

# GTJAI Announced 2021 Interim Results

Profit attributable to shareholders rose 55% to a historical high of HK\$938 million, beating market expectations

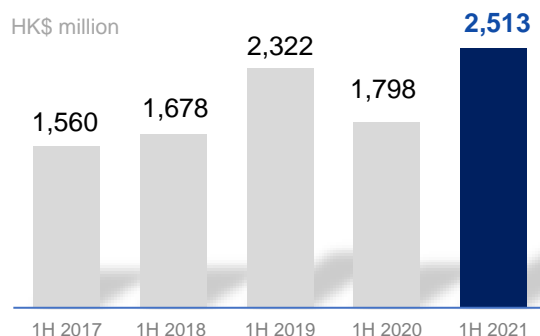
**[ Hong Kong, August 23, 2021 ]** Guotai Junan International (“GTJAI”, “the Group”, stock code:1788.HK) announced its 2021 interim results for the 6 months ended on 30 June, 2021 (“the Period”). During the Period, the Group’s revenue increased by 40% as compared with the corresponding period of last year (“YoY”) to HK\$2.513 billion, profit attributable to shareholders increased by 55% to HK\$938 million (earnings per share increased by 44% to HK\$ 0.0977, dividend per share increased by 47% to HK\$0.05). Among which, the Group’s wealth management segment increased by 49% YoY to HK\$994 million (2020 its revenue grew by 27%) as the main growth driver. Driven by the booming market and client transactions, the income from fee and commission increased by 60% to HK\$987 million, a historical high.

**Dr. Yim Fung, the Chairman and Chief Executive Officer of GTJAI, said:** “In the first half of 2021, Guotai Junan International’s revenue, profit attributable to shareholders and dividends all reached historical high. Since 2018, we have transformed from traditional brokerage business into a wealth management model, and provided values to our clients through a rich product line and highly customized professional services. In the first half of the year, the wealth management business continued to attract high quality customers and the total amount and quality of asset under custody continued to improve, thus becoming one of the main growth drivers in the Group’s interim results. In the future, we will use the power of Fin-tech to greatly improve customer services, continue to expand business areas and strengthen the synergy among wealth management, private equity, asset management, structured derivatives, corporate finance and other businesses, so as to provide High-Net-Worth, institutional and corporate clients with quality investments and financing channels to help them achieve the goals of wealth preservation and appreciation in different market environments.”

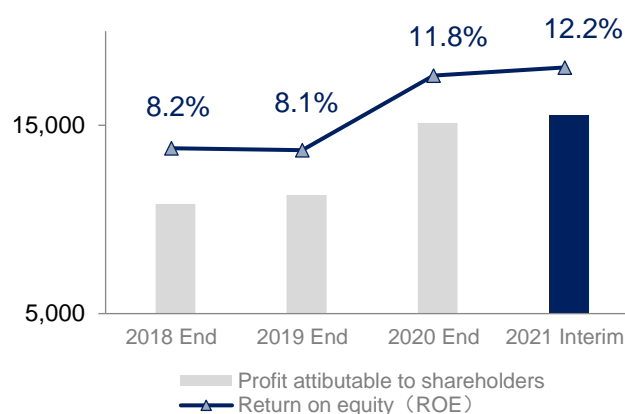
### Results Highlights:

- ✓ **Revenue** increased by 40% to HK\$2.513 billion, mainly generated from:
  - by nature of revenue: 1) fee and commission income increased by 60% YoY to HK\$987 million, a historical high; 2) interest income decreased by 4% YoY to HK\$1,270 million; 3) net income of trading and investment is HK\$256 million;
  - by segment of revenue: 1) the wealth management segment increased by 49% to HK\$994 million; 2) the investment management segment increased by 12 times to HK\$256 million; and 3) the corporate financing services segment increased by 53% YoY to HK\$384 million
- ✓ **Profit attributable to shareholders** significantly increased by 55% to HK\$938 million, a historical high;
- ✓ **An interim dividend** of HK\$0.05 per share, with a 51% payout ratio
- ✓ **Annualized Return on equity (ROE)** reached 12.2%, increasing by 2.8 percentage points;
- ✓ **Cost-income ratio** decreased by 5 percentage points YoY to 56%, benefited from the scale effect brought by the growth in revenue;
- ✓ **During the Period, total assets** increased by 14% to HK\$139 billion, mainly due to the increase in loans and advances to customers driven by the growth of wealth management clients demand;
- ✓ **Sustainable finance:** assisted clients in issuing green bonds of HK\$37.2 billion, green equity projects of HK\$33.1 billion, holding positions in sustainable industries of HK\$2.8 billion.

### A Historical High of Interim Revenue



### Industry Leading ROE



## Revenue Mix: fee and commission reached a historical high

During the Period, the Group's revenue increased by 40% YoY to HK\$2.513 billion, of which income from fees and commissions, interest, and net income from transaction investments accounted for 39%, 51%, and 10%, respectively.

- **Fee and commission income** increased by 60% YoY to HK\$987 million, mainly attributable to the significant increase in brokerage, corporate finance and asset management revenue. The Group believes that, the increase of fee and commission income during the Period has significantly driven the Company's business growth and elasticity in the bull market, optimizing the quality of the Group's revenue more effectively.
- **Interest income** decreased by 4% YoY to HK\$1,270 million, mainly attributable to a substantial decrease in market interest rate during the Period. The quality of collaterals for loans and financing business continuously improved throughout the Period, as a result, the effective interest rate charged on these loans has been adjusted to reflect the improvement in quality of the collaterals. The Group believes that the interest income which represented the highest proportion during the Period stabilized the Group's revenue and profitability during the market cycle.
- **Net trading and investments income** turned into gain to HK\$256 million, mainly due to the increase of income arising from financial derivative instruments provided to wealth management clients and private equity business. During the Period, the Group's net trading and investments income represented relatively low proportion. The Group conducted tradings and investments with a purpose mainly for supporting development in wealth management, corporate finance and asset management, and creating business eco-system running on a virtuous circle. In particular, the Group's investment position focused mainly on fixed income securities and warrant derivatives, the impact from market performance and fluctuations on the same is relatively limited, as coupon interests are expected to be recorded regularly to enhance income stability.



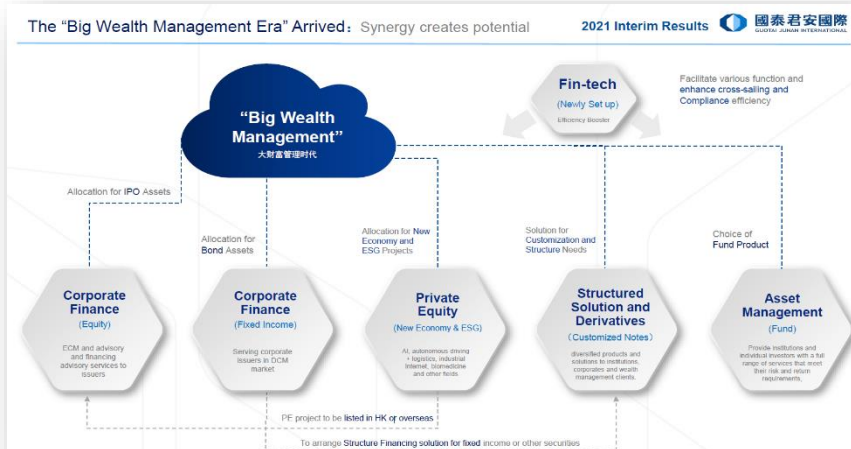
Snapshot of Group's Presentation

## Cost Structure

During the Period, the Group's total costs increased by 28% YOY to HK\$1,408 million, mainly due to the increased commission to account executives from robust client tradings. Meanwhile, the Group has further accelerated the provision for high-risk assets of the loans and financing business under the consistently prudent risk management. Thanks to the scale effect resulted from the Group's large increase in its total revenue, during the Period, the Group's cost to income ratio fell by 5 percentage points YoY to 56%. The Group believes the costs and expenses during the Period were generally within expectation and conducive to the medium to long-term sustainable business development.

## Wealth Management Update

During the Period, **revenue from the Group's wealth management segment increased by 49% YoY to HK\$994 million, which was the main driving force for revenue growth (2020 its revenue grew by 27%).** After fully upgraded, the wealth management platform provided high-net-worth clients with not only information on the latest capital market trends, but also structured products linked to fixed income and equity securities, mutual funds and a variety of other products, assisting clients in adjusting investment portfolio according to their own risk preferences and executing investment strategies efficiently and safely. The market share of the brokerage business of the Group in the Hong Kong stock market has increased consecutively in the past two years. Meanwhile, the Group's total assets under custody increased by 14% to HK\$235 billion while clients with assets under custody above HK\$8 million accounted for 93%. During the Period, thanks to development of wealth management business, together with new products and services launched by the Group that broadened investment channels and the participation of high-net-worth clients, **the overall turnover of clients of the Group largely increased by 70% YoY, higher than the increase of 60% YoY in Hong Kong stock market during the same period.**

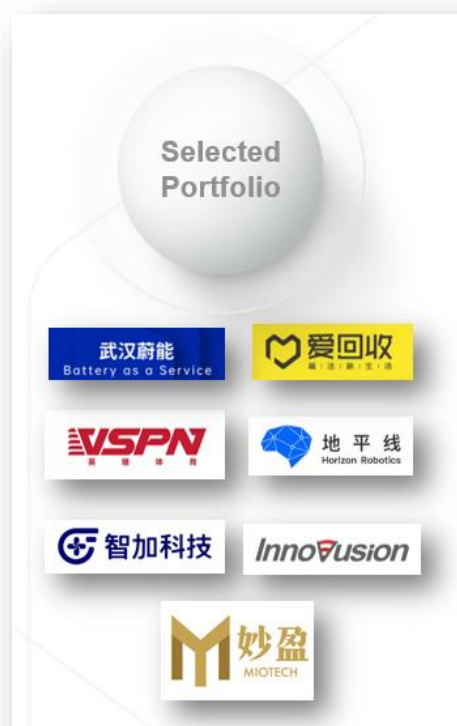


Snapshot of Group's Presentation

## Private Equity Development

During the Period, the Group's private equity team continuously broadened its exposure to quality enterprises in the primary market of China by thoroughly exploring fields such as high-end manufacturing, new energy development, trading up, biotechnology and artificial intelligence. Meantime, with the help of continuous post-investment services, the investee companies in the Group's portfolio have been successively initialed or launched listing program.

In May, Plus, which is invested by the Group, announced its initial public offering ("IPO") plan on the New York Stock Exchange. In June, ATRenew (RERE.US), known as "the first environmental, social and governance (ESG)-related China concept stock" in the Group's investment portfolio, was successfully listed on the New York Stock Exchange. In the listing process, the Group provided underwriting services which demonstrated its capabilities in all-round business synergy. During the Period, the Group was awarded "Top 10 Emerging Private Equity Investment Institutions in China 2020" (投中 2020 年度中國新銳私募股權投資機構十強) by China Venture Institute, a renowned investment consulting firm.



## Sustainable Finance & ESG Development

As a large-scale integrated financial service provider dominated by diversified businesses, the Group highly values ESG development. Through "Green Finance" practices, for instance, persevering in saving energy in daily operation, prioritizing green investment and financing as well as fully supporting the new energy sector, the Group carries out its corporate social responsibilities. During the Period:

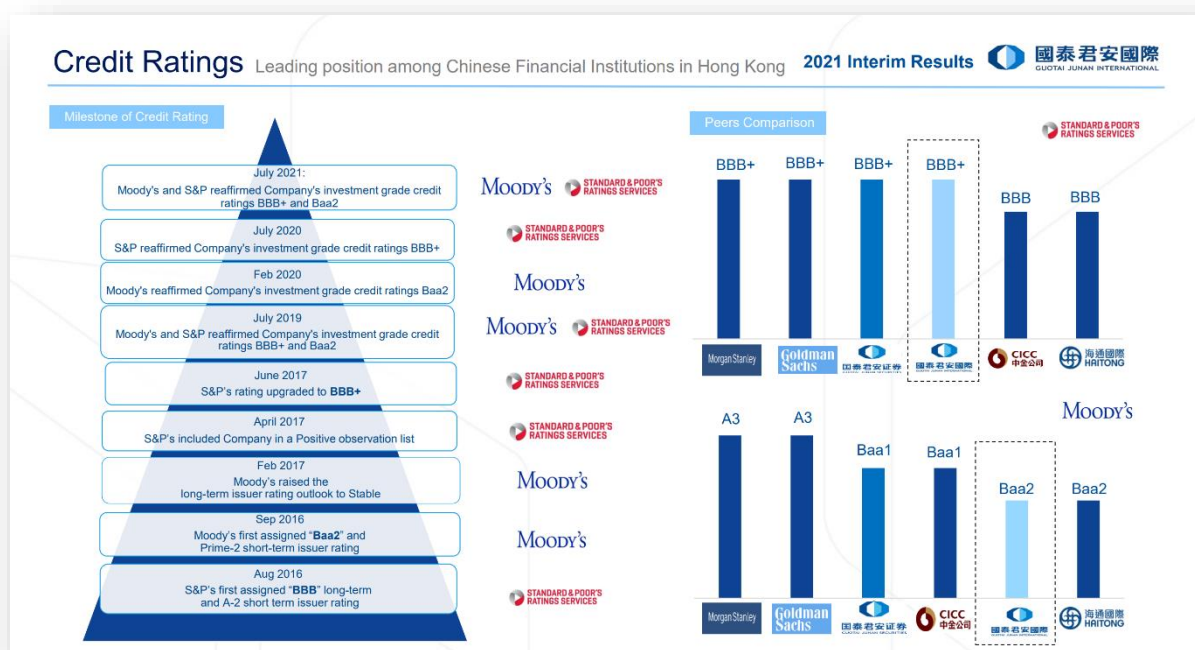
- ✓ DCM team assisted corporate clients to complete the issuance of **Green Bonds of HKD37.2 billion**, an upsurge of 464% YoY;

- ✓ ECM team assisted corporate clients to complete the **Green Equity** projects to raise funds amounted to **HKD33.1 billion**, a leap of 52 times, including China Carbon Neutral Group, Wuling Motors and ATRenew;
- ✓ The Group's Private Equity, Asset Management and Derivatives teams held or offered notes of HKD2.8 billion.

Moreover, in June, global index provider FTSE Russell, owned by London Stock Exchange, **reiterated the Group's eligibility in the FTSE4Good Index Series** and reaffirmed its constituent status in recognition of its good sustainability practices. In July, the Group became the first Chinese securities firm in Hong Kong to **officially join the United Nations Global Compact**, committed to fully support the Ten Principles based on the United Nations Convention.

## Credit Ratings

The Group firmly believes that comprehensive and pragmatic risk management is the core competitive edge of a financial institution. During the Period, the Group maintained "BBB+" and "Baa2" long-term issuer ratings respectively from global credit rating agencies S&P and Moody's, both with the outlook being "Stable", ranking in par with first-tier global investment banks.





## Outlook

Stepping into the second half of 2021, despite uncertainties in the macroenvironment and capital market, the Group will uphold its stable and constant risk management system and belief to push forward with the following items:

- ✓ Strengthen core competence by leveraging on Fin-tech, and to timely expand Fin-tech and information technology teams to enhance customers' trading experience and loyalty;
- ✓ Enhance products and services for wealth as well as investment channels for clients constantly. Meanwhile, synergy among wealth management, private equity, asset management, corporate finance and other businesses will be deepened;
- ✓ Strengthen globalization and deployment in the Greater Bay Area for the new growth driver of revenue and profit. Specifically, the Group will take the Belt and Road Initiative as an opportunity to expedite its pace in explore the southeast Asian markets through its subsidiaries in Singapore and Vietnam;
- ✓ Intensify cooperation with parent company, Guotai Junan Securities, to grasp new opportunities in cross-border financial markets.

-End-

**Financial Highlights:**

Income Statement	1H2021	1H2020	YoY	HOH
	(HK\$'000)	(HK\$'000)		
Fee & commission	986,852	618,481	60%	4%
Interest income	1,270,311	1,320,548	(4%)	(4%)
Investment income	255,855	(141,240)	N/A	(68%)
Total revenue	2,513,018	1,797,789	40%	(18%)
Total cost	1,408,421	1,096,410	28%	(28%)
Cost-income ratio	56%	61%	(5 ppts)	-
Profit attributable to shareholders	937,604	605,583	55%	(2%)
Total dividends	480,069	325,652	47%	-
- Earnings per share (HK cents)	9.77	6.77	44%	-
- Interim dividend (HK cents)	5.0	3.4	47%	Similar

Balance Sheet	As of the end of		
	June 2021	December 2020	Change
Total assets (HK\$'00 million)	1,392	1,217	14%
Total liabilities (HK\$'00 million)	1,235	1,065	16%
Net asset per share attributable to shareholders (HK\$)	1.62	1.58	3%
Leverage (excluding financial assets under custody)	5.56	4.22	1.34
Annualized ROE	12.2%	11.8%	0.4 ppts



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**About GTJAI**

**Guotai Junan International ("GTJAI", Stock Code: 1788.HK)** is the market leader and first mover for internationalization of Chinese Securities Company as well as the first Chinese securities broker listed on the Main Board of The Hong Kong Stock Exchange through initial public offering. It has also been included in FTSE4Good Index by London Stock Exchange of the United Kingdom. Based in Hong Kong, GTJAI provides diversified integrated financial services. Core business includes seven categories of brokerage, corporate finance, asset management, loans and financing, financial products, market making and investments, which cover three dimensions including individual finance (wealth management), institutional finance (institutional investor services and corporate finance service) and investment management. GTJAI has been assigned "Baa2" and "BBB+" long term issuer rating from Moody and Standard & Poor respectively. The controlling shareholder, **Guotai Junan Securities Company Limited (Stock Code: 601211.SS; 2611.HK)**, is the comprehensive financial provider with a long-term, sustainable and overall leading position in the Chinese securities industry. For more information about GTJAI, please visit <http://www.gtjai.com>