

2019 Interim Results Presentation

August 2019

Key Deliveries



- Revenue increased by 41% to HKD 2,360 million while profit attributable to shareholders increased by 26% to HKD 640 million. Annualized ROE reached to 12%.
- Interim dividend increased by 27% to HKD 0.042 per share with Payout Ratio of 50%.
- Income from corporate finance increased by 35% to HKD 450 million
 - Income from Debt Capital Markets (DCM) increased by 26% to HKD 320 million.
 - Income from Equity Capital Markets (ECM) along with consultancy and advisory increased by 66% to HKD 130 million.
- Commission income from brokerage increased by 7% to HKD 290 million,
 - Total client assets under custody increased by 40% to HKD 235 billion as compared to the end of last year;
 - Average account balance of Professional Investors increased by 61% to HKD 52 million per account as compared to the end of last year
- Income from financial products, market making and investments increased by 205% to HKD 1.05 billion, due to rally of Chinese-issued USD bond market.
- S&P rated 'BBB+' with 'stable' outlook, Moody's rated 'Baa2' with 'stable' outlook.

Market Review



HKEX ADT decreased by **-23%**

In the first half, the average daily turnover was 97.9 billion, of which ADT in securities fell by 25% year-on-year. According to HKEx, the turnover in July continued to fall, but it has picked up in August.

Equity raising decreased by **-25%**

In the first half the number of IPO in HK decreased by 22% to 84 as compared with the same period last year. Most listed companies are small with a market capitalization of less than HK\$5 billion. Companies with a market capitalization of more than HK\$50 billion are only Shenwan Hongyuan and Hansen Pharmaceutical.

Financial Review

Financials Revenue Mix Dividend Balance Sheet Revenue Breakdown Liquidity

Financials: Revenue hit historical record along with 12% ROE

Interim Results 2019



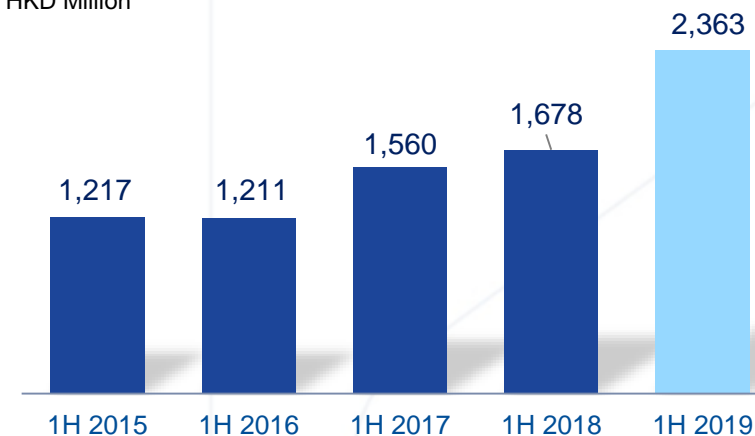
Income Statement	1H 2019	1H 2018	YoY ¹	HOH ²
Fee and Commission income	(HKD'000)	(HKD'000)		
- Brokerage	291,667	271,437	7%	59%
- Corporate Finance	452,559	335,355	35%	74%
- DCM	324,536	258,439	26%	44%
- ECM	92,778	59,875	55%	406%
- Consultancy and Advisory	35,245	17,041	107%	115%
- Asset Management	10,215	10,561	-3%	66%
Loans and Financing	558,649	716,824	-22%	-5%
Financial products, market making & Investments	1,050,158	344,038	205%	257%
Revenue	2,363,248	1,678,215	41%	77%
Profit attributable to shareholders	638,856	506,841	26%	120%

Financial Ratio	30 Jun 2019	31 Dec 2018	Change ¹
Net asset per share (Attributable)	1.48	1.42	4%
Leverage ratio ³	7.4	6.5 ⁵	0.9 Up
Leverage ratio excluding Financial Products' position on behalf of clients	4.1	3.6 ⁵	0.5 Up
ROE ⁴	12%	8%	4 p.p. Up

Notes: 1. Rounded figures 2. As compared with 2nd half in 2018; 3. Leverage ratio= (total assets - accounts payable to clients) / total equity; 4. Return on Shareholder Equity; 5. Restated

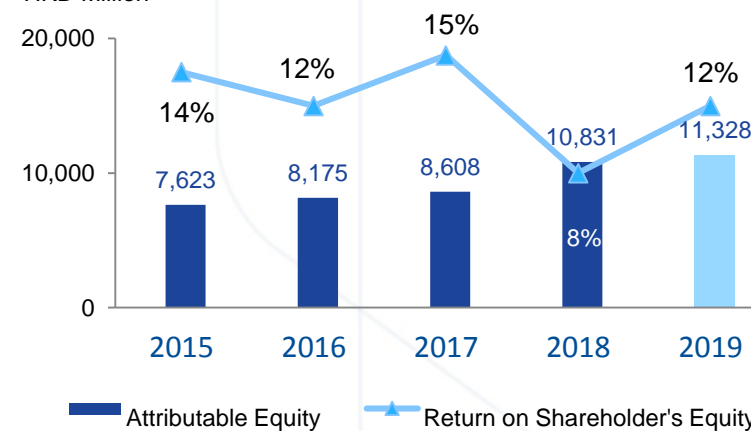
Interim Results Hit historical record

HKD Million



ROE back to double digit while Net asset increased steadily

HKD Million





Commission and Fee 34%



From corporate finance, brokerage, asset management and part of financial products business. Total income increased by 18% to HKD 790 million.

Interest Income 33%



Interest Income in “Loans and Financing” from retail clients and banks
Interest Income in “Financial Products” from institutional and high net worth clients

Investment Income 33%

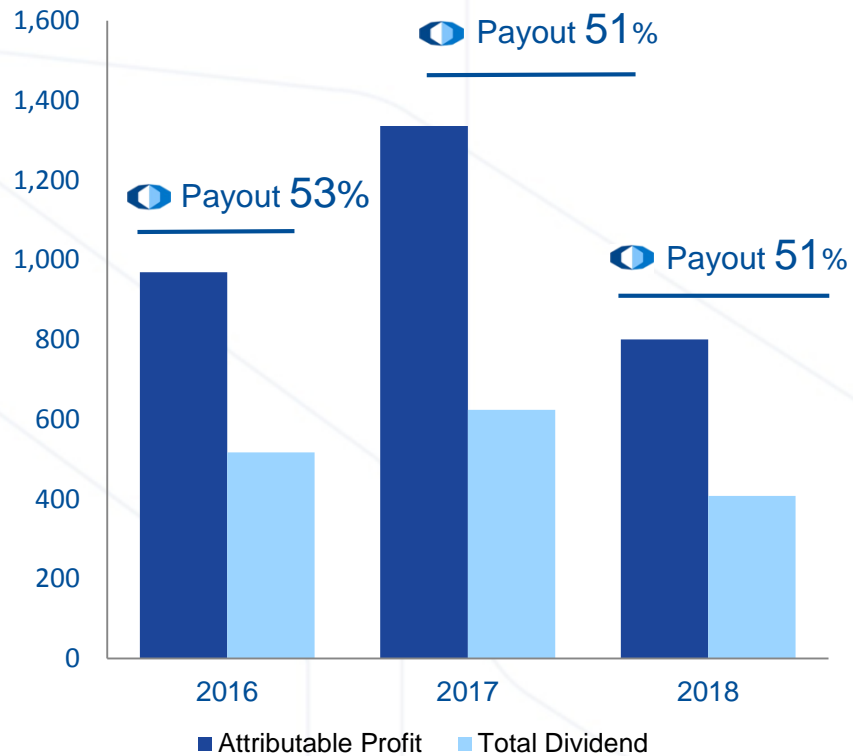


Purpose: 1) **Market Making** to facilitate Debt Capital Market (DCM) business, mainly from bonds. 2) **Investments** to facilitate asset management business as seed money, mainly from bonds and equities

Income Nature: Trading income (Mark to Market) accounts for 17% while coupon interest accounts for 16% of overall revenue.

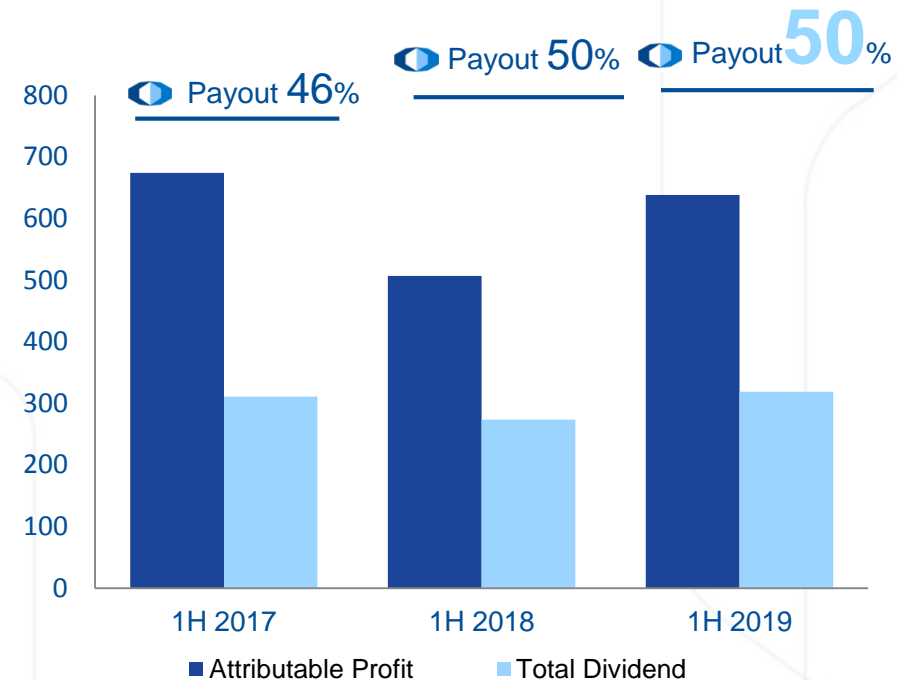
Annual

HKD Million



Interim

HKD Million



HSI High Dividend and Low Volatility Index

The company's stock has been added in "HSI High Dividend and Low Volatility Index", which tracked top 50 stocks with captioned feature that mainland investors can invest. The other constituent companies include the blue chips such as Citic Bank, Sinopec, Yuexiu Property, PCCW, etc.

The selecting criteria includes that average daily trading amount being larger than HK\$20 million along with a cash dividend record of at least 3 consecutive years.

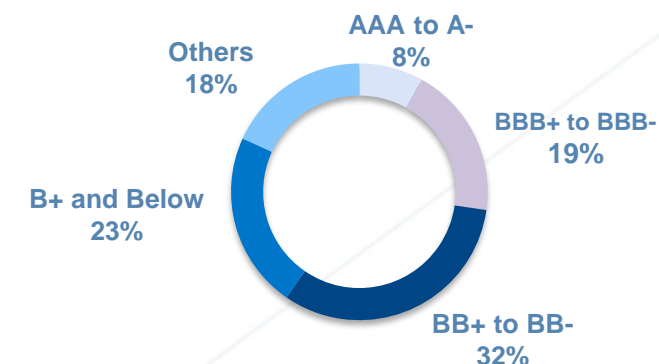
Balance Sheet Extracts

Interim Results 2019

Unit: HK\$ 000	30 Jun 2019	Contribution*	31 Dec 2018	Contribution*	30 Jun 2018	Contribution*
Loans and advances to customers	11,929,801	12.1%	12,275,375	13.9%	12,976,664	15.9%
Receivable from Reverse repurchase agreement	1,917,918	1.9%	3,109,006	3.5%	2,755,803	3.4%
Accounts receivable	6,250,308	6.3%	5,347,223	6.1%	5,639,792	6.9%
Prepayments, deposits and other receivables	114,466	0.1%	322,421	0.4%	422,424	0.5%
Financial products held on behalf of clients	38,134,443	38.7%	32,842,048	37.3%	30,196,926	37.0%
Financial assets for market making	12,240,159	12.4%	8,459,256	9.6%	6,922,124	8.5%
Financial assets for asset management and others	7,403,244	7.5%	6,560,165	7.5%	4,499,494	5.5%
Derivative financial instruments	301,522	0.3%	76,832	0.1%	62,066	0.1%
Tax recoverable	1,919	0.0%	6,131	0.0%	6,786	0.0%
Client trust bank balances	14,975,944	15.2%	14,319,985	16.3%	15,209,739	18.6%
Cash and cash equivalents	4,676,047	4.7%	4,105,672	4.7%	2,467,498	3.0%
Other asset	702,377	0.7%	610,177	0.7%	552,338	0.7%
Total Assets	98,648,148	100.0%	88,034,291	100.0%	81,711,654	100.0%
Accounts payable	20,989,443	24.1%	18,883,841	24.6%	19,478,477	27.7%
Other Payables and accrued liabilities	335,781	0.4%	537,400	0.7%	191,445	0.3%
Derivative financial Instrument	308,099	0.4%	23,620	0.0%	15,388	0.0%
Bank borrowings	9,172,022	10.5%	9,441,083	12.3%	9,763,433	13.9%
Debt Securities in Issue	31,902,584	36.6%	25,999,272	33.8%	24,266,846	34.5%
- At amortized cost	8,244,326	9.4%	6,721,259	8.7%	9,783,925	13.9%
- Designated as at fair value through P&L	23,658,258	27.1%	19,278,013	25.1%	14,482,921	20.6%
Financial liabilities at fair value through P&L	8,429,112	9.7%	8,731,117	11.4%	8,383,716	11.9%
Obligations under Repurchase Agreements	15,974,252	18.3%	13,156,517	17.1%	7,912,196	11.3%
Tax Payable	100,747	0.1%	67,159	0.1%	211,095	0.3%
Others liabilities	56,847	0.1%	0	0.0%	28,975	0.0%
Total Liabilities	87,268,887	100.0%	76,840,009	100%	70,251,571	100.0%
Ordinary shareholders' equity	11,328,268	99.6%	10,831,931	96.8%	10,780,273	94.1%
Other equity instruments and non-controlling interest	50,993	0.4%	362,351	3.2%	679,810	5.9%
Total Equity	11,379,261	100.0%	11,194,282	100%	11,460,083	100.0%

Note: Rounded Figures

Credit Rating distributions from bond holdings



Loan Balance:

- Margin loan structure was improved as proportion of blue chips and debt securities increased;
- Loan to Value ratio (LTV) as 31% with collateral value increased in the first half.

	30 June 2019	31 Dec 2018	Change ¹
Balance	11,929,801	12,275,375	(3%)
LTV	31.2%	35.1%	(3.9 p.p.)

Notes: 1) Rounded figures, LTV reflects impairment and provision.

Brokerage

(HKD'000)	1H 2019	1H 2018	YOY ¹	HOH ²
- Securities	251,987	227,302	11%	81%
- Futures and options	8,335	13,688	-39%	-44%
- Handling income	27,372	23,447	17%	4%
- Leveraged foreign exchange	729	1,489	-51%	-16%
- Insurance	3,244	5,511	-41%	51%
Total Income	291,667	271,437	7%	59%

Corporate Finance

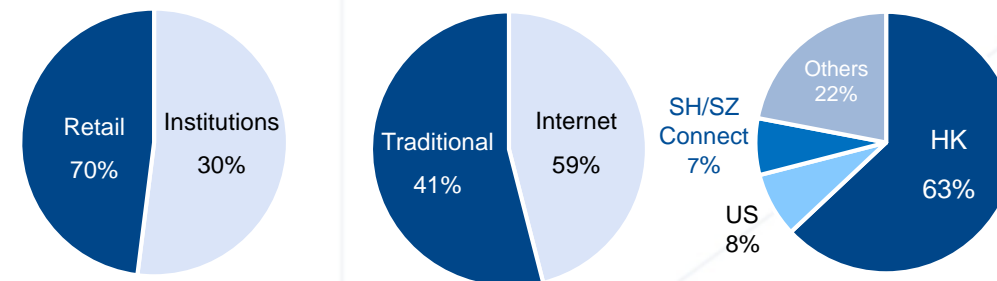
(HKD'000)	1H 2019	1H 2018	YOY ¹	HOH ²
Placing, Underwriting and Sub-writing Commission				
- Debt Capital Markets	324,536	258,439	26%	44%
- Equity Capital Markets	92,778	59,875	55%	406%
Consultancy and Financial Advisory Fee	35,245	17,041	107%	115%
Total income	452,559	335,355	35%	74%

Asset Management (Fund Level)

(HKD'000)	1H 2019	1H 2018	YOY ¹	HOH ²
Management Fee	28,761	20,815	38%	13%
Performance Fee	104	1,456	-93%	-86%
Total Income	28,865	22,271	30%	10%

Note 1 : Rounded figures, 2. As compared with 2nd half in 2018

Securities commission income



Loans and Financing

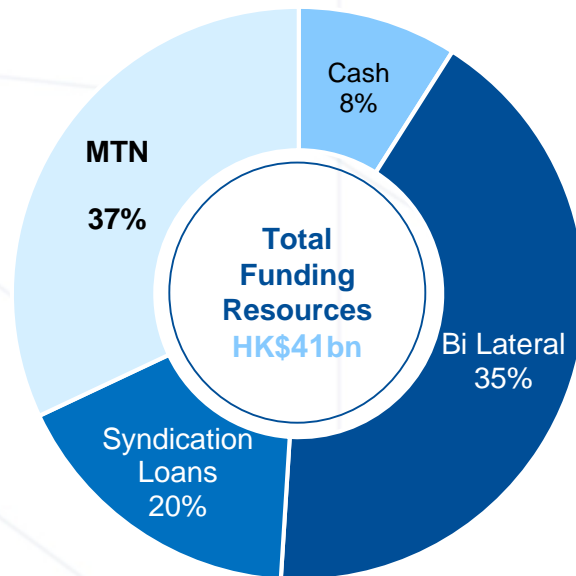
(HK\$'000)	1H 2019	1H 2018	YOY ¹	HOH ²
Total Income	558,649	716,824	-22%	-5%

Financial Products, Market Making and Investments

(HK\$'000)	1H 2019	1H 2018	YOY ¹	HOH ²
Financial Products	268,452	386,877	-31%	5%
Market Making ⁴	498,339	(47,357)	Profit	401%
Investments ⁴	283,367	4,518	62 times	Profit
Total	1,050,158	344,038	205%	257%

Note 4: 2018 1H figures has been restated.

Funding Sources



As at 30 June 2019

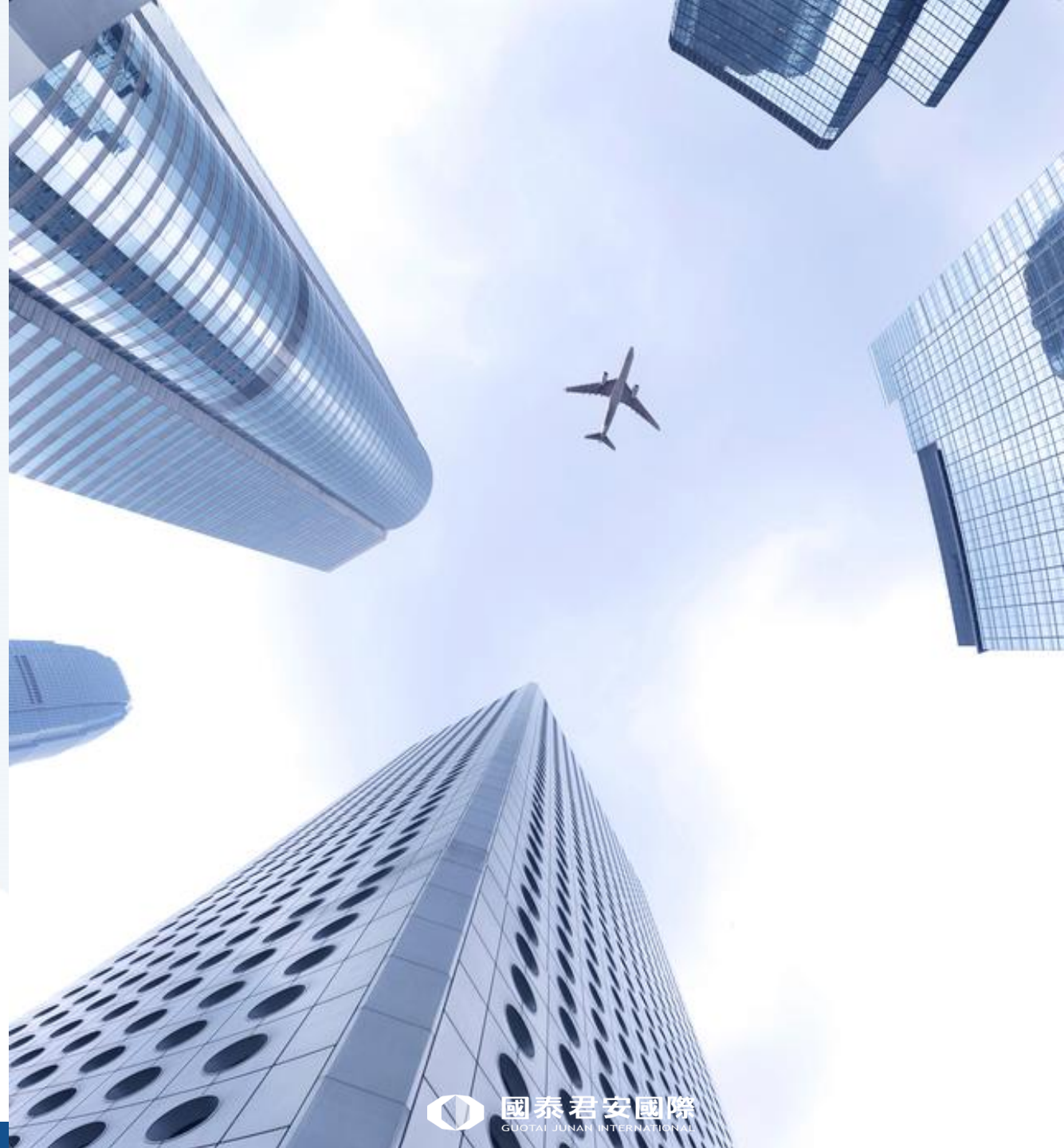
Banking facilities

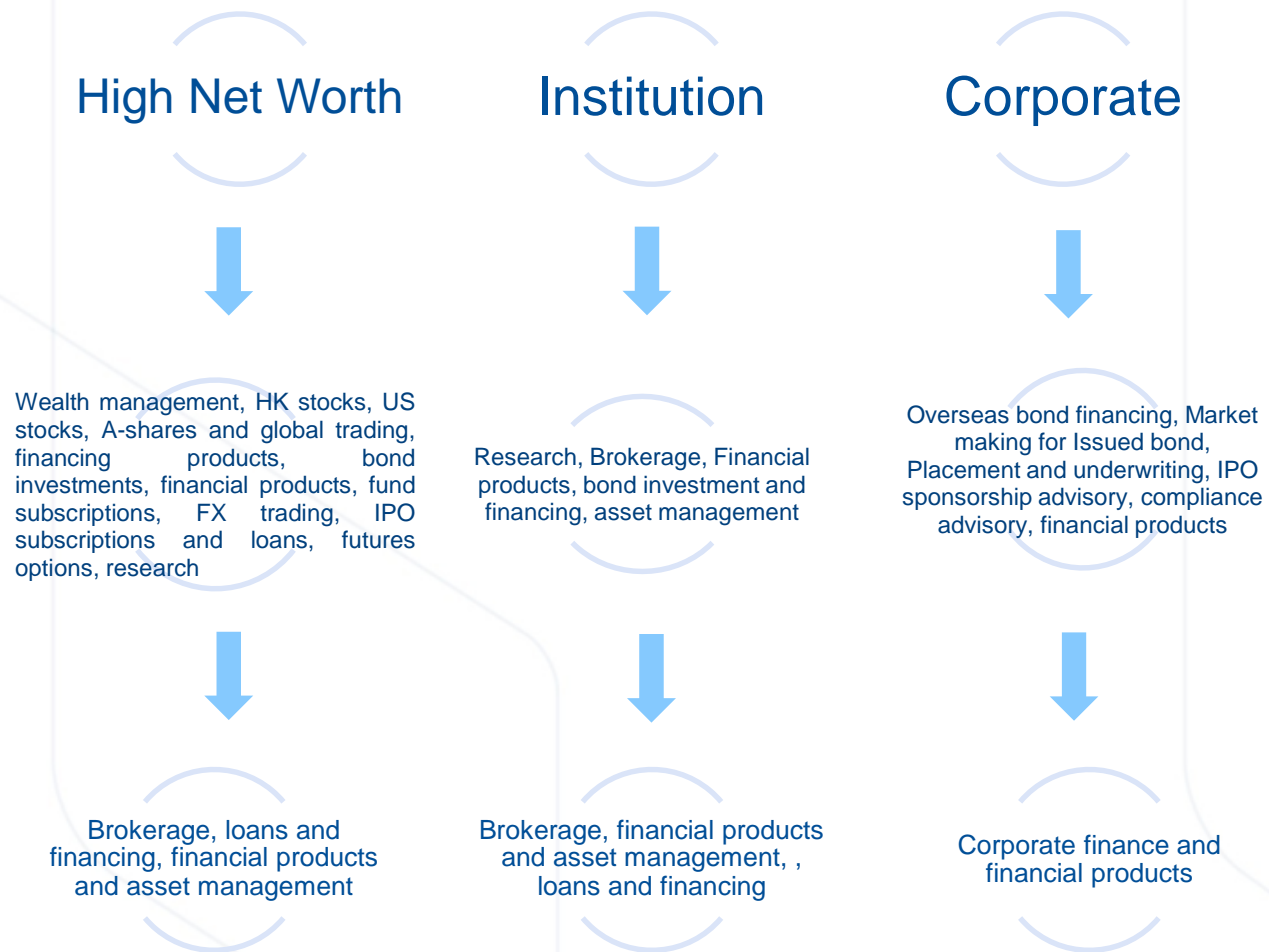
HK\$m	30 June 2019	31 Dec 2018	Change ¹
Total banking facilities	22,287	19,975	12%
Bank loans utilized	9,130	9,441	(3%)
Available outstanding banking facilities	13,157	10,534	25%
Utilization ratio	41%	47%	(6 p.p.)

Note: Rounded Figures

Business and Prospect

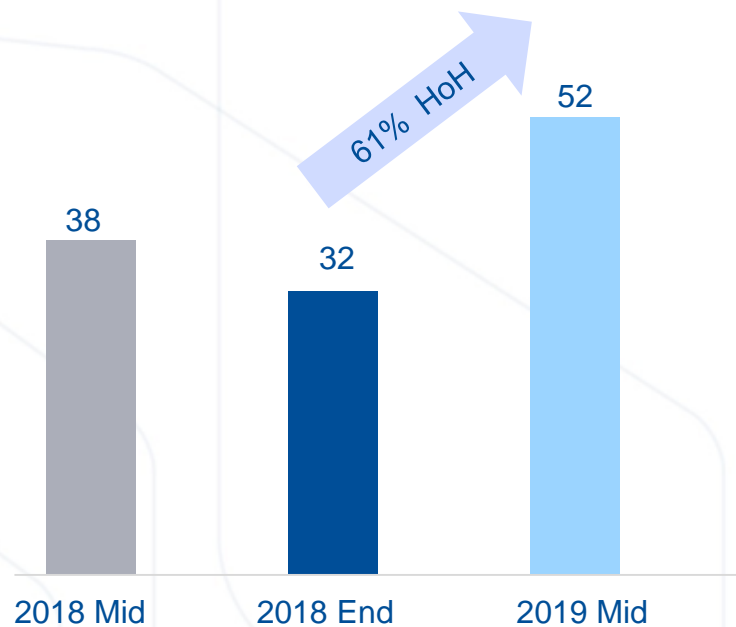
Wealth Management DCM&ECM Equity Derivatives Loans and Financing
Asset Management Prospect






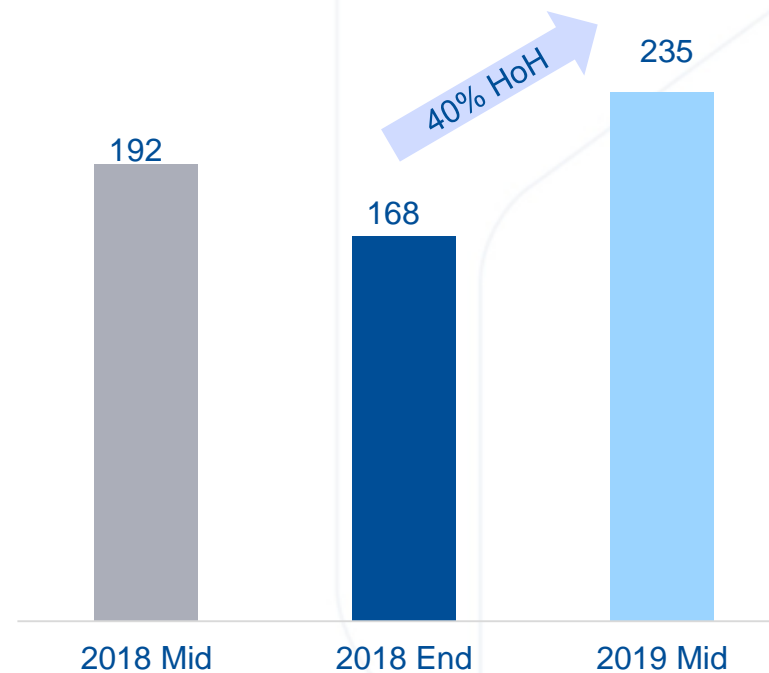
 Average balance per PI account

HK \$ mn

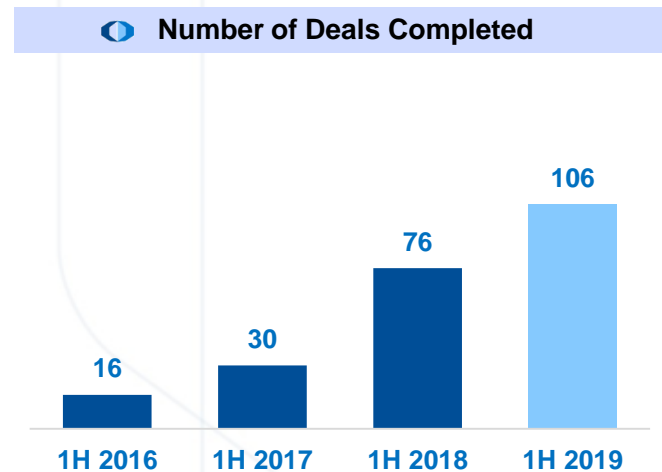
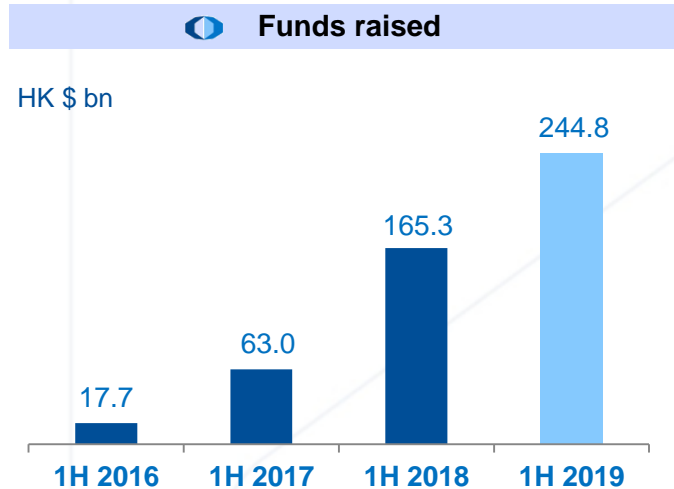
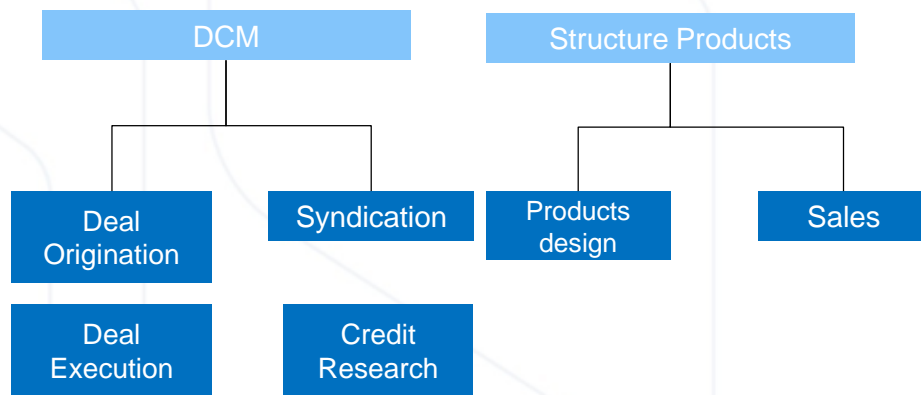


 Total clients asset under custody

HK \$ bn



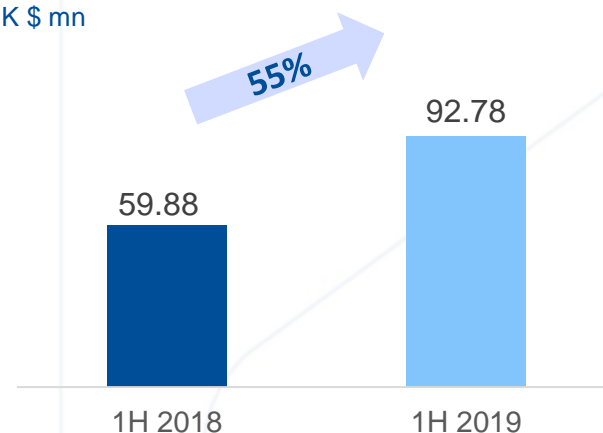
- In the first half year 2019, total fund raised from Asian (ex-Japan) G3 Currency Market increased by approximately 31% year-on-year, the Group managed to assist corporate clients in raising of nearly HK\$244.8 billion in the bond market during the period, up 48% year-on-year. The income arising from DCM increased by 26% year-on-year to approximately HK\$320 million.
- No.2 and No.3 on Bloomberg's Asia (ex-Japan) G3 Corporate High-Yield Bond Underwritten League in terms of number and amount underwritten, respectively.
- Since the establishment in 2012, the team has gradually established its leading position in the debt capital market in Hong Kong. In the past seven years, the group has participated in more than 450 bond issuances, and nearly 70% of the transactions act as global book runner.
- It is expected that domestic corporates' demand for US dollar-denominated bonds re-financing will stay robust during 2019 to 2022. The Group has the strength to seize the financing cycle of the fixed income market and further expand bond underwriting business. Meanwhile, with the Group's high-net-worth clients paying more attention to the bond market, trading volume of related products is expected to be boosted, and more synergy can be created from the collaboration between DCM and Wealth management business.



- During the period under review, the Group's income arising from the equity capital market increased significantly by 55% year-on-year to approximately HK\$92.78 million. Meanwhile, the income from Consultancy and financial advisory increased by 107% to HK\$35.25 million.
- Our team has completed 15 equity underwriting projects in primary and secondary market (5 of which were IPO sponsorship projects), representing an increase of 50% year-on-year.
- During the first half of the year, the Group explored in major sectors including energy, real estate and internet industry, injected new quality clients and projects to the capital market, and completed IPO projects including China Risun (1907.hk), Aoyuan Healthy Life (3662.hk) and Zengame Technology (2660.hk). Moreover, the Group was also act as a joint book runner and joint lead manager of the listing of H shares of Shenwan Hongyuan (6806.hk), the largest in terms of fund raising scale in the first half of the year.

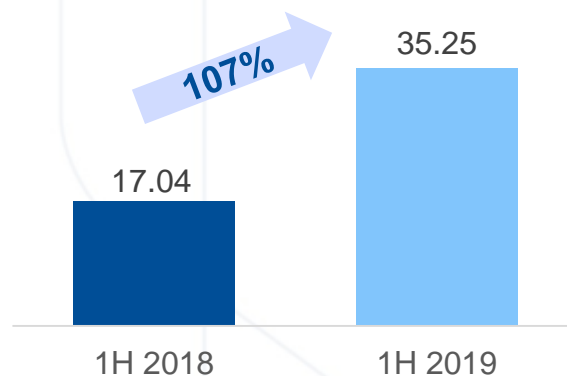
Equity Capital Market Income

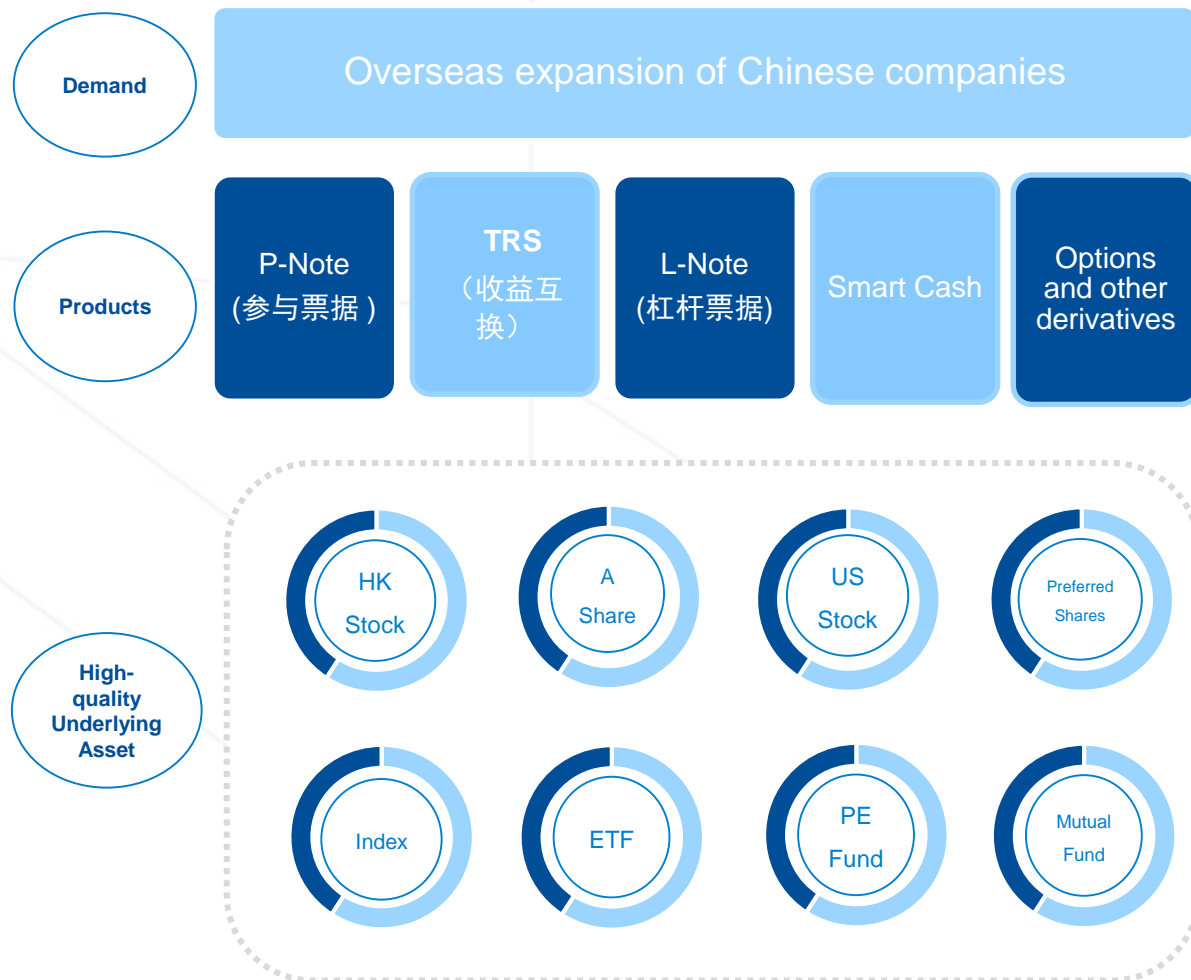
HK \$ mn



Consultancy and financial advisory Income

HK \$ mn





- The team provides high-quality investment solutions to meet the investment needs of high-net-worth clients, corporate and institutional investors. By investing in structured notes, derivatives or swaps (OTC) across asset classes, clients are able to enjoy the competitive advantage of GTJAI.
- Thanks to leading credit ratings as well as well-established cooperation with major international financial institutions, we continues to refine our product competitiveness so as to enlarge the clients coverage.
- The Smart Cash is well accepted by clients. The product provides investors with an investment method that effectively manages cash in a short period of time, including (1) principal protection, (2) guaranteed investment return (3) daily liquidity

Equity Financing and Securities Lending

- Balance and interest income from margin loans business is adjusted due to the enhanced the risk control for margin financing.
- Enlarged equity financing pool by increasing financing options from securities to strengthen competitiveness.
- Regarding the quality of margin clients' collateral, the proportion of blue chips and Large Cap stocks grew steadily.
- Various business lines mitigate effect from volatile market. Income from Securities borrowing and lending, Term loans and Repo increased steadily

Risk Management



Core competency

Domestic Investors

- Big four state-owned bank
- Regional banks

Domestic Stock Market

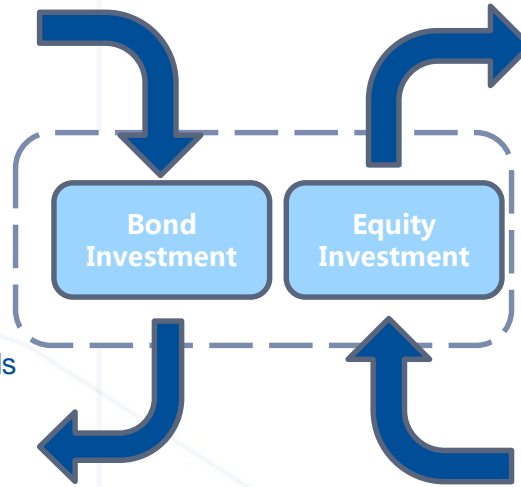
- Stock Connect
- QFII Program

Offshore Bond

- Chinese corporate bonds
- Corporate bonds
- Government bonds

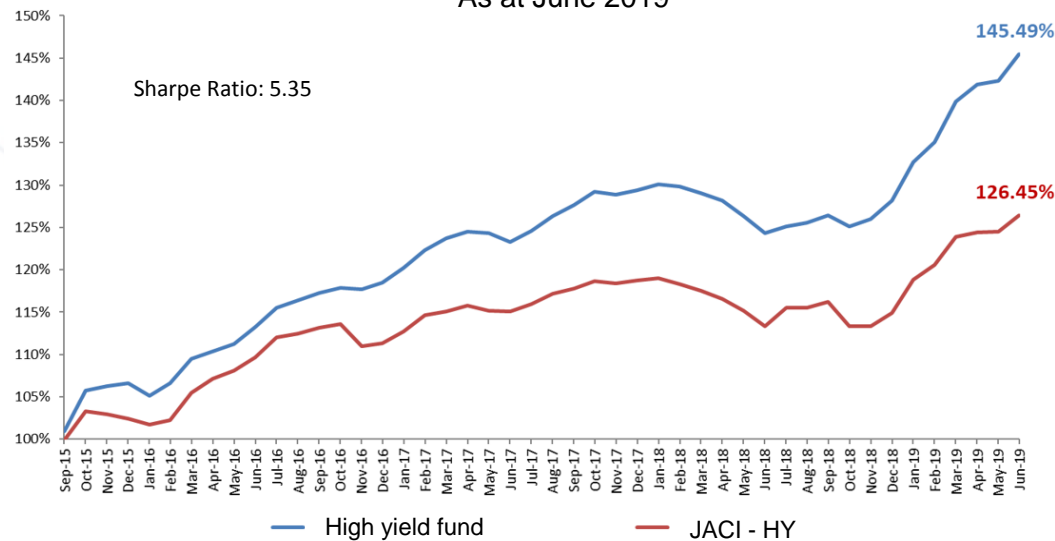
International Investors

- Top American FoF (Preclude Capital, Topwater, etc)
- Institutional Investors from Japan

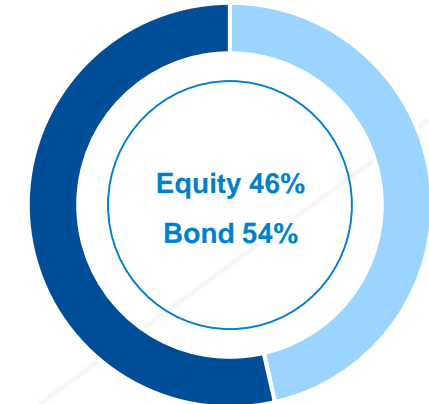


Guotai Junan Asia High Yield Fund Performance

As at June 2019

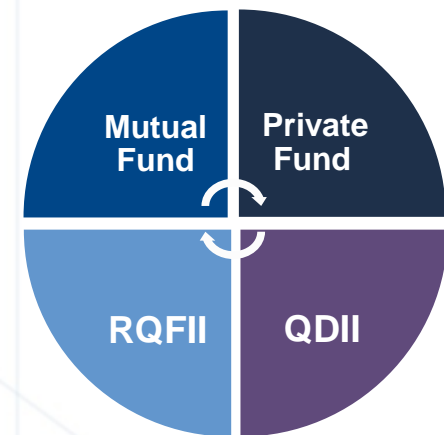


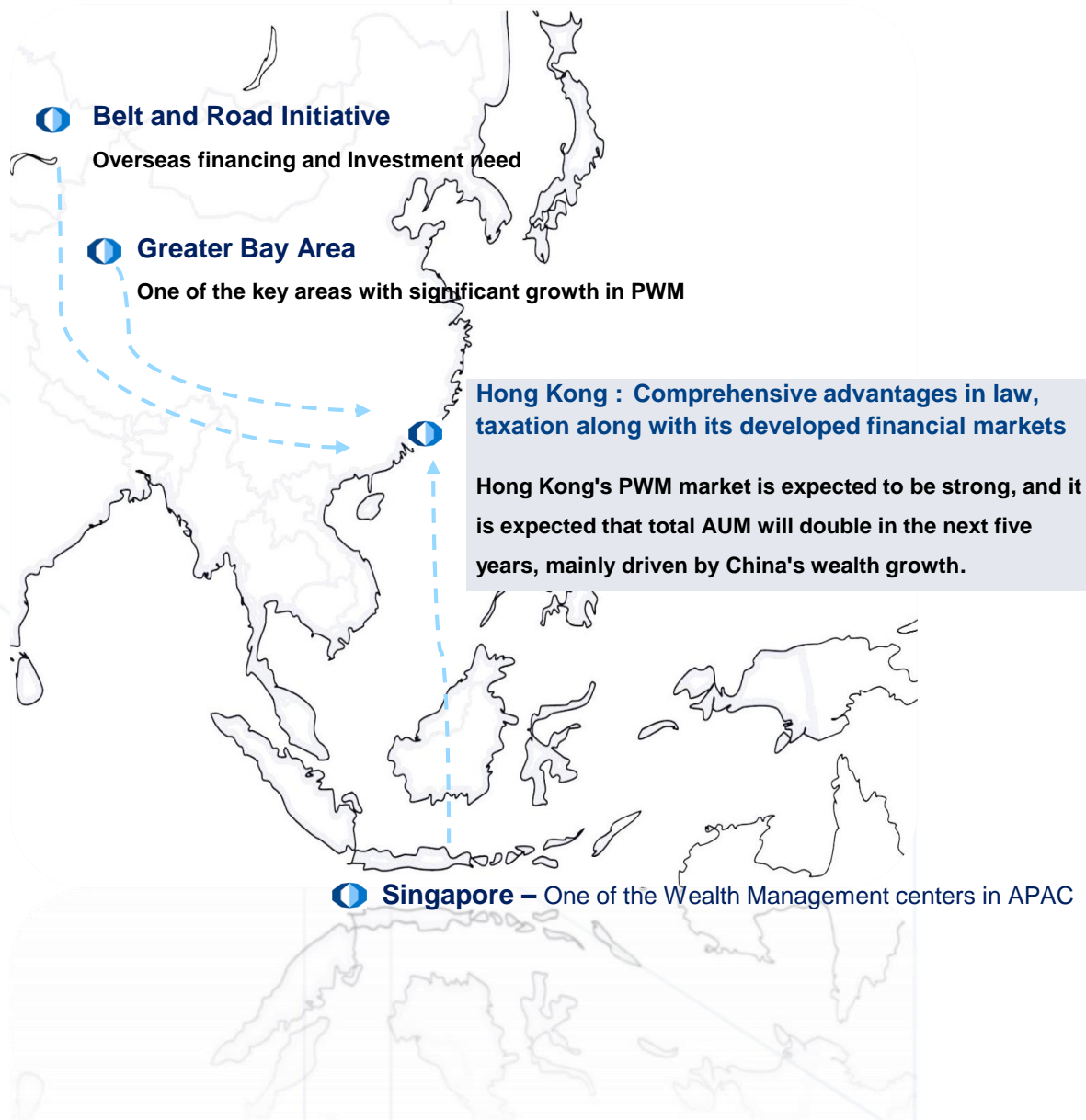
Distribution



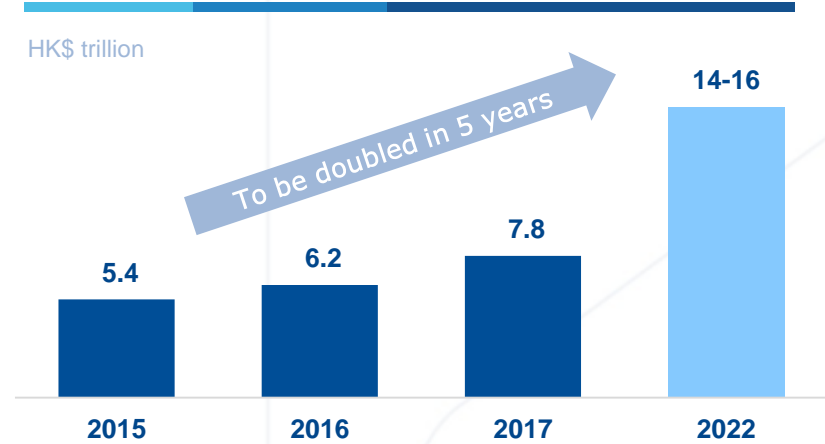
■ Equity Fund ■ Bond Fund

Various products and services



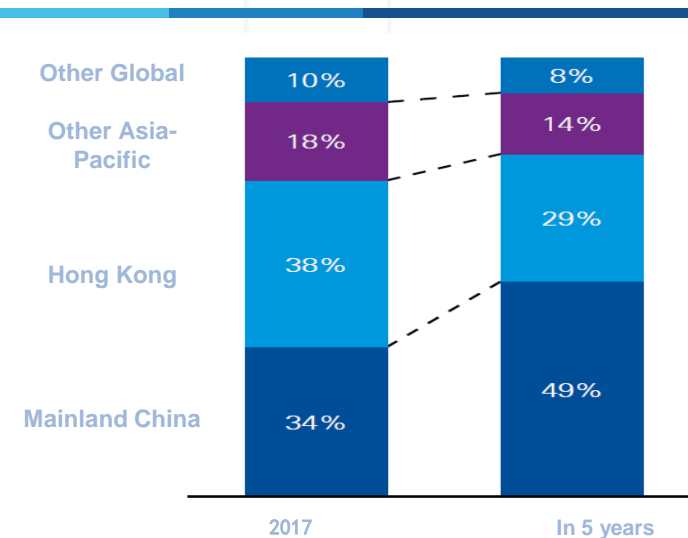


Total AUM for HK Private Banking Stats



Source: HK SFC Asset and Wealth Management Activities Survey 2017

Hong Kong PWM industry AUM by origin



Source: HK SFC Asset and Wealth Management Activities Survey 2017

1995 2003 2007 2010 2012 2013 2015 2017 2018

2019 and Going forward

Achievements:

- ✓ Combines the brand value of “Guotai Junan” of over 20 years in HK, our experience in cross-border financial services with strong client base to attract high-net-worth clients.
- ✓ Built complete product line to become one-stop financial service platform.
- ✓ Transformed to A unique Chinese investment bank with leading position in debt capital market.
- ✓ Provided competitive financial derivative product business, which is well received.
- ✓ S&P rated “BBB+” with “stable” outlook, Moody’s rated “Baa2” with “stable” outlook - highest credit ratings among Chinese financial institutions in Hong Kong.
- ✓ Continuously optimized finance costs and became an industry leader.
- ✓ Conducted Solid risk management system, implemented Margin Calculation by Stock mechanism to increase asset quality.

Prospects:

- More diversified investment products.
- A broader sales network and more specialized investment consultants.
- Attract quality clients and invest in quality assets.
- Increase commission and fee based income.
- Further improve the stability of the Group's earnings.
- Provide more attractive returns to shareholders.

Appendix

Awards

Controlling Shareholder

Credit Rating

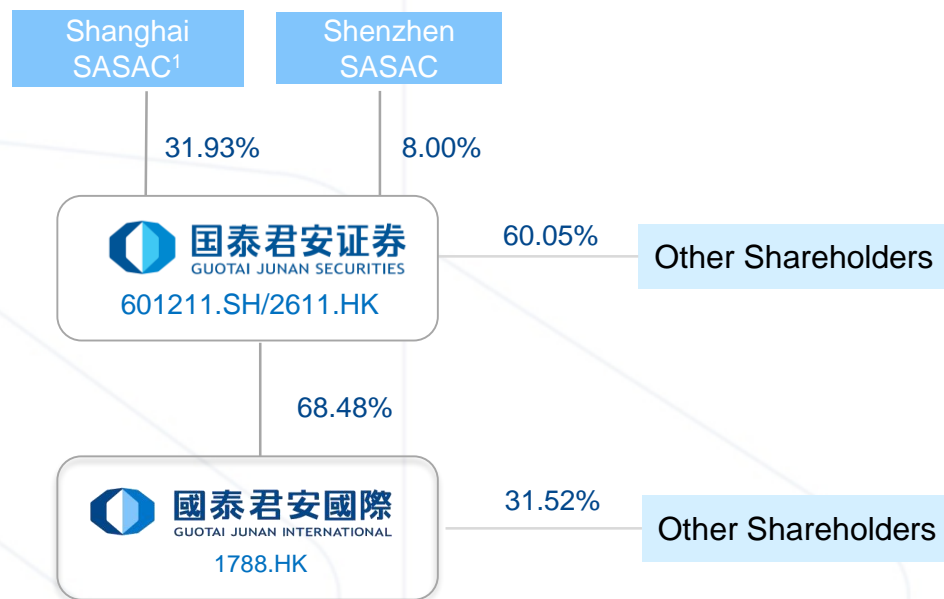
Risk Management

Awards and Achievements

Interim Results 2019

Jun 2019	The 9th Asia Excellence Award: 1. Asia's Best CEO 2. Best Investor Relations Company	Corporate Governance Asia	
Jun 2019	1. Outstanding Investment Bank 2. Best Corporate Governance	China Financial Market	
Jun 2019	Financial Institution Awards 2019: 1. Excellence Award in Wealth Management Platform 2. Excellence Award in Cross-border Financial Service 3. Outstanding Award in Derivatives Provider of the Year	Bloomberg Businessweek	
Jan 2019	The Most Competitive Wealth Management Institution	Phoenix Net Finance	
Dec 2018	Best Hong Kong Deal Award	Finance Asia	
Dec 2018	The Corporate Awards 2018: Gold Award	The Asset	
Sep 2018	Asia Risk Awards 2018: Security House of the Year	Asia Risk	
Jul 2018	2018 Thomson Reuters Analyst Award: 1. Top Stock Pickers award in the Overall Analyst Awards category 2. Top Stock Pickers award for the Automobiles industry in the Industry Analyst Awards category	Thomson Reuters	




Shareholders Structure



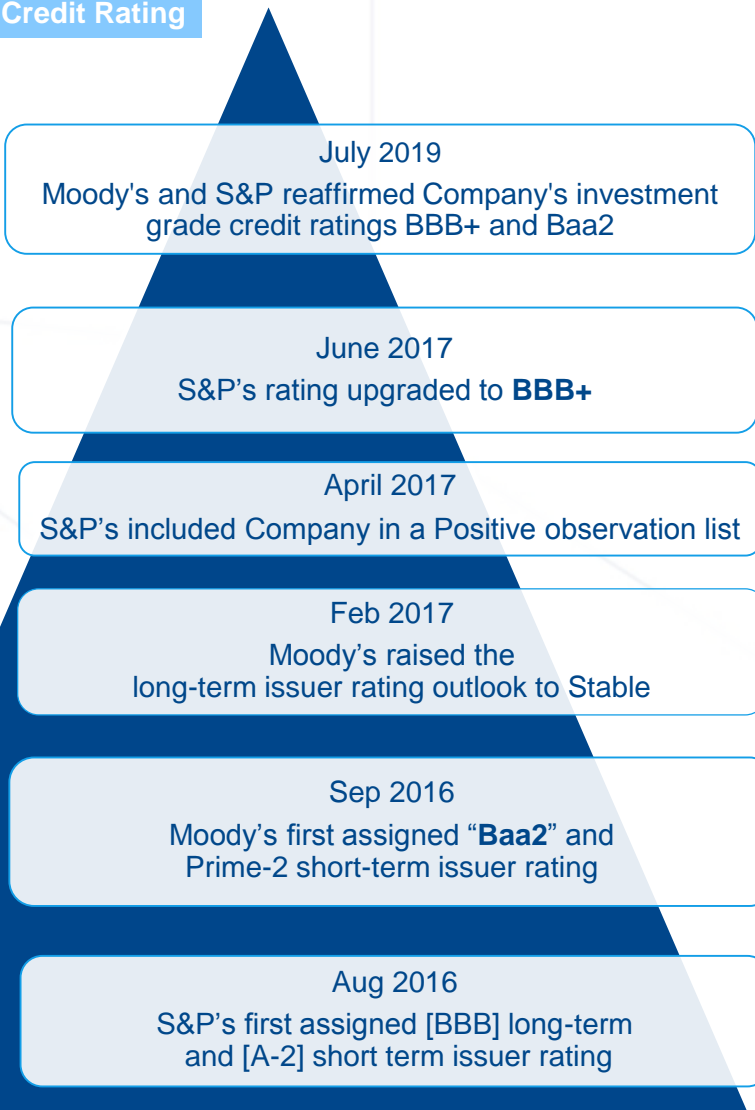
1. State-owned Assets Supervision and Administration Commission

2. The position was as at 30 June 2019

About Guotai Junan Securities (Parent Company)

- 
 GTJA has been a comprehensive financial provider with a long-term, sustainable and overall leading position in the Chinese securities industry.
- 
 According to the statistics of the Securities Industry Association, in the first half of 2019, operating income, net profit, total assets, net assets and net capital of GTJA ranked No.2 in the industry.
- 
 Since 2008, GTJA has been rated as A level of AA class for 12 consecutive years by CSRC, which is the highest rating for Chinese securities companies so far.
- 
 Listed in HKEX in 2017 (2611.HK)
- 
 Credit Rating stays close to top notch international level. BBB+ from S&P, Baa1 from Moody's

Milestone of Credit Rating

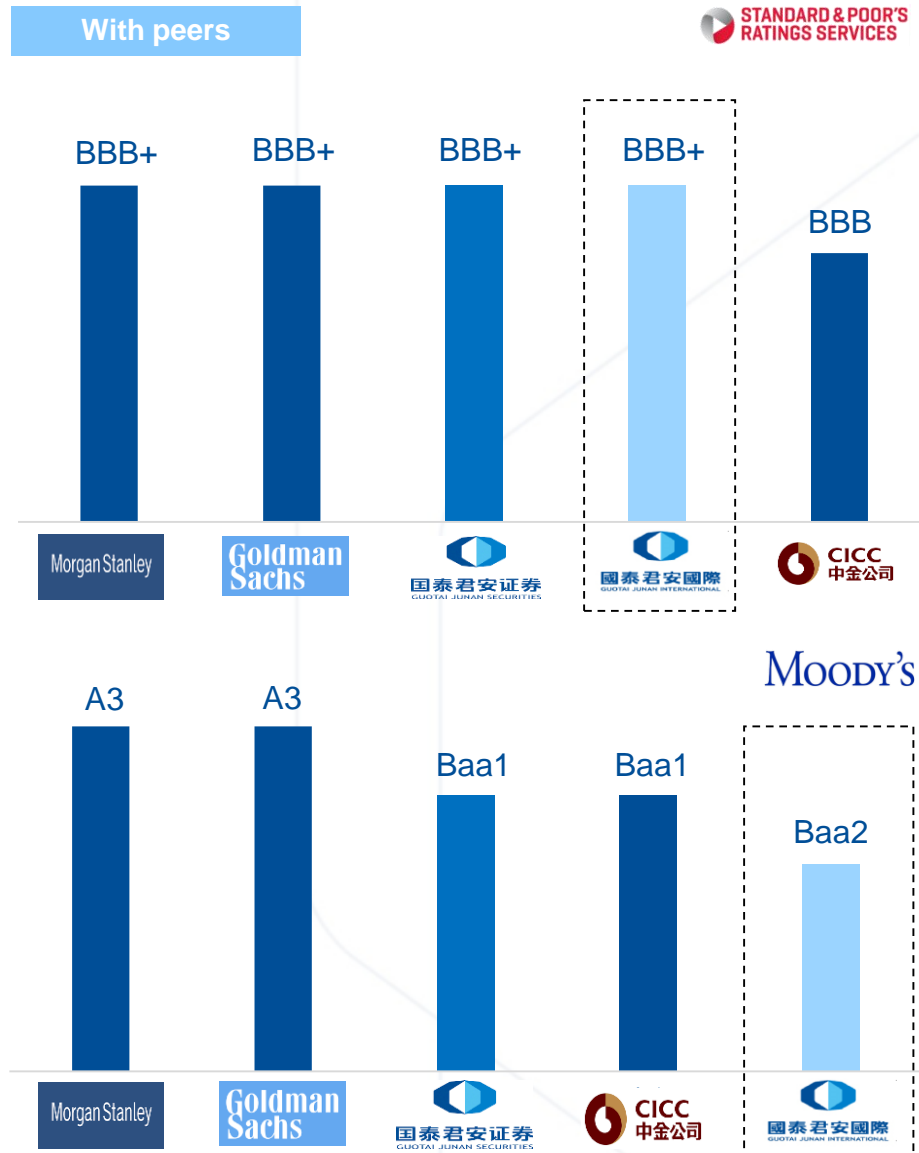


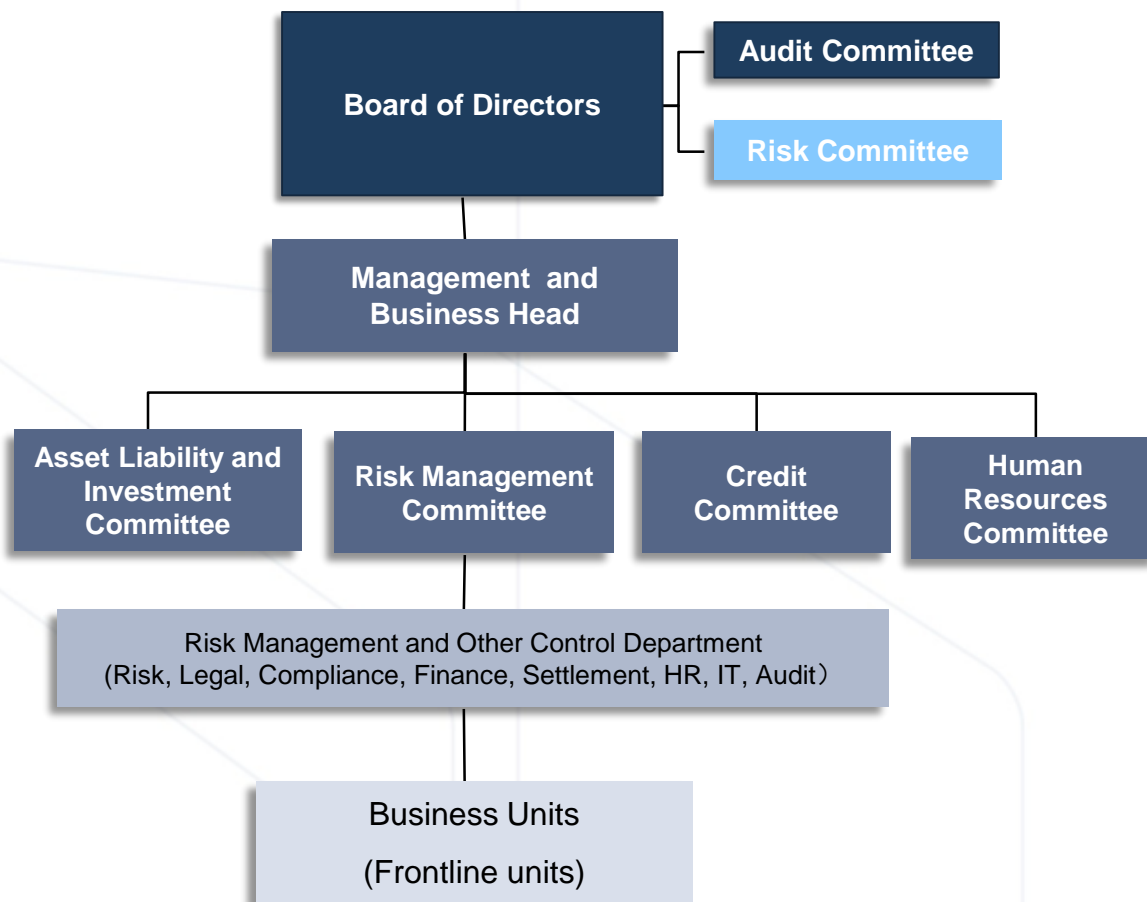
MOODY'S

MOODY'S



With peers





- 
Credit Risk: We manage credit risk to a borrower or counterparty from different business (traditional lending activities, counterparty exposure, issuer exposure and contingent exposure from third party credit enhancement). We control and monitor credit risk through policies and procedures setting, limit setting and monitoring, collateral management and internal rating system.

- 
Market Risk: It is controlled and monitored through an extensive set of limits. There are a number of types of limits: position, loss, notional and other limits that are timely monitored to ensure we operate within the company's risk appetite. Value at Risk is the key measure of market risk at the company.

- 
Operational Risk: It must be managed by all employees as part of our day-to-day activities. Our Risk and Control Self Assessment ("RCSA") and Key Risk Indicator ("KRI") processes are established as primary means to engage everyone in capturing our individual business and aggregate operational risk exposure.

- 
Liquidity Risk: We manage our liquidity position through lines of businesses and asset liability management activities, as well as through our legal entity funding strategy, on both a forward and current basis. We diversify our sources of funding—short term and long term bank loans, perpetual bonds issuance, rights issue, MTN program etc.

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This presentation contains certain forward-looking statements with respect to the financial conditions, results of the operations and business of the Group and certain plans and objectives of the management of the Group. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results or performance of the Group to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements were based on assumptions regarding the Group's present and future strategies and the political and economic environment in which the Group will operate in the future. Reliance should not be placed on these forward-looking statements, which reflect the view of the Group's management as of the date of this presentation only. There can be no assurance that future results or events will be consistent with any such forward-looking statements.

The financial information relating to 6 months ended by 30 June 2019 that is included in this presentation as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.

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