms based in Hong Kong, including serving as a director of Peregrine Capital Limited, and a deputy managing director and subsequently a managing director of BNP Paribas Peregrine Capital Limited. Dr. Fu is currently an independent non-executive director of Beijing Enterprises Holdings Limited (Stock Code: 392) and CPMC Holdings Limited (Stock Code: 906), both are companies listed on the Stock Exchange. Between 2001 and 2008, he was an independent non-executive director of Fujian Zhangzhou Development Co., Ltd., a company listed on the Shenzhen Stock Exchange. Dr. Fu is also a part-time member of the Central Policy Unit of the Government of Hong Kong, a member of the People's Political Consultative Conference of Jiangxi Province and an advisor to AID Partners Capital Limited,

DIRECTORS, SENIOR MANAGEMENT AND STAFF

a private equity firm based in Hong Kong. Dr. Fu holds a doctorate degree and a master degree in Law from the University of London. Save as disclosed above, in the three years preceding the Latest Practicable Date, Dr. Fu did not hold any directorship in any other listed company. He was appointed as an independent non-executive Director on 19 June 2010.

Save as disclosed in this prospectus, there is no other information in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Name	Age	Position
WONG Tin Lai (黃天禮)	48	Financial controller
CHEUNG Lai Yan, Charles (張禮仁)	48	Head of assets management
CHAN Ka Wah (陳家驊)	43	Head of futures
LIU Gu (劉谷)	41	Head of research team
CHAN Man Lin Juenn (陳文蓮)	44	Head of human resources and administration
LI Sang Edward (李生)	46	Company secretary

WONG Tin Lai (黃天禮), aged 48, is the financial controller of our Group. Mr. Wong joined our Group in July 1998 and is responsible for the finance, risk management, information technology and overall operations of our Group. He has over 27 years' experience in auditing and finance industries. Prior to joining our Group, he has been working with a number of multinational corporations including KPMG Peat Marwick, Mandarin Oriental Hotel Group, Lehman Brothers and E.D.&F. Man Group (commodities dealer). Mr. Wong holds a Juris Doctor degree from the Chinese University of Hong Kong, a master degree in Business Administration from the Chinese University of Hong Kong and a master degree in Applied Finance from Macquarie University Australia. He is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Wong was a director of Victory Plus Trading Limited, a private company incorporated in Hong Kong, which was dissolved by striking off in September 2004. Mr. Wong is a director of Guotai Junan (Hong Kong) and Guotai Junan Finance. He is also the chief operating officer of Guotai Junan Securities. In the three years preceding the Latest Practicable Date, Mr. Wong did not hold any directorship in any other listed company. For the disciplinary action the SFC took against Mr. Wong prior to the Track Record Period, please refer to the paragraph headed "Litigations and Disciplinary Actions" under the section headed "Business" of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

CHEUNG Lai Yan, Charles (張禮仁), aged 48, is the head of assets management of our Group. Mr. Cheung joined our Group in 1996 and is responsible for the assets management business of our Group. Mr. Cheung holds a bachelor degree in Science from the University of Hong Kong and a master degree in Business Administration from the University of Wales (now known as the Cardiff University). He has over 20 years' experience in the financial services industry, in particular with over 10 years' exposure in assets management. Prior to joining our Group, he worked for Concord Capital Management (HK) Limited from 1991 to 1992, Bond's Securities Limited from 1992 to 1995, and Matheson PFC Limited from 1995 to 1996 as an associate director and the head of research respectively. Mr. Cheung also worked for Standard Chartered Securities Limited from 1987 to 1989 and Kim Eng Securities (Hong Kong) Limited from 1989 to 1990 as an investment analyst and a manager respectively. Mr. Cheung is a director of Guotai Junan Fund Management, Guotai Junan Assets and Guotai Junan Securities.

CHAN Ka Wah (陳家驊), aged 43, is the head of futures of our Group. Mr. Chan joined our Group in March 1997 and is responsible for the future business of our Group. Mr. Chan has over 18 years' experience in the financial field. Prior to joining our Group, he worked for subsidiaries of major banks and international financial institutions for more than 5 years, which include Bali International Finance Limited (a subsidiary of Bank Bali, Indonesia and a deposit taking company), Cresvale Far East Limited and Nava SC Securities Limited which are financial services companies. Mr. Chan holds a bachelor degree in Science from Indiana State University, USA. and graduate diploma in Applied Finance and Investment from Securities Institute Education, Australia. Mr. Chan is a director of Guotai Junan Futures.

LIU Gu (劉谷), aged 41, is the head of research team of our Group. Ms. Liu joined our Group in April 2005 as a petrochemicals analyst and is responsible for our research team. Ms. Liu has over 8 years' experience in research of economics and securities. Ms. Liu holds a bachelor degree in Engineering from the South China University of Technology (華南理工大學) and a master degree of Business Administration in Finance & Accounting from the Sheffield University. Ms. Liu won the StarMine Analyst Awards of the No.1 earnings estimator of the Energy & Chemical sector in Asia region in 2008 and in 2009 respectively. For details about the awarding institution, StarMine Corporation, please refer to the paragraph headed "Research" under the section headed "Business" of this prospectus.

Chan Man Lin Juenn (陳文蓮), aged 44, is the head of human resources and administration of our Group. Ms. Chan joined our Group in 1994 and is responsible for the establishment of the human resources and administration department of our Group and the formulation and implementation of our Group's personnel policies and practice. Ms. Chan holds a bachelor degree in Management Studies and a diploma in Human Resource Management from the University of Hong Kong and is a member of Hong Kong Institute of Human Resource Management.

COMPANY SECRETARY

Mr. LI Sang, Edward is the Company Secretary of our Company. Details of the qualification and experience of Mr. Li are set out in the paragraph headed "Board of Directors" of this section.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company will appoint Cinda International Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company or any other matters by giving such relevant information as is available to our Company.

The terms of the appointment shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Company reimburses the Directors for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in our Group's operations. When reviewing and determining the specific remuneration packages for the executive Directors and senior management, the remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment and services elsewhere in our Group and desirability of performance-based remuneration.

In each of the years ended 31 December 2007, 2008 and 2009, the total remuneration (comprising basic salaries, housing allowances, other allowances, pension and benefits) paid to the executive Directors was approximately HK\$36.4 million, HK\$19.5 million and HK\$33.9 million respectively. The aggregate remuneration (excluding any discretionary bonus which may be paid) payable to the executive Directors for the year ending 31 December 2010 is estimated to be HK\$6.4 million. Our Company also expects to pay the non-executive Directors and independent non-executive Directors approximately HK\$150,000 and HK\$450,000 respectively for their services, for the year ending 31 December 2010.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

We established an audit committee on 19 June 2010 with effect from the Listing Date with written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise our financial reporting processes and internal control system.

The audit committee has 3 members comprising of Mr. Tsang Yiu Keung, Dr. Song Ming and Dr. Fu Tingmei, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Tsang Yiu Keung.

REMUNERATION COMMITTEE

We established a remuneration committee on 19 June 2010 with effect from the Listing Date. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on our Group's policy and structure for all remuneration of the Directors and senior management.

The remuneration committee has 3 members comprising of Dr. Fu Tingmei, Dr. Yim Fung and Dr. Song Ming, a majority of whom are independent non-executive Directors. The chairman of the remuneration committee is Dr. Fu Tingmei.

NOMINATION COMMITTEE

We established a nomination committee on 19 June 2010 with effect from the Listing Date. The primary duties of the nomination committee are, amongst other things, to make recommendations to our Board on appointment of Directors and succession planning for the Directors.

The nomination committee comprises 3 members comprising of Dr. Song Ming, Dr. Chen Geng and Mr. Tsang Yiu Keung, a majority of whom are independent non-executive Directors. The chairman of the nomination committee is Dr. Song Ming.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at the Latest Practicable Date, our Group has 151 employees in total (excluding our account executives). The following table shows a breakdown of the employees of our Group by their departments:

	Number of staff
Executive Directors and senior management	9
Broking (dealers and account executives)	26
Assets management	14
Corporate finance and ECM	28
Research and strategic advisory	9
Customer service	4
Legal and compliance	4
Credit and risk control	4
Accounts and internal audit	11
IT & operations	24
Human resources and administration	7
Futures and foreign exchange	<u>11</u>
Total	<u><u>151</u></u>

All our employees are employed under employment contracts which set out fully, among other things, the employee's responsibilities, remuneration and grounds for termination of employment (Saved and except that our account executives are remunerated on commission basis). Our Group has maintained good working relationships with our employees and does not foresee any difficulties in the recruitment and retention of experienced staff. During the Track Record Period, there has not been any interruption to our operations as a result of labour disputes.

The remuneration package of our staff includes salary and bonus. Generally, the employee salaries are determined based on the employees' qualifications, experience, position and seniority. We assess our employee remuneration on an annual basis, in order to determine whether any bonus or salary adjustments are required to be made. Overall, we believe that our remuneration package is competitive in comparison with others offered in the market.

Under the existing arrangement, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable to the Directors for the year ending 31 December 2010 is expected to be approximately HK\$6.4 million.

Our Group has complied with all the relevant laws, regulations and requirements in relation to fair labour standards and employment contracts of its employees in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

PROVIDENT FUND

Our Group provides a mandatory provident fund scheme for the employees in Hong Kong pursuant to the Mandatory Provident Fund Schemes Ordinance. Under the mandatory provident fund scheme, our Group and our Group's employees have to contribute an amount equal to 5% of the relevant income (including wages, salaries, leave pay, fees, commissions, bonuses, gratuity perquisites and allowances, housing allowances or housing benefits) of such staff to the mandatory provident fund scheme, subject to a minimum and maximum level of the monthly relevant income of HK\$5,000 and HK\$20,000, respectively.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group. The principal terms of the Share Option Scheme are summarized in the section headed "Share Option Scheme" in Appendix V to this prospectus.

SHARE CAPITAL

Authorized share capital:

HK\$

10,000,000,000 Shares 1,000,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of shares <i>HK\$</i>	Approximate percentage of issued share capital
1,000	Shares in issue as at the date of this prospectus	100	0.0000610%
1,229,999,000	Shares to be issued pursuant to the Capitalization Issue ⁽¹⁾	122,999,900	75%
41,000,000	Shares to be issued under the Hong Kong Public Offering	4,100,000	2.5%
<u>369,000,000</u>	Shares to be issued under the International Placing	<u>36,900,000</u>	<u>22.5%</u>
<u>1,640,000,000</u>	Total	<u>164,000,000</u>	<u>100.0%</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of shares <i>HK\$</i>	Approximate percentage of issued share capital
1,000	Shares in issue as at the date of this prospectus	100	0.0000595%
1,229,999,000	Shares to be issued pursuant to the Capitalization Issue ⁽¹⁾	122,999,900	73.2%
41,000,000	Shares to be issued under the Hong Kong Public Offering	4,100,000	2.4%
410,000,000	Shares to be issued under the International Placing ⁽²⁾	41,000,000	24.4%
<u>1,681,000,000</u>	Total	<u>168,100,000</u>	<u>100.0%</u>

SHARE CAPITAL

Notes:

- (1) Pursuant to the resolutions passed by our sole Shareholder on 19 June 2010, the Directors were authorized to capitalize an aggregate amount of HK\$122,999,900 standing to the credit of the share premium of our Company and to appropriate such amount as capital to pay up in full at par 1,229,999,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 19 June 2010, in proportion to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares.
- (2) Including 41,000,000 Shares pursuant to the exercise in full of the Over-allotment Option.

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

Assumptions

The above table assumes that the Global Offering and the Capitalization Issue have become unconditional and the issue of Shares pursuant to the Global Offering and the Capitalization Issue are made. The table takes no account of any Shares which may be allotted and issued, or repurchased, as the case may be, under the general mandate or the share repurchase mandate (see below).

Ranking

The Offer Shares will rank *pari passu* with all the Shares in issue or to be issued as mentioned in this prospectus and will rank in full for all dividends and other distributions declared, made or paid on the Shares on or after the date on which they are issued.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal amount of not exceeding the aggregate of:

1. 20% of the aggregate nominal amount of our share capital in issue and to be issued immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued and allotted upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
2. the aggregate nominal amount of our share capital which may be repurchased by us pursuant to the general mandate to repurchase Shares (as referred to below).

The mandate does not apply to situations where the Directors allot, issue or deal with Shares by way of rights issue, script dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Articles or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution or Shares issued pursuant to the exercise of any options granted under the Share Option Scheme.

SHARE CAPITAL

The above mandate will expire:

1. at the conclusion of our Company's next annual general meeting; or
2. at the expiration of the period within which our next annual general meeting is required by the Articles or any other applicable laws of Hong Kong to be held; or
3. at the time when such mandate is revoked, varied or renewed by an ordinary resolution of the shareholders of our Company in general meeting,

whichever is the earliest.

For further details of this general mandate, see the paragraph headed "Written resolutions of our sole Shareholder passed on 19 June 2010" in Appendix V to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted the repurchase mandate, which is a general unconditional mandate to repurchase Shares with a total nominal value of not exceeding than 10% of the aggregate of the total nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued upon the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This general mandate only relates to repurchase made on the Main Board, or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase by our Company of its own securities" in the section headed "Further information about our Company" in Appendix V to this prospectus.

The repurchase mandate will expire:

1. at the conclusion of our next annual general meeting; or
2. at the expiration of the period within which our next annual general meeting is required by the Articles or any other applicable laws of Hong Kong to be held; or
3. at the time when such mandate is revoked, varied or renewed by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, see the paragraph headed "Written resolutions of our sole Shareholder passed on 19 June 2010" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalization Issue and not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Interests in our Company

Name	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Guotai Junan (BVI) (<i>note 1</i>)	Beneficial owner	1,230,000,000	75%
Guotai Junan Financial Holdings (<i>note 2</i>)	Interest of a controlled corporation	1,230,000,000	75%
Guotai Junan (<i>note 3</i>)	Interest of a controlled corporation	1,230,000,000	75%

Notes:

- (1) Guotai Junan (BVI), a limited liability company incorporated in BVI, is wholly-owned by Guotai Junan Financial Holdings.
- (2) Guotai Junan Financial Holdings, a limited liability company incorporated in Hong Kong, is wholly-owned by Guotai Junan and is deemed to have an interest in the 1,230,000,000 Shares held by Guotai Junan (BVI) under the provisions of the SFO.
- (3) Guotai Junan is deemed to have an interest in the 1,230,000,000 Shares held by Guotai Junan (BVI) under the provisions of the SFO.

SUBSTANTIAL SHAREHOLDERS

Interests in Guotai Junan Fund Management

Name	Nature of Interest	Number of Shares	Approximate percentage of equity interest
Golden Investor	Beneficial owner	2,990,000	29.9%
OP (<i>note 1</i>)	Interest of a controlled corporation	2,990,000	29.9%
Best New	Beneficial owner	2,010,000	20.1%
Yim Fung (<i>note 2</i>)	Interest of a controlled corporation	2,010,000	20.1%

Notes:

- (1) OP, which held 100% equity interest in Golden Investor, is deemed to have an interest in the 29.9% equity interest held by Golden Investor in Guotai Junan Fund Management under the provisions of the SFO.
- (2) Dr. Yim Fung, our vice Chairman, executive Director and chief executive officer, held 92% equity interest in Best New, is deemed to have an interest in the 20.1% equity interest held by Best New in Guotai Junan Fund Management under the provisions of the SFO.

Save as disclosed above, the Directors are not aware of any other person who will, immediately following the completion of the Global Offering and the Capitalization Issue and not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

FINANCIAL INFORMATION

The following discussion should be read in conjunction with the audited combined financial information of the Group for the three years ended 31 December 2009 together with the accompanying notes, set out in the accountant's report in Appendix I to this prospectus.

For the purposes of this section, and unless the context otherwise requires, references to "2007", "2008" and "2009" refer to the Group's financial year ended 31 December of such year.

OVERVIEW

The Group is principally engaged in brokerage business for securities and futures, fund management, corporate finance and ECM services as well as margin and other financing services. The Group's brokerage business offers trading services in Hong Kong, U.S., Canada, Japan, Singapore, Korea and Taiwan securities and China B shares. The Group also provides brokerage services for futures traded on the Futures Exchange as well as other overseas futures exchanges. As a result of the increasing clients' demand, the Group intends to extend its brokerage services to derivative products including commodities and foreign exchange trading. The Group provides its clients margin and initial public offer financings as well as loans and advances which are secured by stocks listed on the Stock Exchange. The Group also provides asset management investment advisory and support services with its clients.

The Group's revenue is predominantly derived from its brokerage business and financing business and comprises five principal sources namely (i) securities and futures dealing and broking services; (ii) corporate finance and advisory services; (iii) fund management activities; (iv) investment holding; and (v) interest income. Details of the breakdown of the revenue by business activities of the Group are set out in note 6 to the Accountant's Report contained in Appendix I to this prospectus.

BASIS OF PRESENTATION AND PREPARATION

The financial information of our Group contained in the Accountant's Report of our Company set out in Appendix I to this prospectus has been prepared in accordance with the HKFRSs. The combined financial information has been prepared under historical cost convention, as modified by the revaluation of available-for-sale investments, and financial assets at fair value through profit or loss which are carried at fair value.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of our Group for the Track Record Period have been prepared on a combined basis and include the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, except that the financial information of those companies newly set up/acquired by our Group during the Track Record Period and the financial information of the discontinued operations are included in the financial information of our Group from their respective dates of incorporation/acquisition and up to the date of transfer to Guotai Junan Financial Holdings, respectively.

FINANCIAL INFORMATION

The combined balance sheets of our Group as at 31 December 2007, 2008 and 2009 have been prepared to present the assets and liabilities of our Group as at these dates as if the current group structure had been in existence as at these dates, except that the assets and liabilities of those companies newly set up/acquired by our Group during the Track Record Period and the assets and liabilities of the discontinued operations are included in the combined balance sheets of our Group after their respective dates of incorporation/acquisition and before the date of transfer to Guotai Junan Financial Holdings, respectively.

All significant intra-group transactions and balances have been eliminated on combination.

MAJOR FACTORS AFFECTING THE GROUP'S REVENUE

Due to the business nature of the Group, the Group's business is transaction driven and its revenue is directly related to the number and size of the transactions undertaken by the Group on behalf of its clients. In addition, the Group's business mainly focuses on capital markets in Hong Kong, PRC and U.S.. Therefore, the Directors believe that the major factors affecting the Group's revenue include:

- (a) the performance of worldwide stock markets and economic conditions;
- (b) the number of players and the competitive market in Hong Kong; and
- (c) the changes in the laws and regulations governing the securities industry in Hong Kong.

Performance of worldwide stock markets and economic conditions

The performance of the stock and futures markets in Hong Kong are dependent on the domestic and international political and economic conditions which are difficult to predict.

Worldwide stock markets extended losses in early 2009 during the deepening of the global economic crisis, adverse economic outlook, worries over the capital conditions of financial institutions in the U.S. and Europe and deleveraging activities amid credit tightening and fund withdrawals by investors.

In response to the crisis, most governments and central banks launched various stimulus measures to stabilize their financial markets and stimulate their economies. Central banks lowered interest rates, injected liquidity into the banking systems and adopted loose monetary policies to stimulate their economies and support financial institutions. Given some early signs of economic recovery, worldwide equity markets surged on optimism over improving economic outlook and better corporate earnings in the fourth quarter of 2009.

FINANCIAL INFORMATION

Among other factors, the performance of worldwide stock market since April 2009 was mainly underpinned by capital inflow. As the global economy began to stabilize, investors' risk appetite revived and investment in riskier assets grew. In particular, falling interest rates and quantitative easing policies in the U.S. caused a weakening of the U.S. dollars and induced investors to adopt a U.S. dollar carry trade strategy. In other words, investors borrowed U.S. dollars and invested in higher-yield assets in Asia or other emerging markets for higher returns. The stock markets have rebounded rapidly since April 2009, as the U.S. dollar weakened.

In early 2009, the U.S. and European markets started to slide and dropped to a trough in March hurt by adverse economic outlook, worries about the capital shortfall of financial institutions and bankruptcy of U.S. automakers. The markets rebounded strongly afterwards and recouped the losses amid better corporate earnings, improving economic data and optimism over the global economic outlook.

During 2009, the PRC market advanced on fiscal monetary stimulus measures. Solid earnings and strong economic data also lent support. However, concerns over possible monetary tightening limited gains.

During 2009, the Hong Kong market was initially clouded by uncertainties over the global economy and the health of U.S. financial institutions. From late March 2009, the local market rebounded strongly amid optimism over the global economic recovery, additional stimulus plans in the PRC and better corporate earnings. Strong capital inflows into the Hong Kong stock market and property market also lent support. Property stocks outperformed the benchmark indices on surging prices of luxury flats. At the end of 2009, the HSI and the HSCEI had risen approximately 52% and 62%, respectively from their respective 2008 year end levels.

Trading activities in the local stock market were quiet in the first half of 2009, but became active in the second half of 2009 due to improved sentiment and strong funds inflow. The average daily turnover in 2009 amounted to approximately HK\$62 billion, approximately 14 % lower than that in 2008 and approximately 29% lower than that in 2007. PRC stock remained the most actively traded stocks, and accounted for approximately 46% of total market turnover in 2009. In comparison, trading of HSI stocks (excluding H shares and Red chips stocks) accounted for approximately 13% of the total market turnover in 2009.

IPO activities were quiet in the first half of 2009, but became active in the second half of 2009 due to improving market sentiment. There were a total of 64 IPOs during 2009, raising a total of approximately HK\$248 billion when compared with 29 IPOs raising a total of approximately HK\$66 billion in 2008 and 78 IPOs raising approximately HK\$292 billion in 2007. This made Hong Kong the largest IPO fund raising centre in the world in 2009. PRC stocks remained an important part of Hong Kong IPO market, accounting for approximately 48% of the total IPO fund raised in 2009.

FINANCIAL INFORMATION

Stock market highlights — Main Board and GEM

	Year		
	2007	2008	2009
Listed securities (as at year end)			
No. of listed companies	1,241	1,261	1,319
Domestic ⁽¹⁾	1,232	1,251	1,308
Foreign ⁽²⁾	9	10	11
No. of listed securities	6,092	5,831	6,616
No. of new listed companies ⁽³⁾	84	49	73
New listing companies	80	31	69
Transfer of listing from GEM	4	18	4
Total issued capital (HK\$ billion)	963.89	980.56	1,043.52
Total market capitalization (HK\$ billion)	20,697.54	10,298.75	17,874.31
Equity funds raised (HK\$ billion)	590.85	427.25	642.12
Initial public offers	292.44	65.98	248.23
Secondary market	298.41	361.27	393.89

Notes:

- (1) All PRC incorporated enterprises with H shares listed on the Stock Exchange are included.
- (2) A listed company would be counted as a foreign company if it is incorporated overseas and has a majority of its business outside Hong Kong and PRC, and as a domestic company if otherwise.
- (3) Figures include the number of companies for transfer of listing from GEM to Main Board.

Source: HKEx

Number of players and the competitive market in Hong Kong

Exchange participants and trading rights holders status (as at 31 December 2009)

	Stock Exchange	Futures Exchange
Exchange participants		
Trading	463	167
Non-trading	32	—
Trading rights holders	525	211

Source: HKEx

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As at 31 December 2009, there are 167 futures exchange participants and 463 active Exchange Participants in Hong Kong. The Group faces intense competition for its stockbroking, futures trading and financing businesses. Besides competition from stockbroking, futures trading and margin financing firms, the Directors consider that there is increasing competition from licensed banks which offer similar services through their stockbroking arms. Such intense competition affects the Group's market share in the securities and futures industry in Hong Kong and its results of operations.

Changes in the law and regulations governing the securities industry in Hong Kong

The law and regulations governing the securities industry in Hong Kong may change in a way that may affect the Group's revenue. For example, new laws and regulations may be implemented to change the brokerage commission structure and the amount of liquid capital required for the Group's business which determines the volume and size of transactions that the Group can carry out. These may therefore affect the Group's revenue. In addition, changes in other relevant laws (e.g. Companies Ordinance and Securities and Futures Ordinance) and regulations (e.g. Listing Rules and Takeovers Code) may affect the listed companies' abilities to implement corporate exercises such as fund raising in the market and the number of IPOs which will in turn affect the Group's revenue.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's financial information has been prepared in accordance with HKFRSs. The preparation of financial information in conformity with HKFRSs requires the Group's management to adopt accounting policies and make estimates and assumptions that affect amounts reported in the Group's financial information. In applying these accounting policies, the Group's management makes subjective judgements that frequently require estimates about matters that are inherently uncertain. Accordingly, actual results could differ from those estimates. The Group's management bases its estimates on past experience and on various other factors that it believes to be reasonable.

The following paragraphs summarize the critical accounting policies and estimates applied in preparing the Group's financial information:

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- commission income on securities and futures dealings and broking, on the transaction dates when the relevant contract notes are exchanged;
- commission on underwriting/placing in securities, in accordance with the terms of the underlying agreement and over the underwriting period;
- management, consultancy, investment advisory fees and handling income, when the services have been rendered;

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- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- dividend income, when the shareholders' right to receive payment has been established;
- performance fees are recognized on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts;
- information services income, when the services have been rendered; and
- net gain/loss on financial assets at fair value through profit or loss include realized gain/loss which are recognized on transaction date when the relevant contract notes are exchanged; and unrealized fair value gain/loss which are recognized in the period in which they arise.

Impairment allowances on loans and receivables

Our Group reviews its loans and accounts receivable to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, our Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in our Group. Management uses estimates based on historical loss experience when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where the expectation is different from the original estimate, such difference will affect the carrying value of loans and receivables and thus impairment charge in the period in which such estimate is changed.

Others

For details of the significant accounting policies and estimates relating to the Group's financial information, please refer to notes 3 and 31 to the Accountant's Report set out in Appendix I to this prospectus.

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RESULTS OF OPERATIONS

The following is a summary of the audited combined results of the Group for each of the three years ended 31 December 2009 extracted from the Accountant's Report, the text of which is set out in Appendix I to this prospectus. The audited combined results are prepared in accordance with HKFRSs on the basis of presentation set out in the Accountant's Report in Appendix I to this prospectus. This summary should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus.

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Revenue	973,794	517,013	583,370
Other income	<u>2,161</u>	<u>2,294</u>	<u>3,715</u>
Revenue and other income	975,955	519,307	587,085
Staff costs	(164,503)	(103,609)	(140,455)
Commission to account executives	(83,358)	(38,028)	(60,244)
Other commission expenses	(34,628)	(58,234)	(30,024)
Performance fee expense	(133,621)	—	—
Depreciation	(3,648)	(9,442)	(10,611)
Net write back of provision for accounts receivable	12,519	6,244	1,847
Other operating expenses	(71,759)	(83,467)	(70,582)
Finance costs	<u>(133,015)</u>	<u>(19,747)</u>	<u>(5,168)</u>
Profit before income tax	363,942	213,024	271,848
Income tax expense	<u>(63,622)</u>	<u>(2,596)</u>	<u>(27,808)</u>
Profit for the year from continuing operations	300,320	210,428	244,040
Discontinued operations			
Profit/(loss) for the year from discontinued operations	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>
Profit for the year	<u>385,428</u>	<u>123,447</u>	<u>300,394</u>
Attributable to:			
Equity holders of the Company	385,428	126,045	298,307
Minority interest — continuing operations	<u>—</u>	<u>(2,598)</u>	<u>2,087</u>
	<u>385,428</u>	<u>123,447</u>	<u>300,394</u>
Dividend	<u>—</u>	<u>—</u>	<u>150,000</u>

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Principal Income Statement Components

Continuing Operations

Revenue

Our revenue derives from five principal sources, namely (i) securities and futures dealing and broking services; (ii) corporate finance and advisory services; (iii) fund management activities; (iv) investment holding; and (v) interest income.

As shown from the table below, a substantial portion of the Group's revenue was contributed by its securities and futures dealing and broking services, representing approximately 51.6%, 73.7% and 71.0% of the total revenue of the Group for the three years ended 31 December 2009, respectively. Amongst which, the commission and brokerage income on securities dealing and broking accounted for approximately 41.4%, 40.6% and 51.5% of the total revenue of the Group for the three years ended 31 December 2009, respectively; the commission and brokerage income on futures dealing and broking accounted for approximately 1.0%, 3.0% and 5.6% of the total revenue of the Group for the three years ended 31 December 2009, respectively; the commission and fees income from placing and underwriting activities accounted for approximately 7.9%, 28.3% and 11.7% of the total revenue of the Group for the three years ended 31 December 2009, respectively; and handling income on securities related services accounted for approximately 1.3%, 1.8% and 2.2% of the total revenue of the Group for the three years ended 31 December 2009, respectively.

The income from corporate finance and advisory services accounted for approximately 1.1%, 2.3% and 3.2% of the total revenue of the Group for the three years ended 31 December 2009, respectively.

Income from fund management services comprises of two components: management fees and performance fees. For the three years ended 31 December 2009, the income from fund management services accounted for approximately 22.1%, 4.3% and 4.1% of the total revenue of the Group, respectively.

Interest income mainly derived from margin loans, initial public offer financings and bank deposits and others. For the three years ended 31 December 2009, the interest income accounted for approximately 25.1%, 25.9% and 12.1% of the total revenue of the Group, respectively.

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Set out below is the breakdown of income by business activities of the Group for each of the three years ended 31 December 2009.

	Year ended 31 December					
	2007		2008		2009	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Securities and futures dealing and broking:						
Commission and brokerage income on securities dealing and broking	402,655	41.4	210,081	40.6	300,387	51.5
Commission and brokerage income on futures dealing and broking	9,820	1.0	15,613	3.0	32,555	5.6
Placing and underwriting commission	77,009	7.9	146,140	28.3	68,085	11.7
Handling income	12,638	1.3	9,358	1.8	13,063	2.2
	<u>502,122</u>	<u>51.6</u>	<u>381,192</u>	<u>73.7</u>	<u>414,090</u>	<u>71.0</u>
Corporate finance and advisory services						
	11,106	1.1	11,797	2.3	18,119	3.2
Fund management activities:						
Management fees	41,110	4.2	22,131	4.3	18,644	3.2
Performance fees	174,480	17.9	—	0.0	5,417	0.9
	<u>215,590</u>	<u>22.1</u>	<u>22,131</u>	<u>4.3</u>	<u>24,061</u>	<u>4.1</u>
Income from investing holding						
Net gain/(loss) on financial assets held for trading	642	0.1	(32,007)	(6.2)	55,487	9.5
Dividend income	—	0.0	—	0.0	838	0.1
	<u>642</u>	<u>0.1</u>	<u>(32,007)</u>	<u>(6.2)</u>	<u>56,325</u>	<u>9.6</u>
Interest income from:						
Margin loans	55,325	5.7	49,838	9.6	43,655	7.5
Initial public offer financings	87,816	9.0	5,702	1.1	8,349	1.4
Bank deposits and others	101,193	10.4	78,360	15.2	18,771	3.2
	<u>244,334</u>	<u>25.1</u>	<u>133,900</u>	<u>25.9</u>	<u>70,775</u>	<u>12.1</u>
	<u>973,794</u>	<u>100</u>	<u>517,013</u>	<u>100</u>	<u>583,370</u>	<u>100</u>

In 2008, our total revenue decreased substantially when compared with that in 2007, which were primarily due to worldwide economic turmoil during the second half of the year 2008. This economic turmoil, which was reflected by the credit tightening, and the liquidity problems of financial institutions, have adversely affected the U.S. and the world economies. The PRC government's macro economic control measures, which attempted to curb the sharp growth of GDP and maintain a stable financial situation of the country, was also a contributory factor for our decrease in revenue in 2008. The total revenue of the Group decreased by approximately 46.9% from approximately HK\$973.8 million in 2007 to approximately HK\$517.0 million in 2008.

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The U.S. and European markets rebounded strongly since March 2009 and recouped the losses amid better corporate earnings, improving economic data and optimism over the global economic outlook. From late March 2009, the local market rebounded strongly following the general optimism over the global economic recovery as well as the additional stimulus plans in the PRC and better corporate earnings. The total revenue of the Group increased moderately by approximately 12.8% from approximately HK\$517.0 million in 2008 to approximately HK\$583.4 million in 2009.

Other income

Our other income consists of information services income, rental income arising from leasing of office premises to an independent third party, gain on disposal of fixed assets and other miscellaneous income. Other income amounted to approximately HK\$2.2 million, HK\$2.3 million and HK\$3.7 million, representing approximately 0.2%, 0.4% and 0.6% of the Group's total revenue for the three years ended 31 December 2009, respectively.

Staff costs

Staff costs comprise of salaries, allowances, bonuses and mandatory provident fund contributions. For the three years ended 31 December 2009, staff costs amounted to approximately HK\$164.5 million, HK\$103.6 million and HK\$140.5 million, respectively. The decrease in staff costs in 2008 when compared with that in 2007 was mainly due to reduction in bonuses resulting from market downturn in 2008. As market recovered in 2009, bonuses increased accordingly in 2009 which was partly offset by reduction of headcount and pay-cuts in early 2009 as a result of market downturn in 2008.

Commission to account executives

Commission to account executives represents commission paid to our account executives based on their performance of services rendered which were determined according to our established commission payment scheme.

Other commission expenses

Other commission expenses represent commission paid to brokers in relation to trading of overseas stocks and global futures as well as sub-underwriting commission.

Performance fee expense

Performance fee expense represents the fee paid to investment advisers which were calculated as a percentage of a fund's positive investment performance for the relevant period.

Depreciation

Depreciation represents depreciation charges for office equipment, furniture and fixtures, buildings, leasehold improvements and motor vehicles for the relevant year.

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Net write back of provision for accounts receivable

Net write back of provision for accounts receivable consists of amount written back in relevant years which was partially offset by increase in impairment allowance.

Other operating expenses

Other operating expenses mainly consist of rent and rates, marketing channel expenses, professional and consultancy fee, CCASS charges, impairment loss on trading rights, bank charges, securities scrip fee, business trips and telephone expenses.

Finance costs

Finance costs primarily consist of interest expenses from bank loans and overdrafts as well as interest paid to clients arising from accounts payable.

Income tax expense

We are subject to income tax on profit arising in or derived from the tax jurisdictions in which we domicile and operate. Since our operation is based in Hong Kong, the Group is only liable to Hong Kong profits tax. For the three years ended 31 December 2009, the Group's Hong Kong profits tax expenses amounted to approximately HK\$63.6 million, HK\$2.6 million and HK\$27.8 million, respectively.

2009 compared with 2008

Revenue

Total revenue for the year ended 31 December 2009 was approximately HK\$583.4 million, a moderate increase of approximately 12.8% when compared with approximately HK\$517.0 million for the year ended 31 December 2008.

Revenue from securities dealing and broking increased by approximately HK\$90.3 million, or approximately 43.0% from approximately HK\$210.1 million in 2008 to approximately HK\$300.4 million in 2009. This increase was attributable to the general recovery of the local market from the worldwide financial turmoil in 2008 and improving market sentiment since March 2009 as well as an overall increase in market share in 2009. Commission from placing, underwriting and sub-underwriting dropped by approximately HK\$78 million, or approximately 53.4% from approximately HK\$146.1 million in 2008 to approximately HK\$68.1 million in 2009. This decrease was primarily due to a IPO project in 2008 that generated a significant commission income whereas there was no IPO of similar size in 2009. Guotai Junan Securities, a wholly-owned subsidiary of the Company, was the sole global coordinator for the significant IPO project in 2008. Handling income on securities dealing and broking increased by approximately HK\$3.7 million or approximately 39.6% from approximately HK\$9.4 million in 2008 to approximately HK\$13.1 million in 2009.

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Revenue from futures dealing and broking increased by more than double from approximately HK\$15.6 million in 2008 to approximately HK\$32.6 million in 2009. This increase reflected the adoption of the Group's 24-hour, fully-automated service since March 2009.

Corporate finance and advisory fee income increased substantially for the year 2009. The Group recorded approximately HK\$18.1 million income from corporate finance and advisory fee in 2009, an increase of approximately 53.6% when compared with approximately HK\$11.8 million in 2008. This increase was mainly due to increase in number of appointments as compliance advisers under the Listing Rules for the year 2009.

There was no material change to the management fee for the two years ended 2009. The Group recorded approximately HK\$18.6 million management fee in 2009, a decrease in approximately HK\$3.5 million when compared with that in 2008. Performance fee income of approximately HK\$5.4 million was recorded in 2009 as a result of the good performance of funds under management.

Income from investment mainly represents our Group's investment in Hong Kong listed securities. The Group recorded a loss of approximately HK\$32 million in 2008, representing the realized gains of approximately HK\$80 million from the stabilizing actions undertaken during the stabilizing period from the listing of a company and an unrealized loss in listed equity investment value of Hong Kong listed securities, Shandong Chenming Paper Holdings Limited ("Shandong Chenming") held by the Group of approximately HK\$112 million. The investment of Shandong Chenming were acquired from the secondary market by the Group for investment holding purposes and had no relation with the underwriting of the listing of those securities. A profit of approximately HK\$55.5 million was recorded from the listed equity investment held by the Group in 2009. The change was primarily due to the significant increase in the fair value of the Hong Kong listed securities in 2009 when compared with the fair value in 2008. Dividend income was derived from the holding of the investment of the Hong Kong listed securities.

Interest income from margin and other financing fell approximately HK\$63.1 million, or approximately 47.1% from approximately HK\$133.9 million in 2008 to approximately HK\$70.8 million in 2009. This decrease in interest income was mainly attributable to reduction in interest rate in 2009.

Other income

Other income increased by approximately HK\$1.4 million or approximately 61.9% from approximately HK\$2.3 million in 2008 to approximately HK\$3.7 million in 2009. This increase was primarily due to the rental of office premises to a tenant, an Independent Third Party since October 2009.

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Staff costs

Staff costs increased by approximately HK\$36.9 million, or approximately 35.6% from approximately HK\$103.6 million in 2008 to approximately HK\$140.5 million in 2009. This increase was mainly attributable to increase in bonus payment of approximately HK\$45.1 million as a result of improvement of our Group's performance in 2009. This increase was partially offset by decrease in salaries and allowances of approximately HK\$8.2 million arising from reduction of headcount and pay-cuts in 2009.

Commission to account executives

Commission to account executives increased by approximately HK\$22.2 million, or approximately 58.4% from approximately HK\$38.0 million in 2008 to approximately HK\$60.2 million in 2009. This increase was primarily due to general recovery of the worldwide economies and improvement of sales performance in the second half of 2009.

Other commission expenses

Other commission expenses were down approximately HK\$28.2 million, or approximately 48.5% from approximately HK\$58.2 million in 2008 to approximately HK\$30.0 million in 2009. This decrease was mainly attributable to the significant amount of sub-underwriting commission paid in connection with a significant IPO project in 2008.

Performance fee expense

The Group did not record any performance fee expense for the year 2008 and 2009 due to the worldwide financial turmoil in 2008 and market sentiment in 2009 as well as the non-fulfilment of performance target by investment advisers in 2008 and 2009.

Depreciation

Depreciation increased by approximately HK\$1.2 million, or approximately 12.4% from approximately HK\$9.4 million in 2008 to approximately HK\$10.6 million in 2009. This increase was mainly due to the acquisition of new office premises and office equipment in 2009.

Net write back of provision for accounts receivable

Net write back of provision for accounts receivable decreased by approximately HK\$4.4 million, or approximately 70.4% from approximately HK\$6.2 million in 2008 to approximately HK\$1.8 million in 2009. The decrease was primarily due to reduction in amount of disposal of collateral in 2009. Majority of impaired accounts receivable as at the relevant year end are receivables from cash and custodian clients. The collaterals of these accounts receivable were listed securities. Provisions were made when these listed securities were suspended trading or became illiquid that the Group has no other means to sell the securities to recover the debts. However, provision would be written back when the Group disposed such securities as soon as trading resumed or became liquid.

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Other operating expenses

Other operating expenses decreased by approximately HK\$12.9 million, or approximately 15.4% from approximately HK\$83.5 million in 2008 to approximately HK\$70.6 million in 2009. This decrease was primarily attributable to an one-off consultancy fee of approximately HK\$15.7 million for a IPO project in 2008 as well as the decrease in office rental expenses of approximately HK\$1.4 million. This decrease was partially offset by increase in repair and maintenance and marketing, advertising and promotion expenses, of approximately HK\$2.3 million and HK\$1.6 million, respectively.

Finance costs

Finance costs decreased by approximately HK\$14.5 million, or approximately 73.6% from approximately HK\$19.7 million in 2008 to approximately HK\$5.2 million in 2009. This decrease was mainly attributable to the record low bank interest rate throughout 2009.

Profit before income tax

Profit before income tax increased by approximately HK\$58.8 million, or approximately 27.6% from approximately HK\$213.0 million in 2008 to approximately HK\$271.8 million in 2009.

Income tax expense

The Group's income tax expense increased by approximately HK\$25.2 million, or approximately 970% from approximately HK\$2.6 million in 2008 to approximately HK\$27.8 million in 2009. This increase was mainly due to the write back of over-provision of tax expenses arising from non-taxable treatment of certain interest income from bank deposits in previous years. The Group has released the tax provision previously made in the amount of approximately HK\$31.3 million to the income statement for the year 2008.

The Group's effective tax rate increased from 1.2% in 2008 to 10.2% in 2009 was mainly due to write back of over-provision of approximately HK\$31.3 million in 2008. The increase was partially offset by the effect of utilization of previous unrecognized tax losses on a Hong Kong listed share amounting to approximately HK\$9 million in 2009 and non-taxable treatment of interest income from bank deposits and commission income on broking in offshore overseas market amounting to approximately HK\$11.4 million in 2009.

Profit for the year from continuing operations

As a result of the foregoing, the Group's profit for the year from continuing operations increased by approximately HK\$33.6 million, or approximately 16% from approximately HK\$210.4 million in 2008 to approximately HK\$244.0 million in 2009.

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2008 compared with 2007

Revenue

Total revenue decreased by approximately HK\$456.8 million, or approximately 46.9% from approximately HK\$973.8 million in 2007 to approximately HK\$517.0 million in 2008.

Commission on securities dealing and broking decreased by approximately HK\$192.6 million, or approximately 47.8% from approximately HK\$402.7 million in 2007 to approximately HK\$210.1 million in 2008. This decrease was mainly due to the worldwide financial turmoil and reflection of local market sentiment in the second half of year 2008. Commission from placing, underwriting and sub-underwriting increased by approximately HK\$69.1 million, or approximately 89.7% from approximately HK\$77.0 million in 2007 to approximately HK\$146.1 million in 2008. This increase was primarily due to the commission income from the successful listing of a IPO project in 2008 that generated significant commission income. Guotai Junan Securities, a wholly-owned subsidiary of the Company, was the sole global coordinator for such IPO project in 2008. Handling income on securities dealing and broking remained stable at approximately HK\$12.6 million and HK\$9.4 million in 2007 and 2008, respectively.

Revenue from futures dealing and broking increased by approximately HK\$5.8 million, or approximately 59% from approximately HK\$9.8 million in 2007 to approximately HK\$15.6 million in 2008. This increase was partly due to the increase in trading of futures contracts by clients during the worldwide financial turmoil in 2008 and partly due to the Group's strategy for expansion of the business in futures dealing and broking by providing full electronic trading services where clients can trade futures contracts in global markets through our internet platform.

Interest income from margin and other financing dropped by approximately HK\$110.4 million, or approximately 45.2% from approximately HK\$244.3 million in 2007 to approximately HK\$133.9 million in 2008. The decrease was mainly attributable to the worldwide financial turmoil in 2008 and decrease in number of IPOs in 2008 when compared with the booming IPO market in 2007. In addition, the decline in interest rate in 2008 was also a factor for explaining the decrease in overall interest income in 2008.

Income from corporate finance and advisory was quite stable. The Group recorded this income of approximately HK\$11.1 million and approximately HK\$11.8 million for the year 2007 and 2008, respectively.

Management fee income from fund management decreased by approximately HK\$19.0 million, or approximately 46.2% from approximately HK\$41.1 million in 2007 to approximately HK\$22.1 million in 2008. The decrease was primarily due to unsatisfactory performance of fund management as well as increase in redemption of fund in 2008. No performance fee income was recorded in 2008 where a performance fee of approximately HK\$174.5 million was recorded in 2007. This significant decrease was attributable to the under-performance of fund management during the worldwide financial turmoil in 2008. Please also refer to the paragraph headed "Performance fee expenses" for the details of performance fee expenses in 2007.

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Income from investment holding represents mainly the realized gains of approximately HK\$80 million from the stabilizing actions undertaken during the stabilizing period from the listing of a company in 2008 and an unrealized loss in listed equity investment value of the Hong Kong listed securities held by the Group since 2008. The Group recorded an unrealized loss of approximately HK\$112 million due to decline in the fair value of the Hong Kong listed securities in 2008 whereas a profit of approximately HK\$0.6 million was recorded in 2007. The Group did not record any dividend income for the two years 2007 and 2008.

Other income

There was no material change for other income. The Group recorded other income of approximately HK\$2.2 million and HK\$2.3 million for year 2007 and 2008, respectively.

Staff costs

Staff costs decreased by approximately HK\$60.9 million, or approximately 37% from approximately HK\$164.5 million in 2007 to approximately HK\$103.6 million in 2008. This decrease was primarily due to reduction in bonus payment as a result of the overall performance of the Group during the worldwide financial turmoil in the second half of 2008. This decrease was partially offset by increase in salaries as a result of additional headcount in late 2007.

Commission to account executives

Commission to account executives decreased by approximately HK\$45.4 million, or approximately 54.4% from approximately HK\$83.4 million in 2007 to approximately HK\$38.0 million in 2008. This decrease was mainly attributable to the decrease in trading volume during the worldwide financial turmoil in the second half of 2008.

Other commission expenses

Other commission expenses increased by approximately HK\$23.6 million, or approximately 68.2% from approximately HK\$34.6 million in 2007 to approximately HK\$58.2 million in 2008. This increase was mainly attributable to significant amount of sub-underwriting commission paid for an IPO project in 2008.

Performance fee expense

The Group recorded the performance fee expense of approximately HK\$133.6 million in 2007 whereas the Group did not incur any such expense in 2008. The performance fee expense in 2007 were paid to investment advisers which were directly incurred in connection with the performance fee income of approximately HK\$174.5 million in 2007 under the Group's fund management business. In the course of performing its duties and operations of the fund management business, a third party investment adviser may be appointed by the funds or by the Group depending on the expertise and resources required to discharge its obligations. It follows that the investment manager will share portion of the management fee and performance fee (if any) with the investment adviser. The amount or rate of sharing is a commercial decision and is determined on a case by case basis. The Group acts

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as fund manager for four major funds with performance fee income for the year ended 31 December 2007. On the other hand, it has entered into investment management agreement with independent third party investment advisers to delegate its function and duties in relation to the provision of asset management services to the funds. The Group paid approximately 80% of its performance fee income received from the funds to these independent investment advisers as performance fee expense for their services. Performance fees income are recognized on the performance fees valuation day of the investment funds when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds.

Depreciation

Depreciation increased by approximately HK\$5.8 million, or approximately 159% from approximately HK\$3.6 million in 2007 to approximately HK\$9.4 million in 2008. This increase was mainly due to the acquisition of office equipment in 2008.

Net write back of provision for accounts receivable

Net write back of provision for accounts receivable decreased by approximately HK\$6.3 million, or approximately 50.1% from approximately HK\$12.5 million in 2007 to approximately HK\$6.2 million in 2008. The decrease was primarily due to reduction in amount of disposal of collateral in 2008. Majority of impaired accounts receivables as at the relevant year end are receivables from cash and custodian clients. The collaterals of these accounts receivables were listed securities. Provisions were made when these listed securities were suspended trading. However, provision would be written back when the Group disposed such securities as soon as trading resumed.

Other operating expenses

Other operating expenses increased by approximately HK\$11.7 million, or approximately 16.3% from approximately HK\$71.8 million in 2007 to approximately HK\$83.5 million in 2008. This increase was primarily attributable to one-off consultancy fee of approximately HK\$15.7 million for a significant IPO project in 2008 as well as the increase in office rental expenses of approximately HK\$11.0 million. This increase was partially offset by decrease in impairment loss on trading rights of approximately HK\$3 million. During the year ended 31 December 2007, an impairment loss on trading rights of HK\$3 million was recognized to bring down their carrying amount to estimated net realizable value of HK\$1.5 million. The increase in other operating expenses was further offset by the decrease in CCASS charges of approximately HK\$2.5 million, bank charges of approximately HK\$14.3 million, advertising expenses of approximately HK\$0.8 million and business trips expenses of approximately HK\$0.6 million.

Finance costs

Finance costs decreased by approximately HK\$113.3 million, or approximately 85.2% from approximately HK\$133.0 million in 2007 to approximately HK\$19.7 million in 2008. This decrease was mainly due to the reduction in bank loans and overdrafts as well as decline in interest rate as a result of the impact of the worldwide financial turmoil in the second half of 2008.

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Profit before income tax

Profit before income tax decreased by approximately HK\$150.9 million, or approximately 41.5% from approximately HK\$363.9 million in 2007 to approximately HK\$213.0 million in 2008.

Income tax expense

The Group's Hong Kong profits tax expenses reduced by approximately HK\$61.0 million, or approximately 95.9% from approximately HK\$63.6 million in 2007 to approximately HK\$2.6 million in 2008. This decrease was partly due to the write back of over-provision of tax expenses arising from interest income from client trust bank balances in previous years. The Group has released the tax provision previously made in the amount of approximately HK\$31.3 million to the income statement for the year 2008. This decrease was partly due to decrease in profit before taxation as a result of the impact of the worldwide financial turmoil in 2008 and partly due to the reduction of profits tax rate from 17.5% in 2007 to 16.5% in 2008.

The Group's effective tax rate decreased from 17.5% in 2007 to 1.2% in 2008 was mainly due to the write back of over-provision of approximately HK\$31.3 million in 2008. It was also due to the non-taxable treatment of interest income from bank deposit and commission on broking in offshore overseas market amounting to HK\$14.7 million. The decrease was partially offset by the tax losses not recognized on a Hong Kong listed share amounting to HK\$18 million in a subsidiary of the Group as management considered it was not probable that sufficient future taxable profits will be available to utilize the unused tax losses of such subsidiary in the near future.

Discontinued Operations

Financial performance of discontinued operations

Prior to the disposal of Guotai Junan Investments by end of 2009, Guotai Junan Investments Group carried out investment holding activity in equity funds and consultancy service. Amongst its investment holdings, certain equity funds were consolidated into the Group's financial statements rather than being treated as "available-for-sale investment" or "financial asset designated at fair value through profit and loss" as the management and operations of the fund were controlled by the Group up to the date of disposal. As such, the results of the discontinued operations represent the results of the operations of Guotai Junan (Shenzhen), our share of the results of the equity funds being consolidated into the financial statements, and the other businesses of Guotai Junan Investments.

The discontinued operations only contributed results to the Company up to 30 October 2009 when the Company disposed Guotai Junan Investments to its holding company Guotai Junan Financial Holdings. In 2009, the discontinued operations generated approximately HK\$56.3 million to the profit of the Group, which was mainly derived from investment gain of the equity fund consolidated in the Group's financial statements.

FINANCIAL INFORMATION

As a result of the impact of the worldwide financial turmoil in the second half of 2008, Guotai Junan Investments Group recorded net loss attributable to the Group of approximately HK\$87.0 million in 2008. The loss was mainly due to loss of investments made by equity fund consolidated in the Group's financial statements.

Guotai Junan Investments Group contributed a profit of approximately HK\$85.1 million to the Group in 2007.

The results of the discontinued operations during the Track Record Period were as follows:

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue and other income:			
Consultancy and financial advisory fee income	9,887	9,074	6,477
Net gain/(loss) on financial assets held for trading	228,752	(168,821)	142,227
Net gain/(loss) on financial assets designated at fair value through profit or loss	525	(1,406)	90
Realized (loss)/gain on available-for-sale investments	—	(2,118)	3,616
Impairment of available-for-sale investments	—	(4,417)	—
(Loss)/gain on re-measurement of assets/liabilities classified as held for sale	—	(9,969)	5,687
Dividend income	23,357	3,755	3,385
Other income	828	72	—
	<u>263,349</u>	<u>(173,830)</u>	<u>161,482</u>
Staff costs	(7,455)	(10,383)	(7,876)
Depreciation	(6)	(7)	(10)
Performance fee expenses	(48,313)	—	—
Management fee expenses	(3,904)	(2,930)	(2,450)
Other operating expenses	(7,962)	(8,562)	(3,924)
Finance costs distributed to minority investors of an investment fund			
- cash dividend	(6,875)	—	—
- stock dividend	(48,382)	—	—
(Profit)/loss attributable to minority investors of an investment fund	<u>(42,655)</u>	<u>109,767</u>	<u>(89,760)</u>
Profit/(loss) before income tax	97,797	(85,945)	57,462
Income tax expenses	<u>(12,689)</u>	<u>(1,036)</u>	<u>(1,108)</u>
Profit/(loss) for the year	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>
Attributable to:			
Equity holders of the company	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's working capital and other capital requirements were principally satisfied by cash generated from its operations. The Group also drew short-term bank loans as and when circumstances required.

Cash flows

The following discussion is based on the Group's combined cash flow statement for the three years ended 31 December 2009.

The following table summarized the Group's cash flows for the periods indicated:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Net cash inflow/ (outflow) from operating activities	81,666	495,338	(148,068)
Net cash (outflow)/inflow from investing activities	(52,964)	3,637	(478,175)
Net cash inflow/(outflow) from financing activities	500,000	(495,000)	500,000
Net increase/(decrease) in cash and cash equivalents	528,702	3,975	(126,243)
Cash and cash equivalents at the beginning of the year	53,646	582,489	586,527
Effect of foreign exchange rate changes, net	141	63	—
Cash and cash equivalents at the end of the year	582,489	586,527	460,284

Operating activities

Cash flow from operating activities reflects profit for the year adjusted for non-cash items such as depreciation, write-back of provision for accounts receivable, realized loss on available-for-sale investments, impairment for available-for-sale investments, impairment loss on trading rights, profit or loss attributable to minority investors of an investment fund, gain or loss on re-measurement of assets or liabilities classified as held for sale, foreign exchange gains on operating activities, the effects of cash flows arising from increases or decreases in accounts receivable, financial assets at fair value through profit or loss, prepayments, deposits and other receivables, client trust bank balances, amounts due to fellow subsidiaries, amounts due from ultimate holding company, amounts due from fellow subsidiaries, amounts due from immediate holding company, accounts payable and other accrued liabilities, interest paid, interest received as well as Hong Kong profits tax paid.

FINANCIAL INFORMATION

In 2009, our net cash outflow used in operating activities was approximately HK\$148.1 million, while our profit before income tax for the same year was approximately HK\$329.3 million. The difference of approximately HK\$477.4 million was primarily due to an increase in financial assets at fair value through profit or loss of approximately HK\$186.6 million which was attributable to increase in value of financial assets investment; an increase of accounts receivable of approximately HK\$521.4 million due to increase in margin loans during the year; an increase of client trust bank balances of approximately HK\$1,503.4 million. This was partially offset by a decrease in amount due from fellow subsidiaries of approximately HK\$96.2 million as a result of settlement of all outstanding balance by fellow subsidiaries; an increase in accounts payable of approximately HK\$1,499.0 million which mainly comprised of clients' money under our custody; an increase in other payables and accrued liabilities of approximately HK\$78.0 million which mainly related to increase in staff bonus and an increase in net assets attributable to redeemable participation rights of approximately HK\$89.8 million representing the profits attributable to minority investors of an investment fund consolidated by the Group up to the date of disposal.

In 2008, our net cash inflow was approximately HK\$495.3 million, whereas our profit before income tax for the same year was approximately HK\$127.1 million. The difference of approximately HK\$368.2 million was mainly attributable to a decrease in financial assets at fair value through profit or loss of approximately HK\$145.1 million as a result of the financial turmoil in the year 2008; a decrease in accounts receivable of approximately HK\$436.1 million reflecting a decrease in margin loans; and a decrease in client trust bank balances of approximately HK\$417.3 million. This was partially reduced by a decrease in accounts payable of approximately HK\$388.2 million which mainly comprised of clients' money under our custody; a decrease in other payables and accrued liabilities of approximately HK\$88.9 million which mainly related to decrease in staff bonus; decrease in net assets attributable to redeemable participation rights of approximately HK\$111.2 million which represented the loss attributable to minority investors of an investment fund consolidated by the Group; and payment of Hong Kong profits tax of approximately HK\$64.4 million.

In 2007, our net cash inflow was approximately HK\$81.7 million, while our profit before income tax for the same year was approximately HK\$461.7 million. The difference of approximately HK\$380 million was primarily attributable to an increase in financial assets at fair value through profit or loss of approximately HK\$108.7 million as a result of increase in value of financial assets investment; an increase in accounts receivable of approximately HK\$544.2 million reflecting an increase in margin loans; an increase in client trust bank balances of approximately HK\$3,214.3 million; adjustment for write-back of provision for accounts receivable of approximately HK\$12.5 million; and Hong Kong profits tax of approximately HK\$29.5 million. This was partially offset by an increase in accounts payable of approximately HK\$3,354 million which mainly comprised of clients' money under our custody; an increase in other payables and accrued liabilities of approximately HK\$92.8 million which mainly related to increase in staff bonus; and increase in net asset attributable to redeemable participation rights of approximately HK\$74.3 million which represented the profit attributable to minority investors of an investment fund consolidated by the Group.

FINANCIAL INFORMATION

Investing activities

Our net cash outflow from investing activities for the year 2009 was approximately HK\$478.2 million. This cash outflow was primarily attributable to the purchase of property, plant and equipment of approximately HK\$55.3 million and acquisition of leasehold land for office premises of approximately HK\$291.8 million in 2009; and payment of dividend of HK\$150.0 million to Guotai Junan Financial Holdings which was partially reduced by proceeds from sales of assets and liabilities classified as held for sale of approximately HK\$7.8 million; and proceeds from disposal of Guotai Junan Investments Group of approximately HK\$11.1 million.

Our net cash inflow from investing activities for the year 2008 was approximately HK\$3.6 million. This cash inflow was primarily due to the proceeds upon sales of available-for-sale investments of approximately HK\$37.7 million which was partially offset by purchase of property, plant and equipment of approximately HK\$6.5 million; purchase of available-for-sale investments of approximately HK\$7.5 million; and purchase of assets and liabilities classified as held for sale of approximately HK\$20.0 million.

Our net cash outflow from investing activities for the year 2007 was approximately HK\$53.0 million. This cash outflow was primarily due to purchase of property, plant and equipment of approximately HK\$21.1 million; purchase of available-for-sale investments of approximately HK\$25.0 million; and payment of dividend to minority investors of an investment fund of approximately HK\$6.9 million.

Financing activities

Our net cash inflow from financing activities for the year 2009 was HK\$500.0 million which was attributable to the bank borrowings of HK\$500.0 million in 2009.

Our net cash outflow from financing activities for the year 2008 was HK\$495.0 million, reflecting the repayment of bank borrowings in the amount of HK\$500.0 million and was slightly offset by capital contributions by minority shareholders in the amount of HK\$5.0 million.

Our net cash inflow from financing activities for the year 2007 was HK\$500.0 million which was attributable to the bank borrowings of HK\$500.0 million in 2007.

FINANCIAL INFORMATION

Statement of net current assets

As at 31 December 2007, 2008 and 2009 and 30 April 2010, the Group had net current assets of approximately HK\$821.7 million, HK\$991.1 million, HK\$824.9 million and HK\$886.1 million, respectively. Details of the components are set out as follows:

	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 April 2010
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Current assets				
Amount due from ultimate holding company	0.9	0.9	—	—
Amount due from immediate holding company	0.1	0.1	0.4	—
Amount due from a fellow subsidiary	0.6	0.6	—	—
Financial assets at fair value through profit or loss	293.7	150.1	92.6	93.0
Accounts receivable	1,111.4	681.6	1,195.0	3,300.7
Prepayments, deposits and other receivables	13.6	10.6	7.1	16.9
Cash and bank balances	582.5	586.5	460.3	371.9
Client trust bank balances	4,593.1	4,175.8	5,679.2	5,515.7
Assets classified as held for sale	—	10.1	—	—
Total current assets	<u>6,595.9</u>	<u>5,616.3</u>	<u>7,434.6</u>	<u>9,298.2</u>
Current liabilities				
Amount due to the ultimate holding company	0.6	0.6	0.6	—
Amount due to fellow subsidiaries	5.1	5.1	0.6	—
Net asset attributable to redeemable participation rights	192.7	81.5	—	—
Accounts payable	4,851.6	4,463.3	5,955.2	6,024.8
Other payables and accrued liabilities	150.4	61.6	138.4	122.6
Bank borrowings	500.0	—	500.0	2,250.0
Current income tax liabilities	73.8	13.0	14.9	14.7
Liabilities classified as held for sale	—	0.1	—	—
Total current liabilities	<u>5,774.2</u>	<u>4,625.2</u>	<u>6,609.7</u>	<u>8,412.1</u>
Net current assets	<u>821.7</u>	<u>991.1</u>	<u>824.9</u>	<u>886.1</u>

FINANCIAL INFORMATION

As of 31 December 2009, the current assets comprised amount due from immediate holding company of approximately HK\$0.4 million, financial assets at fair value through profit or loss of approximately HK\$92.6 million, accounts receivable of approximately HK\$1,195.0 million, prepayments, deposits and other receivables of approximately HK\$7.1 million, cash and bank balances of approximately HK\$460.3 million and client trust bank balances of approximately HK\$5,679.2 million. The current liabilities comprised of amount due to ultimate holding company of approximately HK\$0.6 million, amounts due to fellow subsidiaries of approximately HK\$0.6 million, accounts payable of approximately HK\$5,955.2 million, other payables and accrued liabilities of approximately HK\$138.4 million, bank borrowings of HK\$500 million and current income tax liabilities of approximately of HK\$14.9 million.

Our net current assets increased by approximately HK\$169.4 million from approximately HK\$821.7 million as at 31 December 2007 to approximately HK\$991.1 million as at 31 December 2008 and then decreased by approximately HK\$166.2 million to approximately HK\$824.9 million as at 31 December 2009.

The increase in net current assets as at 31 December 2008 when compared with that as at 31 December 2007 was mainly attributable to the repayment of bank borrowings of HK\$500 million; reduction of accounts payable of approximately HK\$388.2 million resulting from the decrease of clients' money under our custody; and reduction of net assets attributable to redeemable participation rights of approximately HK\$111.2 million as a result of decrease in net assets attributable to minority investors of an investment fund consolidated by the Group. However, this effect was partially offset by decrease in accounts receivable of approximately HK\$429.9 million which mainly comprised of margin loans; and reduction of client trust bank balances of approximately HK\$417.3 million.

The decrease in net current assets as at 31 December 2009 when compared with that as at 31 December 2008 was primarily due to the increase in accounts payable of approximately HK\$1,491.9 million which represented mainly clients' money under our custody; increase in other payables and accrued liabilities of approximately HK\$76.8 million as a result of increase in staff bonus; drawing of bank loans of HK\$500 million; and decrease in cash and bank balances of approximately HK\$126.2 million. However, this effect was partially reduced by increase in accounts receivable which mainly comprised of margin loans of approximately HK\$513.4 million; increase in client trust bank balances of approximately HK\$1,503.4 million; and the reduction of net assets attributable to redeemable participation rights of approximately HK\$81.5 million in 2008 to nil in 2009 representing the net assets attributable to minority investors of an investment fund consolidated by the Group up to the date of disposal.

As of 30 April 2010, the current assets comprised financial assets at fair value through profit or loss of approximately HK\$93.0 million, accounts receivable of approximately HK\$3,300.7 million, prepayments, deposits and other receivables of approximately HK\$16.9 million, cash and bank balances of approximately HK\$371.9 million and client trust bank balances of approximately HK\$5,515.7 million. The current liabilities comprised of accounts payable of approximately HK\$6,024.8 million, other payables and accrued liabilities of approximately HK\$122.6 million, bank borrowings of HK\$2,250 million and current income tax liabilities of approximately of HK\$14.7 million.

FINANCIAL INFORMATION

The increase in net current assets as at 30 April 2010 when compared with that as at 31 December 2009 was primarily due to the increase in accounts receivable of approximately HK\$2,105.7 million, including the accounts receivable of HK\$1,808 million from clients for subscription of an IPO; increase in prepayments, deposits and other receivables of approximately HK\$9.8 million and decrease in other payables and accrued liabilities of approximately HK\$15.8 million. However, this effect was partially reduced by additional bank borrowings of HK\$1,750 million drawn for the purpose of financing the abovementioned IPO subscriptions from clients; decrease in cash and bank balances of approximately HK\$88.4 million; decrease in client trust bank balances of approximately HK\$163.5 million and increase in accounts payable of approximately HK\$69.6 million.

Based on our current anticipated levels of operations and conditions in the market and industry, we believe that our cash on hand, cash flow from operations, availability of banking facilities and the proceeds from the Global Offering, we will be able to meet our working capital, capital expenditure and other funding requirements in the foreseeable future.

Dividend

During the year ended 31 December 2009, an interim dividend of HK\$150 million was paid. The Directors did not recommend the payment of final dividends for the year ended 31 December 2009.

No dividends have been paid or declared by the Company and its subsidiaries during the years ended 31 December 2007 and 2008.

The declaration of future dividends will be subject to the discretion of the Directors and will depend on, among others, the Group's earnings, financial condition, cash requirements and availability, and other factors as the Directors may deem relevant. Accordingly, potential investors should note that the above dividend payments should not be regarded as an indication of future dividend policy.

Capital expenditures

Our Group incurred approximately HK\$21.1 million, HK\$6.5 million and HK\$347.1 million of capital expenditure for the three years ended 31 December 2009, respectively. The significant increase in capital expenditure in 2009 were primarily related to acquisition of office equipment and land and buildings for new office premises in 2009. Our current plan with respect to future capital expenditures is subject to changes based on the implementation of our business strategies and market conditions. As we shall continue to grow our business, we may incur additional capital expenditures.

WORKING CAPITAL

The Directors are of the opinion that, taking into account its internal resources, the banking facilities and the estimated net proceeds of the Global Offering, the Group will have sufficient working capital for its present requirements and for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

As at 31 December 2007, 2008 and 2009, the Group's borrowings amounted to HK\$500 million, nil and HK\$500 million, respectively. These bank borrowings, which were unsecured and repayable within 6 months, bear interest rate at Hong Kong Interbank Offered Rate plus 1% per annum. The Company has no intention to raise any external debt financing to a material amount in the foreseeable future after the Listing.

As at the close of business on 30 April 2010, the Group had been granted the unsecured revolving credit facilities of HK\$700 million of which HK\$500 million had been utilized. The Group had also utilized the stagg facilities of HK\$1,750 million due to client subscription on IPO financing which were unsecured and repaid on 6 May 2010 and bear interest rate at Hong Kong Interbank Offered Rate pre-arranged with the facilities providers.

Contingent liabilities

As at 30 April 2010, the Group had no material contingent liabilities.

Operating lease commitment

As at 30 April 2010, the Group had outstanding operating lease commitments of approximately HK\$4.2 million which represented the total future minimum lease payment under non-cancellable operating leases in respect of rental premises and staff quarter.

Capital commitments

As at 30 April 2010, the Group had capital commitments for renovation of premises and IT upgrade of approximately HK\$4.8 million which were contracted but not provided for in our combined financial information as at 30 April 2010.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debentures loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2010.

FINANCIAL INFORMATION

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix III to this prospectus. Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent property valuer, has valued the properties owned and leased out by us as of 31 May 2010. The text of their letter, summary of property valuation and valuation certificates are set out in Appendix III to this prospectus.

Disclosure of the reconciliation of the property interests of our Group and the valuation of such property interests as required under Rule 5.07 of the Listing Rules is set out below:

	<i>HK\$'000</i>
Net book value as at 31 December 2009	
- Buildings	52,570
- Leasehold land	<u>291,765</u>
	344,335
Movements for five months ended 31 May 2010	
- Additions	—
- Depreciation	3,826
- Disposal	<u>—</u>
Net book value as at 31 May 2010	340,509
Valuation deficit as at 31 May 2010	<u>(3,509)</u>
Valuation as at 31 May 2010 per Appendix III to this prospectus	<u><u>337,000</u></u>

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 December 2009 as if the Global Offering had taken place on 31 December 2009 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2009 or at any future dates following the Global Offering. It is prepared based on the combined net assets of the Group as at 31 December 2009 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2009 HK\$'000 (Note 1)	Estimated net proceeds from the Global Offering HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company HK\$'000	Unaudited pro forma adjusted net tangible assets per share HK\$ (Note 3)
Based on an Offer Price of HK\$3.88 per share	<u>1,177,946</u>	<u>1,500,122</u>	<u>2,678,068</u>	<u>1.63</u>
Based on an Offer Price of HK\$5.63 per share	<u>1,177,946</u>	<u>2,180,968</u>	<u>3,358,914</u>	<u>2.05</u>

Notes:

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 31 December 2009 is extracted from the Accountant's Report set out in Appendix I to this Prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 December 2009 of HK\$1,180,769,000 with an adjustment for the intangible assets as at 31 December 2009 of HK\$2,823,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer price of HK\$3.88 and HK\$5.63 per Share after deduction of the underwriting fees and other related expenses payable by the Company and without taking into account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

FINANCIAL INFORMATION

- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,640,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2009 but without taking into account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares.
- (4) The Group's land use rights and buildings interests as at 31 May 2010 were revalued by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III — Property Valuation. The net revaluation deficit, representing the shortfall of market value of the land use rights and buildings over their book value, is approximately HK\$3,509,000. Such revaluation deficit has not been included in the Group's combined financial information as at 31 December 2009. The above adjustment does not take into account the above revaluation deficit. Had the land use rights and buildings been stated at such valuation, the depreciation charged against the combined income statement per annum would decrease by approximately HK\$95,000.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2009.

DISTRIBUTABLE RESERVES

The Company was incorporated on 8 March 2010. As at 31 December 2009, the Company had no reserves available for distribution to the Shareholders as at 31 December 2009 (being the date of the Group's latest audited financial statements), as the Company was not yet incorporated.

DISCLOSURE UNDER RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

Save as disclosed in this prospectus, the Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

TAX

The Group's profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Hong Kong profits tax has been provided at the rate of 17.5%, 16.5% and 16.5% on the estimated assessable profits arising in Hong Kong during the year 2007, 2008 and 2009, respectively.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or the prospects of the Group since 31 December 2009, the date to which the latest audited financial statements of the Group were made up.

FUTURE PLANS AND USE OF PROCEEDS

Future Plans

With an insight in the national intelligence of the PRC and the financial market in Hong Kong, together with a team of experienced expertise, our Group has established a solid foundation and is well known in the PRC and Hong Kong. We will uphold our service commitment of “Integrity, Client Focus, Expertise, Innovative” and deliver comprehensive and high quality securities and investment services to clients.

Our Group will continue to grow its brokerage business, by broadening institutional and retail client portfolios, developing and offering appropriate financial products to meet the client needs, and to continue to improve and upgrade our existing electronic trading services, so as to provide clients an efficient and feature-enhanced trading solutions that are reliable, secure, convenient and cost efficient. We aim to provide our clients with a “one-stop” electronic investment platform to invest globally. Though the Group has been offering clients to access a number of global trading markets around the world through its electronic platform, our Group intends to further expand its geographic reach to all substantial investment markets around the world, excluding the PRC.

With regard the corporate finance services, our Group will continue to pursue on securing new corporate finance advisory, merger and acquisitions and capital raising opportunities for its clients in Hong Kong, PRC and other countries.

Our Group’s asset management services will continue to focus on providing investment fund management services and investment advisory services to mutual funds and private equities investing in greater China. It is our Group’s intention to expand such services to international investment funds interesting to invest in greater China.

We also intend to diversify our business into direct investments, e.g. debt investment or equity investment in private companies.

In order to expand our financial services to our clients, our Group intends to engage in leveraged foreign exchange and related businesses. Guotai Junan FX has been set up for this purpose.

We are exploring the opportunity in expanding into wealth management business and we are targeting to high net-worth individuals who are seeking advices on managing their wealth.

Our Group will continue to look for opportunities which will enhance our growth prospects, expand client base and increase competitiveness.

Due to nature of the businesses our Group carries on, there is no expected scale of operation and timetable available and the Directors believe that allowing such flexibility will benefit the Group and the Shareholders as a whole.

FUTURE PLANS AND USE OF PROCEEDS

Use of Proceeds

We estimate that the aggregate net proceeds to our Company from the Global Offering, assuming an Offer Price of HK\$4.755 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), will be approximately HK\$1,846.3 million (assuming the Over-allotment Option is not exercised and after deducting underwriting commissions and estimated expenses payable by us in connection with the Global Offering).

We currently intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately HK\$738.5 million or 40% of the net proceeds, will be used for expanding the share margin finance portfolio and facilitating corresponding growth in our Group's brokerage business;
- Approximately HK\$184.6 million or 10% of the net proceeds, will be used for developing new business, including but not limited to the leveraged foreign exchange business, wealth management business and money lending business;
- Approximately HK\$554.0 million or 30% of the net proceeds, will be used for reducing bank borrowings, which were used as working capital of our Group. The remaining balance, after repayment of bank borrowings, if any, will be used for facilitating the growth in our Group's margin financing business. For details of bank borrowings, please refer to the paragraph head "Indebtedness" under the section headed "Financial Information" of this prospectus;
- Approximately HK\$184.6 million or 10% of the net proceeds, will be used for expanding the direct investments;
- The balance of approximately HK\$184.6 million or 10% of the net proceeds, will be used for providing general working capital for our Group.

In the event the Over-allotment Option is exercised in full and based on an Offer Price of HK\$4.755 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$188.1 million. We intend to apply the net proceeds derived from the exercise of the Over-allotment Option for the purposes set forth above on pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we presently intend to deposit such net proceeds into short-term interest-bearing deposits and/or money market instrument.

UNDERWRITING

UNDERWRITERS

Hong Kong Underwriters

The Hongkong and Shanghai Banking Corporation Limited
ICBC International Securities Limited
UBS AG, Hong Kong Branch
Mizuho Securities Asia Limited
Oriental Patron Securities Limited
Daiwa Capital Markets Hong Kong Limited
Ever-Long Securities Company Limited
Polaris Securities (Hong Kong) Limited

International Underwriters

The Hongkong and Shanghai Banking Corporation Limited
ICBC International Securities Limited
UBS AG, Hong Kong Branch
Mizuho Securities Asia Limited
Ever-Long Securities Company Limited
Tong Yang Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) **Hong Kong Public Offering**

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 24 June 2010. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 41,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Shares which fall to be issued pursuant to the Capitalization Issue, the Offer Shares (including any Shares which may be issued pursuant to the Over-allotment Option) and any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, upon the giving of notice in writing either by the Joint Lead Managers jointly (for themselves and on behalf of the Hong Kong Underwriters) or Guotai Junan Securities^(Note) to our Company if, at any time prior to 8:00 a.m. on the Listing Date (“Termination Time”):

- (A) there comes to the notice of Guotai Junan Securities or the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) (as the case may be):
- 1) any matter or event rendering any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated; or
 - 2) any statement contained in this prospectus, the Application Forms, the Formal Notice and any announcements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when issued, or has become or been discovered to be untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation contained in this prospectus and the Application Forms (including any supplement thereto) not fair or based on reasonable assumptions; or
 - 3) any event, series of events, matter or circumstance occurs or arises on or after the date hereof and before the Termination Time, being an event, matter or circumstance which, if it had occurred before the date hereof, would have rendered any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement untrue, incorrect or misleading in any respect; or
 - 4) any matter which has arisen or been discovered, had it arisen or been discovered immediately before the Prospectus Date and not having been disclosed in this prospectus, would have constituted from, this prospectus and the Application Forms (including any supplement or amendment thereto) a material omission in the context of the Global Offering; or
 - 5) any event, act or omission which gives or is likely to give rise to any liability of the Company arising out of or in connection with any of the representations, warranties or undertakings contained in the Hong Kong Underwriting Agreement or the indemnity clauses therein; or

Note: Despite being a Joint Global Coordinator and a Joint Bookrunner, Guotai Junan Securities does not act as an underwriter in the Global Offering.

UNDERWRITING

- 6) any breach by any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - 7) any adverse change or adverse development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of the Group; or
 - 8) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
 - 9) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted or, if granted, the approval is subsequently withdrawn, qualified or withheld.
- (B) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Hong Kong Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- 1) any new law or regulation or any material change or development involving a prospective change in existing laws or regulations or any prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any jurisdiction in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) (the “Relevant Jurisdiction”); or
 - 2) any change or development involving a prospective change, or any event or series of events resulting in any change, or development involving a prospective change, in any Relevant Jurisdiction, the local, regional, national or international financial, currency, political, military, industrial, economic, stock market or other market conditions or any monetary or trading settlement systems or matters and/or disaster (including without limitation any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, Shenzhen Stock Exchange, Shanghai Stock Exchange, or a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, or any disruption in securities settlement or clearance services or procedures in Hong Kong); or
 - 3) any change in the conditions of Hong Kong or international equity securities or other financial markets; or
 - 4) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

UNDERWRITING

- 5) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations; or
- 6) any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of any member of the Group; or
- 7) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong or the Hong Kong Monetary Authority or other competent authority), or there is a material disruption in commercial banking activities or securities settlement or clearance services; or
- 8) any event or series of events in the nature of force majeure in or affecting any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, military action, riot, public disorder, civil commotion, tsunami, explosion, terrorism, strike or lock-out epidemic or outbreak of diseases and epidemic; or
- 9) any litigation, arbitration or claim of material importance in nature by any third party being instigated or threatened against any member of the Group in any Relevant Jurisdiction;
- 10) any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Option Shares) pursuant to the terms of the Global Offering;
- 11) any significant change or development involving a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- 12) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- 13) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- 14) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

UNDERWRITING

which, individually or in the aggregate, in the respective sole opinion of Guotai Junan Securities or the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) (as the case may be):

- (i) is or will be, or is likely to be, materially adverse to the business, financial or trading condition or prospects of the Group; or
- (ii) has or will have or is likely to have an adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Hong Kong Underwriters to proceed with the Hong Kong Public Offering as a whole; or
- (iv) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Similar events are contained in the International Underwriting Agreement that may allow the International Underwriters to terminate their respective obligations thereunder.

(b) **International Placing**

International Underwriting Agreement

In connection with the International Placing, it is expected that we will, on or about Price Determination Date, enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for such International Placing Shares.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the International Underwriters at any time from the date of the International Underwriting Agreement up to (and including) the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 41,000,000 additional Shares, representing in aggregate not more than 10% of the maximum number of Offer Shares initially available under the Global Offering.

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Undertakings given to the Stock Exchange pursuant to the Listing Rules

By Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Global Offering, the Capitalization Issue, the exercise of the Over-allotment Option, the exercise of any options that may be granted under the Share Option Scheme as described in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus, no further Shares nor any agreement will be entered into to issue further Shares or securities convertible into equity securities, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By Guotai Junan (BVI)

Pursuant to Rule 10.07(1) of the Listing Rules, Guotai Junan (BVI) has undertaken to the Stock Exchange and us that, except pursuant to the Global Offering or the Over-allotment Option, it shall not and shall procure that its associates or companies controlled by it or nominees or trustees (as the case may be) in whose name the Shares are registered (the “Relevant Registered Holders”) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Guotai Junan (BVI) would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company.

Guotai Junan (BVI) has also undertaken to the Stock Exchange and us, that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it (or through the Relevant Registered Holder(s)) pledges or charges any Shares beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us in writing of such indications.

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Pursuant to Rule 10.07(3) of the Listing Rules, we must inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is to be published in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By Us

Pursuant to the Hong Kong Underwriting Agreement, we have irrevocably and unconditionally undertaken to each of the Hong Kong Underwriters that the Company will not, and Guotai Junan Financial Holdings shall procure that the Company will not, save as pursuant to the Global Offering, the Capitalization Issue, the Over-allotment Option, the Share Option Scheme and the Stock Borrowing Agreement, without the prior written consent of Guotai Junan Securities and the Joint Lead Managers (on behalf of all the Hong Kong Underwriters), directly or indirectly, take any of the following actions with respect to any of the Shares or any securities convertible into or exchangeable or exercisable for any of the Shares (collectively “**Company’s Securities**”):

- (a) at any time during the period commencing from the date of this prospectus and ending six months after the Listing Date (the “**First Six-Month Period**”), (i) allot, sell, issue, contract to sell, pledge or otherwise dispose of our Company’s Securities, (ii) allot, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase our Company’s Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of our Company’s Securities or (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in our Company’s Securities (including, but not limited to, entering into an arrangement to purchase or sell any Shares where either (1) the person selling the Shares does not own the security sold or (2) if owning the security, the person selling the Shares delays delivery against such sale).
- (b) issue any Company’s Securities or grant or agree to grant any option, warrant or other right carrying the right to subscribe for or otherwise convert into or exchange for Company’s Securities or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Company’s Securities, during the six-month period commencing on the expiry date of the First Six-Month Period (as defined in sub-paragraph (c) below) so as to result in that the Covenantors either individually or taken together with the others of them cease to own 30 per cent. or more of the issued share capital of the Company or the Company ceases to hold a controlling interest of 30 per cent. or more in any major subsidiary (which shall have the same meaning as in rule 13.25(2) of the Listing Rules) of the Group;
- (c) purchase any Company’s Securities during the First Six-Month Period.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

UNDERWRITING

By Guotai Junan Financial Holdings

Pursuant to the Hong Kong Underwriting Agreement, Guotai Junan Financial Holdings agrees and undertakes to us, Guotai Junan Securities and the Joint Lead Managers (acting on behalf of the Hong Kong Underwriters) that, save as pursuant to the Global Offering, the Capitalization Issue, the Over-allotment Option, the Share Option Scheme and the Stock Borrowing Agreement, (i) during the First Six-Month Period, it shall not, and shall procure the relevant registered holder(s) of the Shares (if applicable) not to, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of its direct and indirect interest in the Shares in respect of which it is shown in the Prospectus to be the beneficial owner(s) (the “**Relevant Securities**”); and (ii) during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it shall not, and shall procure the relevant registered holder(s) of the Shares (if applicable) not to, dispose of, nor enter into any agreement to dispose of or otherwise create any option, right, interest or encumbrance in respect of, any of its direct and indirect interest in the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company. Guotai Junan Financial Holdings shall, on any disposal of the Shares during the Second Six-Month Period take all reasonable steps to ensure that any such disposal shall not create a disorderly or false market.

Total Commission and Expenses

In connection with the Global Offering, the Underwriters will receive an underwriting commission of 1.75% and a management commission of 1.75%. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Hong Kong Underwriters and the relevant International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees, together with Stock Exchange listing fees, filing fees, SFC transaction levy, Stock Exchange trading fee, CCASS transaction fees, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to range from approximately HK\$90.7 million to approximately HK\$127.3 million (assuming the Over-allotment Option is not exercised) and are payable by our Company.

Our Company and Guotai Junan Financial Holdings has agreed jointly and severally to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement. Similar indemnities are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

UNDERWRITING

Underwriters' Interests in Our Company

Except for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Group. Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold an additional portion of our Shares as a result of exercising their rights or fulfilling their obligations under the Underwriting Agreements.

Joint Sponsor's Independence

BOCOM International satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

Offer Price and Price Payable on Application

The Offer Price payable by the applicants for the Offer Shares will be the maximum indicative Offer Price of HK\$5.63 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for one board lot of 1,000 Shares, you should pay HK\$5,686.81 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$5.63, we will refund the respective difference, including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

Determining the Offer Price

The Offer Price is expected to be fixed by Price Determination Agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 30 June 2010, and in any event, not later than Tuesday, 6 July 2010.

The Offer Price will fall within the offer price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Lead Managers, on behalf of the Underwriters and Guotai Junan Securities, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative offer price range below that is stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.gtja.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) of the reduction in the number of Offer Shares and/or the indicative offer price range.

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” of this prospectus, and any other financial information which may change as a result of such reduction. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.gtja.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) of a reduction in the number of Offer Shares and/or the indicative offer price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Joint

STRUCTURE OF THE GLOBAL OFFERING

Lead Managers, on behalf of the Underwriters, Guotai Junan Securities and us, will be within the offer price range as stated in this prospectus. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If we are unable to reach an agreement with the Joint Lead Managers (on behalf of the Underwriters) and Guotai Junan Securities on the Offer Price by Tuesday, 6 July 2010, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Wednesday, 7 July 2010 through a variety of channels as described in the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

Conditions of the Global Offering

Acceptance of all applications for the Global Offering will be conditional upon, among other things:

- (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares, any Shares which may be issued pursuant to the Capitalization Issue, the exercise of the Over-allotment Option and the exercise of any options that may be granted under the Share Option Scheme, and such listing and permission not subsequently being revoked prior to the Listing;
- (ii) the Offer Price having been duly determined on the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Lead Managers on behalf of the Underwriters) and Guotai Junan Securities and not being terminated in accordance with the terms of those agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (www.gtja.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) on the Business Day immediately after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other licensed bank(s) in Hong Kong.

We expect to issue share certificates for the Offer Shares on Wednesday, 7 July 2010. However, these share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 8 July 2010, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting” of this prospectus has not been exercised.

The Global Offering

Our Global Offering consists of the Hong Kong Public Offering and the International Placing of an aggregate of 410,000,000 Offer Shares (assuming the Over-allotment Option is not exercised).

You may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for the International Placing Shares under the International Placing, but you may not apply under both of these methods for the Offer Shares. In other words, you may only receive Offer Shares under either the International Placing or the Hong Kong Public Offering, but not under both of these methods. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of us and our shareholders as a whole.

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Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of the Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the International Underwriters. The Over-allotment Option gives the Joint Lead Managers the right exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for the lodging of applications under the Hong Kong Public Offering to require our Company to issue up to an aggregate of 41,000,000 additional Shares, representing approximately 10% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any. The Joint Lead Managers, through the Stabilizing Manager, may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, an announcement will be made.

The 41,000,000 Offer Shares initially being offered in the Global Offering by us will represent 25% of our enlarged share capital immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Placing are subject to the conditions set out in the paragraph headed “Underwriting arrangements and expenses” under the section headed “Underwriting” of this prospectus. In particular, we must agree the Offer Price with the Joint Lead Managers (on behalf of the Underwriters) and Guotai Junan Securities. The Hong Kong Underwriting Agreement was entered into on Thursday, 24 June 2010 and subject to the Price Determination Agreement, the International Underwriting Agreement is expected to be entered into on Wednesday, 30 June 2010. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are interconditional upon each other.

The Hong Kong Public Offering

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement and described in the paragraph headed “Conditions of the Global Offering” of this section) for the subscription in Hong Kong of, initially, 41,000,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global

STRUCTURE OF THE GLOBAL OFFERING

Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised.

The total number of the Offer Shares available under the Hong Kong Public Offering, after deducting 4,100,000 Hong Kong Offer Shares available for subscription by Eligible Employees, is to be divided equally into two pools for allocation purposes:

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus of the Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Rejection of Applications

Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within pool A or pool B, and between the two pools will be rejected. Any application for more than 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering after deducting 4,100,000 Hong Kong Reserved Shares available for subscription by Eligible Employees (that is, 18,450,000 Hong Kong Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be). Our Directors, the Hong Kong Underwriters, the Joint Sponsors and us will take reasonable steps to identify and reject applicants in the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Shares in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Clawback Mechanism

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to the following adjustments in the event of over-subscription under the Hong Kong Public Offering:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Placing Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 123,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Placing Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 164,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Placing Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 205,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Public Offer Shares in such proportion and amounts as they deem appropriate. Conversely, if the Hong Kong Public Offering is over subscribed, the Joint Global Coordinators may at their discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

References in this prospectus to applications, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

Employee Preferential Offer

Up to 4,100,000 Hong Kong Offer Shares (representing 10% of the total number of Shares available under the Hong Kong Public Offering) are available for subscription by Eligible Employees under the Employee Preferential Offer. Each Eligible Employee will be entitled to subscribe for Reserved Shares under the Hong Kong Public Offering, subject to the terms and conditions set out in

STRUCTURE OF THE GLOBAL OFFERING

this prospectus and the **Pink** Application Form. Balloting will not be based on the seniority, the length of service, or the work performance of the Eligible Employees. If balloting is conducted, some Eligible Employees may be allocated more Shares than others who have applied for the same number of Shares.

Allocation of the Reserved Shares will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules and, in case any exceptions are noted, an announcement will be made in accordance with Practice Note 20 to the Listing Rules.

Any Reserved Shares not subscribed by Eligible Employees in connection with the Employee Preferential Offer will be available for subscription by the public under the Hong Kong Public Offering after the re-allocation set out in the paragraph headed “The Hong Kong Public Offering” of this section.

The International Placing

We will be initially offering for subscription under the International Placing 369,000,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering and 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised.

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of us by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

The Joint Global Coordinators may require any investor who has been offered Offer Shares under the International Placing to provide sufficient information to the Joint Global Coordinators so as to allow them to ensure that such investor is excluded from any applications for the Hong Kong Offer Shares under the Hong Kong Public Offering.

Over-Allotment and Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, UBS as the Stabilization Manager, or, any person acting for it, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period from Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilization) Rules includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, purchasing, or agreeing to subscribe or purchase, shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling, or agreeing to sell, Shares to liquidate any long position held as a result of those purchases in (iv) and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). Any market purchases will be effected in compliance with all applicable laws and regulatory requirements. However there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager or any person acting for it and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued upon exercise of the Over-allotment Option, being 41,000,000 Shares, which is 10% of the number of Shares available under the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the secondary market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. As a result, demand for the Shares, and its market price, may fall after the end of the stabilizing period. A public announcement will be made within seven days after the end of the stabilizing period in accordance with the Securities and Futures (Price Stabilizing) Rules.

Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for on-market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by subscribers or purchasers.

STRUCTURE OF THE GLOBAL OFFERING

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilization Manager or its affiliates acting for it may choose to borrow Shares from Guotai Junan (BVI) under the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Guotai Junan (BVI) will only be effected by the Stabilization Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Guotai Junan (BVI) under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Guotai Junan (BVI) or its nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Guotai Junan (BVI) by the Stabilization Manager or its authorized agents in relation to the Stock Borrowing Arrangement.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

I. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four channels to make an application for the Hong Kong Offer Shares. You may either (i) use a **White** or **Yellow** Application Form; (ii) apply online through the designated website of the White Form eIPO Service Provider, referred to here in as the “**White Form eIPO**” service (www.eipo.com.hk); (iii) give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf; or (iv) use a **Pink** Application Form if you are an Eligible Employee and want your application to be given preferential consideration under the Employee Preferential Offer. Except where (i) you are a nominee and provide the required information in your application; or (ii) you are an Eligible Employee who has made an application for the Reserved Shares using a **Pink** Application Form, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **White** or **Yellow** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares available for subscription by the public on a **White** or **Yellow** Application Form if you, or any person(s) for whose benefit you are applying, are an individual and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outsider United States (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or its respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four (except for applications made using **Pink** Application Form(s) where no joint application will be permitted).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

III. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES BY MEANS OF WHITE FORM eIPO

If you wish to apply for the Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

IV. APPLYING BY USING A WHITE, YELLOW OR PINK APPLICATION FORM

1. Which application channel to use

- (a) Use a **White** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.
- (b) Instead of using a **White** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Shares issued in your own name.
- (c) Use a **Yellow** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- (d) Instead of using a **Yellow** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.
- (e) Use a **Pink** Application Form if you are an Eligible Employee and want your application to be given preferential consideration under the Employee Preferential Offer.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, directors of our Company or any of its subsidiaries, or associates of any of them (an "associate" as defined in the Listing Rules) or to a connected person of our Company or a person who is a United States person (as defined in Regulation S) under the U.S. Securities Act or persons who do not have a Hong Kong address.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

2. Where to collect the Application Forms

- (a) You can collect a **White** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 25 June 2010 until 12:00 noon on Wednesday, 30 June 2010 from:

Guotai Junan Capital Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International (Asia) Limited

9th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Securities Limited

Levels 17&18
Three Pacific Place
1 Queen's Road East
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

Level 15, HSBC Main Building
1 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

UBS AG, Hong Kong Branch

52nd Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Mizuho Securities Asia Limited

12th Floor, Chater House
8 Connaught Road Central
Hong Kong

Oriental Patron Securities Limited

Suite 2701-3 & 2705-8, 27/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Daiwa Capital Markets Hong Kong Limited

Level 26, One Pacific Place
88 Queensway
Hong Kong

Ever-Long Securities Company Limited

18/F., Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

Polaris Securities (Hong Kong) Limited

Room 1003-4, 10/F
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

or any of the following branches of:

(i) **Bank of China (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131-133 King's Road, North Point
Kowloon:	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mong Kok Branch	589 Nathan Road, Mong Kok
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
New Territories:	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

(ii) **Standard Chartered Bank (Hong Kong) Limited**

District	Branch Name	Address
Hong Kong Island:	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon:	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
New Territories:	New Town Plaza Branch	Shop 215 to 223 Phase 1 New Town Plaza Shatin

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iii) **The Bank of East Asia, Limited**

District	Branch Name	Address
Hong Kong Island:	Main Branch	10 Des Voeux Road Central, HK
Kowloon:	Mongkok North Branch	G/F, Kalok Building, 720-722 Nathan Road, Mongkok
New Territories:	Tsuen Wan Branch	239-243 Sha Tsui Road

(b) You can collect a **Yellow** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 25 June 2010 until 12:00 noon on Wednesday, 30 June 2010 from:

(1) the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) your stockbroker, who may have such Application Forms and this prospectus available.

(c) Each Eligible Employee can collect a **Pink** Application Form and this prospectus from our Company's head office at 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. on Friday, 25 June 2010 until 12:00 noon on Tuesday, 29 June 2010.

3. **How to complete the Application Form**

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(a) You should note that by completing and submitting the Application Form, amongst other things, you:

(i) **agree** with our Company and each of its shareholders, and our Company agrees with each of its shareholders, to observe and comply with the companies law to which our Company is subject and the Memorandum and the Articles;

(ii) **agree** with our Company and each of its shareholder that the Shares are freely transferable by the holders thereof;

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- (iii) **authorize** our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with their obligations to shareholders as stipulated in the Memorandum and the Articles;
- (iv) **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Joint Sponsors, the Joint Global Coordinators and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- (v) **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (except where you are an Eligible Employee who has made an application for the Reserved Shares using a **Pink** Application Form) have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- (vi) **agree** to disclose to our Company, its Hong Kong Share Registrar, receiving banker, the Joint Sponsors, the Joint Global Coordinators and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (vii) **instruct and authorize** our Company and/or the Joint Global Coordinators and/or the Hong Kong Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or in the name of HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
- (viii) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
- (ix) **warrant** the truth and accuracy of the information contained in your application;
- (x) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

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- (xi) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Forms and agree to be bound by them;
 - (xii) **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application; and
 - (xiii) if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions set out in this prospectus.
- (b) In order for the **Yellow** Application Form to be valid:

You, as the applicants, must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- (i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (1) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) **If the application is made by an individual CCASS Investor Participant:**
 - (1) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
 - (2) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) **If the application is made by a joint individual CCASS Investor Participant:**
 - (1) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
 - (2) the participant I.D. must be inserted in the appropriate box in the Application Form.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iv) **If the application is made by a corporate CCASS Investor Participant:**

- (1) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (2) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorized attorney, our Company and the Joint Global Coordinators (as its agents and on behalf of the Hong Kong Underwriters) may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company, the Joint Lead Managers and Guotai Junan Securities, in the capacity (as its agents and on behalf of the Hong Kong Underwriters), will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

(c) For Eligible Employees using a **Pink** Application Form:

If you apply for the Reserved Shares using a **Pink** Application Form, in addition to the confirmations and agreements referred to in paragraph (a), you must:

- **warrant** that, in making an application, you are an Eligible Employee;
- **not** made more than one application using a **Pink** Application Form; and
- **confirm**, where you are an Eligible Employee employed by our Company, that your application for Reserved Shares, any acceptance of it and the resulting contract will be construed in accordance with the laws of Hong Kong.

4. **How to make payment for the Application Form**

Each completed **White**, **Yellow** or **Pink** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- bear an account name. This name must either be pre-printed on the cheque or endorsed on the reverse of the cheque by an authorized signatory of the bank on which it is drawn. This account name must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to “Bank of China (Hong Kong) Nominees Limited — GTJAI Public Offer”;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- be made payable to “Bank of China (Hong Kong) Nominees Limited — GTJAI Public Offer”;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Wednesday, 30 June 2010. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of dispatch of refund cheque). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. Members of the public — time for applying for Hong Kong Offer Shares

Completed **White** or **Yellow** Application Forms, together with the payment attached, must be lodged by 12:00 noon on Wednesday, 30 June 2010, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

Your completed Application Forms, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited or The Bank of East Asia, Limited listed under the section headed “Where to collect the Application Forms” above at the following times:

Friday, 25 June 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 26 June 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 28 June 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 29 June 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 30 June 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open **from 11:45 a.m. to 12:00 noon on Wednesday, 30 June 2010.**

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

6. Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon, on Wednesday, 30 June 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists do not open and close on Wednesday, 30 June 2010, or if there is a tropical cyclone warning signal number 8 or above or “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” of this prospectus, such dates may be affected and an announcement will be made in such event.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

7. Publication of results

A notification announcement under Rule 2.17A of the Listing Rules which also includes the Offer Price, an indication of the level of interest in the International Placing, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares will be published by us on Wednesday, 7 July 2010 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Company (www.gtja.com.hk) and the website of the Stock Exchange (www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- results of allocations for the Hong Kong Public Offering will be available from the results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Wednesday, 7 July 2010 to 12:00 midnight on Tuesday, 13 July 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offering Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 7 July 2010 to Saturday, 10 July 2010;
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 7 July 2010 to Friday, 9 July 2010 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “Where to collect the Application Forms” under this section.

8. Dispatch/collection of Share certificates/e-Refund payment instruments/refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK\$5.63 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Global Offering” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

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No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **White** or **Pink** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **Yellow** Application Forms, Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **White**, **Yellow** or **Pink** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **White**, **Yellow** or **Pink** Application Forms; and Share certificates for wholly and partially successful applicants under **White** or **Pink** Application Forms are expected to be posted on Wednesday, 7 July 2010. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the paragraph headed “Grounds for termination” under the section headed “Underwriting” of this prospectus has not been exercised.

- (a) If you apply using a **White** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **White** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2010 or such other place and date as notified by our Company in

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the place and date of collection/dispatch of e-Refund payment instructions/refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 7 July 2010, by ordinary post and at your own risk.

(b) If you apply using a **Yellow** Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **Yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **White** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 7 July 2010, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **Yellow** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Wednesday, 7 July 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, 7 July 2010. You should check the results made available by our Company and report any discrepancies to HKSCC or HKSCC Nominees before 5:00 p.m. on Wednesday, 7 July 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you apply using a **Pink** Application Form:

Share certificate(s) and/or refund cheque(s) (if any) made on **Pink** Application Forms will be sent to our Company on the applicants' behalf on the date of dispatch and our Company will arrange for onward dispatch to them at the address specified in your Application Form or as otherwise notified by you to our Company. Any dispatch to the applicants will be by ordinary post and at their own risk.

V. APPLYING BY USING WHITE FORM eIPO

1. General

- (a) If you are an individual and meet the criteria set out above in "Who can apply for Hong Kong Offer Shares by means of White Form eIPO", you may apply through **White Form eIPO** by submitting an application through designated website at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not know the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service (www.eipo.com.hk), you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

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- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.
- (f) You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 25 June 2010 until 11:30 a.m. on Wednesday, 30 June 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather on the last application day” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 June 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effect of bad weather on the last application day” below.
- (g) You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 30 June 2010, or such later time as described under the sub-paragraph headed “Effects of bad weather on the last application day”, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

2. Effect of bad weather on the last application day

The latest time for submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service will be 11:30 a.m., and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 June 2010, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a ‘black’ rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 June 2010, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the application lists of the Hong Kong Offer Shares do not open and close on Wednesday, 30 June 2010, or if there is a tropical cyclone warning signal number 8 or above or “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” of this prospectus, such dates may be affected and an announcement will be made in such event.

3. **Warning**

The subscription of the Hong Kong Offer Shares through the **White Form eIPO** service (www.eipo.com.hk) is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters, the White Form eIPO Service Provider and any persons involved in the Global Offering take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (www.eipo.com.hk) will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

4. **Environmental Protection**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED”. **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (www.eipo.com.hk), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (www.eipo.com.hk), you should submit a **White** Application Form. However, once you have submitted application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **White** Application Form. See “How many applications you may make by means of White Form eIPO” below.

5. **Additional information**

For the purposes of allocating Hong Kong Offer Shares, each applicant giving application instructions through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph headed “Refund of application monies” of this section.

6. If you apply using White Form eIPO:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an application instruction to the designated White Form eIPO Service Provider through the designated website www.eipo.com.hk and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2010, or such other date as notified by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website www.eipo.com.hk on Wednesday, 7 July 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the maximum offer price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to your application payment bank account on Wednesday, 7 July 2010.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price being different from the maximum offer price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on Wednesday, 7 July 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application monies underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in the paragraph headed “Applying by using White Form eIPO — Additional information” of this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

VI. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out in the paragraph headed “Circumstances in which you will not be allotted Hong Kong Offer Shares” of this section; or
- the Offer Price as finally determined is less than the maximum offer price of HK\$5.63 per share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application; or
- the conditions of the Hong Kong Public Offering are not fulfilled; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, 7 July 2010 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. Refund cheques will be crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate citation of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

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VII. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center

2/F Viewood Plaza

199 Des Voeux Road

Central

Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and its Hong Kong Share Registrar.

2. Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on your behalf

Where a **White** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **White** Application Form or this prospectus;

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(ii) HKSCC Nominees does the following things on behalf of each such person:

- **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
- **undertakes** and **agrees** to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;
- **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by our Company, our Directors, the Joint Global Coordinators, in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representation;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- **agrees** that our Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and any of their representatives and the directors, officers, advisers are only liable for the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company and its Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Joint Sponsors, the Underwriters and any of their representatives, advisers and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the closing of the application lists or such later date (excluding for this purpose any date which is a Saturday, Sunday or any public holiday in Hong Kong) as described under the sub-paragraph headed "Effect of bad weather on the opening of application lists" above, unless a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares;
- **agrees** with our Company (for our Company itself and for the benefit of each shareholder of our Company) that Shares are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

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3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;
- **instructed** and **authorized** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and
- **instructed** and **authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **White** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

5. Minimum subscription amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 25 June 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 26 June 2010 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 28 June 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 29 June 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 30 June 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 25 June 2010 until 12:00 noon on Wednesday, 30 June 2010 (24 hours daily, except the last application day).

7. Effect of bad weather on the last application day

The latest time for inputting your electronic application instructions will be 12:00 noon, Wednesday, 30 June 2010. If:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon, Wednesday, 30 June 2010, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on such day.

If the application of the Hong Kong Offer Shares do not open and close on Wednesday, 30 June 2010, or if there is a tropical cyclone warning signal number 8 or above or “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” of this prospectus, such dates may be affected and an announcement will be made in such event.

8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. Refund of application monies

- no receipt will be issued for application money paid.
- if your application is wholly or partly successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf, at the close of business on Wednesday, 7 July 2010 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.
- the Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering, in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Wednesday, 7 July 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 July 2010 or any other date HKSCC Nominees chooses.
- if you are instructing your broker or custodian to give electronic application instruction on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.
- if you are applying as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Wednesday, 7 July 2010. Immediately following the credit of the Hong Kong Offer Shares to your stock account and credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).
- the Company will not issue temporary documents of title.

10. Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

11. Personal data

The section of the Application Forms headed “Personal data” applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

12. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and any persons involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a **White** or **Yellow** Application Form; or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 30 June 2010 or such later date as stated in the sub-paragraph headed “Effect of bad weather on the last application day” above.

VIII. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant) or (ii) using a **White** or **Yellow** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **White** or **Yellow** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit; or
 - If you are an Eligible Employee and apply for the Reserved Shares under the Employee Preferential Offer using a **Pink** Application Form, you may also make one application for Hong Kong Offer Shares either on a **White** or **Yellow** Application Form or give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or applying online through **White Form eIPO** service (www.eipo.com.hk). However, in respect of any application for

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

the Hong Kong Offer Shares using the above mentioned methods, you will not enjoy the preferential treatment accorded to you under the Employee Preferential Offer as described in the paragraph headed “Employee Preferential Offer” under the section headed “Structure of the Global Offering” of this prospectus.

Otherwise, multiple applications are not allowed.

- (b) Save as provided for in paragraph (a) above, all of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
 - make more than one application on **Pink Application Form**; or
 - both apply (whether individually or jointly with others) on one (or more) **White** Application Form and one (or more) **Yellow** Application Form or on one (or more) **White** or **Yellow** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk); or
 - apply (whether individually or jointly with others) on one (or more) **White** or **Yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk) for more than 50% of the Hong Kong Offer Shares being initially available for subscription under the Hong Kong Public Offering after deducting 4,100,000 Reserved Shares available for subscription by Eligible Employees using **Pink** Application Forms; or
 - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
- (c) All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the only business of that company is dealing in securities; and

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- (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
- (ii) control more than half of the voting power of that company; or
- (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

How many applications you may make by means of White Form eIPO

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at **www.eipo.com.hk** and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

IX. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (**www.eipo.com.hk**), you agree that your application or the application made by HKSCC Nominees on your behalf is irrevocable before expiration of the fifth day after the closing of the

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application lists. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** service (www.eipo.com.hk) and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the closing of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification of the results of allotment in the manner as described in paragraph headed “Publication of results” under the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **At the discretion of our Company or its agents or nominees, your application is rejected:**

Our Company, the Joint Global Coordinators (on behalf of our Company) or the designated White Form eIPO Service Provider or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. Our Company, the Joint Global Coordinators (on behalf of our Company) or the designated White Form eIPO Service Provider (where applicable) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of the Hong Kong Offer Shares is void:**

The allotment of the Hong Kong Offer Shares to you or to HKSCC Nominees (if you give electronic application instruction or apply by a **Yellow** Application Form) will be void if the Listing Committee does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

- within three weeks from the closing of the application lists in respect of the Hong Kong Public Offering; or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offering.
- **Your application is rejected:**

Your application will be rejected if

- it is a multiple or suspected multiple application;
- your Application Form is not completed correctly in accordance with the instructions therein;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
- you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;
- your payment is not in the correct form;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- our Company and the Joint Global Coordinators (on behalf of our Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the application is located;
- your application is for more than 18,450,000 Hong Kong Offer Share, being 50% of the Hong Kong Offer Shares initially available for subscription after deducting 4,100,000 Reserved Share available for subscription by Eligible Employees use **Pink** Application Forms; or
- any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

X. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence at 9:30 a.m. on Thursday, 8 July 2010.

The Shares will be traded in board lots of 1,000 Shares each.

The Stock Exchange stock code for the Shares is 1788.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

XI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

25 June 2010

The Directors
Guotai Junan International Holdings Limited

Guotai Junan Capital Limited
BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Guotai Junan International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the prospectus of the Company dated 25 June 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the combined balance sheets as at 31 December 2007, 2008 and 2009, and the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 December 2007, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Hong Kong on 8 March 2010 as a limited liability company under the Hong Kong Companies Ordinance. Pursuant to a group reorganisation as described in Note 1 of Section II headed "General information of the Group and reorganisation" below, which was completed on 14 June 2010, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies.

All companies now comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than the Reorganisation.

The Financial Information has been prepared based on the audited financial statements or, where appropriate, unaudited financial statements of the Company and its subsidiaries now comprising the Group, on the basis set out in Note 2 of Section II below, after making such adjustments as are appropriate.

Directors' responsibility

The directors of the respective companies now comprising the Group during the Relevant Periods are responsible for the preparation and the true and fair presentation of the respective company's financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the audited financial statements or, where appropriate, the unaudited financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods used and the related adjustments made in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the Financial Information, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and of the Group's combined results and cash flows for the Relevant Periods.

I. COMBINED FINANCIAL INFORMATION

The following is the combined financial information of the Group for the Relevant Periods prepared on the basis set out in Note 2 of Section II below:

(A) COMBINED INCOME STATEMENTS

	Section II Note	Year ended 31 December		
		2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Continuing operations				
Revenue	6	973,794	517,013	583,370
Other income	6	<u>2,161</u>	<u>2,294</u>	<u>3,715</u>
Revenue and other income		975,955	519,307	587,085
Staff costs	7	(164,503)	(103,609)	(140,455)
Commission to account executives		(83,358)	(38,028)	(60,244)
Other commission expenses		(34,628)	(58,234)	(30,024)
Performance fee expense	6	(133,621)	—	—
Depreciation	10	(3,648)	(9,442)	(10,611)
Net write back of provision for accounts receivable	4.1.4(d)	12,519	6,244	1,847
Other operating expenses	7	(71,759)	(83,467)	(70,582)
Finance costs	7	<u>(133,015)</u>	<u>(19,747)</u>	<u>(5,168)</u>
Profit before income tax	7	363,942	213,024	271,848
Income tax expense	8	<u>(63,622)</u>	<u>(2,596)</u>	<u>(27,808)</u>
Profit for the year from continuing operations		300,320	210,428	244,040
Discontinued operations				
Profit/(loss) for the year from discontinued operations	9	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>
Profit for the year		<u>385,428</u>	<u>123,447</u>	<u>300,394</u>
Attributable to:				
Equity holders of the Company		385,428	126,045	298,307
Minority interest — continuing operations		<u>—</u>	<u>(2,598)</u>	<u>2,087</u>
		<u>385,428</u>	<u>123,447</u>	<u>300,394</u>
Dividend	25	<u>—</u>	<u>—</u>	<u>150,000</u>

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section II Note</i>	Year ended 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year		385,428	123,447	300,394
Other comprehensive income:				
Change in fair value of available-for-sale investments	15	6,074	(19,602)	3,712
Currency translation differences		141	63	(335)
Reclassification adjustments				
- Release upon disposal of available-for-sale investments	9	—	2,118	(3,616)
- Impairment of available-for-sale investments transferred to combined income statements	9	—	4,417	—
Other comprehensive income/(expense) for the year		6,215	(13,004)	(239)
Total comprehensive income for the year		391,643	110,443	300,155
Attributable to:				
Equity holders of the Company		391,643	113,041	298,068
Minority interest — continuing operations		—	(2,598)	2,087
		391,643	110,443	300,155

(C) COMBINED BALANCE SHEETS

	<i>Section II Note</i>	As at 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Interests in leasehold land	11	—	—	291,765
Property, plant and equipment	10	21,192	18,288	62,954
Intangible assets	12	2,823	2,823	2,823
Available-for-sale investments	15	62,771	12,987	—
Financial assets at fair value through profit or loss	17	8,286	6,880	—
Other assets	13	2,970	3,000	2,840
		<u>98,042</u>	<u>43,978</u>	<u>360,382</u>
Total non-current assets				
Current assets				
Amount due from the ultimate holding company	30(b)	880	880	—
Amount due from the immediate holding company	30(b)	30	89	359
Amount due from a fellow subsidiary	30(b)	588	588	—
Financial assets at fair value through profit or loss	17	293,736	150,085	92,567
Accounts receivable	4.1.4	1,111,441	681,552	1,194,993
Prepayments, deposits and other receivables	14	13,603	10,649	7,103
Cash and bank balances	18	582,489	586,527	460,284
Client trust bank balances	18	4,593,060	4,175,794	5,679,243
		<u>6,595,827</u>	<u>5,606,164</u>	<u>7,434,549</u>
Assets classified as held for sale	16	—	10,131	—
		<u>6,595,827</u>	<u>5,616,295</u>	<u>7,434,549</u>
Total current assets				
		<u>6,693,869</u>	<u>5,660,273</u>	<u>7,794,931</u>
Total assets				

	<i>Section II</i> <i>Note</i>	As at 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES				
Share capital	23	31,980	31,980	31,980
Available-for-sale investment revaluation reserve		12,971	(96)	—
Currency translation reserve		272	335	—
Retained earnings		874,437	1,000,482	1,148,789
Equity attributable to equity holders of the Company		919,660	1,032,701	1,180,769
Minority interest		—	2,402	4,489
Total equity		919,660	1,035,103	1,185,258
Current liabilities				
Amount due to the ultimate holding company	30(b)	578	578	578
Amounts due to fellow subsidiaries	30(b)	5,069	5,069	645
Net assets attributable to redeemable participation rights	22	192,708	81,462	—
Accounts payable	19	4,851,575	4,463,380	5,955,215
Other payables and accrued liabilities	20	150,463	61,559	138,351
Bank borrowings	21	500,000	—	500,000
Current income tax liabilities		73,816	13,022	14,884
Liabilities classified as held for sale	16	—	100	—
Total current liabilities		5,774,209	4,625,170	6,609,673
Total liabilities		5,774,209	4,625,170	6,609,673
Total equity and liabilities		6,693,869	5,660,273	7,794,931
Net current assets		821,618	991,125	824,876
Total assets less current liabilities		919,660	1,035,103	1,185,258

(D) COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity shareholders of the Company						
		Share	Retained	Available-	Currency	Total	Minority	Total
<i>Section II</i>		capital	earnings	investment	translation		interest	equity
<i>Note</i>		HK\$'000	HK\$'000	revaluation	reserve	HK\$'000	HK\$'000	HK\$'000
		HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
		31,980	489,009	6,897	131	528,017	—	528,017
		—	385,428	—	—	385,428	—	385,428
		—	—	6,074	141	6,215	—	6,215
		31,980	874,437	12,971	272	919,660	—	919,660
		—	126,045	—	—	126,045	(2,598)	123,447
		—	—	(13,067)	63	(13,004)	—	(13,004)
		—	—	—	—	—	5,000	5,000
		31,980	1,000,482	(96)	335	1,032,701	2,402	1,035,103
		—	298,307	—	—	298,307	2,087	300,394
		—	—	96	(335)	(239)	—	(239)
	25	—	(150,000)	—	—	(150,000)	—	(150,000)
		<u>31,980</u>	<u>1,148,789</u>	<u>—</u>	<u>—</u>	<u>1,180,769</u>	<u>4,489</u>	<u>1,185,258</u>

(E) COMBINED CASH FLOW STATEMENTS

	<i>Section II Note</i>	Year ended 31 December		
		2007	2008	2009
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	28	81,666	495,338	(148,068)
Cash flows from investing activities				
Purchases of property, plant and equipment	10	(21,089)	(6,545)	(55,317)
Purchases of interests in leasehold land	11	—	—	(291,765)
Purchases of available-for-sale investments	15	(25,000)	(7,500)	—
Proceeds upon the sales of available-for-sale investments	15	—	37,682	—
(Purchases)/proceeds from sales of assets and liabilities classified as held for sale		—	(20,000)	7,763
Proceeds from disposal of subsidiaries	29	—	—	11,144
Dividend paid to minority investors of an investment fund	9	(6,875)	—	—
Dividend paid to immediate holding company	25	—	—	(150,000)
Net cash (outflow)/inflow from investing activities		(52,964)	3,637	(478,175)
Cash flows from financing activities				
Drawdown/(repayment) of bank borrowings	21	500,000	(500,000)	500,000
Capital contributions by minority shareholders		—	5,000	—
Net cash inflow/(outflow) from financing activities		500,000	(495,000)	500,000
Net increase/(decrease) in cash and cash equivalents		528,702	3,975	(126,243)
Cash and cash equivalents at beginning of year		53,646	582,489	586,527
Effect of foreign exchange rate changes, net		141	63	—
Cash and cash equivalents at end of year	18	582,489	586,527	460,284

II. NOTES TO THE COMBINED FINANCIAL INFORMATION**1 GENERAL INFORMATION OF THE GROUP AND REORGANISATION**

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"). The address of the Company's registered office is 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

The ultimate holding company of the Company is Guotai Junan Securities Company Limited ("GJSC"), a company registered in the People's Republic of China and its immediate holding company is Guotai Junan Holdings Limited, a company incorporated in British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in securities and futures dealing and broking, securities trading, securities financing and money lending, fund management and provision of investment advisory and consultancy services (collectively the "Continuing operations"). During the Relevant Periods, the Group was also engaged in other businesses, including investment holding in equity funds and provision of consultancy services in Shenzhen (collectively the "Discontinued operations").

For the preparation of the listing of the shares of the Company, a reorganisation (the "Reorganisation") was carried out which involved mainly the following:

- (a) On 30 October 2009, Guotai Junan (Hong Kong) Limited (the then holding company of the subsidiaries engaging in both Continuing operations and Discontinued operations) transferred its equity interests in Guotai Junan Investments (Hong Kong) Limited to Guotai Junan Financial Holdings Limited ("GJFHL"). Guotai Junan Investments (Hong Kong) Limited and its subsidiary were engaged in the Discontinued operations;
- (b) Guotai Junan Holdings Limited was incorporated on 3 March 2010 as a wholly owned subsidiary of GJFHL;
- (c) On 8 March 2010, the Company was incorporated in Hong Kong as a wholly owned subsidiary of Guotai Junan Holdings Limited;
- (d) Pursuant to a share swap agreement dated 14 June 2010, the Company acquired the entire issued share capital of Guotai Junan (Hong Kong) Limited from GJFHL in consideration for the Company issuing and allotting 999 shares at par to Guotai Junan Holdings Limited. After the share swap, the Company became the holding company of the subsidiaries now comprising the Group;
- (e) Pursuant to the Shareholders' Resolution dated 19 June 2010, conditional on the share premium account of the Company being credited as a result of the successful Listing of the Company, the Company will capitalise an amount of HK\$122,999,900, standing to the credit of its share premium account in paying up in full at par 1,229,999,000 shares, which will be allotted and issued to Guotai Junan Holdings Limited.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation	Issued and fully paid-up share capital	Attributable equity interest		Principal activities and place of operation
			Direct	Indirect	
Guotai Junan (Hong Kong) Limited	Samoa/ 28 June 1995	HK\$31,980,000	100%	—	Investment holding, Hong Kong
Guotai Junan Securities (Hong Kong) Limited	Hong Kong/ 8 July 1993	HK\$250,000,000	—	100%	Securities dealing and broking, Hong Kong
Guotai Junan Futures (Hong Kong) Limited	Hong Kong/ 3 August 1995	HK\$50,000,000	—	100%	Futures dealing and broking, Hong Kong
Guotai Junan Finance (Hong Kong) Limited	Hong Kong/ 3 August 1995	HK\$1,000,000	—	100%	Money lending and trading in securities, Hong Kong
Guotai Junan Capital Limited	Hong Kong/ 8 August 1995	HK\$50,000,000	—	100%	Provision of investment advisory services, Hong Kong
Guotai Junan Assets (Asia) Limited	Hong Kong/ 15 August 1995	HK\$5,000,000	—	100%	Fund management, Hong Kong
Guotai Junan Fund Management Limited ¹	Hong Kong/ 3 January 2008	HK\$10,000,000	—	50%	Fund management and trading in securities, Hong Kong

Notes:

1. The Group considers that it has the ability to govern the financial and operating policies of the entity as the Group has the power to appoint or remove the majority of members of board of directors.
2. The financial statements of the above subsidiaries for each of the years ended 2007, 2008 and 2009 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

2 BASIS OF PRESENTATION

For the purpose of this report, the Financial Information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for the Relevant Periods have been prepared on a combined basis and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, except that the financial information of those companies newly set up/acquired by the Group during the Relevant Periods and the financial information of the Discontinued operations are included in the Financial Information of the Group from their respective dates of incorporation/acquisition and up to the date of transfer to GJFHL respectively. The combined balance sheets of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the assets and liabilities of the Group as at these dates as if the current group structure had been in existence as at these dates, except that the assets and liabilities of those companies newly set up/acquired by the Group during each of the years ended 31 December 2007, 2008 and 2009 and the assets and liabilities of the Discontinued operations are included in the combined balance sheet of the Group after their respective dates of incorporation/acquisition and before the date of transfer to GJFHL respectively.

The net assets and results of the Group are combined using the existing book values from GJSC’s perspective.

All significant intra-group transactions and balances have been eliminated on combination.

Minority interest represent the interest of the equity holders outside the Company in the operating results and net assets of the Group during the Relevant Periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The Financial Information of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The Financial Information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments and financial assets at fair value through profit or loss which are carried at fair value.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 31.

(a) *Standards, amendments and interpretations published and effective for accounting periods beginning on or after 1 January 2009*

Standard/Interpretation	Content	Applicable for financial years beginning on/after	Relevant to the Group
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009	Yes
HKAS 23 (Revised)	Borrowing Costs	1 January 2009	No
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	No
HKFRS 2 (Amendment)	Share-based payments - Vesting Conditions and Cancellations	1 January 2009	No
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments	1 January 2009	Yes
HKFRS 8	Operating Segments	1 January 2009	Yes
HK (IFRIC) - Int 13	Customer Loyalty Programmes	1 July 2008	No
HK (IFRIC) - Int 15	Agreements for the Construction of Real Estate	1 January 2009	No
HK (IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	No

- *HKAS 1 (Revised) Presentation of Financial Statements*

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the combined statements of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the combined statements of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.

- *Amendment to HKFRS 7 Improving Disclosures about Financial Instruments*

The amendments require enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

- *HKFRS 8 Operating Segments*

HKFRS 8 replaces HKAS 14 Segment Reporting. The new standard requires a 'management approach', under which segment information, that reflects the operating result of segments reviewed regularly by the management for operation decisions making, resources allocation and performance assessment, is presented on the same basis as that used for internal reporting to the management. The Group has presented the segment information accordingly.

(b) *Standards, amendments and interpretations issued but not yet effective*

The following standards, amendments and interpretations have been issued and are mandatory for accounting periods beginning on or after 1 July 2009:

Standard/Interpretation	Content	Applicable for financial years beginning on/after	Relevant to the Group
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009	No
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	Yes
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Eligible Hedged Items	1 July 2009	No
HKFRS 1 (Revised)	First-time Adoption of HKFRS	1 July 2009	No
HKFRS 3 (Revised)	Business Combinations	1 July 2009	Yes
HK (IFRIC) - Int 17	Distribution of Non-Cash Assets to Owners	1 July 2009	No
HK (IFRIC) - Int 18	Transfers of Assets from Customers	1 July 2009	No

Standard/Interpretation	Content	Applicable for financial years beginning on/after	Relevant to the Group
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010	No
HKFRS 2 (Amendment)	Group Cash-Settled Share-based Payment Transactions	1 January 2010	No
HKAS 32 (Amendment)	Classification of Rights Issue	1 February 2010	No
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	No
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011	Yes
Amendment to HK(IFRIC) 14	Prepayments of a minimum funding requirement	1 January 2011	No
HKFRS 9	Financial Instruments	1 January 2013	Yes

- *HKAS 27 (Revised) Consolidated and Separate Financial Statements*

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- *HKFRS 3 (Revised) Business Combinations*

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- *HKAS 24 (Revised) Related Party Disclosures*

The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government. It also clarifies and simplifies the definition of a related party.

- *HKFRS 9 Financial Instruments*

HKFRS 9 was issued in November 2009 and replaces those parts of HKAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit and loss. For all other equity instruments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit and loss. There is to be no recycling of fair value gains and losses to profit and loss. This election may be made on an instrument-by-instrument basis. Dividend is to be presented in profit and loss, as long as they represent a return on investment.

While adoption of HKFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- *Improvements to HKFRS*

'Improvements to HKFRS' contains numerous amendments to HKFRS which the HKICPA consider non-urgent but necessary. 'Improvements to HKFRS' comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual HKFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments, except for the amendment of HKAS 17 which will result in the reclassification of "Interests in leasehold land" from operating leases to finance leases.

(c) *Early adoption of standards*

The amended HKFRS 8 Operating segments is published as part of the Improvements to HKFRS in May 2009 by the HKICPA. The amended standard clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. The early adoption of the amended standard only affects the disclosure of segment information.

The revised HKAS 24 Related Party Disclosures was issued in November 2009. The revised standard provides an exemption from the disclosure requirements for government-related entities. The Group partially applies HKAS 24 (Revised) retrospectively from 1 January 2009 onward. The early partial adoption of the revised standard does not have an impact on the financial position or the comprehensive income of the Group, but only affects the disclosure of related party information.

The remainder of the revised standard amending the definition of related parties will be applied in the annual period beginning 1 January 2011.

Except for the early partial adoption of HKAS 24 (Revised) and amended HKFRS 8 Operating segments, the Group has not early adopted other new or amended accounting standards or interpretations in 2009.

3.2 Consolidation

The Financial Information includes the combined financial statements of the Group made up to 31 December 2007, 2008 and 2009.

(a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation which has been accounted for on a combined basis as stated in Note 2 above, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Transactions with non-controlling interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses to the Group that are recorded in the income statement. Purchases from the non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

3.3 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker.

Income and expenses directly associated with each segment are included in determining business segment performance.

3.5 Client trust bank balances

The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the balance sheet and recognised a corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies.

3.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	25-40 years
Leasehold improvements	Over the lease term of 3 years
Office equipment	3 years
Furniture and fixtures	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.8). The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 'other income' in the combined income statements.

3.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date.

Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

Intangible assets, representing club membership and eligibility rights to trade on or through The Hong Kong Stock Exchange Limited and The Hong Kong Futures Exchange Limited, with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.9 Financial assets

3.9.1 *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. Management determine the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term. Financial assets held for trading consist of equity instruments and are recognised as "Financial assets held for trading".

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to HKAS 39, the fair value option is only applied when the following conditions are met:

- the application on the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consist of a host contract containing an embedded derivatives that must be separated.

The fair value option is applied to the Group's investment in unlisted funds that are part of a portfolio managed on a fair value basis.

Financial assets for which the fair value option is applied are recognised as "Financial assets designated at fair value through profit or loss".

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(c) *Available-for-sale investments*

Available-for-sale investments are financial assets that are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intend to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets consist mainly of unlisted investment funds.

3.9.2 *Recognition and measurement*

Regular-way purchases and sales of financial assets at fair value through profit or loss and available-for-sale investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the combined income statement. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the combined income statement in the period in which they arise. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Available-for-sale investments are initially recognised at fair value together with any transaction costs and measured subsequently at fair value with gains and losses recognised in the combined statements of comprehensive income, except for impairment losses, until the financial assets are derecognised. If an available-for-sale investments is determined to be impaired the cumulative gain or loss previously recognised in the combined statements of comprehensive income will transfer to the combined income statement. Dividend on available-for-sale investments are recognised in the combined income statement in “Dividend income” when the Group’s right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Loans and receivables are carried at amortised cost using the effective interest method less impairment if any. The Group's receivables (including amount due from group companies) and "cash and cash equivalents" fall under this category. Accounts receivables and amounts due from group companies are recognised initially at fair value which is the cash given to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the combined income statement and is reported as net interest income. In the case of an impairment, it is reported as a deduction from the carrying value of the loan and recognised in the combined income statement as impairment charge for credit losses.

3.10 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payment, and clients' collateral are insufficient to cover outstanding loan balances are considered indications that the receivable is impaired.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the combined income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the combined income statement.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as other income in the combined income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in combined income statement - is removed from combined statements of comprehensive income and recognised in the combined income statement. Impairment losses recognised in the combined income statement on equity instruments are not reversed through the combined income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks and bank deposits with original maturities of three months or less.

3.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the liabilities are due to be settled or the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

3.13 Financial liabilities

Financial liabilities including other payables are recognised initially at fair value net of transaction costs incurred. Other financial liabilities are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the combined income statement over the period of the other financial liabilities using the effective interest method.

3.14 Other assets

Other assets held on a long term basis are stated at amortised cost using the effective interest method less impairment if any.

3.15 Leases — operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land, are charged to the combined income statement on a straight-line basis over the period of the lease. The Group's interests in leasehold land are also accounted for as operating leases.

Where the Group is a lessor under operating leases, assets leased out are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

3.16 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.17 Employee benefits

(a) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the combined income statement as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

(b) *Annual leave*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Bonus*

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.18 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Financial Information are presented in thousands of units of HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in combined statements of comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets are included in the fair value reserve in combined statements of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each combined income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- (iii) all resulting exchange differences are recognised in combined statements of comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as "currency translation reserve".

3.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the Financial Information in the period in which it is approved by the shareholders.

Dividend for the year that is declared after the balance sheet date is dealt with in the dividend note.

3.20 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluate position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

3.21 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) commission income on securities and futures dealing and broking, on the transaction dates when the relevant contract notes are exchanged;
- (ii) commission income on underwriting/placing in securities are earned on execution of each significant act based on the terms of underlying agreements and mandates;

- (iii) management, consultancy, investment advisory fees and handling income, when the services have been rendered;
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;
- (v) dividend income, when the shareholders' right to receive payment has been established;
- (vi) performance fees are recognised on the performance fee valuation day of the investment funds and managed accounts when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds and managed accounts;
- (vii) information services income, when the services have been rendered; and
- (viii) net gain/loss on financial assets at fair value through profit or loss include realised gain/loss which are recognised on transaction date when the relevant contract notes are exchanged; and unrealised fair value gain/loss which are recognised in the period in which they arise.

3.22 Net assets attributable to redeemable participation rights

Net assets attributable to redeemable participation rights represent the minority interest of an investment fund which is combined by the Group as a subsidiary. The minority investors in the investment fund have the right to put the participation rights back at any time and therefore the economic substance of the minority interest is that of a liability. This minority interest is classified as a current liability in the Group's combined balance sheets.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, market risk and liquidity risk. The Group's overall risk management programme focuses on the analysis, evaluation, acceptance and monitoring of such risks which are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effect on the Group's financial performance.

The Group risk management policies are approved by the Board of Directors and are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information. The Board of Directors provides written principles for overall risk management. The Group regularly reviews its risk management policies to reflect any change in markets and clients.

The Group's principal financial assets and liabilities comprise of cash and short term deposits maintained as working capital as well as available-for-sale investments and financial assets at fair value through profit or loss. The Group has various other financial assets and liabilities such as accounts receivable and accounts payable, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, market risk, and capital management risks. The policies for managing each of these risks are summarised below:

4.1 Credit risk

Credit exposures arise principally from accounts receivable from brokers, clients, clearing houses and bank balances which are included in the Group's asset portfolio.

4.1.1 *Credit risk limit control and mitigation policies*

The members of Credit Committee including the Chief Executive Officer, Responsible Officers and Chief Operating Officer. The Credit Committee has appointed a group of authorised persons who are charged with the responsibility of approving credit limit and margin limit of each client. The Credit and Risk Management Department is responsible for making settlement calls when the trades of margin clients exceed their respective limits. Any such excess is required to be made good within 2 days according to the deficiency report of cash/custodian clients. The deficiency report will be monitored daily by the Group's Senior Manager of Credit and Risk Management Department. Failure to meet margin calls may result in the liquidation of the client's positions.

The Credit Committee is also responsible for approval of stock acceptable for margin lending at a specified ratio. The approved stock list is updated in accordance with the stock grading list of the Group's main bankers, and will be revised as and when deemed necessary by the Credit Committee.

The Credit Committee will prescribe from time to time lending limits on individual stock or on any individual customer based on regular analysis of borrower's repayment ability. The Group also employs a range of policies and practices to mitigate excessive credit risk.

- These involve taking of collateral from margin clients. The Group's guidelines on the acceptability of specific classes of collateral from its clients are basically tighter than those required by its bankers. In particular, a certain haircut will be used for the calculation of acceptable collateral values of margin clients so that the Group has sufficient time to call back loan from its margin clients before margin call from the bankers;
- Maximum margin limit will be set on individual margin client in order to avoid building up excessive margin exposure from individual margin client and comply with the Securities and Future (Financial Resources) Rules Requirement; and
- Margin call will be executed if the total outstanding amount of a margin client exceed either of the credit line or the acceptable value of margin stocks, whichever is lower. The Group does not grant margin facilities to its clients for open derivatives trading activities.

For the Group's bank balances which they beneficially own and hold in their names, or in segregated accounts, they are deposited in Hong Kong and with authorised financial institutions. The Group has established a process to select and approve the counterparty brokers as to mitigate the credit risk arising from the transactions with them.

4.1.2 Impairment and provisioning policies

The Group's credit and risk management policy requires the review of individual outstanding amount at least monthly or more regularly depending on individual circumstances or market condition. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account. Generally, impairment allowances will be provided when clients failed to meet margin call requirements and clients' collaterals are insufficient to cover their outstanding loan balances.

4.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations as at the balance sheet date, in relation to each class of financial assets, is the carrying amount of those assets as indicated in the balance sheet.

These amounts represent the worst case scenario of credit risk exposure to the Group at 31 December 2007, 2008 and 2009, without taking account of any collateral held or other credit enhancements attached.

With the controls in Note 4.1.1, the Management are confident that the credit risk to the Group resulting from its accounts receivable are manageable. The Group's bank balances are mainly deposited with authorized financial institutions in Hong Kong. The Group considers credit risk associated with the bank balances held at authorized financial institutions is manageable.

4.1.4 *Accounts receivable*

- (a) The carrying value of loans and receivables arising from the course of business of the Group are as follows:

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Margin loans	815,232	368,648	758,276
Accounts receivable — cash and custodian clients	149,007	34,740	147,665
Other receivables			
- Accounts receivable from The Stock Exchange of Hong Kong Limited and other clearing houses	22,518	156,537	20,459
- Accounts receivable from brokers and dealers	103,638	129,763	239,510
- Accounts receivable arising from investment management and corporate finance and advisory services and others	<u>41,449</u>	<u>5,552</u>	<u>32,336</u>
Gross	1,131,844	695,240	1,198,246
Less: allowance for impairment	<u>(20,403)</u>	<u>(13,688)</u>	<u>(3,253)</u>
Net	<u><u>1,111,441</u></u>	<u><u>681,552</u></u>	<u><u>1,194,993</u></u>

Margin financing operations

The Group provides clients with margin financing for securities transactions, which are secured by clients' securities held as collateral. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. The Group seeks to maintain strict control over its outstanding receivables and has a Credit and Risk Management Department to monitor credit risks. Margin financing is interest bearing at the rate with reference to the Hong Kong dollar prime rate and repayable on demand.

Securities dealing and broking services

The Group allows a credit up to the settlement dates of the respective securities transactions (normally within T+2 or T+3 days). Credit and Risk Management Department determines whether force-sell action is to be taken against clients with overdue balances on case by case basis. The Credit Committee regularly reviews the overdue balances.

Other business operations

The Group also engages in fund management, investment advisory and corporate finance services.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

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

	Margin loans	Accounts receivable from cash and custodian clients	Other receivables	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2007				
Neither past due nor impaired	<u>815,232</u>	<u>119,732</u>	<u>160,060</u>	<u>1,095,024</u>
Fair value of collateral	<u>6,274,693</u>	<u>—</u>	<u>—</u>	<u>6,274,693</u>
As at 31 December 2008				
Neither past due nor impaired	<u>368,648</u>	<u>15,874</u>	<u>289,552</u>	<u>674,074</u>
Fair value of collateral	<u>3,718,348</u>	<u>—</u>	<u>—</u>	<u>3,718,348</u>
As at 31 December 2009				
Neither past due nor impaired	<u>758,276</u>	<u>144,330</u>	<u>291,955</u>	<u>1,194,561</u>
Fair value of collateral	<u>8,782,315</u>	<u>—</u>	<u>—</u>	<u>8,782,315</u>

Accounts receivable from cash and custodian clients which are neither past due nor impaired represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the year end date. Such receivable balances are neither past due nor impaired as they are within the credit limit approved by the Credit Committee and normal market convention of T+2 or T+3.

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

	Margin loans HK\$'000	Accounts receivable from cash and custodian clients HK\$'000	Other receivables HK\$'000	Total HK\$'000
As at 31 December 2007				
Past due less than 6 months	—	4,358	602	4,960
Past due 6-12 months	—	—	6,943	6,943
Past due over 1 year	—	—	—	—
	<u>—</u>	<u>4,358</u>	<u>7,545</u>	<u>11,903</u>
Fair value of collateral	<u>—</u>	<u>250,362</u>	<u>—</u>	<u>250,362</u>
As at 31 December 2008				
Past due less than 6 months	—	368	—	368
Past due 6-12 months	—	—	300	300
Past due over 1 year	—	—	2,000	2,000
	<u>—</u>	<u>368</u>	<u>2,300</u>	<u>2,688</u>
Fair value of collateral	<u>—</u>	<u>78,813</u>	<u>—</u>	<u>78,813</u>
As at 31 December 2009				
Past due less than 6 months	—	77	—	77
Past due 6-12 months	—	—	50	50
Past due over 1 year	—	—	300	300
	<u>—</u>	<u>77</u>	<u>350</u>	<u>427</u>
Fair value of collateral	<u>—</u>	<u>120,845</u>	<u>—</u>	<u>120,845</u>

Accounts receivable from cash and custodian clients which are past due but not impaired represent client trades on various securities exchanges which are unsettled beyond the settlement date. When the cash and custodian clients failed to settle on settlement date, the Group has a right to force-sell the collaterals underlying the securities transactions. The outstanding accounts receivable from cash and custodian clients as at 31 December 2007, 2008 and 2009 are considered not to be impaired after taking into consideration the recoverability from collaterals. Collaterals held against such loans are publicly traded securities.

Other receivables past due but not impaired represent accounts receivables arising from corporate finance and advisory services which have not yet been settled by clients after the Group's normal credit period of 3 months from the date of invoice.

(d) *Impaired accounts receivable*

	Margin loans HK\$'000	Accounts receivable from cash and custodian clients HK\$'000	Other receivables HK\$'000	Total HK\$'000
As at 31 December 2007				
Impaired accounts receivable	—	24,917	—	24,917
Less: allowance for impairment	—	<u>(20,403)</u>	—	<u>(20,403)</u>
Net	<u>—</u>	<u>4,514</u>	<u>—</u>	<u>4,514</u>
Fair value of collateral	<u>—</u>	<u>4,514</u>	<u>—</u>	<u>4,514</u>
As at 31 December 2008				
Impaired accounts receivable	—	18,498	—	18,498
Less: allowance for impairment	—	<u>(13,688)</u>	—	<u>(13,688)</u>
Net	<u>—</u>	<u>4,810</u>	<u>—</u>	<u>4,810</u>
Fair value of collateral	<u>—</u>	<u>4,810</u>	<u>—</u>	<u>4,810</u>
As at 31 December 2009				
Impaired accounts receivable	—	3,258	—	3,258
Less: allowance for impairment	—	<u>(3,253)</u>	—	<u>(3,253)</u>
Net	<u>—</u>	<u>5</u>	<u>—</u>	<u>5</u>
Fair value of collateral	<u>—</u>	<u>5</u>	<u>—</u>	<u>5</u>

Accounts receivable from cash and custodian clients are considered impaired when clients failed to settle according to settlement terms. As at 31 December 2007, 2008 and 2009, gross impaired accounts receivable from cash and custodian clients amounted to HK\$24,917,000, HK\$18,498,000 and HK\$3,258,000 respectively and impairment allowance of HK\$20,403,000, HK\$13,688,000 and HK\$3,253,000 has been provided against these "impaired" receivables respectively.

The carrying amount of these "impaired" receivables are HK\$4,514,000, HK\$4,810,000 and HK\$5,000 as of 31 December 2007, 2008 and 2009 respectively.

Movements on the provision for impairment of accounts receivable are as follow:

	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	33,200	20,403	13,688
Increase in impairment allowance charged to combined income statement	504	4,797	2
Uncollectible amounts written-off during the year	(278)	(471)	(8,588)
Amounts written-back during the year released to combined income statement	<u>(13,023)</u>	<u>(11,041)</u>	<u>(1,849)</u>
As at 31 December	<u>20,403</u>	<u>13,688</u>	<u>3,253</u>

4.1.5 *Concentration of risks of financial assets with credit risk exposure*(a) *Geographical sectors*

The following table breaks down the Group's major credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2007, 2008 and 2009. The Group has allocated exposures to regions based on the country of domicile of its counterparties. Credit risk exposure by geographical sectors is classified according to the location of counterparties after taking into account the transfer of risk.

As at 31 December 2007

	Hong Kong	China	Asia Pacific excluding Hong Kong and China	Other Countries	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Client trust bank balances	4,593,060	—	—	—	4,593,060
Cash and bank balances	580,628	1,861	—	—	582,489
Accounts receivable					
- Margin loans	59,738	625,529	10,503	119,462	815,232
- Accounts receivable from cash and custodian clients	70,404	44,029	4,339	9,832	128,604
- Accounts receivable from brokers, clearing houses and others	<u>57,058</u>	<u>40,780</u>	<u>68,586</u>	<u>1,181</u>	<u>167,605</u>
Total	<u><u>5,360,888</u></u>	<u><u>712,199</u></u>	<u><u>83,428</u></u>	<u><u>130,475</u></u>	<u><u>6,286,990</u></u>

As at 31 December 2008

	Hong Kong	China	Asia Pacific excluding Hong Kong and China	Other Countries	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Client trust bank balances	4,175,794	—	—	—	4,175,794
Cash and bank balances	579,295	7,232	—	—	586,527
Accounts receivable					
- Margin loans	4,365	254,745	2,597	106,941	368,648
- Accounts receivable from cash and custodian clients	5,941	10,284	3,022	1,805	21,052
- Accounts receivable from brokers, clearing houses and others	<u>178,074</u>	<u>41,423</u>	<u>71,696</u>	<u>659</u>	<u>291,852</u>
Total	<u>4,943,469</u>	<u>313,684</u>	<u>77,315</u>	<u>109,405</u>	<u>5,443,873</u>

As at 31 December 2009

	Hong Kong	China	Asia Pacific excluding Hong Kong and China	Other Countries	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Client trust bank balances	5,679,243	—	—	—	5,679,243
Cash and bank balances	460,284	—	—	—	460,284
Accounts receivable					
- Margin loans	1,230	551,004	17,708	188,334	758,276
- Accounts receivable from cash and custodian clients	7,354	134,964	1,634	460	144,412
- Accounts receivable from brokers, clearing houses and others	<u>88,334</u>	<u>41,560</u>	<u>159,415</u>	<u>2,996</u>	<u>292,305</u>
Total	<u>6,236,445</u>	<u>727,528</u>	<u>178,757</u>	<u>191,790</u>	<u>7,334,520</u>

For the geographical analysis of financial assets at fair value through profit loss and available-for-sale investments, please refer to Note 17 and Note 15 respectively.

The Group trades with a large number of diversified clients, the receivables of the top five margin, cash and custodian clients in aggregate are 24%, 21% and 33% of the Group's total accounts receivable as at 31 December 2007, 2008 and 2009 respectively. The Credit and Risk Management Department daily prepares top 20 client margin loan exposure for review to avoid excessive concentration risk.

4.2 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The main market risks include cash flow interest rate risk, and price risk. The Group has established policies and procedures for monitoring and controlling the market risk arising from these financial instruments.

4.2.1 Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's accounts receivable, accounts payable to client, bank borrowings and cash and bank balances.

Interest on cash at banks will fluctuate at floating rates based on daily bank deposit rates. Interest on bank overdrafts will fluctuate at floating rate based on prime rate. The Group mitigates its interest rate risk by monitoring market interest rate movement and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. Other financial assets and liabilities are non interest bearing.

Bank borrowings and margin loans receivable at variable rates exposed the Group to cash flow interest rate risk.

The Group regularly calculates the impact on profit or loss of a possible interest rate shifts on its portfolio of bank borrowings, margin loans receivable and interest bearing bank deposits.

Based on the simulations performed and with other variables held constant, the profit before taxation for the year ended 31 December 2007 and 2008 would increase/decrease by approximately HK\$55 million and HK\$51 million respectively should the interest rate increase/decrease by 1%; whilst the profit before taxation for the year ended 31 December 2009 would increase by approximately HK\$ 64 million should the interest rate increase by 1%.

4.2.2 *Price risk*

The Group is exposed to equity securities price risk from equity instruments held by the Group which are classified on the balance sheet as available-for-sale investments and financial assets at fair value through profit or loss. Price risk is the risk of changes in fair value of financial instruments from fluctuations, whether such change in price is caused by factors specific to the individual instrument or factors affecting all instruments traded in the markets. The Group mitigates its price risk by monitoring the performance of the available-for-sale investments and assets at fair value through profit or loss and through investing in funds in China and Hong Kong.

At 31 December 2007, 2008 and 2009, the profit before taxation and the other comprehensive income would increase/decrease by HK\$10 million and HK\$6 million respectively for the year ended 31 December 2007, HK\$10.5 million and HK\$1.2 million respectively for the year ended 31 December 2008, and HK\$8.5 million and Nil respectively for the year ended 31 December 2009 while the Hang Seng Index (“HSI”) increase/decrease by 10%. The analysis is based on the assumption that all the equity instruments move according to the historical correlation with the HSI and with all other variables held constant.

At each balance sheet date, investment funds held by the Group (classified as available-for-sale investments) are mainly investing in public traded equities listed in Hong Kong; and the investment in financial assets at fair value through profit or loss are mainly listed equity securities in Hong Kong.

4.2.3 *Foreign currency risk*

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group’s financial results and its cash flows. The management consider the Group does not expose to significant foreign currency risk as majority of its operations and transactions are in Hong Kong and denominated in Hong Kong dollars.

4.3 **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Finance Department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitor rolling forecasts of the Group’s liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash flow in strict compliance with statutory requirements. This is achieved by monitoring the liquidity position of the individual company within the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirements such as the Hong Kong Securities and Futures (Financial Resources) Rules.

4.3.1 *Undiscounted cash flows by contractual maturities*

The table below presents the cash flows payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the combined balance sheet. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2007

	Up to 1 month <i>HK\$'000</i>	1-3 months <i>HK\$'000</i>	3-12 months <i>HK\$'000</i>	1-5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Indefinite ¹ <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets							
Cash and bank balances	582,562	—	—	—	—	—	582,562
Client trust bank balances	4,596,183	—	—	—	—	—	4,596,183
Accounts receivable	1,121,734	—	38,829	—	—	—	1,160,563
Financial assets at fair value through profit or loss	—	—	—	—	—	302,022	302,022
Available-for-sale investments	—	—	—	—	—	62,771	62,771
Total assets	<u>6,300,479</u>	<u>—</u>	<u>38,829</u>	<u>—</u>	<u>—</u>	<u>364,793</u>	<u>6,704,101</u>
Liabilities							
Amount due to the ultimate holding company	578	—	—	—	—	—	578
Amounts due to fellow subsidiaries	5,069	—	—	—	—	—	5,069
Net assets attributable to redeemable participation rights	192,708	—	—	—	—	—	192,708
Accounts payable	4,851,575	—	—	—	—	—	4,851,575
Bank borrowings	507,557	—	—	—	—	—	507,557
Other payables and accrued liabilities	22,348	125,699	2,416	—	—	—	150,463
Total liabilities	<u>5,579,835</u>	<u>125,699</u>	<u>2,416</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,707,950</u>

¹ *Indefinite represents equity investments and investment in funds with no contractual maturities date.*

As at 31 December 2008

	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 years HK\$'000	Over 5 years HK\$'000	Indefinite ¹ HK\$'000	Total HK\$'000
Assets							
Cash and bank balances	564,117	22,758	—	—	—	—	586,875
Client trust bank balances	3,620,789	557,604	—	—	—	—	4,178,393
Accounts receivable	666,305	—	15,726	—	—	—	682,031
Financial assets at fair value through profit or loss	—	—	—	—	—	156,965	156,965
Assets classified as held for sale	—	—	—	—	—	10,131	10,131
Available-for-sale investments	—	—	—	—	—	12,987	12,987
Total assets	<u>4,851,211</u>	<u>580,362</u>	<u>15,726</u>	<u>—</u>	<u>—</u>	<u>180,083</u>	<u>5,627,382</u>
Liabilities							
Amount due to the ultimate holding company	578	—	—	—	—	—	578
Amounts due to fellow subsidiaries	5,069	—	—	—	—	—	5,069
Net assets attributable to redeemable participation rights	81,462	—	—	—	—	—	81,462
Accounts payable	4,463,380	—	—	—	—	—	4,463,380
Other payables and accrued liabilities	12,034	45,645	3,880	—	—	—	61,559
Liabilities classified as held for sale	100	—	—	—	—	—	100
Total liabilities	<u>4,562,623</u>	<u>45,645</u>	<u>3,880</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,612,148</u>

¹ Indefinite represents equity investments and investment in funds with no contractual maturities date.

As at 31 December 2009

	Up to 1 month HK\$'000	1-3 months HK\$'000	3-12 months HK\$'000	1-5 Years HK\$'000	Over 5 years HK\$'000	Indefinite ¹ HK\$'000	Total HK\$'000
Assets							
Cash and bank balances	390,291	70,073	—	—	—	—	460,364
Client trust bank balances	5,379,312	300,393	—	—	—	—	5,679,705
Accounts receivable	1,086,453	103,068	6,085	—	—	—	1,195,606
Financial assets at fair value through profit or loss	—	—	—	—	—	92,567	92,567
Total assets	6,856,056	473,534	6,085	—	—	92,567	7,428,242
Liabilities							
Amount due to the ultimate holding company	578	—	—	—	—	—	578
Amounts due to fellow subsidiaries	645	—	—	—	—	—	645
Accounts payable	5,955,215	—	—	—	—	—	5,955,215
Bank borrowings	300,680	200,575	—	—	—	—	501,255
Other payables and accrued liabilities	51,549	82,797	4,005	—	—	—	138,351
Total liabilities	6,308,667	283,372	4,005	—	—	—	6,596,044

¹ Indefinite represents equity investments and investment in funds with no contractual maturities date.

4.3.2 *Funding approach*

Sources of liquidity are daily reviewed by the Finance Department to ensure the availability of sufficient liquid funds to meet all obligations.

4.4 **Fair value of financial assets and liabilities**4.4.1 *Financial instruments not measured at fair value*

At the balance sheet date, the fair value of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amounts.

4.4.2 *Financial instruments measured at fair value*

The following table represents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments including listed equity securities on exchange.

Level 2: fair values measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data. This level includes investments in funds with listed equities which are valued at net asset value provided by fund administrators.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data. This level includes investments in funds with unlisted equities which are valued at net asset value provided by fund administrators.

As at 31 December 2007

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale investments	—	62,771	—	62,771
Financial assets at fair value through profit or loss	<u>293,736</u>	<u>—</u>	<u>8,286</u>	<u>302,022</u>
	<u>293,736</u>	<u>62,771</u>	<u>8,286</u>	<u>364,793</u>

As at 31 December 2008

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale investments	—	12,987	—	12,987
Financial assets at fair value through profit or loss	<u>150,085</u>	<u>—</u>	<u>6,880</u>	<u>156,965</u>
	<u>150,085</u>	<u>12,987</u>	<u>6,880</u>	<u>169,952</u>

As at 31 December 2009

	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss	<u>92,567</u>	<u>—</u>	<u>—</u>	<u>92,567</u>

There were no significant transfers between instruments in Level 1 and Level 2 during the years 2007, 2008 and 2009.

The following table represents the changes in Level 3 financial assets at fair value through profit or loss for the years ended 31 December 2007, 2008 and 2009

	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January	—	8,286	6,880
Gains/(losses) recognised in discontinued operations (<i>Note 9</i>)	525	(1,406)	90
Purchase during the year	7,761	—	—
Disposal of discontinued operations	<u>—</u>	<u>—</u>	<u>(6,970)</u>
As at 31 December	<u>8,286</u>	<u>6,880</u>	<u>—</u>

4.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of balance sheet, are:

- To comply with the capital requirements under the Securities and Futures (Financial Resources) Rules for its subsidiaries which are licensed corporations;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To maintain a strong capital base to support the development of its business.

The liquid capital is monitored daily by each individual licensed subsidiary's management, based on the Securities and Futures (Financial Resources) Rules. The required information is filed with the Securities and Futures Commission on a timely basis. The Securities and Futures Commission requires each licensed corporation to maintain a level of required liquid capital which is the higher of floor requirement ranging from HK\$0.1 million to HK\$3 million or 5% of the aggregate of its adjusted liabilities and clients' margin. All licensed corporations within the Group complied with their required liquid capital during the years of 2007, 2008 and 2009.

The capital of the Group mainly comprises its total equity.

5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management. The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the margin and brokerage segment engages in the provision of margin financing to margin customers, securities, futures and options dealing and broking and its related underwriting and placing services;
- (b) the corporate finance and advisory services segment engages in the provision of advisory services;
- (c) the fund management segment engages in fund management; and
- (d) Others mainly represents investment holding and proprietary trading as well as interest income and finance costs incurred for general working capital purpose.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the Relevant Periods.

The segment information provided to the management for the reportable segments for the year ended 31 December 2007, 2008 and 2009 is as follows:

For the year ended 31 December 2007

	Margin and Brokerage	Corporate Finance and Advisory	Fund Management	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue and other income:					
Sales to external customers	743,479	11,106	215,590	5,780	975,955
Inter-segment sales	—	—	—	—	—
Total	<u>743,479</u>	<u>11,106</u>	<u>215,590</u>	<u>5,780</u>	<u>975,955</u>
Profit/(loss) before taxation	326,893	(8,615)	66,499	(20,835)	363,942
Taxation expenses	<u>(52,243)</u>	—	<u>(11,379)</u>	—	<u>(63,622)</u>
Profit/(loss) for the year from continuing operations	274,650	(8,615)	55,120	(20,835)	300,320
Profit for the year from discontinued operations	—	—	—	<u>85,108</u>	<u>85,108</u>
Total	<u>274,650</u>	<u>(8,615)</u>	<u>55,120</u>	<u>64,273</u>	<u>385,428</u>
Other segment information:					
Depreciation	(3,523)	—	(125)	—	(3,648)
Impairment loss on trading rights	(3,095)	—	—	—	(3,095)
Finance costs	<u>(124,087)</u>	—	<u>(2)</u>	<u>(8,926)</u>	<u>(133,015)</u>

For the year ended 31 December 2008

	Margin and Brokerage	Corporate Finance and Advisory	Fund Management	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue and other income:					
Sales to external customers	594,254	11,797	22,131	(108,875)	519,307
Inter-segment sales	<u>(35,000)</u>	<u>35,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>559,254</u>	<u>46,797</u>	<u>22,131</u>	<u>(108,875)</u>	<u>519,307</u>
Profit/(loss) before taxation	309,816	18,939	2,104	(117,835)	213,024
Taxation expenses	<u>(1,683)</u>	<u>(526)</u>	<u>(387)</u>	<u>—</u>	<u>(2,596)</u>
Profit/(loss) for the year from continuing operations	308,133	18,413	1,717	(117,835)	210,428
Loss for the year from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>(86,981)</u>	<u>(86,981)</u>
Total	<u>308,133</u>	<u>18,413</u>	<u>1,717</u>	<u>(204,816)</u>	<u>123,447</u>
Other Segment information:					
Depreciation	(9,021)	—	(421)	—	(9,442)
Finance costs	<u>(12,818)</u>	<u>—</u>	<u>—</u>	<u>(6,929)</u>	<u>(19,747)</u>

For the year ended 31 December 2009

	Margin and Brokerage	Corporate Finance and Advisory	Fund Management	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue and other income:					
Sales to external customers	484,453	18,119	24,061	60,452	587,085
Inter-segment sales	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>484,453</u>	<u>18,119</u>	<u>24,061</u>	<u>60,452</u>	<u>587,085</u>
Profit before taxation	194,390	9,141	12,100	56,217	271,848
Taxation expenses	<u>(24,460)</u>	<u>(1,525)</u>	<u>(1,823)</u>	<u>—</u>	<u>(27,808)</u>
Profit for the year from continuing operations	169,930	7,616	10,277	56,217	244,040
Profit for the year from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>56,354</u>	<u>56,354</u>
Total	<u>169,930</u>	<u>7,616</u>	<u>10,277</u>	<u>112,571</u>	<u>300,394</u>
Other Segment information:					
Depreciation	(9,395)	—	(422)	(794)	(10,611)
Finance costs	<u>(3,162)</u>	<u>—</u>	<u>—</u>	<u>(2,006)</u>	<u>(5,168)</u>

The majority of the Group's income from external customers is derived from its operations in Hong Kong and the majority of its non-current assets (excluding financial assets) are located in Hong Kong.

The Group has recognised revenue of HK\$95,417,000 which is more than 10% of total revenue recognised for the year ended 31 December 2008. The revenue was generated from one of its IPO underwriting projects and was reported in the segments of Margin and Brokerage and Corporate Finance and Advisory.

6 REVENUE AND OTHER INCOME

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

	Year ended 31 December		
	2007 HK\$'000	2008 HK\$'000	2009 HK\$'000
Revenue:			
Securities dealing and broking:			
- Commission on securities dealing and broking	402,655	210,081	300,387
- Placing, underwriting and sub-underwriting commission	77,009	146,140	68,085
- Handling income on securities dealing and broking	12,638	9,358	13,063
Futures dealing and broking:			
- Commission on futures dealing and broking	9,820	15,613	32,555
Margin and other financing:			
- Interest income on margin loans	55,325	49,838	43,655
- Interest income from IPO loans	87,816	5,702	8,349
- Interest income from banks and others	101,193	78,360	18,771
Corporate finance and advisory:			
- Consultancy and financial advisory fee income	11,106	11,797	18,119
Fund management:			
- Management fee income	41,110	22,131	18,644
- Performance fee income (Note)	174,480	—	5,417
Income from investment holding:			
- Net gain/(loss) on financial assets held for trading	642	(32,007)	55,487
- Dividend income	—	—	838
	<u>973,794</u>	<u>517,013</u>	<u>583,370</u>
Other income:			
Information services income	1,605	2,265	2,000
Gain on disposal of property, plant and equipment	—	3	—
Others	<u>556</u>	<u>26</u>	<u>1,715</u>
	<u>2,161</u>	<u>2,294</u>	<u>3,715</u>

Note: The Group has entered into the investment management agreements and delegated its function and duties relating to the provisions of asset management services to the third party Investment Advisers. The Group incurred and paid the Investment Advisers HK\$133,621,000 for the year ended 31 December 2007 as performance fee expense for their services.

7 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Other operating expenses include:			
- Minimum lease payments under land and buildings	5,501	16,525	15,111
- Auditor's remuneration	874	805	805
- Information services expense	7,906	9,982	10,244
- Professional and consultancy fee	8,796	27,966	10,251
- CCASS charges	7,790	5,274	7,482
- Repair and maintenance (including system maintenance)	1,628	4,136	6,404
- Marketing, advertising and promotion expense	1,185	402	1,963
- Impairment loss on trading rights	3,095	—	—
- Bank charges	16,543	2,215	2,329
- Securities scrip fee	1,692	1,485	3,299
- Business trips	2,764	2,161	3,066
- Telephone	1,548	2,451	3,139
- Entertainment	1,611	1,365	2,277
- Printing and stationery	1,738	1,238	1,033
- Others	9,088	7,462	3,179
	<u>71,759</u>	<u>83,467</u>	<u>70,582</u>
Staff costs (including directors' remuneration (<i>Note 26</i>)):			
Salaries and allowances	46,493	65,692	57,527
Bonuses	116,741	36,400	81,500
Pension scheme contributions	1,269	1,517	1,428
	<u>164,503</u>	<u>103,609</u>	<u>140,455</u>
Finance costs:			
- bank loans and overdrafts	84,750	11,127	5,150
- accounts payable to clients	48,262	7,218	1
- others	3	1,402	17
	<u>133,015</u>	<u>19,747</u>	<u>5,168</u>

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5%, 16.5% and 16.5% on the estimated assessable profits arising in Hong Kong during the year 2007, 2008 and 2009 respectively.

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Hong Kong:			
Charge for the year	63,471	37,451	27,808
Under/(over) provision in prior years (<i>Note</i>)	<u>151</u>	<u>(34,855)</u>	<u>—</u>
Total tax charge for the year	<u>63,622</u>	<u>2,596</u>	<u>27,808</u>

Note: In early 2009, the Inland Revenue Department has issued a letter to a subsidiary of the Group confirming the non-taxable treatment of certain bank interest received by the subsidiary for the years of assessment from 2001/02 to 2007/08. As such, the Group has released the tax provision previously made in this regard of HK\$31.3 million to the combined income statement for the year ended 31 December 2008.

A reconciliation of the tax expense applicable to profit before income tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	<u>363,942</u>	<u>213,024</u>	<u>271,848</u>
Tax at the statutory tax rate (2007:17.5%, 2008 and 2009: 16.5%)	63,690	35,149	44,855
Under/(over) provision in prior years	151	(34,855)	—
Income not subject to tax	(1,413)	(14,698)	(11,355)
Expenses not deductible for tax	16	2,114	3,275
Utilisation of previously unrecognised tax losses	—	(3,161)	(10,029)
Tax losses not recognised	3,013	18,110	154
Others	<u>(1,835)</u>	<u>(63)</u>	<u>908</u>
Tax charge	<u>63,622</u>	<u>2,596</u>	<u>27,808</u>

The Group has tax losses arising in Hong Kong of approximately HK\$25 million, HK\$110 million and HK\$49 million as at 31 December 2007, 2008 and 2009 respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

There were no material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Accordingly, no provision for deferred taxation has been made in the Financial Information.

9 DISCONTINUED OPERATIONS

On 30 October 2009, the Group transferred its equity interests in Guotai Junan Investments (Hong Kong) Limited to GJFHL. Guotai Junan Investments (Hong Kong) Limited and its subsidiaries were engaged in investment holding in equity funds and provision of consultancy services in Shenzhen (the "Discontinued operations").

The cash flows of the Discontinued operations for the Relevant Periods are as follows:

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at beginning of year	2,093	29,507	23,509
Net cash generated from operating activities	62,211	35,294	5,380
Net cash generated from/(used in) investing activities	9,351	(39,814)	7,763
Net cash used in financing activities	(44,148)	(1,478)	—
Disposal of discontinued operations (<i>Note 29</i>)	<u>—</u>	<u>—</u>	<u>(36,652)</u>
Cash at end of year	<u>29,507</u>	<u>23,509</u>	<u>—</u>

The results of the Discontinued operations for the years ended 31 December 2007 and 2008 and for the period from 1 January 2009 to 30 October 2009 (date of disposal), which have been included in the combined income statements, were as follows:

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Revenue and other income:			
Consultancy and financial advisory fee income	9,887	9,074	6,477
Net gain/(loss) on financial assets held for trading	228,752	(168,821)	142,227
Net gain/(loss) on financial assets designated at fair value through profit or loss	525	(1,406)	90
Realised (loss)/gain on available-for-sale investments	—	(2,118)	3,616
Impairment of available-for-sale investments	—	(4,417)	—
(Loss)/gain on re-measurement of assets/liabilities classified as held for sale	—	(9,969)	5,687
Dividend income	23,357	3,755	3,385
Other income	828	72	—
	263,349	(173,830)	161,482
Staff costs	(7,455)	(10,383)	(7,876)
Depreciation	(6)	(7)	(10)
Performance fee expenses	(48,313)	—	—
Management fee expenses	(3,904)	(2,930)	(2,450)
Other operating expenses	(7,962)	(8,562)	(3,924)
Finance costs distributed to minority investors of an investment fund			
— cash dividend	(6,875)	—	—
— stock dividend	(48,382)	—	—
(Profit)/loss attributable to minority investors of an investment fund	(42,655)	109,767	(89,760)
Profit/(loss) before income tax	97,797	(85,945)	57,462
Income tax expense	(12,689)	(1,036)	(1,108)
Profit/(loss) for the year	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>
Attributable to:			
Equity holders of the Company	<u>85,108</u>	<u>(86,981)</u>	<u>56,354</u>

The carrying amounts of the assets and liabilities of the Discontinued operations at the date of disposal are disclosed in Note 29.

10 PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2007						
Cost	18,112	1,328	—	4,344	64	23,848
Accumulated depreciation	<u>(14,841)</u>	<u>(1,277)</u>	<u>—</u>	<u>(3,934)</u>	<u>(39)</u>	<u>(20,091)</u>
Net carrying amount	<u>3,271</u>	<u>51</u>	<u>—</u>	<u>410</u>	<u>25</u>	<u>3,757</u>
For the year ended 31 December 2007						
Opening net carrying amount	3,271	51	—	410	25	3,757
Additions	16,210	794	—	2,705	1,380	21,089
Depreciation	<u>(3,097)</u>	<u>(73)</u>	<u>—</u>	<u>(425)</u>	<u>(59)</u>	<u>(3,654)</u>
Closing net carrying amount	<u>16,384</u>	<u>772</u>	<u>—</u>	<u>2,690</u>	<u>1,346</u>	<u>21,192</u>
As at 31 December 2007 and 1 January 2008						
Cost	34,322	2,122	—	7,049	1,444	44,937
Accumulated depreciation	<u>(17,938)</u>	<u>(1,350)</u>	<u>—</u>	<u>(4,359)</u>	<u>(98)</u>	<u>(23,745)</u>
Net carrying amount	<u>16,384</u>	<u>772</u>	<u>—</u>	<u>2,690</u>	<u>1,346</u>	<u>21,192</u>
For the year ended 31 December 2008						
Opening net carrying amount	16,384	772	—	2,690	1,346	21,192
Additions	5,859	36	—	650	—	6,545
Depreciation	<u>(7,628)</u>	<u>(271)</u>	<u>—</u>	<u>(1,086)</u>	<u>(464)</u>	<u>(9,449)</u>
Closing net carrying amount	<u>14,615</u>	<u>537</u>	<u>—</u>	<u>2,254</u>	<u>882</u>	<u>18,288</u>

	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2008 and 1 January 2009						
Cost	36,503	1,187	—	5,057	1,381	44,128
Accumulated depreciation	<u>(21,888)</u>	<u>(650)</u>	<u>—</u>	<u>(2,803)</u>	<u>(499)</u>	<u>(25,840)</u>
Net carrying amount	<u>14,615</u>	<u>537</u>	<u>—</u>	<u>2,254</u>	<u>882</u>	<u>18,288</u>
For the year ended 31 December 2009						
Opening net carrying amount	14,615	537	—	2,254	882	18,288
Additions	2,397	—	52,920	—	—	55,317
Arising from discontinued operations (<i>Note 29</i>)	(30)	—	—	—	—	(30)
Depreciation	<u>(8,403)</u>	<u>(277)</u>	<u>(350)</u>	<u>(1,131)</u>	<u>(460)</u>	<u>(10,621)</u>
Closing net carrying amount	<u>8,579</u>	<u>260</u>	<u>52,570</u>	<u>1,123</u>	<u>422</u>	<u>62,954</u>
As at 31 December 2009						
Cost	37,378	537	52,920	5,057	882	96,774
Accumulated depreciation	<u>(28,799)</u>	<u>(277)</u>	<u>(350)</u>	<u>(3,934)</u>	<u>(460)</u>	<u>(33,820)</u>
Net carrying amount	<u>8,579</u>	<u>260</u>	<u>52,570</u>	<u>1,123</u>	<u>422</u>	<u>62,954</u>

11 INTERESTS IN LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
In Hong Kong held on:			
Leases of over 50 years	—	—	—
Leases of between 10 to 50 years	<u>—</u>	<u>—</u>	<u>291,765</u>
	<u>—</u>	<u>—</u>	<u>291,765</u>
As at 1 January	—	—	—
Additions	<u>—</u>	<u>—</u>	<u>291,765</u>
As at 31 December	<u>—</u>	<u>—</u>	<u>291,765</u>

12 INTANGIBLE ASSETS

	Trading rights <i>HK\$'000</i>	Club membership <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2007			
Opening net book amount	5,008	910	5,918
Impairment loss	<u>(3,095)</u>	<u>—</u>	<u>(3,095)</u>
Closing net book amount	<u>1,913</u>	<u>910</u>	<u>2,823</u>
As at 31 December 2008 and 2009			
Opening net book amount	<u>1,913</u>	<u>910</u>	<u>2,823</u>
Closing net book amount	<u>1,913</u>	<u>910</u>	<u>2,823</u>

As at 31 December 2007, 2008 and 2009, the Group had three trading rights in The Stock Exchange of Hong Kong Limited and one trading right in the Hong Kong Futures Exchange Limited.

13 OTHER ASSETS

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Deposits with The Stock Exchange of Hong Kong Limited:			
- Compensation fund	150	150	150
- Fidelity Fund	150	150	150
- Stamp duty deposit	500	500	500
Admission fee paid to Hong Kong Securities Clearing Company Limited	150	150	150
Guarantee fund paid to Hong Kong Securities Clearing Company Limited	470	500	340
Deposit with HKFE Clearing Corporation Limited	1,500	1,500	1,500
Funds deposits with the Securities and Futures Commission	50	50	50
	<u>2,970</u>	<u>3,000</u>	<u>2,840</u>

The carrying amounts of the Group's other assets approximate to their fair values.

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$000
Prepayments, utility and other deposits	9,173	9,237	6,760
Other receivables	4,430	1,412	343
Total	<u>13,603</u>	<u>10,649</u>	<u>7,103</u>

The carrying amounts of the Group's prepayments, deposits and other receivables approximate to their fair values.

15 AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Beginning of year	31,697	62,771	12,987
Purchase during the year	25,000	7,500	—
Disposal during the year	—	(37,682)	—
Change in fair value during the year	6,074	(19,602)	3,712
Disposal of discontinued operations (<i>Note 29</i>)	—	—	(16,699)
	<u>62,771</u>	<u>12,987</u>	<u>—</u>
Investments in unlisted funds, at fair value	<u>62,771</u>	<u>12,987</u>	<u>—</u>

The investments within the above unlisted fund investments, which were designated as available-for-sale investments, mainly consist of public traded equities listed mainly in Hong Kong and China.

There had been a significant decline in the market value of the equity investments during the year ended 31 December 2008. The directors consider that such a decline indicates that the unlisted fund investments had been impaired. An impairment loss of HK\$4,417,000 was transferred from the available-for-sale investment revaluation reserve and recognised in the combined income statement for the year ended 31 December 2008.

16 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Following a plan to divest an investment fund managed and held by the Group, the assets and liabilities of the investment fund have been classified and presented as held for sale and carried at the lower of their carrying amounts and fair value less costs to sell except for financial assets at fair value through profit and loss.

Their carrying values are recovered principally through sale transactions rather than through continuing use in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations”.

Details of assets and liabilities classified as held for sale were as follows:

(a) **Assets classified as held for sale**

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss	—	7,755	—
Cash and bank balances	—	2,006	—
Other current assets	—	370	—
	<u>—</u>	<u>10,131</u>	<u>—</u>

(b) **Liabilities classified as held for sale**

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other liabilities	—	100	—
	<u>—</u>	<u>100</u>	<u>—</u>

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets held for trading:			
Listed equity investments, at fair value			
- in Hong Kong	206,028	134,674	92,567
- in Korea	—	29	—
- in China	87,708	15,382	—
Financial assets designated at fair value through profit or loss:			
- investment in an unlisted fund	8,286	6,880	—
	<u>302,022</u>	<u>156,965</u>	<u>92,567</u>

18 CASH AND BANK BALANCES AND CLIENT TRUST BANK BALANCES

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	59,180	55,374	290,284
Fixed deposits with bank	523,309	531,153	170,000
Client trust bank balances	<u>4,593,060</u>	<u>4,175,794</u>	<u>5,679,243</u>
	<u>5,175,549</u>	<u>4,762,321</u>	<u>6,139,527</u>

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations under the Hong Kong Securities and Futures Ordinance.

For the purposes of the combined cash flow statements, cash and cash equivalents comprises of the following:

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	59,180	55,374	290,284
Fixed deposits with bank with original maturity within three months	<u>523,309</u>	<u>531,153</u>	<u>170,000</u>
	<u>582,489</u>	<u>586,527</u>	<u>460,284</u>

19 ACCOUNTS PAYABLE

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Accounts payable to:			
- Clients	4,679,676	4,416,762	5,873,961
- Brokers, dealers and clearing houses	171,899	22,548	81,254
- Others	<u>—</u>	<u>24,070</u>	<u>—</u>
	<u>4,851,575</u>	<u>4,463,380</u>	<u>5,955,215</u>

The majority of the accounts payable balances is repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The Group has a practice to satisfy all the requests for payment immediately within 1 business day. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of these businesses.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of HK\$4,593 million, HK\$4,176 million and HK\$5,679 million as at 31 December 2007, 2008 and 2009 respectively.

Accounts payable are non interest bearing except for the accounts payable to the clients.

The carrying amounts of the Group's accounts payable approximate to their fair values.

20 OTHER PAYABLES AND ACCRUED LIABILITIES

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Other payables	14,846	10,689	47,554
Accrued liabilities	<u>135,617</u>	<u>50,870</u>	<u>90,797</u>
	<u>150,463</u>	<u>61,559</u>	<u>138,351</u>

Other payables and accrued liabilities are non interest bearing and have an average term of three months.

The carrying amounts of the Group's other payables and accrued liabilities approximate to their fair values.

21 BANK BORROWINGS

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Total unsecured bank borrowings	<u>500,000</u>	<u>—</u>	<u>500,000</u>

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the respective balance dates are as follows:

	As at 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
6 months or less	<u>500,000</u>	<u>—</u>	<u>500,000</u>

The Group's bank borrowings bear interest at Hong Kong Interbank Offered Rate plus 1% per annum at each balance sheet date.

The carrying amounts of bank borrowings approximate their fair values as the impact to discounting is not significant.

As at 31 December 2007, 2008 and 2009, the Group's revolving credit facilities amounting to HK\$700 million.

22 NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATION RIGHTS

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of year	118,411	192,708	81,462
Issuance of redeemable participation shares during the year	51,907	200	—
Profit/(loss) attributable to minority investors of an investment fund (<i>Note 9</i>)	42,655	(109,767)	89,760
Redemption of redeemable participation shares during the year	(20,265)	(1,679)	—
Disposal of discontinued operations (<i>Note 29</i>)	<u>—</u>	<u>—</u>	<u>(171,222)</u>
	<u>192,708</u>	<u>81,462</u>	<u>—</u>

23 SHARE CAPITAL

As the Reorganisation was not completed as of 31 December 2009, the share capital balances as presented in the combined balance sheets as at 31 December 2007, 2008 and 2009 represent the issued share capital of Guotai Junan (Hong Kong) Limited, a wholly-owned subsidiary which was the then holding company of all the other subsidiaries of the Group at each balance sheet date.

On 8 March 2010, the Company was incorporated with limited liability in Hong Kong with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares of par value of HK\$0.10 each.

24 OPERATING LEASE ARRANGEMENTS

Leases for the properties are negotiated for a term of one to three-year periods.

At 31 December 2007, 2008 and 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Within one year	14,434	14,738	5,527
In the second to fifth years, inclusive	<u>27,633</u>	<u>12,895</u>	<u>767</u>
	<u>42,067</u>	<u>27,633</u>	<u>6,294</u>

25 DIVIDEND

The dividend paid by Guotai Junan (Hong Kong) Limited to GJFHL in 2007, 2008 and 2009 were Nil, Nil and HK\$150,000,000 respectively. The directors did not recommend the payment of a final dividend for the years ended 31 December 2007, 2008 and 2009. The rates for dividend and the number of shares ranking for dividend are not presented as such information is not meaningful for the purpose of this report.

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Dividend paid to GJFHL	<u>—</u>	<u>—</u>	<u>150,000</u>

26 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The Company was incorporated on 8 March 2010. The emoluments of every Director of the Company paid/payable by the Group for the years ended 31 December 2007, 2008 and 2009 are set out below:

For the year ended 31 December 2007

Name of Director	Director fee <i>HK\$'000</i>	Salary and commission <i>HK\$'000</i>	Employer's	Discretionary bonuses <i>HK\$'000</i>	Other benefits <i>HK\$'000</i>	Total <i>HK\$'000</i>
			contribution to pension scheme <i>HK\$'000</i>			
<i>Executive Directors:</i>						
Yim Fung	—	1,350	12	21,607	5,016	27,985
Wong Tung Ching	—	1,125	12	2,300	—	3,437
Li Guangjie	—	957	12	2,300	—	3,269
Li Sang, Edward	—	729	8	970	—	1,707
<i>Non-executive Directors:</i>						
Chen Geng	—	—	—	—	—	—
Tsang Yiu Keung*	—	—	—	—	—	—
Song Ming*	—	—	—	—	—	—
Fu Tingmei*	—	—	—	—	—	—
	—	4,161	44	27,177	5,016	36,398

For the year ended 31 December 2008

Name of Director	Director fee HK\$'000	Salary and commission HK\$'000	Employer's contribution			Total HK\$'000
			to pension scheme HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	
<i>Executive Directors:</i>						
Yim Fung	—	1,436	12	8,897	2,459	12,804
Wong Tung Ching	—	2,196	12	600	—	2,808
Li Guangjie	—	1,030	12	900	—	1,942
Li Sang, Edward	—	1,152	12	800	—	1,964
<i>Non-executive Directors:</i>						
Chen Geng	—	—	—	—	—	—
Tsang Yiu Keung*	—	—	—	—	—	—
Song Ming*	—	—	—	—	—	—
Fu Tingmei*	—	—	—	—	—	—
	—	5,814	48	11,197	2,459	19,518

For the year ended 31 December 2009

Name of Director	Director fee HK\$'000	Salary and commission HK\$'000	Employer's contribution			Total HK\$'000
			to pension scheme HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	
<i>Executive Directors:</i>						
Yim Fung	—	1,485	12	17,581	4,235	23,313
Wong Tung Ching	—	1,241	12	3,200	—	4,453
Li Guangjie	—	1,065	12	2,200	—	3,277
Li Sang, Edward	—	1,248	12	1,600	—	2,860
<i>Non-executive Directors:</i>						
Chen Geng	—	—	—	—	—	—
Tsang Yiu Keung*	—	—	—	—	—	—
Song Ming*	—	—	—	—	—	—
Fu Tingmei*	—	—	—	—	—	—
	—	5,039	48	24,581	4,235	33,903

* Independent Non-executive Directors

During the Relevant Periods, no directors, supervisors or senior management of the Company waived any emoluments and no emolument were paid by the Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) **Five highest paid individuals**

The five highest paid employees during the year included one director for the year ended 2007, 2008 and 2009, details of whose remuneration are set out in note 26(a) above. Details of the remuneration of the remaining four non-directors, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salary and commission	37,705	24,592	32,796
Employer's contribution to pension scheme	48	48	48
Discretionary bonuses	<u>5,570</u>	<u>12,374</u>	<u>1,800</u>
	<u>43,323</u>	<u>37,014</u>	<u>34,644</u>

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

The emoluments of the remuneration highest-paid individuals of the Group fall within the following bands:

Emolument bands	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
- HK\$5,000,001 to HK\$5,500,000	—	—	1
- HK\$6,500,001 to HK\$7,000,000	—	—	1
- HK\$7,000,001 to HK\$7,500,000	—	1	—
- HK\$8,500,001 to HK\$9,000,000	2	1	—
- HK\$9,500,001 to HK\$10,000,000	—	1	—
- HK\$11,000,001 to HK\$11,500,000	—	1	2
- HK\$11,500,001 to HK\$12,000,000	1	—	—
- HK\$14,000,001 to HK\$14,500,000	<u>1</u>	<u>—</u>	<u>—</u>
	<u>4</u>	<u>4</u>	<u>4</u>

27 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1 above.

28 CASH FLOWS FROM OPERATING ACTIVITIES

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities (for continuing and discontinued operations)			
Profit before income tax	461,739	127,079	329,310
Adjustments for:			
Depreciation	3,654	9,449	10,621
Finance costs	139,890	19,747	5,168
Write-back of provision for accounts receivable	(12,519)	(6,244)	(1,847)
Realised loss/(gain) on available-for-sale investments	—	2,118	(3,616)
Impairment of available-for-sale investments	—	4,417	—
Impairment loss on trading rights	3,095	—	—
Loss/(gain) on re-measurement of assets/liabilities classified as held for sale	—	9,969	(5,687)
Foreign exchange gains on operating activities	—	—	(335)
	<u>595,859</u>	<u>166,535</u>	<u>333,614</u>
(Increase)/decrease in financial assets at fair value through profit or loss	(108,746)	145,057	(186,612)
Decrease/(increase) in other assets	179	(30)	160
(Increase)/decrease in accounts receivable	(544,178)	436,133	(521,390)
(Increase)/decrease in prepayments, deposits and other receivables	(3,145)	2,954	1,539
(Increase)/decrease in client trust bank balances	(3,214,274)	417,266	(1,503,449)
Decrease in amount due to fellow subsidiaries	(2,577)	—	(4,424)
Decrease in amounts due from ultimate holding company	—	—	880
Decrease in amounts due from fellow subsidiaries	—	—	96,243
Increase in amount due from immediate holding company	(30)	(59)	(270)
Increase/(decrease) in accounts payable	3,353,955	(388,195)	1,498,952
Increase/(decrease) in other payables and accrued liabilities	92,833	(88,904)	78,043
Increase/(decrease) in net assets attributable to redeemable participation rights	<u>74,297</u>	<u>(111,246)</u>	<u>89,760</u>

	Year ended 31 December		
	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000
Cash generated from/(used in) operations	244,173	579,511	(116,954)
Interest paid	(133,015)	(19,747)	(5,168)
Hong Kong profits tax paid	<u>(29,492)</u>	<u>(64,426)</u>	<u>(25,946)</u>
Net cash inflow/(outflow) from operating activities	<u>81,666</u>	<u>495,338</u>	<u>(148,068)</u>
Cash flows from operating activities included:			
- Interest received	240,761	136,990	71,844
- Dividend received	<u>23,357</u>	<u>3,755</u>	<u>4,223</u>

29 DISPOSAL OF DISCONTINUED OPERATIONS

The details of assets and liabilities disposed and the disposal consideration are as follows:

	As at 30 October 2009 HK\$'000
Office equipment	30
Available-for-sale investments	16,699
Accounts receivable	9,796
Prepayments, deposits and other receivables	2,007
Assets classified as held for sale	8,449
Financial assets at fair value through profit or loss	251,010
Cash and bank balances	36,652
Accounts payable	(7,117)
Amount due to the fellow subsidiaries	(95,655)
Net assets attributable to redeemable participation rights	(171,222)
Liabilities classified as held for sale	(494)
Current income tax liabilities	(1,108)
Other payables and accrued liabilities	<u>(1,251)</u>
Total consideration paid	<u>47,796</u>
Net cash inflow arising on disposal:	
Cash consideration	47,796
Bank balances and cash disposed of	<u>(36,652)</u>
	<u>11,144</u>

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) In addition to the transactions and balances set out elsewhere in the Financial Information, the Group had the following material transactions with related parties during the year.

	Note	Year ended 31 December		
		2007	2008	2009
		HK\$'000	HK\$'000	HK\$'000
<i>Continuing transactions</i>				
Commission expenses to the ultimate holding company	(i)	23,551	6,685	4,628
Consultancy fee paid to a fellow subsidiary	(ii)	6,100	8,600	8,800
Management fee received from investment funds managed by the Group and controlled by GJFHL	(iii)	4,600	5,676	5,329
Performance fee received from investment funds managed by the Group and controlled by GJFHL	(iv)	46,842	—	821
Commission income from investment funds managed by the Group and controlled by GJFHL; and key management personnel of the Group	(v)	<u>2,199</u>	<u>1,936</u>	<u>2,102</u>

Notes:

- (i) Commission expenses to the ultimate holding company was calculated based on 60% for the period from 1 January 2007 to 7 June 2008 and 30% for the period from 8 June 2008 onwards of commission income earned from clients trading Shenzhen and Shanghai B shares.
- (ii) Consultancy fee for the provision of the capital market information was charged at HK\$300,000 per month for the year ended 31 December 2007 and HK\$400,000 per month for the years ended 31 December 2008 and 2009 while for the provision of promotional services in relation to the IPO projects was charged at HK\$2,500,000, HK\$3,800,000 and HK\$4,000,000 for the years ended 31 December 2007, 2008 and 2009 respectively.
- (iii) Management fee income received from investment funds managed by the Group and controlled by GJFHL were charged at 1.25% to 1.5% per annum of the net asset value of the related investment funds at the last working day of each month for the years ended 31 December 2007, 2008 and 2009 respectively.
- (iv) Performance fee income received from investment funds managed by the Group and controlled by GJFHL were charged at 20% of the positive increment in the net asset value of the related investment funds over its high water mark at the relevant performance period for the years ended 31 December 2007, 2008 and 2009.

- (v) Commission income received from the investment funds managed by the Group and controlled by GJFHL and key management personnel of the Group were charged at respective percentage, based on the signed agreements of the transaction value of security trading of the investment funds and key management personnel of the Group conducted through the Group for the years ended 31 December 2007, 2008 and 2009 respectively.
- (vi) Included in the Group's accounts payable is a broker payable due to the ultimate holding company of HK\$51,297,000, HK\$18,249,000 and HK\$37,530,000 arising from the dealing in securities as at 31 December 2007, 2008 and 2009 respectively. The balance is unsecured, interest-free and payable on the settlement day under the relevant market practices.
- (vii) Included in the Group's accounts receivable is a broker receivable due from the ultimate holding company of HK\$38,325,000, HK\$38,768,000 and HK\$40,034,000 arising from the dealing in securities as at 31 December 2007, 2008 and 2009 respectively. The credit terms provided to the ultimate holding company are consistent with the practice of the securities dealing industry. The balance is unsecured, interest-free and payable on the settlement day under the relevant market practices.
- (viii) Included in the accounts receivable are management fee receivables due from investment funds managed by the Group and controlled by GJFHL of HK\$95,000, HK\$339,000 and HK\$1,562,000 arising from the provision of investment management services as at 31 December 2007, 2008 and 2009 respectively. The balances are unsecured, interest-free and receivable monthly in arrears.
- (ix) Included in the client trust bank balance is deposit from key management personnel of the Group of HK\$110,000 arising from ordinary course of business as at 31 December 2007.
- (b) The carrying amount of the Group's balances with its ultimate holding company, immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand. The carrying amount approximates to its fair value as at each balance sheet date.
- (c) The remuneration of the key management personnel of the Group was as follows:

	Year ended 31 December		
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salary and commission	5,301	7,026	6,296
Employer's contribution to pension scheme	56	60	60
Discretionary bonuses	29,477	12,097	26,581
Other benefits	<u>5,016</u>	<u>2,459</u>	<u>4,235</u>
	<u>39,850</u>	<u>21,642</u>	<u>37,172</u>

31 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group's Financial Information and its financial result are influenced by accounting policies, assumptions, estimates and management judgement which necessarily have to be made in the course of preparation of the Financial Information.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality in amount and are discussed below.

(i) Taxes

Significant judgement is required in determining the provisions for income and other taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Estimation of realisability of deferred tax assets

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. As those deferred tax assets on tax losses can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

As at 31 December 2007, 2008 and 2009, the Group has not recognised deferred tax on tax losses of approximately HK\$25 million, HK\$110 million and HK\$49 million respectively arising from the subsidiaries of the Group which management consider that it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arise against which the unused tax losses can be utilized in the near future. Should the Group considered these subsidiaries can generate available future taxable profit to fully utilise the deferred tax benefit, the Group would recognise deferred tax assets of approximately HK\$4.3 million, HK\$18 million and HK\$8 million as at 31 December 2007, 2008 and 2009 respectively.

(iii) Impairment allowances on loans and receivables

The Group reviews its loans and accounts receivable to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Group. Management use estimates based on historical loss experience when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where the expectation is different from the original estimate, such difference will affect the carrying value of loans and receivables and thus impairment charge in the period in which such estimate is changed.

(iv) Impairment of available-for-sale investments

The Group follows the guidance of HKAS 39 to determine when available-for-sale investments are impaired. This determination requires judgment. In making this judgment, the Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

32 SUBSEQUENT EVENTS

Apart from those disclosed in Note 1, the Group had no material events for disclosure after the balance sheet date and up to the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 31 December 2009 and up to the date of this report. No dividend or other distribution had been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2009.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 December 2009 as if the Global Offering had taken place on 31 December 2009 assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2009 or at any future dates following the Global Offering. It is prepared based on the combined net assets of the Group as at 31 December 2009 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2009	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on an Offer Price of HK\$3.88 per Share	<u>1,177,946</u>	<u>1,500,122</u>	<u>2,678,068</u>	<u>1.63</u>
Based on an Offer Price of HK\$5.63 per Share	<u>1,177,946</u>	<u>2,180,968</u>	<u>3,358,914</u>	<u>2.05</u>

Notes:

- (1) The audited combined net tangible assets attributable to the equity holders of the Company as at 31 December 2009 is extracted from the Accountant's Report set out in Appendix I to this Prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 December 2009 of approximately HK\$1,180,769,000 with an adjustment for the intangible assets as at 31 December 2009 of approximately HK\$2,823,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer price of HK\$3.88 and HK\$5.63 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,640,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2009 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.
- (4) The Group's land use rights and buildings interests as at 31 May 2010 were revalued by Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III — Property Valuation. The net revaluation deficit, representing the shortfall of market value of the land use rights and buildings over their book value, is approximately HK\$3,509,000. Such revaluation deficit has not been included in the Group's combined financial information as at 31 December 2009. The above adjustment does not take into account the above revaluation deficit. Had the land use rights and buildings been stated at such valuation, the depreciation charged against the combined income statement per annum would decrease by approximately HK\$95,000.
- (5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2009.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Guotai Junan International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 25 June 2010 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 31 December 2009 with the Accountant’s Report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 December 2009 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 June 2010

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Valuation Advisory Services (HK) Limited, an independent valuer, in connection with its valuation as at 31 May 2010 of the property interests of the Group.

25 June 2010

Cushman & Wakefield Valuation Advisory Services (HK) Limited

6/F Henley Building

5 Queen's Road Central, Hong Kong

Tel: (852) 2956 3888

Fax: (852) 2956 2323

www.cushmanwakefield.com



The Board of Directors

Guotai Junan International Holdings Limited

27th Floor, Low Block

Grand Millennium Plaza

No. 181 Queen's Road Central

Hong Kong

Dear Sirs,

Preliminary

In accordance with your instructions to value the properties in which Guotai Junan International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong. We confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 May 2010 (the "date of valuation").

Basis of Valuation

Our valuations of the property interests represent the "market value" which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

The valuation has been prepared in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by The Royal Institution of Chartered Surveyors and effective from 1 January 2008; and The HKIS Valuation Standards on Properties (2005, First Edition) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Valuation Assumptions

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Site Inspection

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

Valuation Methodology

We have valued the property interests in Group I by the direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

We have valued the property interests in Group II by the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised into the values at appropriate capitalisation rates.

We have attributed no commercial value to the property interests in Group III, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, identification of the properties and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title Investigations

We have been, in some instances, provided by the Group with extracts of the title documents and have caused searches to be made at the Hong Kong Land Registry. Where possible, we have searched the original documents to verify the existing titles to the property interests in Groups I and II and any material encumbrances that might be attached to the properties or any lease amendments which may not appear on the copies handed to us.

Currency & Exchange Rate

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollars (HK\$).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,

for and on behalf of

Cushman & Wakefield Valuation Advisory Services (HK) Limited

Vincent K. C. Cheung

Registered Professional Surveyor (GP)

BSc(Hons) MBA MRICS MHKIS

Director

Note: Mr. Vincent K. C. Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with over 12 years' experience in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Mr. Cheung is a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. Mr. Cheung is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

No. Property	Market Value in existing state as at 31 May 2010 <i>HK\$</i>	Interest attributable to the Group	Market Value in existing state as at 31 May 2010 attributable to the Group <i>HK\$</i>
1. Office Unit on 27th Floor & Office Unit 2803-06 on 28th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong	266,300,000	100%	266,300,000
2. Car Parking Space No. 315 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	1,300,000	100%	1,300,000
Sub-total:	<u>267,600,000</u>		<u>267,600,000</u>

**GROUP II — PROPERTY INTERESTS TO BE VACATED AND FOR FUTURE OWNER
OCCUPATION BY THE GROUP IN HONG KONG**

No.	Property	Market Value in existing state as at 31 May 2010 <i>HK\$</i>	Interest attributable to the Group	Market Value in existing state as at 31 May 2010 attributable to the Group <i>HK\$</i>
3.	Office Unit 2801-02 on 28th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong	65,500,000	100%	65,500,000
4.	Car Parking Space No. 316 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	1,300,000	100%	1,300,000
5.	Car Parking Space No. 317 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	1,300,000	100%	1,300,000
6.	Car Parking Space No. 320 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong	1,300,000	100%	1,300,000
	Sub-total:	<u>69,400,000</u>		<u>69,400,000</u>

GROUP III — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

No. Property	Market Value in existing state as at 31 May 2010 HK\$	Interest attributable to the Group	Market Value in existing state as at 31 May 2010 attributable to the Group HK\$
7. Office Unit 2601-03 on 26th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong	No commercial value	N/A	Nil
8. Office Unit 2606 on 26th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong	No commercial value	N/A	Nil
9. Suite 1503 GardenEast No. 222 Queen's Road East Wanchai Hong Kong	No commercial value	N/A	Nil
Sub-total:	Nil		Nil
Grand-total:	<u>337,000,000</u>		<u>337,000,000</u>

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS OWNED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
1. Office Unit on 27th Floor & Office Unit 2803-06 on 28th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong 1,064 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911 (Re: 27th Floor of Low Block); 1,064 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911 (Re: 28th Floor of Low Block)	The property comprises the entire level of Level 27 and a portion of Level 28 within a 29-storey office tower (plus a basement level) known as "Low Block" of Grand Millennium Plaza, which was completed in about 1998. The total gross floor area of the property is approximately 23,601 square feet. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group for office purposes.	266,300,000 (100% interest attributable to the Group: HK\$266,300,000)

Notes:-

- The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
- The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.
- The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.
- The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.

5. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
6. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
7. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
2. Car Parking Space No. 315 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong 13 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911	The property comprises a carparking space on Level 3 of a 50-storey office tower known as "High Block" of Grand Millennium Plaza, which was completed in about 1998. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently occupied by the Group for carparking purposes.	1,300,000 (100% interest attributable to the Group: HK\$1,300,000)

Notes:-

1. The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
2. The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.
3. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.
4. The subject building is subject to a Consent to Assign registered vide Memorial No. UB7486508 dated 5 November 1997.
5. The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.
6. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
7. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
8. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS TO BE VACATED AND FOR FUTURE OWNER OCCUPATION BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
3. Office Unit 2801-02 on 28th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong 1,064 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911 (Re: 28th Floor of Low Block)	The property comprises two office units of Level 28 within a 29-storey office tower (plus a basement level) known as "Low Block" of Grand Millennium Plaza, which was completed in about 1998. The total gross floor area of the property is approximately 5,559 square feet. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently leased to an independent third party subject to a monthly rent of HK\$282,315.20 exclusive of rates, management fee and air-conditioning charges. As advised by the Group, the property will be revoked for owner occupation after the expiry of existing lease term.	65,500,000 (100% interest attributable to the Group: HK\$65,500,000)

Notes:-

1. The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
2. Pursuant to a tenancy agreement entered into between Millennium (BVI) No. 2 Limited (the former owner of the property) and EBay International Hong Kong Limited ("tenant") dated 11 September 2007, the property was leased to the tenant for a term of three years commencing on 24 December 2007 and expiring on 23 December 2010 (both days inclusive), at a monthly rent of HK\$282,315.20 exclusive of rates, management fee and air-conditioning charges.
3. Pursuant to the Assignment mentioned in Note 1 above, the property was assigned by Millennium (BVI) No. 2 Limited to Guotai Junan (Hong Kong) Limited subject to, *inter alia*, the tenancy agreement mentioned in Note 2 above. Guotai Junan (Hong Kong) Limited shall solely be responsible for observing and performing all the terms and conditions of the aforesaid tenancy agreement.
4. The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.

5. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited (“The Manager”) registered vide Memorial No. UB7369240 dated 19 November 1997.
6. The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.
7. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
8. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
9. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
4. Car Parking Space No. 316 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong 13 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911	The property comprises a carparking space on Level 3 of a 50-storey office tower known as "High Block" of Grand Millennium Plaza, which was completed in about 1998. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently licensed to an independent third party subject to a monthly licence fee of HK\$4,000 inclusive of rates and management fee. As advised by the Group, the property will be revoked for owner occupation after the expiry of existing licence term.	1,300,000 (100% interest attributable to the Group: HK\$1,300,000)

Notes:-

1. The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
2. Pursuant to a license agreement entered into between Millennium (BVI) No. 2 Limited (the former owner of the property) and Blue Moon Group Limited ("licensee") dated 11 June 2009, the property was licensed to the licensee for a term commencing on 1 June 2009 (unless and until the agreement is otherwise determined according to the terms of the agreement), subject to a licence fee of HK\$4,000 per month inclusive of rates and management fee.
3. Pursuant to the Assignment mentioned in Note 1 above, the property was assigned by Millennium (BVI) No. 2 Limited to Guotai Junan (Hong Kong) Limited subject to, *inter alia*, the license agreement mentioned in Note 2 above. Guotai Junan (Hong Kong) Limited shall solely be responsible for observing and performing all the terms and conditions of the aforesaid license agreement which is to be observed and performed by the licensor.
4. The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.
5. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.

6. The subject building is subject to a Consent to Assign registered vide Memorial No. UB7486508 dated 5 November 1997.
7. The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.
8. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
9. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
10. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
5. Car Parking Space No. 317 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong 13 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911	The property comprises a carparking space on Level 3 of a 50-storey office tower known as "High Block" of Grand Millennium Plaza, which was completed in about 1998. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently licensed to an independent third party subject to a monthly licence fee of HK\$4,000 inclusive of rates and management fee. As advised by the Group, the property will be revoked for owner occupation after the expiry of existing licence term.	1,300,000 (100% interest attributable to the Group: HK\$1,300,000)

Notes:-

1. The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
2. Pursuant to a license agreement entered into between Millennium (BVI) No. 2 Limited (the former owner of the property) and CITIC Guo Hua International Contracting (Overseas) Limited ("licensee") dated 1 October 2003, the property was licensed to the licensee for a term commencing on 1 October 2003 (unless and until the agreement is otherwise determined according to the terms of the agreement), subject to a licence fee of HK\$4,000 per month inclusive of rates and management fee.
3. Pursuant to the Assignment mentioned in Note 1 above, the property was assigned by Millennium (BVI) No. 2 Limited to Guotai Junan (Hong Kong) Limited subject to, *inter alia*, the license agreement mentioned in Note 2 above. Guotai Junan (Hong Kong) Limited shall solely be responsible for observing and performing all the terms and conditions of the aforesaid license agreement which is to be observed and performed by the licensor.
4. The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.
5. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.

6. The subject building is subject to a Consent to Assign registered vide Memorial No. UB7486508 dated 5 November 1997.
7. The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.
8. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
9. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
10. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
6. Car Parking Space No. 320 on 3rd Floor High Block (Cosco Tower) Grand Millennium Plaza No. 183 Queen's Road Central and No. 33 Wing Lok Street Hong Kong 13 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911	The property comprises a carparking space on Level 3 of a 50-storey office tower known as "High Block" of Grand Millennium Plaza, which was completed in about 1998. The subject lot is held under Conditions of Exchange No. UB12479 for a term commencing on 25 June 1997 and expiring on 30 June 2047. The current government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is currently licensed to an independent third party subject to a monthly licence fee of HK\$4,000 inclusive of rates and management fee. As advised by the Group, the property will be revoked for owner occupation after the expiry of existing licence term.	1,300,000 (100% interest attributable to the Group: HK\$1,300,000)

Notes:-

1. The registered owner of the property is Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company, registered vide Memorial No. 09110901080029 dated 15 October 2009. The consideration of the property was HK\$332,074,080 (part).
2. Pursuant to a license agreement entered into between Millennium (BVI) No. 2 Limited (the former owner of the property) and Hung Sing Securities Limited ("licensee") dated 29 August 2009, the property was licensed to the licensee for a term commencing on 25 August 2009 (unless and until the agreement is otherwise determined according to the terms of the agreement), subject to a licence fee of HK\$4,000 per month inclusive of rates and management fee.
3. Pursuant to the Assignment mentioned in Note 1 above, the property was assigned by Millennium (BVI) No. 2 Limited to Guotai Junan (Hong Kong) Limited subject to, *inter alia*, the license agreement mentioned in Note 2 above. Guotai Junan (Hong Kong) Limited shall solely be responsible for observing and performing all the terms and conditions of the aforesaid license agreement which is to be observed and performed by the licensor.
4. The subject development is subject to a Deed Poll (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7369238 dated 19 November 1997.
5. The subject development is subject to a Deed of Mutual Covenant and Management Agreement in favour of Urban Property Management Limited ("The Manager") registered vide Memorial No. UB7369240 dated 19 November 1997.

6. The subject building is subject to a Consent to Assign registered vide Memorial No. UB7486508 dated 5 November 1997.
7. The subject development is subject to an Occupation Permit (No. H18/98) registered vide Memorial No. UB7486509 dated 26 March 1998.
8. The subject development is subject to a Deed of Dedication registered vide Memorial No. UB7565328 dated 26 March 1998.
9. The subject development is subject to a Modification Letter (Re: Section A, B, C, & R.P. of Inland Lot No. 8911) registered vide Memorial No. UB7565329 dated 29 August 1998.
10. The subject development is subject to a Deed of Grant of Easements registered vide Memorial No. UB7592827 dated 25 September 1998.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
7. Office Unit 2601-03 on 26th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong	<p>The property comprises three office units of Level 26 within a 29-storey office tower (plus a basement level) known as "Low Block" of Grand Millennium Plaza, which was completed in about 1998.</p> <p>The total gross floor area of the property is approximately 8,112 square feet.</p>	The property is currently occupied by the Group for office purposes.	No commercial value
1,145 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911 (Re: 26th Floor of Low Block)	The property is leased by Guotai Junan (Hong Kong) Limited from an independent third party for a term commencing on 16 October 2009 and expiring on 15 March 2011 at a monthly rent of HK\$275,808 exclusive of rates, management fee and air-conditioning charges.		

Note:-

- Pursuant to a tenancy agreement entered into between Millennium (BVI) No. 2 Limited ("landlord") and Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company ("tenant"), dated 15 October 2009, the property was leased to the tenant for a term commencing on 16 October 2009 and expiring on 15 March 2011 at a monthly rent of HK\$275,808 exclusive of rates, management fee and air-conditioning charges.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 HK\$
8. Office Unit 2606 on 26th Floor Low Block Grand Millennium Plaza No. 181 Queen's Road Central Hong Kong 1,145 / 116,009th parts or shares of and in the Remaining Portion of Inland Lot No. 8911 (Re: 26th Floor of Low Block)	The property comprises an office unit of Level 26 within a 29-storey office tower (plus a basement level) known as "Low Block" of Grand Millennium Plaza, which was completed in about 1998. The total gross floor area of the property is approximately 4,118 square feet. The property is leased by Guotai Junan Securities (Hong Kong) Limited from an independent third party for a term commencing on 1 February 2008 and expiring on 15 October 2010 at a monthly rent of HK\$149,895.20 exclusive of rates, management fee and air-conditioning charges.	The property is currently occupied by the Group for office purposes.	No commercial value

Note:-

- Pursuant to a tenancy agreement entered into between Millennium (BVI) No. 2 Limited ("landlord") and Guotai Junan Securities (Hong Kong) Limited, a company which is beneficially held as to 100% by the Company ("tenant"), dated 27 September 2007, the property was leased to the tenant for a term commencing on 1 February 2008 and expiring on 15 October 2010 at a monthly rent of HK\$149,895.20 exclusive of rates, management fee and air-conditioning charges.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2010 <i>HK\$</i>
9. Suite 1503 GardenEast No. 222 Queen's Road East Wanchai Hong Kong (Section G, Sub-section 1 and the Remaining Portion of Section D of Inland Lot No. 427)	<p>The property comprises a residential unit of Level 15 within a 32-storey residential tower known as "GardenEast", which was completed in about 2008.</p> <p>The total gross floor area of the property is approximately 401 square feet.</p> <p>The property is licensed by Guotai Junan (Hong Kong) Limited from an independent third party for a term commencing on 5 August 2009 and expiring on 5 August 2010 at a monthly license fee of HK\$15,300 inclusive of rates, management fee, electricity, water, gas, telephone charge for free local call, broadband internet, Cable TV and maid service provided by the Licensor but exclusive of all other outgoings in non-capital and recurring nature.</p>	<p>The property is currently occupied by the Group for residential purposes.</p>	No commercial value

Notes:-

- Pursuant to a license agreement entered into between Hopewell Real Estate Agency Limited on behalf of GardenEast Limited ("landlord") and Guotai Junan (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company ("licensee"), dated 20 July 2009, the property was licensed to the licensee for a term commencing on 5 August 2009 and expiring on 5 August 2010 at a monthly license fee of HK\$15,300 inclusive of rates, management fee, electricity, water, gas, telephone charge for free local call, broadband internet, Cable TV and maid service provided by the Licensor but exclusive of all other outgoings in non-capital and recurring nature.
- According to our recent title search in the Land Registry, the subject lot has not been sub-divided and the property has not been individually registered.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Our existing Articles of Association were adopted on 19 June 2010. The following is a summary of certain provisions of our Articles of Association. A copy of our Articles of Association is available for inspection at the address specified in the section headed “Documents delivered to the Registrar of Companies and available for inspection” in Appendix VI to this prospectus.

CHANGES IN CAPITAL

Our Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to purchase or otherwise acquire its own shares and warrants including any redeemable shares at any price or to give, directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in our Company and should our Company purchase or otherwise acquire its own shares or warrants neither our Company nor our Board will be required to select the shares or warrants to be purchased or otherwise acquired ratably or in any other particular manner as between the holders of shares or warrants of the same class or as between them and the holders of shares or warrants of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such purchase or other acquisition or financial assistance may only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time in force.

Our Company in general meeting may from time to time, whether or not all the shares for the time being authorised have been issued and whether or not all the shares for the time being issued have been fully paid up, by ordinary resolution increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution prescribes.

Our Company may from time to time by ordinary resolution:

- (i) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (ii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iii) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Ordinance.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Our Company may from time to time by special resolution:

- (i) divide its shares into different classes of shares, subject to the provisions of the Companies Ordinance; and
- (ii) reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised and subject to any conditions prescribed by law.

MODIFICATION OF RIGHTS

All or any of the special rights attached to the shares or any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares (or issued shares of that class if the capital is divided into different classes) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares or at a separate general meeting of the holders of shares of that class (if the capital is divided into different classes). To every such separate general meeting the provisions of the Articles of Association relating to general meetings apply mutatis mutandis, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of the shares of the class present in person or by proxy may demand a poll.

TRANSFERS OF SHARES

All transfers of shares may be effected by transfer in writing in the usual common form or in such other form as our Board may accept and may be under hand only or if the transferor or the transferee is a recognized clearing house, by hand or by machine imprinted signature or such other manner as our Board may resolve.

All instruments of transfer must be left at the registered office of our Company or at such other place as our Board may appoint. The instrument of transfer of any share must be executed by or on behalf of the transferor and transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Our Board may, in its absolute discretion and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien. Our Board may also decline to recognise any instrument of transfer unless:

- (i) a fee not exceeding the maximum fee prescribed or permitted from time to time by the Stock Exchange in the Listing Rules or such lesser sum as our Board may from time to time require is paid to our Company in respect thereof;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

- (ii) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer;
- (iii) the instrument of transfer is in respect of only one class of share;
- (iv) the shares concerned are free of any lien in favour of our Company; and
- (v) the instrument of transfer is properly stamped.

No transfer of share (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

VOTING AT GENERAL MEETINGS

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 115 of the Companies Ordinance has one vote, and on a poll every member present in person or by proxy or being a corporation, by its duly authorised representative has one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share).

A member, being a recognised clearing house within the meaning of the SFO may authorise such person or persons as it thinks fit to act as its representative (or representatives) at any general meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised shall have the same powers on behalf of such clearing house which he represents as that clearing house could exercise as an individual member.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

PROCEDURES FOR DEMANDING VOTING BY POLL

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of the meeting in question;
- (b) by at least three members present in person or by proxy for the time being entitled to vote at the meeting;
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by any member or members present in person or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that rights.

QUALIFICATION OF DIRECTORS

A director of our Company is not required to hold any qualification shares. No person is required to vacate office or ineligible for re-election or re-appointment as a director, and no person is ineligible for appointment as a director, by reason only of his having attained any particular age.

BORROWING POWERS

Our Board may from time to time in its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. Our Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and, in particular by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

DIRECTORS' REMUNERATION AND PENSIONS

The directors of our Company are entitled to receive by way of remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the directors in such proportions and in such manner as our Board may agree, or failing agreement, equally, except that in such event any director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a director who holds any salaried employment or office in our Company except in the case of sums paid in respect of directors' fees.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

The directors are also entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or on the discharge of their duties as directors. Our Board may grant special remuneration to any director who, being called upon, performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such director in addition to or in substitution for his ordinary remuneration as a director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a director appointed to any other office in the management of our Company is fixed from time to time by our Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our Board may from time to time decide. Such remuneration is in addition to his remuneration as a director.

Our Board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the wives, widows, families and dependants of any such persons, and may make payments for or towards the insurance of any such persons. Any director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

DIRECTORS' INTERESTS

Subject to the Companies Ordinance, no director or proposed or intending director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as Selling shareholder, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established, provided that such director shall disclose the nature of his interest in any contract or arrangement in which he is interested at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of our Board after he knows that he is or has become so interested.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

A director may not vote or be counted in the quorum in respect of any contract or arrangement or proposal in which he or his associate(s) is/are materially interested, and if he does so his vote will not be counted, but this prohibition does not apply to:

- (i) the giving of any security or indemnity either (a) to the director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries, or (b) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director or his associate(s) is/are beneficially interested in shares of that company, provided that he and any of his associates is/are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his associate(s) may benefit, or (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors, his associate(s) and employees of our Company or any of its subsidiaries and does not provide in respect of any director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

A director may hold any other office or place of profit with our Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as our Board may determine. A director may also be a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

of or from his interest in such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

A director shall not vote or be counted in the quorum on any resolution of our Board concerning his own appointment as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

In case of any issues of conflict concerning our Company and the controlling shareholder(s) (as defined in the Listing Rules) being decided by our Board, any directors who are also employees or officers of such controlling shareholder(s) may not vote or be counted in the quorum and may not be present at the relevant board meeting.

DIVIDENDS

No dividend shall be payable except out of the profits of our Company. No dividend shall carry interest. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends will be declared and paid according to the amounts paid or credited as paid up on the shares in respect whereof the dividend is paid, but no amount paid up or credited as paid up on a share in advance of calls will for this purpose be treated as paid up on the share. Our Board may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

In respect of any dividend which our Board or our Company in general meeting have resolved that a dividend be paid or declared, our Board may determine (a) that shareholders entitled thereto will receive in lieu of such dividend (or such part thereof as our Board may think fit) an allotment of shares credited as fully paid provided that the shareholders are at the same time accorded the right to elect to receive such dividend (or part thereof as the case may be) in cash in lieu of such allotment, or (b) that the shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit. Our Company may upon the recommendation of our Board by special resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever our Board or our Company in General Meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company will not be constituted as a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and will revert to our Company.

INDEMNITY

Each of the Directors or other officer or auditors of our Company shall be indemnified out of the assets of our Company against all liabilities incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favor or in which he is acquitted or in connection with any application in which relief from liability is granted to him by the court.

Subject to the provisions of the Companies Ordinance, the Directors may exercise all the powers of our Company to purchase and maintain insurance for the benefit of a person who is a director, alternate director, manager, secretary or officer of our Company or the auditors of our Company for the purpose of indemnifying such persons and keeping them indemnified against liability for negligence, default, breach of duty or breach of trust or other liability which may lawfully be insured against by our Company and any liability which may be incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to our Company or a related company.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

We were incorporated in Hong Kong under the Companies Ordinance as a private limited company on 8 March 2010 under the name of Guotai Junan International Holdings Limited (國泰君安國際控股有限公司). Our registered address is at 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

2. Changes in share capital of our Company

- (a) As at the date of our incorporation, our authorised share capital was HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each. One of which was allotted and issued to the subscriber.
- (b) On 8 March 2010, 1 subscriber Share of our Company of HK\$0.10, representing 100% of our issued share capital, was transferred at par value to Guotai Junan (BVI).
- (c) On 14 June 2010, we allotted and issued 999 Shares to Guotai Junan (BVI) pursuant to a share swap agreement entered into among our Company, Guotai Junan Financial Holdings and Guotai Junan (Hong Kong).

Assuming the Global Offering becomes unconditional and immediately following completion of the Global Offering and the Capitalization Issue but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK\$164,000,000 divided into 1,640,000,000 Shares, all fully paid or credited as fully paid, with 8,360,000,000 Shares remaining unissued.

The Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Saved for aforesaid and as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our sole Shareholder passed on 19 June 2010

Pursuant to the written resolutions passed by our sole Shareholder on 19 June 2010:

- (a) our Company approved and adopted the Articles of Association;

- (b) conditional on (i) the listing committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Offer Shares, any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued under the Capitalization Issue and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Lead Managers (on behalf of the Underwriters), Guotai Junan Securities and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreement:
- the Global Offering was approved and the Directors were authorized to approve the same and to allot and issue the Offer Shares;
 - the Over-allotment Option was approved and the Directors were authorized to approve the same and to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
 - the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with the Shares issued pursuant thereunder and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and
 - conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, the Directors were authorised to capitalise the amount of HK\$122,999,900 standing on the credit of the share premium account of our Company to pay up in full at par value 1,229,999,000 Shares for allotment and issue to the person whose name appears on the register of members of our Company at the close of business on 19 June 2010, pro-rata to its existing shareholdings in our Company and the Directors were authorized to effect the same and to allot and issue the Shares pursuant thereto;
- (c) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to the Global Offering or Capitalization Issue) additional Shares with a total nominal amount not exceeding the aggregate of: (1) 20% of the aggregate nominal amount of the share capital of the Company in issue and to be issued immediately following completion of the Global Offering and the Capitalization Issue but without taking into account any Shares which may be issued and allotted upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option

Scheme; and (2) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (d) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10 per cent. of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (but taking into no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above provided that such extended amount shall not exceed 10 per cent. of the aggregate of the total nominal value of the Global Offering and the Capitalization Issue but excluding any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment option and any options that may be granted under the Share Option Scheme.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization to rationalise our Group's structure in preparation for the Listing which involve the following:

- (a) On 3 March 2010, Guotai Junan (BVI) was incorporated with limited liability in BVI with authorized shares of 50,000 shares of no par value. On the same day, the par value of each share of Guotai Junan (BVI) was determined to be US\$1.00, and 1 share was issued and allotted at par to Guotai Junan Financial Holdings.

- (b) On 8 March 2010, our Company was incorporated with limited liability in Hong Kong with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.10 each. On the same day, 1 subscriber Share of our Company of HK\$0.10, representing 100% of our issued share capital, was transferred at par value to Guotai Junan (BVI).
- (c) On 14 June 2010, our Company, Guotai Junan Financial Holdings and Guotai Junan (Hong Kong) entered into a share swap agreement (the “**Share Swap Agreement**”). Pursuant to the Share Swap Agreement, Guotai Junan Financial Holdings transferred 4,100,000 shares, being 100% of the issued share capital in Guotai Junan (Hong Kong) to our Company in consideration and exchange of our Company, at the direction of Guotai Junan Financial Holdings, issuing and allotting 999 Shares at par value to Guotai Junan (BVI) credited as fully paid by an instrument of transfer dated 14 June 2010.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus. The following alternations in the share capital of our subsidiaries have taken place within the two years preceding the date of this prospectus.

Guotai Junan Futures

On 27 October 2008, the authorized share capital of Guotai Junan Futures was increased from HK\$11,500,000 to HK\$50,000,000, and on the same day, 38,500,000 shares of Guotai Junan Futures of HK\$1.00 each were issued and allotted at par value to Guotai Junan (Hong Kong).

Save as disclosed in this prospectus, there has been no alteration in the share capital of any subsidiary of our Company within the two years preceding the date of this prospectus.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities:

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) *Shareholders’ approval*

All proposed repurchases of securities, which must be fully paid up in the case of shares, on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by a specific approval of a particular transaction.

Note:

Pursuant to the written resolutions passed by our sole Shareholder on 19 June 2010, a general unconditional mandate (the “repurchase mandate”) was granted to the Directors authorising them to exercise all powers for and on behalf of our Company to repurchase its Shares on the Stock Exchange, or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10 per cent. of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and under the Share Option Scheme) at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Hong Kong to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the shareholders of our Company in a general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association, the applicable laws of Hong Kong and the Listing Rules. A company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and our Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase the Shares in the market. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

(c) Exercise of the purchase mandate

Exercise in full of the purchase mandate on the basis of 1,640,000,000 Shares in issue immediately after the listing of the Shares (assuming the Over-allotment Option is not exercised and no options granted under the Share Option Scheme are exercised) could accordingly result in up to 164,000,000 Shares being purchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general of our Company is required by the Hong Kong law or the Articles of Association; or (3) the revocation or variation of the purchase mandate by ordinary resolution of the shareholders of our Company in a general meeting, whichever occurs first.

(d) *Funding of repurchases*

Repurchases pursuant to the repurchase mandate would be financed out of funds of our Company legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong. The Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels.

(e) *Director's undertaking*

The Directors have undertaken to the Stock Exchange that, they will exercise the power of our Company to make purchases of our Company's securities in accordance with the Listing Rules, the applicable laws of Hong Kong and the Articles of Association.

(f) *Disclosure of interests*

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, as defined in the Listing Rules, has any present intention to sell any Shares to our Company or our subsidiaries. No connected person, as defined in the Listing Rules, has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

(g) *Takeovers Code consequences*

If, as a result of a securities repurchase pursuant to the repurchase mandate, a shareholder's proportionate interest in the voting rights of the company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of shareholders' interest, could obtain or consolidate control of the company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code if the repurchase mandate is exercised.

The Directors have no present intention to exercise the repurchase mandate to such an extent as would result in takeover obligations under the Takeovers Code.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

- (1) an instrument of transfer dated 11 December 2009, by which Guotai Junan (Hong Kong) Limited transferred 33,500,000 ordinary shares of Guotai Junan Investments (Hong Kong) Limited to Guotai Junan Financial Holdings Limited at a consideration of HK\$47,796,125;
- (2) a bought and sold note dated 11 December 2009, by which Guotai Junan (Hong Kong) Limited transferred 33,500,000 ordinary shares of Guotai Junan Investments (Hong Kong) Limited to Guotai Junan Financial Holdings Limited at a consideration of HK\$47,796,125;
- (3) a share swap agreement dated 14 June 2010 entered into among Guotai Junan Financial Holdings Limited, our Company and Guotai Junan (Hong Kong) Limited, pursuant to which Guotai Junan Financial Holdings Limited transferred 4,100,000 ordinary shares of Guotai Junan (Hong Kong) Limited to our Company in consideration of our Company allotting and issuing the aggregate of 999 new Shares to Guotai Junan Holdings Limited credited as fully paid;
- (4) an instrument of transfer dated 14 June 2010, by which Guotai Junan Financial Holdings Limited transferred 4,100,000 shares of Guotai Junan (Hong Kong) Limited to our Company in consideration of 999 Shares be allotting and issuing to Guotai Junan Holdings Limited;
- (5) a deed of non-competition undertaking (不競爭承諾契約) dated 19 June 2010 executed by 國泰君安證券股份有限公司 (Guotai Junan Securities Co., Ltd.), Guotai Junan Financial Holdings Limited and Guotai Junan Holdings Limited in favour of our Company, for itself and on behalf of all members of our Group;
- (6) a deed of indemnity dated 19 June 2010 given by Guotai Junan Financial Holdings Limited and Guotai Junan Holdings Limited in favour of our Company (for itself and as trustee for other members of our Group) containing the indemnities as referred to in “Other Information — Estate Duty and Tax Indemnity” of this Appendix; and
- (7) the Hong Kong Underwriting Agreement.


2. Intellectual property rights of our Group

(a) Trademarks


As at the Latest Practicable Date, our Group has registered the following trade marks with the relevant authorities:

Trade mark	Territory	Class	Owner	Trade	
				Mark No.	Registration Date
	Hong Kong	36 (note 2)	Guotai Junan (Hong Kong)	301415394	27 August 2009
GUOTAI JUNAN (HONG KONG)	Hong Kong	36 (note 2)	Guotai Junan (Hong Kong)	301415376	27 August 2009
 國泰君安(香港) GUOTAI JUNAN (HONG KONG)	Hong Kong	36 (note 2)	Guotai Junan (Hong Kong)	301547848	18 June 2010
Invisible Hands	Hong Kong	36 (note 3)	Guotai Junan Futures	301023029	28 December 2007
期無敵手	Hong Kong	36 (note 4)	Guotai Junan Futures	301023029	28 December 2007
期无敌手					
期无敌手	PRC	36 (note 4)	Guotai Junan Futures	6577524	28 March 2010
Invisible Hands	PRC	36 (note 4)	Guotai Junan Futures	6577525	28 March 2010

As at the Latest Practicable Date, our Group has applied for registration of the following trade marks with the relevant authority:

Trade mark	Territory	Class	Applicant	Application	
				No.	Application Date
 國泰君安國際 GUOTAI JUNAN INTERNATIONAL	Hong Kong	36 (note 2)	Company	301629270	2 June 2010
國泰君安(香港)	Hong Kong	36 (note 2)	Guotai Junan (Hong Kong)	301415385	27 August 2009

Notes:

- (1) Guotai Junan registered the trade mark  in the PRC (Trade mark No. 3072108) on 21 May 2003 under class 36.
- (2) Class 36: Provision of financial services, securities brokerage, futures brokerage, foreign exchange trading, asset management, corporate finance advisory services, investment advisory services, internet securities trading, internet futures trading, trading of financial derivative products; all included in Class 36.
- (3) Class 36: Provision of financial services; futures brokerage; trading of financial derivative products; all included in Class 36.
- (4) Class 36: Provision of future brokerage, financial services, securities brokerage, securities trading information, future trading information; all included in Class 36.

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registered owner	Commencement Date	Expiry Date
GTJA.COM.HK	Guotai Junan Securities	7 November 2001	8 November 2012

Note: Contents in these domains do not form part of this prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the interest or short position of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:-

Name of the Director	Long/short position	Our Company or other members of our Group	Nature of interest	Number of shares	Approximate percentage of shareholding
Yim Fung	Long	Guotai Junan Fund Management	Interest of a controlled corporation	2,010,000 shares	20.1%

2. Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” of this prospectus, our Directors confirm that they are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalization Issue, and not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, (i) have an interest or short position in our Shares or underlying Shares or debentures which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (ii) be interested, directly or indirectly, in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

3. Particulars of Directors’ service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company. Under their respective service contracts, each of the executive Directors is entitled to a fixed Director’s fee and may be entitled to a discretionary bonus.

The appointments of the executive Directors are subject to the provision of retirement and rotation of Directors under the Articles.

(b) **Non-executive Director and Independent Non-executive Directors**

The non-executive Director and each of the independent non-executive Directors has signed an appointment letter with our Company for an initial term of three years commencing from the Listing Date. Under their respective appointment letters, the non-executive Director and each of the independent non-executive Directors is entitled to a fixed Director's fee and the non-executive Director may be entitled to a discretionary bonus. The appointments of the non-executive Director and the independent non-executive Directors are subject to the provision of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation under than statutory compensation).

4. Directors' remuneration

During the year ended 31 December 2009, the aggregate of the remuneration paid and benefits in kind granted to the Directors by our Group were approximately HK\$33.9 million. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

Under the arrangements currently in force, the estimated amount of directors' fees and other emoluments payable to the Directors for the year ending 31 December 2010 will be approximately HK\$6.4 million, excluding the discretionary bonuses payable to the Directors.

5. Related party transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 30 of the section headed "Related Party Transactions" of the Accountant's Report set out in Appendix I to this prospectus and the section headed "Connected Transactions" of this prospectus.

6. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as the Directors are aware, none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporation (within the meaning of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed;
- (b) so far as the Directors are aware, none of the Directors or experts referred to under the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) the Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalization Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.
- (f) none of the experts referred to under the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of the Directors, their respective associates (as defined under the Listing Rules), or shareholders of our Company who are interested in more than 5 per cent. of the issued share capital of our Company has any interest in our Group’s five largest customers and five largest suppliers.

D. SHARE OPTION SCHEME**1. Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) and adopted conditionally approved by the resolutions of our sole Shareholder passed on 19 June, 2010 (the “Adoption Date”):

For the purpose of this section, unless the context otherwise requires:

“Offer Date” means the date of grant of the Option in accordance with the Scheme;

“Grantee” means any Participant (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme of (where the context so permits) a person entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

“Option(s)” means the options to subscribe for Shares pursuant to the Scheme;

“Option Period” means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Offer Date to be notified by the Board to each Grantee which period of time shall commence on the Offer Date and expire on the last day of such period as determined by the Board;

“Share(s)” means ordinary shares of HK\$0.10 each in the share capital of our Company (or, if there has been a consolidation, reduction, re-classification, subdivision or reconstruction of the share capital of our Company, ordinary shares forming part of the equity share capital of our Company of such revised amount as shall result from such sub-division, consolidation, reduction, reclassification or reconstruction of such ordinary shares from time to time);

(a) Who may join

The Board may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as a “Participant”.

(b) Purpose of the scheme

The purpose of the Scheme is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group.

(c) *Conditions*

The Scheme is conditional upon:

- (i) the passing of a resolution by our Shareholders approving the terms of the Scheme;
- (ii) the listing committee of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and granting the Listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Options granted under the Scheme; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of such agreements or otherwise.

(d) *Duration and administration*

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Listing Date (the “Scheme Period”), after which period no further options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(e) *Grant of Options*

An offer of the grant of Options shall be made to a Participant in writing in such form as the Board may from time to time determine specifying, *inter alia*, the maximum number of Shares in respect of which such offer is made and requiring the Participant to undertake to hold the Options on the terms of which they are to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of twenty eight (28) days (or such other period as the Board may determine) from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant Options to any Participant as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Options, duly signed by the Participant, together with the remittance of HK\$1.00 in favor of our Company, irrespective of the number of Shares in respect of which the Options is accepted, as consideration for the grant is received by our Company within twenty eight (28) days from the Offer Date (or such other period as the Board may determine).

The Offer Date shall be the date on which the offer relating to such Options are duly approved by the Board in accordance with the Scheme.

(f) *Price sensitive information*

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), and (ii) the deadline of our Company to publish our interim or annual results announcement under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Options may be granted. The period during which no Options may be granted will cover any period of delay in the publication of a results announcement.

(g) *Grant of Options to connected persons*

Where a grant of Options to a Connected Person of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

Where any Options granted to a Substantial Shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the Stock Exchange at the Offer Date) in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders by taking of a poll in a general meeting. Our Company must send a circular to the Shareholders. All Connected Persons of our Company must abstain from voting (except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain: (i) detail of the number and terms (including the Subscription Price (as defined below) of the Options to be granted to each Participant, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(h) *Subscription price*

The subscription price in respect of any particular Options shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Options (and shall be stated in the letter containing the offer of the grant of the Options (the “Subscription Price”)), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where our Company has been listed for less than five (5) business days, the Offer Price shall be used as the closing price of any business day falling within the period before Listing.

(i) *Rights are personal to Grantee*

Options shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Options or attempt to do so.

(j) *Exercise of Options*

Subject to any condition or restriction in connection with the exercise of the Options which may be imposed by the Board when granting the Options and other provisions of the Schemes, the Options may be exercised by the Grantee (or his legal personal representative) at any time during the Option Period, provided that paragraph (k), (l) or (m) below has been satisfied.

(k) **Rights on ceasing employment**

In the event that the Grantee ceases to be a Participant for any reason (other than on his death) including the termination of his employment or engagement with our Group on one or more of the grounds specified in (r)(vi) below, the Option granted to such Grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board in which event the Grantee may exercise the Option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Board on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant Option Period, whichever is earlier.

(l) *Rights on death*

In the event the Grantee who is an individual dies before exercising the Option in full and none of the events which would be a ground for termination of his employment or engagement under (r)(vi) arises, the personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death (provided that such exercise is made during the Option Period) or such longer period as the Board may at its absolute discretion determine.

(m) *Rights on a take-over or share repurchase*

If a general or partial offer, whether by way of take-over or share repurchase offer (but other than by way of scheme of arrangement), is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Codes on Takeovers and Mergers and Share Repurchases) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(n) *Rights on a compromise or arrangement*

Other than a general or partial offer by way of a scheme of arrangement contemplated under the Scheme, if a compromise or arrangement between our Company and our Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies, our Company shall give notice thereof to all the Grantees on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee may by notice in writing to our Company accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two Business Days before the proposed meeting) exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(o) *Rights on winding-up by court order*

If a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith after it despatches such notice to each member of our Company give notice thereof to all the Grantees and thereupon, each Grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company, accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two Business Days prior to the proposed general meeting of our Company) exercise the Option (to the extent which has become exercisable and not already exercised) whether in full or in part and our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares.

(p) *Ranking of shares*

The Shares to be allotted and issued upon the exercise of Options will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank pari passu in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(q) *Performance target*

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Options granted, except those otherwise imposed by the Board pursuant to paragraph (e) above and/or stated in the offer of grant of the Options.

(r) *Lapse of options*

The right to exercise an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (k), (l) or (n), where applicable;

- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (m);
 - (iv) subject to the scheme of arrangement becoming effective, the Grantee may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;
 - (v) subject to the expiry of the period of extension (if any) referred to in paragraph (k), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
 - (vi) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency, and conviction of any criminal offence;
 - (vii) subject to paragraph (o) the date of the commencement of the winding-up of our Company;
 - (viii) the date on which the grantee commits a breach of paragraph (i); or
 - (ix) the date on which the option is cancelled by the Board as set forth in paragraph (t).
- (s) ***Maximum number of Shares available for subscription***

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30 per cent. of the Shares of our Company in issue from time to time (the “Overall Scheme Limit”). No Options may be granted under any schemes of our Company (or our subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes must not in aggregate exceed 10 per cent. of the Shares of our Company (or the subsidiary) in issue immediately following the completion of the Global Offering, being 164,000,000 Shares (the “Scheme Mandate Limit”) for this purpose. Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from our Shareholders in general meeting for “refreshing” the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as “refreshed” must not exceed 10 per cent. of the Shares in issue as of the date of approval by our Shareholders of the renewed limited (the “Refreshed Scheme Mandate Limit”); Options previously granted under any existing schemes (including those outstanding, cancelled or

lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Our Company must send a circular to our Shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, our Company may seek separate approval from our Shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Participants specifically identified by our Company before such approval is sought and our Company must send a circular to our Shareholders containing the information specified in the relevant provisions of the Listing Rules. Unless approved by our Shareholders in general meeting at which the relevant Participant and his/her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”) at such time. With respect to any further grant of Options to an Participant exceeding in aggregate the Individual Limit, our Company must send a circular to our Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and Options previously granted to such Participant), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Option Date for the purpose of calculating the Subscription Price.

(t) *Cancellation of Options*

The Board may, with the consent of the relevant Grantee and such consent shall not be unreasonably withheld, at any time cancel any Option granted but not exercised. Where our Company cancels the Options and offers new Options to the same Option holder, the offer of such new Options may only be made under this Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by our Shareholders as mentioned in paragraph(s) above.

(u) *Alteration of capital structure*

In the event of any alteration in the capital structure of our Company whilst any Options remain exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Options so far as unexercised; or

(ii) the Subscription Price, or any combination thereof, as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

(v) *Alteration of Scheme*

- (i) subject to (ii) below, the terms and conditions of the Scheme may be altered by resolution of the Board from time to time except that the provisions relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or Participants except with the prior approval of the Shareholders in general meeting, with Grantees and their associates abstaining from voting, and no such alteration shall not operate to affect materially and adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares;
- (ii) any alterations of the terms and conditions of the Scheme, which are of a material nature or change the authority of the Board, shall be approved by the Stock Exchange and the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme;
- (iii) the amended terms of the Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules; and
- (iv) any change to the authority of our Directors or scheme administrators, if any, in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.

(w) *Termination of Scheme*

Our Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further Options shall be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options granted prior to such termination but not exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

2. Present status of the Share Option Scheme

As of the Latest Practicable Date, no Option has been granted or agreed to be granted under the Share Option Scheme. An application has been made to the listing committee of the Stock Exchange for the granting of the Listing of, and permission to deal in, the 164,000,000 Shares which may fall to be issued pursuant to the exercise of the Options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Hong Kong, Samoa and other jurisdictions in which the companies comprising our Group are incorporated.

2. Estate Duty and Tax Indemnity

Guotai Junan Financial Holdings and Guotai Junan (BVI), (collectively the “Indemnifiers”) entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our subsidiaries). Each of the Indemnifiers has given joint and several indemnities in respect of, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of our Group on or before the Listing Date, and (b) any tax liability which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date, save as to such circumstances including:

- (a) to the extent that full provision has been made for such taxation in the audited consolidated accounts of our Group for the years ended 31 December 2007, 2008 and 2009, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;

- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is/are carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 31 December 2009; or
- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2009 which is finally established to be an over-provision or an excessive reserve.

Under the deed of indemnity referred to above, the Indemnifiers also jointly and severally agreed to indemnify our Company and other members of our Group from and against all losses, payments, suits, settlement payment, cost, liability, damages or expenses which any member of our Group may incur, suffer or accrue, directly or indirectly, arising from or in connection with any penalty, suspension of operations or suspension of licences resulting from the lack of approval according to the 境內及境外證券經營機構從事外資股業務資格管理暫行規定 (Administration of Qualifications of Domestic and Foreign Securities Trading Institutions for Engagement in Foreign Investment Shares Business Tentative Provisions) for our Group's China B shares trading arrangement with Guotai Junan which acted as our execution broker of our Group's China B shares trading since 2003 and up to December 2009 when our Group obtained the approval from the CSRC to trade China B shares, or as a result of or in relation to all litigations, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings by or against any member of our Group which was issued, accrued and/or arising from any act of any member of our Group at any time on or before the Listing Date.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued pursuant to the Global Offering (including the Offer Shares, any Shares to be issued under the Capitalization Issue, the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

As regards to the independence of each of the Joint Sponsors:

- (a) Guotai Junan Capital is not considered as an independent sponsor under Rule 3A.07 of the Listing Rules as it is a subsidiary of our Company;
- (b) BOCOM International (Asia) Limited has met the criteria under Rule 3A.07 of the Listing Rules and is an independent sponsor to our Company.

5. Preliminary expenses

The preliminary expenses of our Company were approximately HK\$54,000 and were paid by our Group.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, no cash, securities or other benefits has been paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years preceding the date of this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Guotai Junan Capital Limited	licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
BOCOM International (Asia) Limited	licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Li & Partners	Hong Kong lawyers
Li & Partners Attorneys at Law	PRC lawyers
Cushman & Wakefield Valuation Advisory Services (HK) Limited	Property valuers

8. Consents of experts

Each of Guotai Junan Capital Limited, BOCOM International (Asia) Limited, PricewaterhouseCoopers, Li & Partners, Li & Partners Attorneys at Law and Cushman & Wakefield Valuation Advisory Services (HK) Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which it is respectively included.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Advisory fees or commissions received

The Underwriters will receive an underwriting commission and the Joint Sponsors will in addition receive a financial advisory fee as referred to in the paragraph “Total Commission and Expenses” under the section headed “Underwriting” of this prospectus.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
 - (vi) our Group has no outstanding convertible debt securities or debentures.
- (b) No member of our Group is presently listed on any stock exchange or traded on any trading system.

- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into the CCASS for clearing and settlement.
- (e) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2009 (being the date to which the latest audited combined financial statements of our Group were made up).
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration are:

- copies of the Application Forms;
- the statement of adjustments relating to the Accountant's Reports from PricewaterhouseCoopers;
- the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;
- copies of power of attorney of each Director of our Company;
- Copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus; and
- copies of certificate as to the accuracy of the Chinese translation of this prospectus and the Application Forms and certificate as to the competency of the Chinese translator.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- the Memorandum of Association and the Articles of Association;
- the Accountant's Report, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- the report on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- the letter, summary of values and valuation certificates prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited on the property interests of the Group, the texts of which are set out in Appendix III to this prospectus;
- the audited financial statements prepared for the companies comprising our Group for the three financial years ended 31 December 2009;
- the service contracts referred to in the paragraph headed "Particulars of Directors' service contracts" in Appendix V to this prospectus;

APPENDIX VI**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and
- the rules of the Share Option Scheme.