

GTJAI Announced 2020 Annual Results

Net Profit Significantly Increased by 75% with ROE reaching 12%

[Hong Kong, 23 March, 2021] **Guotai Junan International Holdings Limited** (“**Guotai Junan International**”, “the “**Group**”, “**GTJAI**”, stock code: **1788.HK**) announced its annual results for the year ended 31 December 2020 (the “**Year**”). Despite the market fluctuation caused by the pandemic in 2020, the Group maintained operational resilience and stability. Driven by the two-pillar businesses - individual and institutional finance, the Group achieved record high financial results by effectively providing differentiated products and services to wealth management, corporate and institutional clients based on a prudential risk management of the balance sheet.

In the year of 2020, the Group('s):

- ✓ **Revenue** increased by 15% Year-on-Year (“YoY”) to HK\$ 4,878 million (historical high);
 - Income of brokerage business increased by 22% to HK\$649 million, income of asset management business significantly increased by 321% to HK\$154 million; income of financial products, market making and investments increased by 42% to HK\$ 2,470 million.
- ✓ **Profit attributable to shareholders** increased by 75% YoY to HK\$1,563 million(historical high); **earnings per share** increased by 44% to HK\$0.169;
- ✓ **Total cost** decreased by 6% YoY to HK\$3,064 million;
 - Impairment provision decreased by 60% YoY to HK\$364 million, and finance cost decreased by 6% YoY to HK\$830 million.
- ✓ The Board of Directors recommended the final dividend for the year of HK\$0.051 per share, a YoY increase of 155%. The total dividend for the full year of 2020 totaled HK\$0.085 per share (2019: HK\$0.062 per share);
- ✓ **Return on equity (ROE)** reached 11.8%, increasing by 3.7 percentage points YoY.

In the end of 2020, the Group('s):

- ✓ **Total asset** was HK\$121.7 billion, increased by 26% YoY, **equity attributable to shareholders** was HK\$15.12 billion, increased by 34%;

- **Loans and financing balance** surged by 33% to HK\$15.6 billion, the highest in the last three years;
- **Client trust bank balances** surged by 67% YoY to HK\$18.7 billion.
- ✓ **Assets under custody (AUC)** increased by 35% YoY to HK\$206.7 billion (HSI dropped by 3% during the same period);
- ✓ **Assets under management (AUM)** increased by 12% YoY to HK\$9.3 billion (HSI dropped by 3% during the same period).

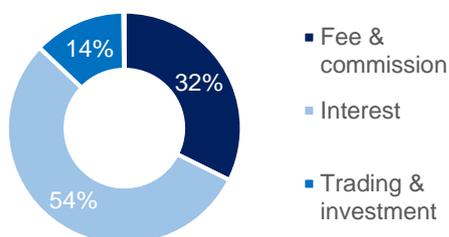
In terms of operation development in 2020, the Group('s):

- ✓ Reaffirmed by **S&P** and **Moody's** with **BBB+** and **Baa2** long-term issuer rating with "stable" outlook;
- ✓ Strategic integration of **wealth management** and retail brokerage completed, market share of brokerage business steadily grew;
- ✓ Established **the Department of Structure Solutions and Derivatives** to better leverage strengths in financial products business to serve financial institutional clients;
- ✓ Establish **the equity investment team** to support the development of quality new economy companies and create more quality products for wealth management clients

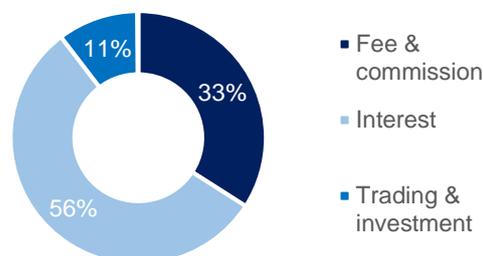
Revenue structure: fee and commission income and interest income constituted nearly 90% which enhanced financial resilience

In recent years, the Group's diversified business covered wealth management, brokerage, corporate finance, asset management, financial products, market making and investment. During the Year, the Group's revenue generated from fee and commission and interest constituted nearly 90% of the total revenue, leading to a steady growth in finance income despite the market fluctuation. Among which, fee and commission income amounted to HK\$1,564 million, representing a growth of 10% YoY, mainly driven by the business growth in brokerage, asset management and financial products. Interest income¹ amounted to HK\$2,650 million, representing a growth of 12% YoY, mainly benefiting from the increase in market making and investments businesses. Trading and investment income (recorded by mark-to-market) amounted to HK\$659 million (13% of total revenue), increased by 42% YoY, mainly benefiting from the growth in revenue generated from issuing financial derivatives to wealth management clients and asset management seed funding.

Revenue structure (2020)



Revenue structure (2019)



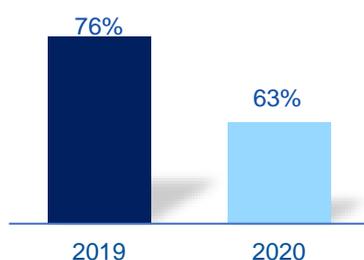
Note1:

interest income from market making and investment business were included in interest income in 2020 results

Asset quality enhanced mid-and-long term profitability, while reduce in impairment provision led to the decrease in total cost

In 2020, the Group's total cost decreased by 6% YoY to 3,064 million, and the cost-income ratio significantly dropped by 13 percentage points to 63%, mainly benefiting from the decrease of impairment provision and finance cost comprehensively. The Group believes risk management is the core competency for a financial institution. In recent years, the Group has been adopting tighter risk management measures and standard and taking the initiative to raise the impairment provision for relatively high risk assets to improve asset quality. As a result, the Company's impairment provision decreased by 60% to HK\$364 million in 2020.

Cost-income ratio



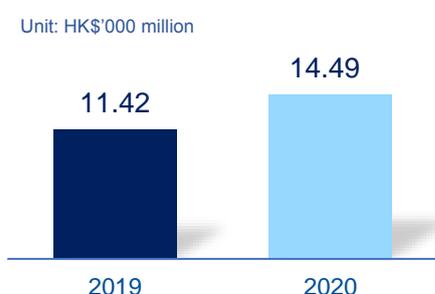
Impairment provision



Individual finance (wealth management): Challenging environment did not hinder its efficient development, as revenue and the client's custody assets continue to rise against the market

In 2020, the Group's revenue generated from individual finance – wealth management (including income from wealth management clients on brokerage, loans and financing and investments) increased by 27% YoY to HK\$1,449 million, constituting 30% of the Group's total revenue, 3 percentage points higher YoY.

Individual finance (wealth management) revenue



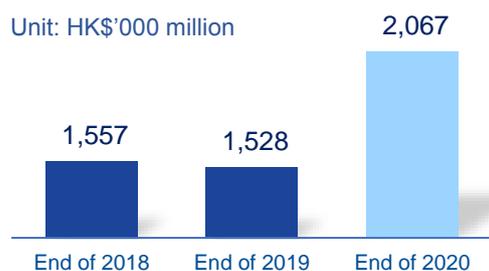
Definition of Individual finance

Individual finance including:

- 1) **Brokerage** (wealth management);
- 2) **Loans and financing** (wealth management);
- 3) **Investments**: revenue from issuing structure derivatives (e.g.warrants products)

As of the end of 2020, as wealth management business continuously attracting clients, the Group's AUC amounted to HK\$206.7 billion, increasing by 35% YoY (HSI dropped by 3% during the same period). Meanwhile, the Group's market share in Hong Kong stocks brokerage business steadily grew. Driven by the financing demand of new clients, the Group's loans and advances to customers balance rose greatly by 33% to HK\$15.6 billion, which was the highest in the last three years.

The Group's AUC



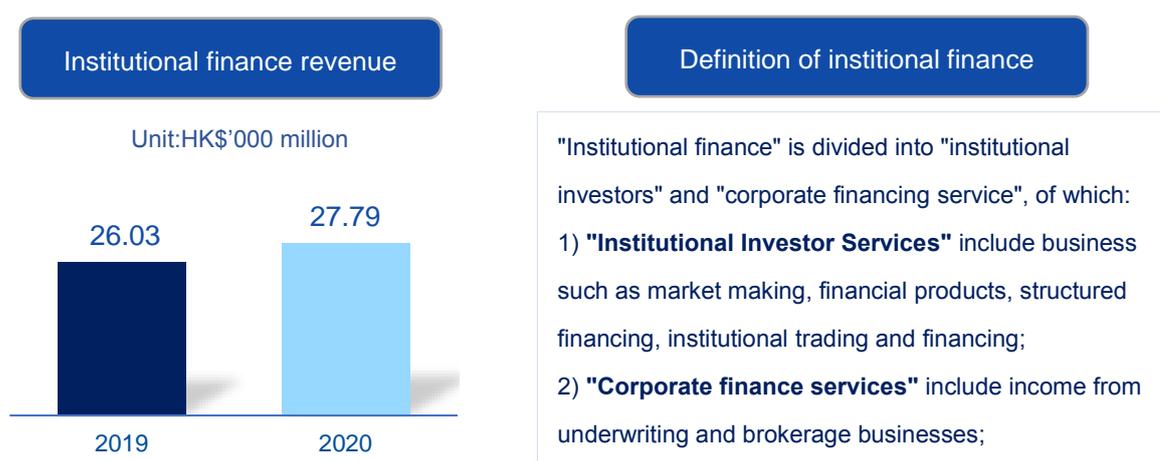
Loans and advances to customers



As the Hong Kong stock market recorded strong turnover in 2020, the Alibaba, Meituan and Xiaomi warrants derivative and financial derivatives launched by the Group were widely welcomed. At the end of the Year, the Group gradually launched callable bull / bear contracts (CBBC) products related to HSI, which were widely recognised by investors. On the other side, to better provide tailor-made premium products and services to the high-net-worth clients, the Group completed internal strategic integration of the wealth management platform in July 2020. Currently, the platform comprises professional teams including investment advisory, client service, wealth management for private clients and structured derivatives products. Other than regular investment portfolio such as equity and fixed income, the platform also offers warrants derivative products and CBBC, customized financial products, foreign exchange, future and private equity.

Institutional finance: remarkable anti-cyclical ability, providing comprehensive services for institutional investors and enterprises

In 2020, the Group's income from institutional finance (including corporate financing services and institutional investor services) increased by 7% YoY to HK\$2,779 million, accounting for 57% of the Group's revenue.



To provide **institutional investors** with more comprehensive services and solutions, and give full play to the advantages in financial products, in the third quarter of 2020, the Group established a **structure and derivatives** business team to meet more customized needs of corporate and institutional investors, and continue to provide flexible and practical investment and financing solutions, assisting clients to implement ideal investment

judgments and strategies in different market environments.

Corporate finance services of the Group include the provision of professional debt capital market, equity capital market and consultancy and financial advisory services to corporate clients and issuers.

- **In terms of the debt capital market**, the extensive market experience and high-quality professional services enabled the Group to steadily rank in the forefront of the Chinese USD debt market. In 2020, the Group assisted corporate clients in financing in the debt market with a total amount of approximately HK\$464.3 billion (2019: HK\$423.3 billion). In terms of the number of issuances, the Group ranked second in the Bloomberg Asia (ex-Japan) G3 corporate high yield bond underwriting rankings.
- **In terms of equity capital market and financial advisory**, the Group assisted companies in financing with a total amount of HK\$124.3 billion, including JD.com (9618.HK), JD Health (6618.HK), Bohai Bank (9668.HK), and GDS (9698.HK) and other large-scale Hong Kong stock IPO projects. During the year, the team completed 4 listing sponsorship projects (2019: 8), including Zhongguancun Science-tech Leasing (1601.HK), Financial Street Property (1502.HK), etc.

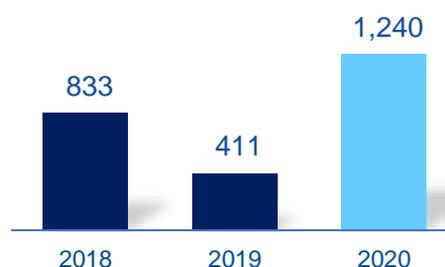
Fundraising amount (debt capital market)

Unit:HK\$'000 million



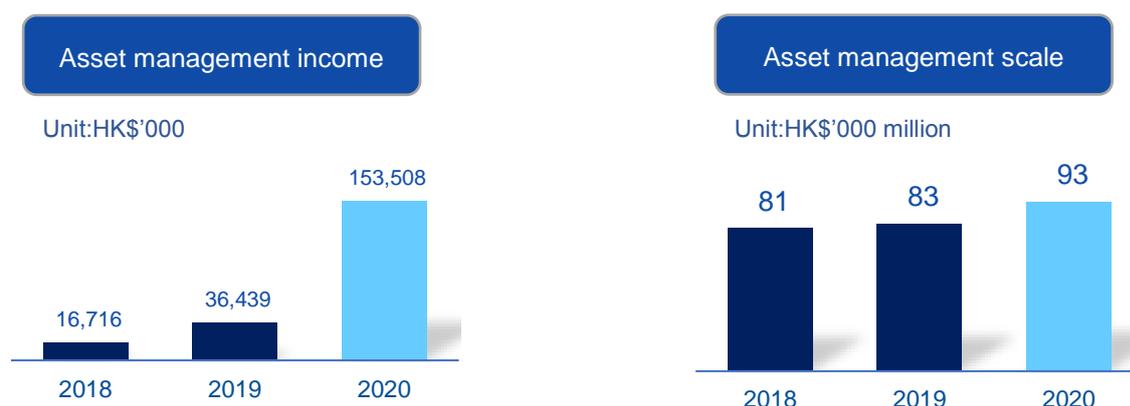
Fundraising amount (equity capital market)

Unit:HK\$'000 million



Investment management: outstanding performance, asset management income increased significantly

The Group's investment management business includes asset management and other proprietary investments. Among them, the Group's asset management management fee and performance fee income increased substantially by nearly 3.2 times to HK\$154 million (2019: HK\$36.44 million). Despite the market fluctuation, the Group's asset management team insists on achieving long-term stable asset appreciation for customers. GTJAI's Asia High Income Bond Fund won the Best Fund Performance - Private Fund - Greater China Fixed Income (1 year) and (3 years) in the "2020 Offshore China Fund Award" jointly held by China Asset Management Association of Hong Kong (CAMAHK) and Bloomberg. As of December 31, 2020, the Group's asset management scale increased by 12% YoY to approximately HK\$9.3 billion (2019: HK\$8.3 billion).



Outlook:

In 2021, the Group will focus on strengthening following business measures:

- Enhance the efficiency of **financial technology** applied on the securities trading platform to create a better trading experience for customers;
- Optimize wealth management services, enhance product services and customer investment channels, strengthen the connection between **wealth management** and businesses such as **private equity, asset management and corporate finance**, to provide one-stop financial services for customers;

- Increase efforts in acquisition of financial institutions and corporate customers, give full play to the core competitive advantages of **financial products** and trading platform systems, and provide customers with differentiated and customized financial products and services;
- Deepen cooperation with the parent company and explore new opportunities in the **cross-border financial market**.

Dr. Yim Fung, the Chairman and Chief Executive Officer of GTJAI said:

“In 2020, while the financial market was extremely volatile, the Group's performance was still strong, with revenue and dividends hitting record highs and profits rising by 75%, which is more encouraging. In the future, we believe that China will be one of the fastest-growing economies in the world. The needs for international development and financing of mainland enterprises, and the demand for wealth management and overseas asset allocation of high-net-worth individuals will continue to grow. The role of Hong Kong capital market will become increasingly important. As a experienced financial service provider in global capital markets and a well-known wealth management platform, Guotai Junan International will adhere to the principle of customer first and demand-oriented, to further develop wealth management business steadily and aggressively, promote products and services with strong financial technology, enhance the growth resilience of revenue and profits in a complex external environment, and further increase the rate of return on risk-adjusted capital. We will continue to create value for customers, investors, employees and other stakeholders, and strive for the comprehensive leadership of capital structure, customer coverage, business income and service capabilities in the industry.”

~ End ~

FINANCIAL HIGHLIGHTS:

Income Statement	2020	2019	YoY
Fee and commission	(HK\$'000)	(HK\$'000)	
- Brokerage	649,471	531,233	22%
- Corporate finance	591,872	809,047	-27%
- Asset Management	153,508	36,439	321%
Income from loans and financing	1,007,655	1,134,972	-11%
Gain from financial products, marketing making and investments	2,470,446	1,733,845	42%
Total revenue	4,878,400	4,250,171	15%
Total cost	3,063,721	3,244,728	-6%
- <i>Provision Impairment</i>	363,565	908,714	-60%
- <i>Finance costs</i>	830,256	879,294	-6%
Profit attributable to shareholders	1,562,587	895,303	75%
Earnings per share (HK Cents)	16.9	11.7	44%
Total dividends	815,270	513,271	59%
Dividend per share (HK Cents)	8.5	6.2	37%
Final Dividend per share (HK Cents)	5.1	2.0	155%
ROE (Return on equity)	11.8%	8.1%	3.7ppt
Balance Sheet	As of the end of December, 2020	As of the end of December, 2019	YoY Change
Total assets (HK\$'000 million)	1,217	967	26%
- <i>Loans and advances to customers (HK\$'000 million)</i>	156	117	33%
- <i>Client trust bank balances (HK\$'000 million)</i>	187	111	67%
Total liabilities (HK\$'000 million)	1,065	853	25%
Net asset per share (HK\$)	1.58	1.47	7%

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This press release 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.

About GTJAI

Guotai Junan International (“**GTJAI**”, Stock Code: 1788.HK) is the market leader and first mover for internationalization of Chinese Securities Company. The Company is the first Chinese securities broker listed on the Main Board of The Hong Kong Stock Exchange by way of initial public offering. Based in Hong Kong, the Company provides diversified integrated financial services. The core services include wealth management, corporate finance, loans and financing, asset management as well as financial products. Currently, GTJAI has been assigned “Baa2 / Prime-2” and “BBB+ / A-2” 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>