

# GTJAI Announced 2021 Annual Results

Wealth management transformation achieved remarkable results with leading business performance among peers

**[Hong Kong, March 28, 2022] Guotai Junan International (“GTJAI”, “the Group”, Stock code:1788.HK)** announced its results for the 12 months ended 31 December 2021 (the “Year”). During the Year, the Group’s total revenue decreased by 19% to HK\$3,972 million compared with the corresponding period of last year (“YOY”), profit attributable to shareholders decreased by 30% YOY to HK\$1,095 million. Earnings per share were 11.4 HK cents and a final dividend of HK\$0.01 per share was proposed. Specifically, fee and commission income rose by 4% to HK\$1,626 million, setting a new high for three consecutive years while wealth management segment income increased by 26% to HK\$1,829 million, also setting a new high for three consecutive years. Meanwhile, the financing amount of the Group’s sustainable and green finance increased significantly by 321% to HK\$106.4 billion, reaching a record high.

**Dr. Yim Fung, the Chairman of the Board of GTJAI,** said: “Despite an extremely challenging market environment, leveraging on diversified business development strategies and sound risk management capabilities, the Group made remarkable achievement in wealth management transformation, promoted the development of capital intermediary business and reduced the exposure to high-risk industries, which minimized the effects brought by the unfavorable market factors to its performance. The business performance of

## Financial Performance

- **Total Revenue** reached HK\$3,972 million, down by 19% (Both Fee and commission income and Wealth management income recorded **a new high**)
- **Attributable Profit** reached HK\$1,095 million, decreased by 30% (**ROE** was 7.2%)
- **DPS** reached HK\$0.060 with 53% payout ratio
  - ✓ Proposed final dividend of HK\$0.01 per share
  - ✓ Cumulative dividends of HK\$5.1 billion since 2010. Aaverage payout ratio of 52%
- **Impairment** fell 39% to HK\$221 million, further strengthening the balance sheet
- **Leading Credit Ratings**, S&P BBB+ ,Moody’s Baa2

## Business highlights

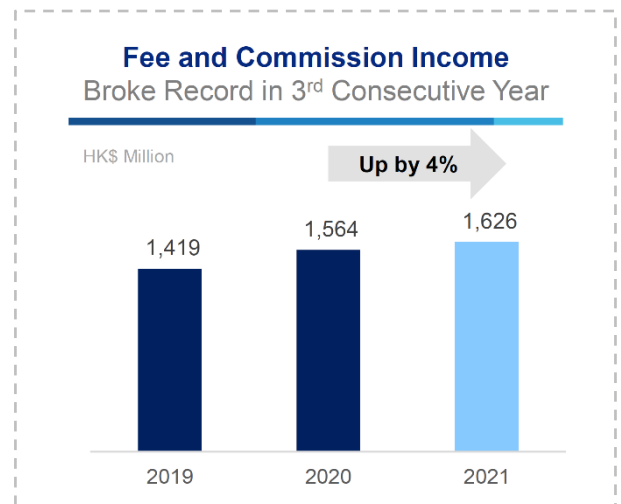
- **WM Transformation Bore Fruits**
  - ✓ Segment income increased 26% (**New high**)
  - ✓ Total AUC up by 14% to HK\$235.1 billion
  - ✓ Market share of HK brokerage business doubled as compared with 2018 and the rank climbed for 2 consecutive years
  - ✓ “eDDA Express Deposit” service, “Flexi-Money”, “Remote Account Opening” APP
- **Risk Management Created Value**
  - ✓ Modified risk appetite and increased effective risk hedging position;
  - ✓ Decisions which avoided significant losses
- **ESG & Green Finance Grew Significantly**
  - ✓ Green & Sustainability bond business up by 271% to HK\$70.1 billion (**New high**)
  - ✓ Green equity IPO projects Up by 11.41 times to HK\$33.1 billion (**New high**)
  - ✓ Constituent of FTSE’s ESG Index
  - ✓ Assessed Environmental Risks
  - ✓ Incorporated ESG risk factors into risk framework and credit risk assessment

*the Group continued to remain at the forefront among peers. In the future, under the strong leadership and support of our controlling shareholder, Guotai Junan Securities, we will continue to give full play to our prudential risk management ability, further promote the development of wealth management, fully implement the concept of sustainable development, adhere to perseverance, innovation, progress while maintaining stability, and strive to create long-term and stable value returns for investors and shareholders.”*

## Revenue Mix: Fee and Commission Income Reached Record High for Three Consecutive years

During the Year, the Group's revenue from fee and commission income, interest income and net trading and investment income accounted for 41%, 57% and 2%, respectively.

- **Fee and commission income** increased by 4% YOY to HK\$1,626 million which was mainly driven by the growth in brokerage and corporate financing businesses. The Group believes that the steady increase in fee and commission income during the Year has increased the elasticity and quality of Group's overall income;



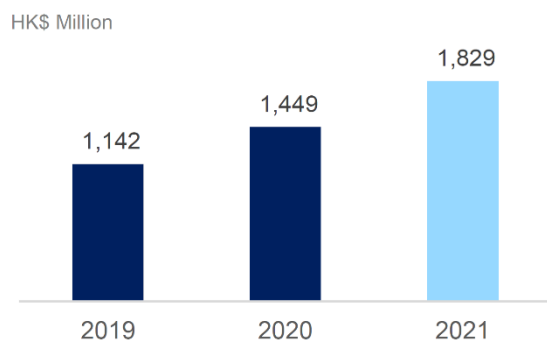
- **Interest income** amounted to HK\$2,281 million, representing a decrease of 14% YOY, mainly due to 1) a substantial decrease in market interest rate during the Year as compared to last year; 2) in the face of the default risk of mainland real estate corporate bonds, the Group strategically adjusted its bond positions for market-making purposes, resulting in lower coupon income of bonds; 3) the quality of collaterals for the loan business continuously improved and the effective interest rate charged on the loans has been adjusted. The Group believes that interest income, accounting for the highest proportion of the total revenue, is conducive to the stability of the Group's income and profitability in the market cycle;
- **Net trading and investments income** decreased to HK\$59.8 million, mainly due to the significant pullback in the Hong Kong stock market and Chinese-issued US dollar-denominated bond market during the Year. The Group conducted trading and investment business with a purpose mainly for supporting development of wealth management, corporate finance and asset management, and creating business eco-system running on a virtuous circle. As at the end of 2021, the Group's investment position mainly

comprised fixed income securities and warrant derivatives, and risk hedging was applied based on market conditions.

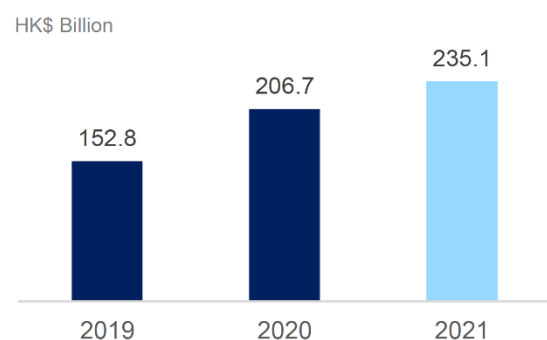
## Wealth Management: Transformation Bore Fruits with Increasing AUC despite the Volatile Market

During the Year, revenue from the wealth management segment rose by 26% YOY to HK\$1,829 million, becoming the main growth driver of the Group and demonstrating a better revenue generating capacity than the traditional brokerage business in the past. As at the end of 2021, the market share of the Group's brokerage business in Hong Kong stock market doubled as compared with that of 2018, and the rank has climbed for two consecutive years, while assets under custody of the Group increased YOY by 14% to HK\$235.1 billion, among which, the Average Revenue per Paying User ("ARPU") of the wealth management business reached approximately HK\$74,000, significantly higher than that of the traditional retail brokerage business.

**Wealth Management Segment** set a new high



**AUC increased** despite market downturn



On the other hand, during the Year, the Group has been promoting digital transformation in full swing. Taking into account the needs of clients and management efficiency, the Group has been increasing its investment in financial technology to empower the overall business development. During the Year, the Group launched several digital services, including "eDDA Express Deposit" service, which enables fund transfers in as quick as five minutes, "Flexi-Money" (聚財寶), a cash management tool for professional investors, remote account opening application and customer service chatbot, facilitating clients with every investment opportunity instantly. The existing trading functions of "Rich Easy" (富易港股通) platform continue to be upgraded to provide clients with more convenient and efficient online financial services.

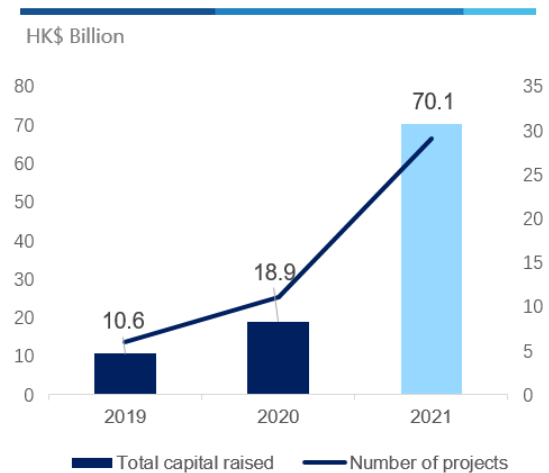
## Sustainable Finance & ESG: Fully Promoting High-quality Green Finance Development

During the Year, the Group actively responded to the managing philosophy of the parent company Guotai Junan Securities – “Finance for the Good” and “Finance for the People”, by guiding global capital allocation to high-quality, sustainable Chinese enterprises through businesses such as investment banking, asset management and private equity, to meet the needs of corporate and institutional clients to transform to low-carbon and sustainable development. **During the Year, the amount of funds raised by the Group’s**

**green and sustainability bond business increased by 271% YOY to HK\$70.1 billion, while funds raised by green equity IPO projects increased by 11.41 times YOY to HK\$33.1 billion, both at record-breaking levels.**

Moreover, in June 2021, 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**.

**Green & Sustainability bond business reached a historical high with a scale of over HK\$70 billion**



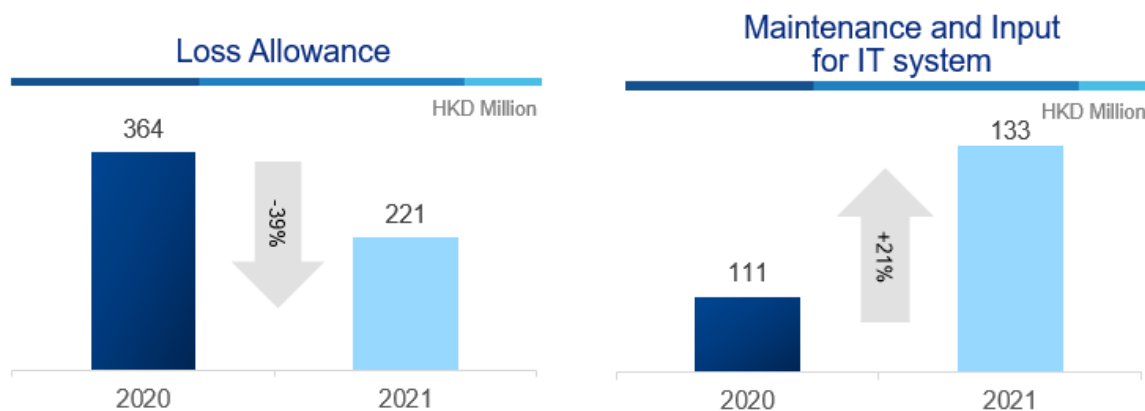
## Private Equity: Deploying in Outstanding Enterprises and Contributing to China’s New Economy

During the Year, the Group’s private equity business continuously broadened its exposure to quality enterprises in the primary market of China by thoroughly exploring fields such as artificial intelligence, new energy development, high-end manufacturing, trading up and biotechnology. In 2021, the new high-quality projects we participated in included Innovusion (an image-grade LiDAR manufacturer), VSPN (an esports events operator), Plus (a self-driving truck company) and Mio Tech (an ESG information provider), etc.. At

the end of 2021, the assets under management from the private equity business of the Group amounted to approximately HK\$2 billion. 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)” and “Best Private Equity Investment Institutions in Guangdong, Hong Kong and Macau Bay Area in 2021 (投中 2021 年度粵港澳大灣區最佳私募股權投資機構)” by China Venture Institute, a renowned investment consulting firm.

## Cost structure: Maintained Efficient Operations, while Increasingly Investing in IT Maintenance and Input

During the Year, the Group’s total costs decreased by 12% YOY to HK\$2,684 million, mainly due to lower loss allowance and finance costs YOY. In the meantime, the Group increased investment in digital transformation and information technology system optimization to support the development of various businesses. The Group believes the costs and expenses during the Year were generally within expectation and conducive to the medium to long-term sustainable development.



## Awards and Honors: Won 34 Authoritative Awards, a Record High

During the Year, the Group received a record number of 34 professional awards from 15 reputable overseas and domestic media (including “Institutional Investor”, “Bloomberg Businessweek”, “Asiamoney”, “The Asset”, “Insights and Mandate”), not only covering the fast-growing businesses such as wealth management, fixed income, private equity and asset management, but also highly recognizing and commending in the areas of ESG, risk management, investor relations and other comprehensive corporate management.

## Response to COVID-19: Actively Facing the Pandemic and Effectively Ensuring Service Quality

During the Year, facing the menace brought by the variants of COVID-19, the Group implemented numerous virus preventive measures to actively respond. In 2021, the Group comprehensively strengthened its online client service capabilities and continued to provide high-quality digitalized services and solutions. Meanwhile, to protect the life, health and safety of employees, the arrangements for group rotation and the “minimum-scale office model” were timely implemented. The Group properly arranged division of labour and cooperation to ensure efficient and stable work. The Information Technology Department strongly supported remote work, while the Administration Department maintained the safety of the office, regularly disinfected and distributed anti-pandemic supplies to minimize the risk of infection for employees. During the Year, the COVID-19 did not cause material impact on the Group’s operations.

-End-

## Financial Highlights:

P&L extracts	2021	2020	YOY <sup>1</sup>
	(HKD'000)	(HKD'000)	
Fee and Commission <sup>2</sup>	1,626,079	1,563,672	4%
- Commission for securities trading	707,950	554,739	28%
Interest <sup>2</sup>	2,280,539	2,652,075	(14%)
Net Trading and investment <sup>2</sup>	59,797	657,205	(91%)
Revenue	3,966,415	4,872,952	(19%)
Total Costs	2,684,048	3,063,721	(12%)
Profit attributable to shareholders	1,094,743	1,562,587	(30%)
Dividend	576,259	815,270	(29%)
- EPS (HK cents)	11.4	16.9	(33%)
- DPS (HK cents)	6.0	8.5	(29%)

B/S and Financial ratio	31 Dec 2021	31 Dec 2020	Change <sup>1</sup>
Total assets ( HK\$ billion)	106.3	121.7	(13%)
Total liabilities ( HK\$ billion)	90.9	106.5	(15%)
Net Asset per share (Attribute to Shareholders) <sup>3</sup> (HK\$)	1.59	1.58	1%
Nominal leverage ratio <sup>4</sup>	5.78	6.81	down
ROE <sup>5</sup>	7.2%	11.8%	down

Note: 1) Rounded; 2) Details shown on page 2-3; 3) Calculation based on shares issued as at the end of Dec 2021 minus shares held under share award scheme; 4) Leverage Ratio Calculation: (Total Assets - Accounts Payable to Clients) / Total Equity; 5) ROE= Profit Attributable to Shareholders / Net Asset Attribute to Shareholders,



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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.SH; 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 <https://www.gtjai.com>