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GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “Board”) of Guotai Junan International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company (together with its subsidiaries, the “Group”) for the six months ended 30 June 2020 together with comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change %
	2020 HK\$'000	2019 HK\$'000	
Fee and commission income			
– brokerage	276,450	291,667	–5.2%
– corporate finance	242,779	452,559	–46.4%
– asset management	23,935	10,215	134.3%
Income from loans and financing	518,275	558,649	–7.2%
Gain from financial products, market making and investments	736,350	1,008,945	–27.0%
Revenue	1,797,789	2,322,035	–22.6%
Profit for the period	609,050	644,731	–5.5%
Profit attributable to ordinary equity holders of the Company	605,583	638,856	–5.2%
Basic earnings per share (HK cents)	6.77	8.35	–18.9%
Diluted earnings per share (HK cents)	6.76	8.33	–18.8%
Equity per ordinary share (HK\$) (Note)	1.51	1.48	2.0%
Dividend per share (HK cents)	3.4	4.2	–19.0%
Dividend (Note)	325,652	321,290	1.4%
Dividend payment ratio (Note)	54%	50%	4 p.p.
Return on equity (“ROE”) (Annualized)	9.4%	8.1%	1.3 p.p.

Note: Based on 9,578,002,956 shares (30 June 2019: 7,649,756,690 shares) as at 30 June 2020, being 9,614,892,356 shares issued and fully paid less 36,889,400 shares held under the Company’s share award scheme (30 June 2019: 7,715,673,090 shares issued and fully paid less 65,916,400 shares held under the Company’s share award scheme).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2020	2019
		<i>Unaudited</i>	<i>Unaudited</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	1,797,789	2,322,035
Other income		<u>2,963</u>	<u>3,393</u>
Revenue and other income		1,800,752	2,325,428
Staff costs	5	(329,919)	(367,551)
Commission to account executives		(74,574)	(62,085)
Depreciation		(34,038)	(30,120)
Net impairment charge		(38,371)	(512,041)
Other operating expenses		<u>(186,767)</u>	<u>(184,371)</u>
Operating profit		1,137,083	1,169,260
Finance costs	6	<u>(432,741)</u>	<u>(437,355)</u>
Profit before tax	7	704,342	731,905
Income tax expense	8	<u>(95,292)</u>	<u>(87,174)</u>
Profit for the period		609,050	644,731
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Investments at fair value through other comprehensive income (net movement in investment revaluation reserve)		(1,574)	–
Exchange difference on translation of foreign exchange		<u>(3,951)</u>	<u>188</u>
Total comprehensive income for the period		<u>603,525</u>	<u>644,919</u>

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:		
Owners of the parent	605,583	644,616
– Holders of ordinary shares	605,583	638,856
– Holders of other equity instrument	–	5,760
Non-controlling interests	3,467	115
	609,050	644,731
Total comprehensive income for the period attributable to:		
Owners of the parent	600,058	644,804
– Holders of ordinary shares	600,058	639,044
– Holders of other equity instrument	–	5,760
Non-controlling interests	3,467	115
	603,525	644,919
Earnings per share attributable to ordinary equity holders of the parent		
– Basic (in HK cents)	<i>10(a)</i> 6.77	8.35
– Diluted (in HK cents)	<i>10(b)</i> 6.76	8.33

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020	As at 31 December 2019
		<i>Unaudited</i>	<i>Audited</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		489,039	508,939
Goodwill and other intangible assets		22,386	22,386
Deferred tax assets		297,596	267,316
Other assets		9,497	8,526
Loans and advances to customers	11	–	947,521
Bank deposits		9,863	66,440
Financial assets at fair value through profit or loss		14,814,545	7,862,292
– Financial assets held for trading and investments		5,996,309	1,594,507
– Financial products		8,818,236	6,267,785
Total non-current assets		15,642,926	9,683,420
Current assets			
Loans and advances to customers	11	14,986,636	10,768,381
Receivable from reverse repurchase agreements		3,250,732	2,247,913
Accounts receivable	12	7,293,192	4,151,021
Prepayments, deposits and other receivables		190,775	269,799
Financial assets at fair value through profit or loss		59,628,124	51,128,906
– Financial assets held for trading and investments		24,471,833	19,286,647
– Financial products		35,156,291	31,842,259
Financial assets at fair value through other comprehensive income		108,338	–
Derivative financial instruments		455,372	155,652
Tax recoverable		2,950	236
Client trust bank balances		16,872,888	11,181,982
Cash and cash equivalents		6,979,751	7,150,847
Total current assets		109,768,758	87,054,737

		As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Accounts payable	13	(24,103,431)	(14,587,372)
Other payables and accrued liabilities		(401,799)	(584,126)
Derivative financial instruments		(822,097)	(149,851)
Interest bearing borrowings	14	(17,859,566)	(11,226,513)
Debt securities in issue		(30,241,501)	(25,819,688)
– At amortised cost		(7,451,082)	(5,128,330)
– Designated at fair value through profit or loss		(22,790,419)	(20,691,358)
Financial liabilities at fair value through profit or loss		(6,870,221)	(6,810,580)
Obligations under repurchase agreements		(19,678,384)	(18,199,226)
Tax payable		(76,461)	(243,323)
Total current liabilities		(100,053,460)	(77,620,679)
Net current assets		9,715,298	9,434,058
Total assets less current liabilities		25,358,224	19,117,478
Non-current liabilities			
Deferred tax liabilities		(66,231)	(2,429)
Interest bearing borrowings	14	(10,469)	(23,368)
Debt securities in issue		(10,681,141)	(7,679,894)
– At amortised cost		(1,548,704)	(1,555,874)
– Designated at fair value through profit or loss		(9,132,437)	(6,124,020)
		(10,757,841)	(7,705,691)
Net assets		14,600,383	11,411,787

	As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
Equity		
Share capital	10,905,832	8,125,856
Other reserve	(1,236,460)	(1,236,460)
Currency translation reserve	(5,061)	(1,110)
Share-based compensation reserve	71,879	56,089
– Share option reserve	33,968	30,513
– Share award reserve	37,911	25,576
Shares held under the share award scheme	(73,058)	(73,058)
Investment revaluation reserve	(1,574)	–
Retained profits	4,819,495	4,424,607
Equity attributable to holders of the ordinary shares	14,481,053	11,295,924
Non-controlling interests	119,330	115,863
Total equity	14,600,383	11,411,787

NOTES TO INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated on 8 March 2010 in Hong Kong with limited liability under the Hong Kong Companies Ordinance (the “Companies Ordinance”) and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 July 2010. The registered office address of the Company is 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in brokerage, corporate finance, asset management, loans and financing, financial products, market making and investments.

The Company’s immediate holding company and ultimate holding company are Guotai Junan Holdings Limited (“GJHL”) incorporated in the British Virgin Islands and Guotai Junan Securities Co., Ltd. (“GJSCL”) incorporated in the People’s Republic of China, respectively.

This unaudited interim financial report is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

This unaudited interim financial report was approved by the Board for issue on 10 August 2020.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The unaudited interim financial information should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2019 that is included in the Interim Report 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The accounting policies and basis of preparation applied in the preparation of the unaudited interim financial information and the use of certain critical accounting judgments and estimates are the same as those used in the audited consolidated financial statements for the year ended 31 December 2019 disclosed in the 2019 annual report of the Company, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (Continued)

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

The Group has adopted the below amendments which are relevant to the Group's consolidated financial statements:

Effective 1 January 2020

Amendments to HKFRS 3 *Definition of a Business*

Effective 1 June 2020

Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

Certain comparative figures have been reclassified from other operating expenses to revenue in the condensed consolidated statement of profit or loss and other comprehensive income to conform current period's presentation. Management consider the reclassification gives greater clarity.

3. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's senior executive management and in accordance with HKFRSs. 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 operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other operating segments.

Details of each of the operating segments are as follows:

- (a) the brokerage segment engages in the provision of securities, futures, options and leveraged foreign exchange dealing and broking as well as insurance brokerage services to customers;
- (b) the corporate finance segment engages in the provision of advisory services, placing and underwriting services of debt and equity securities;
- (c) the asset management segment engages in asset management, including fund management and the provision of investment advisory services;
- (d) the loans and financing segment engages in the provision of margin financing and securities borrowing and lending to customers, initial public offering ("IPO") loans, other loans to customers and bank deposits;
- (e) the financial products, market making and investments segment represents fund and equity investments, structuring of financial products as well as trading of debt securities, exchange traded funds ("ETF") and derivatives; and
- (f) the "others" segment mainly represents rental income and the provision of information channel services.

3. OPERATING SEGMENT INFORMATION (continued)

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties. The unaudited segment results of the Group for the six months ended 30 June 2020 are as follows:

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Loans and financing <i>HK\$'000</i>	Financial products, market making and investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:							
Sales to external customers	276,450	242,779	23,935	518,275	736,350	2,963	1,800,752
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>276,450</u>	<u>242,779</u>	<u>23,935</u>	<u>518,275</u>	<u>736,350</u>	<u>2,963</u>	<u>1,800,752</u>
Segment results	73,070	101,216	11,060	240,916	278,080	–	704,342
Income tax expense							<u>(95,292)</u>
Profit for the period							<u>609,050</u>
Other segment information:							
Depreciation	19,812	5,411	1,992	5,123	1,700	–	34,038
Finance costs	2,483	–	–	142,062	288,196	–	<u>432,741</u>

The unaudited segment results of the Group for the six months ended 30 June 2019 are as follows:

	Brokerage <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Loans and financing <i>HK\$'000</i>	Financial products, market making and investments <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:							
Sales to external customers	291,667	452,559	10,215	558,649	1,008,945	3,393	2,325,428
Inter-segment sales	–	–	–	–	–	–	–
Total	<u>291,667</u>	<u>452,559</u>	<u>10,215</u>	<u>558,649</u>	<u>1,008,945</u>	<u>3,393</u>	<u>2,325,428</u>
Segment results	76,007	243,700	693	(219,273)	630,778	–	731,905
Income tax expense							<u>(87,174)</u>
Profit for the period							<u>644,731</u>
Other segment information:							
Depreciation	14,755	5,303	1,788	6,270	2,004	–	30,120
Finance costs	2,341	–	–	128,282	306,732	–	<u>437,355</u>

4. REVENUE

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2020 <i>Unaudited</i> <i>HK\$'000</i>	2019 <i>Unaudited</i> <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Brokerage:		
Securities	230,566	251,987
Futures and options	17,684	8,335
Handling income	23,969	27,372
Leveraged foreign exchange	1,158	729
Insurance	3,073	3,244
	276,450	291,667
Corporate finance:		
Placing, underwriting and sub-underwriting commission		
– Debt securities	204,764	324,536
– Equity securities	20,545	92,778
Consultancy and financial advisory fee income	17,470	35,245
	242,779	452,559
Asset management:		
Management fee income	7,432	10,111
Performance fee income	16,503	104
	23,935	10,215
Financial products:		
Net income on structured financial products	223,390	268,452
	223,390	268,452
<i>Revenue from other sources</i>		
Loans and financing:		
Interest and handling income from customers and counterparty financing	350,252	362,275
Interest income from banks and others	168,023	196,374
	518,275	558,649
Market making and investments:		
Net trading gain and interest income on debt securities		
– Listed securities	267,281	515,317
– Unlisted securities	132,313	64,580
Trading loss on exchange traded funds	–	(263)
Trading (loss)/gain on equity securities	(2,397)	12,616
Trading loss on unconsolidated investment funds	(104,757)	(54,271)
Net gain on foreign exchange	25,432	24,501
Net gain on financial assets at fair value through profit or loss	350	13,640
Net gain on fixed income securities	194,949	199,580
Dividend income	4,069	6,006
Trading gain attributable to third-party interests in consolidated investment funds	(4,280)	(41,213)
	512,960	740,493
	1,797,789	2,322,035

5. STAFF COSTS

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	307,834	335,576
Share-based compensation expenses		
– Share option scheme	4,242	3,481
– Share award scheme	12,335	23,751
Pension scheme contributions	5,508	4,743
	<u>329,919</u>	<u>367,551</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Bank borrowings and overdrafts	181,570	166,993
Debt securities in issue	117,147	122,557
Securities borrowing and lending	1,514	3,493
Financial liabilities at fair value through profit or loss		
– Debt securities held for trading	36,704	42,286
Repurchase agreements	94,802	87,839
Lease liabilities	767	994
Others	237	13,193
	<u>432,741</u>	<u>437,355</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Professional and consultancy fees	37,827	40,229
Information service expenses	20,053	15,684
Repairs and maintenance (including system maintenance)	30,161	26,068
Marketing, advertising and promotion expenses	4,717	4,007
Foreign exchange difference, net	(27,515)	13,675
Other commission expenses	16,967	13,822
Net impairment charge on loans and advances to customers	31,523	499,988
Net impairment charge on accounts receivable	3,167	12,697
Net impairment charge/(reversal) on other financial assets and loan commitments	3,681	(644)

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current, Hong Kong		
– Charge for the period	61,770	85,777
Deferred taxation	33,522	1,397
Total tax charge for the period	95,292	87,174

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. PROPOSED INTERIM/FINAL DIVIDEND

The Board has declared an interim dividend of approximately HK\$325,652,000 or HK\$0.034 per ordinary share (2019: HK\$321,290,000 or HK\$0.042 per ordinary share) after the adjustment of excluding the dividend for the shares held under the share award scheme of the Company amounting to approximately HK\$1,254,000 (2019: HK\$2,768,000) for the six months ended 30 June 2020. The interim dividend proposed after the reporting date has not been recognized as a liability in the unaudited interim financial information at the end of the reporting period.

9. PROPOSED INTERIM/FINAL DIVIDEND (continued)

The Board recommended a final dividend of HK\$0.02 per ordinary share for the year ended 31 December 2019 on 20 March 2020 and paid the final dividend of approximately HK\$191,628,000 on 15 June 2020, as further adjusted to exclude the dividend for shares bought back by the Company before the ex-dividend date 27 May 2020 amounting to HK\$332,480.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share are based on:

(a) Basic earnings per share

The calculation of basic earnings per share for the period ended 30 June 2020 is based on the profit attributable to ordinary equity holders of the parent of HK\$605,583,000 (2019: HK\$638,856,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 8,951,074,000 (2019: 7,651,007,000) during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share is as follows:

	For the six months ended 30 June	
	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>605,583</u>	<u>638,856</u>
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation (in '000)	8,951,074	7,651,007
Effect of dilution – weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	1,753	6,238
Awarded shares under the share award scheme (in '000)	<u>10,229</u>	<u>9,423</u>
Number of ordinary shares for the purpose of diluted earnings per share calculation (in '000)	<u>8,963,056</u>	<u>7,666,668</u>
Diluted earnings per share (in HK cents)	<u>6.76</u>	<u>8.33</u>

11. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
Non-current		
Term loans to customers	–	948,000
Less: impairment	–	(479)
	<u>–</u>	<u>947,521</u>
Current		
Margin loans	13,483,817	11,719,143
Term loans to customers	1,394,872	532,480
IPO loans	1,623,191	–
Less: impairment	(1,515,244)	(1,483,242)
	<u>14,986,636</u>	<u>10,768,381</u>
	<u>14,986,636</u>	<u>11,715,902</u>

The movements in the expected credit losses (“ECL”) impairment allowance on loans and advances to customers are as follows:

	12-month ECL <i>Unaudited</i> <i>HK\$'000</i>	Lifetime ECL not credit- impaired <i>Unaudited</i> <i>HK\$'000</i>	Lifetime ECL credit- impaired <i>Unaudited</i> <i>HK\$'000</i>	Total <i>Unaudited</i> <i>HK\$'000</i>
As at 1 January 2020	(7,193)	–	(1,476,528)	(1,483,721)
New assets originated or purchased	(812)	–	(1)	(813)
Assets derecognised or repaid	46	–	–	46
Changes of risk parameters	3,028	–	(33,784)	(30,756)
Transfer from stage 1 to stage 3	–	–	–	–
Changes arising from transfer of stage	–	–	–	–
As at 30 June 2020	<u>(4,931)</u>	<u>–</u>	<u>(1,510,313)</u>	<u>(1,515,244)</u>

11. LOANS AND ADVANCES TO CUSTOMERS (continued)

	12-month ECL <i>Audited</i> <i>HK\$'000</i>	Lifetime ECL not credit- impaired <i>Audited</i> <i>HK\$'000</i>	Lifetime ECL credit- impaired <i>Audited</i> <i>HK\$'000</i>	Total <i>Audited</i> <i>HK\$'000</i>
As at 1 January 2019	(13,316)	–	(561,850)	(575,166)
Acquisition of a subsidiary	(25)	–	–	(25)
New assets originated or purchased	(159)	–	–	(159)
Assets derecognised or repaid	437	–	–	437
Changes of risk parameters	1,598	–	(308,543)	(306,945)
Transfer from stage 1 to stage 3	4,272	–	(4,272)	–
Changes arising from transfer of stage	–	–	(601,863)	(601,863)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2019	<u>(7,193)</u>	<u>–</u>	<u>(1,476,528)</u>	<u>(1,483,721)</u>

12. ACCOUNTS RECEIVABLE

The carrying values of accounts receivable arising from the course of business of the Group are as follows:

	As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	45,813	40,374
– the Stock Exchange and other clearing houses	3,353,682	1,366,064
– brokers and dealers	3,428,416	2,371,854
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	5	114
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	274,272	72,889
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	201,745	307,300
	<u>7,303,933</u>	<u>4,158,595</u>
Less: impairment	<u>(10,741)</u>	<u>(7,574)</u>
	<u>7,293,192</u>	<u>4,151,021</u>

12. ACCOUNTS RECEIVABLE (continued)

The movements in the impairment allowance on accounts receivable are as follows:

	2020	2019
	<i>Unaudited</i>	<i>Audited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	7,574	5,625
Impairment charged to profit or loss during the period	3,690	5,579
Impairment reversed during the period	<u>(523)</u>	<u>(3,630)</u>
At 30 June 2020/31 December 2019	<u>10,741</u>	<u>7,574</u>

The detail analysis of accounts receivable arising from the course of business of the Group are as follows:

30 June 2020 (unaudited)

	Accounts receivable from cash and custodian clients <i>HK\$'000</i>	Accounts receivable from the Stock Exchange and other clearing houses <i>HK\$'000</i>	Accounts receivable from brokers and dealers <i>HK\$'000</i>	Accounts receivable from corporate clients, investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross carrying amount	45,813	3,353,682	3,702,688	201,745	5	7,303,933
Less: impairment						
– Stage 1	(23)	(1,445)	(4,723)	N/A	–	(6,191)
– Stage 2	(1)	–	–	N/A	–	(1)
– Stage 3	(335)	–	–	N/A	–	(335)
– Simplified approach	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(4,214)</u>	<u>N/A</u>	<u>(4,214)</u>
	<u>45,454</u>	<u>3,352,237</u>	<u>3,697,965</u>	<u>197,531</u>	<u>5</u>	<u>7,293,192</u>

12. ACCOUNTS RECEIVABLE (continued)

31 December 2019 (audited)

	Accounts receivable from cash and custodian clients <i>HK\$'000</i>	Accounts receivable from the Stock Exchange and other clearing houses <i>HK\$'000</i>	Accounts receivable from brokers and dealers <i>HK\$'000</i>	Accounts receivable from corporate clients, investment funds and others <i>HK\$'000</i>	Accounts receivable from insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross carrying amount	40,374	1,366,064	2,444,743	307,300	114	4,158,595
Less: impairment						
– Stage 1	(20)	(668)	(2,126)	N/A	–	(2,814)
– Stage 2	–	–	–	N/A	–	–
– Stage 3	(183)	–	–	N/A	–	(183)
– Simplified approach	N/A	N/A	N/A	(4,577)	N/A	(4,577)
	<u>40,171</u>	<u>1,365,396</u>	<u>2,442,617</u>	<u>302,723</u>	<u>114</u>	<u>4,151,021</u>

13. ACCOUNTS PAYABLE

	As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	16,533,373	11,611,433
– brokers and dealers	2,029,897	926,467
– the Stock Exchange and other clearing houses	2,745,225	745,612
Accounts payable arising from securities borrowing and lending	100,659	519,380
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	2,685,402	782,358
Accounts payable arising from insurance brokerage services	8,875	2,122
	<u>24,103,431</u>	<u>14,587,372</u>

The Group has a practice to satisfy all the requests for payment within one business day. No ageing analysis is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of these businesses.

14. INTEREST BEARING BORROWINGS

	As at 30 June 2020 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2019 <i>Audited</i> <i>HK\$'000</i>
Non-current:		
Lease liabilities	10,469	23,368
Current:		
Secured bank borrowings	3,210,000	3,490,000
Unsecured bank borrowings	14,623,676	7,711,110
Lease liabilities	25,890	25,403
	<u>17,859,566</u>	<u>11,226,513</u>
Total bank and other borrowings	<u>17,870,035</u>	<u>11,249,881</u>
Denominated in:		
HK\$	6,472,254	3,533,730
US\$	11,393,676	7,711,110
Other currencies	4,105	5,041
	<u>17,870,035</u>	<u>11,249,881</u>

15. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$5,983,000 which were contracted but not provided for as at 30 June 2020 (31 December 2019: HK\$6,180,000).

Other commitments

The Group undertakes underwriting obligations on placing, IPO, takeover and merger activities and financial obligations to loan facilities granted to customers. As at 30 June 2020, the underwriting and financial obligations were approximately HK\$261 million and nil respectively (31 December 2019: HK\$6 million and nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Hong Kong stock market

In the first half of 2020, the COVID-19 pandemic (the “Pandemic”) dealt a serious blow to public security and economic activities around the world. Due to the precautionary or quarantine measures implemented by local governments, the global business environment faced severe challenges. The Hang Seng Index (“HSI”) closed at 24,427 points as at the end of June, representing a decrease of 13% as compared to the end of 2019, among which Hang Seng Mid-Cap Index decreased by 5% to 8,788 points during the period. Meanwhile, the average daily turnover of the Hong Kong stock market experienced a year-on-year increase of 20% to HK\$117,500 million.

Like other major global indices, HSI showed a V-shaped performance during the first half of the year. At the beginning of 2020, following the signing of the Phase One Economic and Trade Agreement between China and the US, HSI once soared above 29,000 points. However, due to the implementation of rigorous measures by mainland China and Hong Kong to reduce spread of COVID-19 since late January, the economic activities in both mainland China and Hong Kong were hit hard, leading to corresponding decrease in the HSI. In late February, as the number of confirmed COVID-19 cases increased substantially all over the world, it is expected that the growth of global economy would be slowed down, which largely led to correction in financial markets. Liquidity crisis also occurred as the panic sentiment among investors showed up. At the beginning of March, the benchmark interest rate was lowered to nearly zero following two interest rate cuts announced by the US Federal Reserve, during which the US stock market continued to experience four significant declines and triggered the circuit breaker mechanism with sell-off of various assets including crude oil, US treasuries and gold. Following the trends in overseas financial markets, the Hong Kong stock market continued to experience significant decline in mid March and dropped to 21,139 points, the lowest level during the period. In late March, with the slowdown of the Pandemic overseas, all major economies including US launched stimulus measure and elevated its quantitative easing scale to stabilize the condition, resulting in gradual recovery of the US and Hong Kong stock markets. In May, Hang Seng Index announced that it would consider to include companies with dual class shares and secondary-listed companies into Hang Seng Index and Hang Seng China Enterprises Index, and meanwhile the China concept stocks have turned to the Hong Kong market for secondary listing. These positive factors boosted investor confidence, driving the HSI to stabilize and rally continuously.

For new listings in the Hong Kong stock market, as the outbreak of the Pandemic cast significant impact on the application and review progress for listing in Hong Kong, the number of newly listed companies significantly decreased by 24% to 64 during the first half of the year. However, benefitting from two large-size IPOs of JD.com (9618.HK) and

NetEase (9999.HK), the total funds raised from IPO in Hong Kong stock market recorded a year-on-year increase of 22% to HK\$87,500 million in the first half of the year, which hit a new high since the corresponding period of 2015. Combining the funds raised from equity placements, right issues and IPOs, the total fundraising amount of the Hong Kong stock market was HK\$225,800 million, representing a substantial increase of 51% over HK\$149,200 million for the corresponding period of last year.

US dollar-denominated bond market

The bond market delivered satisfactory performance in 2019. However, due to factors such as the Pandemic, crude oil price war and Sino-US tension, the overall performance of the primary market and the secondary market of Chinese-issued US dollar-denominated bonds has been relatively volatile since the beginning of 2020. For bond issuance, according to Bloomberg's data, Asia (ex-Japan) G3 currency (USD, Euro and Yen) bond issuance amounted to US\$168,700 million in total in the first half of 2020, representing a slight decrease of approximately 8% year-on-year. For secondary market, amid rising risk-averse sentiment from investors, the market experienced significant fluctuations, with the ICE BofA Asian Dollar Investment Grade Corporate China Issuers Index increasing by 4.30% and the corresponding index for High Yield Grade only increasing by 1.72%.

Business and Results Review

The Group reports to the shareholders of the Company ("Shareholders") that for the six months ended 30 June 2020, the Group recorded a total revenue of approximately HK\$1,798 million (corresponding period in 2019: HK\$2,322 million), representing a decrease of 23% as compared with the same period in 2019 ("year-on-year"), while a slight decrease of 7% as compared with the second half in 2019 ("half-on-half"). Meanwhile, the Group recorded a profit attributable to holders of ordinary shares of approximately HK\$606 million (corresponding period in 2019: HK\$639 million), representing a slight year-on-year decrease of approximately 5% (a half-on-half increase of 136%). Despite the large volatility of the financial market this year, first half still witnessed the stability and resilience in the Group's results. The Board has declared an interim dividend of HK\$0.034 per share of the Company ("Share(s)") (2019: an interim dividend of HK\$0.042 per Share).

Under the challenging operation environment, the Group made early adjustments to its operation strategy and strengthened control over market risks and credit risks through rigorous risk management system and measures. In the second half of 2019, the Group reviewed its situation and made responsive decision on its balance sheet management and strategy in which the Group lowered the market risk exposure in businesses such as market making on the balance sheet and largely increased its cash reserves. On the other hand, it proactively made impairment and provision for the assets of relatively high risks in 2019 to enhance the balance sheet's ability to deal with potential risks.

Amidst large uncertainties in the global market, although the revenue of the Group decreased year-on-year, with its improvement in the risk management capability of the balance sheet, along with the effective cost control measures implemented by the Company, the total costs (including staff costs, finance costs, other costs and impairment charge) recorded a year-on-year decrease of 31% (a half-on-half decrease of 34%) to HK\$1,096 million. As those factors contributed to a stable and reliable performance of the Company during the first half of the year, the profit attributable to Shareholders recorded only a slight year-on-year decrease while a substantial half-on-half increase, showing a sound development trend. Following the enlargement of issued share capital through rights issue in March 2020, the Company continued to achieve an annualized return on shareholder's equity ("ROE") of 9.4% for the first half of the year, representing 1.3 percentage points higher than the ROE in 2019.

In the first half of the year, following the panic caused by the Pandemic on the global financial market, the prices across various assets in the market fell sharply. After the completion of the rights issue in March, the Group's net assets along with its business development foundation have been improved. Leveraging on years of service experience and in-depth understanding in the capital market, while the Group actively and effectively managed its own balance sheet and risks, the Group prepared itself to grasp market opportunities for its clients. During the period, the Group attracted high-net-worth wealth management clients with differentiated and high-quality investment and financing products, facilitating clients in investing in quality underlying assets in the volatile market situations. During the period, the balance of loans and advances increased significantly by 28% to HK\$14,987 million. The number of wealth management clients and the assets under custody have steadily increased.

Revenue

Under the Pandemic, the business environment in Hong Kong was inevitably challenged, and financing initiatives by corporate clients such as IPOs, share and bond issuances in Hong Kong were hindered. Suspension in economic activities also led to significant impacts on the global financial markets. The Group's income from corporate finance, investments and market making recorded a year-on-year decrease of 46%, 53% and 20% respectively. However, the Group has been equipped with a balanced and diversified revenue structure. During the period, fee and commission income from asset management, futures and leveraged foreign exchange has grown by 134%, 112% and 59% year-on-year respectively. Therefore, the Group's interim revenue in 2020 has reached to its second historical high as HK\$1,798 million, with the fee and commission income (fee from brokerage, corporate finance, asset management and financial products business), interest (interest income from loans and financing as well as financial products) and investment income (market making and investments) accounting for 34%, 37% and 29% respectively.

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fee and commission income				
– brokerage	276,450	15.4%	291,667	12.6%
– corporate finance	242,779	13.5%	452,559	19.5%
– asset management	23,935	1.3%	10,215	0.4%
Income from loans and financing	518,275	28.8%	558,649	24.0%
Income from financial products	223,390	12.5%	268,452	11.6%
Gain from market making	398,788	22.2%	498,339	21.5%
Gain from investments	114,172	6.3%	242,154	10.4%
Total	<u>1,797,789</u>	<u>100.0%</u>	<u>2,322,035</u>	<u>100.0%</u>

I. Brokerage (Fee and commission income)

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Securities	230,566	83.4%	251,987	86.4%
Futures and options	17,684	6.4%	8,335	2.9%
Handling income	23,969	8.7%	27,372	9.4%
Insurance	3,073	1.1%	3,244	1.1%
Leveraged foreign exchange	1,158	0.4%	729	0.2%
	<u>276,450</u>	<u>100.0%</u>	<u>291,667</u>	<u>100.0%</u>

During the period, the Group's brokerage business recorded a revenue of approximately HK\$276 million (2019: approximately HK\$292 million), representing a decrease of 5% year-on-year. The decrease in client's subscription for placing activities in the Hong Kong stock market was the main reason for the year-on-year decrease in overall brokerage income. However, the Group's brokerage commission income from securities trading in secondary market increased by 21% year-on-year to HK\$231 million, which was in line with the market trend.

The Group started to issue warrant products since the end of 2019. Following the secondary listing of China concept stocks on the Stock Exchange during the year, the Group simultaneously launched the warrant products linked to the stocks of NetEase, etc. (與網易等股票掛鉤的窩輪產品). Driven by the gradual recovery in investment sentiment since May, the trading volume of client trades for the first half of the year recorded significant increase as compared with the prior periods. As at the end of June, the market share of the Group's brokerage business climbed steadily as compared to the end of 2019. Although HSI dropped by 13% during the period, the assets under custody (including cash, securities and financing balance) of the wealth management platform of the Company also recorded a steady increase of 15% to HK\$22,200 million, while the Group's overall assets under custody excluding OTC derivatives stabilize at HK\$151 billion.

During the period, the wealth management platform of the Company has completed a series of in-house strategic consolidation, aiming at developing into an integrated platform that offers quality products and professional services tailored for high-net-worth clients. Currently, the platform is equipped with professional teams specializing in market strategy, investment consultation, customer service, wealth management for private clients and financial products, and offers a wide variety of asset classes not only covering typical investment portfolios such as equity and fixed income products, but also including a basket of investment vehicles such as derivative warrant products, tailored wealth management products, insurance, foreign exchange, futures and private equity.

II. Corporate finance (Fee and commission income)

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Placing, underwriting and sub-underwriting commission				
– debt capital market	204,764	84.3%	324,536	71.7%
– equity capital market	20,545	8.5%	92,778	20.5%
Consultancy and financial advisory fee	17,470	7.2%	35,245	7.8%
Total	<u>242,779</u>	<u>100.0%</u>	<u>452,559</u>	<u>100.0%</u>

Debt capital market

During the period, the Pandemic significantly dampened corporate clients' progress and intention of bond issuance for financing. The Group's income from underwriting fees in debt capital market reduced by 37% year-on-year to HK\$205 million (corresponding period in 2019: HK\$325 million). In the first half of the year, the debt capital market team completed a total of 92 debt issuances (corresponding period in 2019: 106) and assisted corporations raising funds of nearly HK\$209,800 million (corresponding period in 2019: HK\$244,800 million) in the bond market. Despite the negative impacts from the Pandemic on the growth of corporate finance business in Hong Kong, the Group continued to maintain its leading position in Chinese-issued US dollar-denominated bond market in terms of market share, and ranked third and sixth in the Bloomberg's Asia (ex-Japan) G3 Currency Corporate High-Yield Bond Underwritten League Table (彭博亞洲 (除日本外) G3貨幣企業高收益債券承銷排行榜) in terms of number and amount underwritten, respectively. The Group also ranked second in the property sector of the same League Table.

Equity capital market, consultancy and financial advisory

The Group's income from the equity capital market decreased by 78% year-on-year to HK\$20.55 million (corresponding period in 2019: HK\$92.78 million). Since June, despite the wave of secondary listing of large-size China concept stocks on the Stock Exchange such as JD.com and NetEase, there was a general slowdown in the progress of IPOs in the Hong Kong market during the first half of the year due to the Pandemic, with significant decrease in the number of new listings. During the period, the team completed a total of 13 equity underwriting deals (corresponding period in 2019: 15) in primary and secondary markets, raising funds of approximately HK\$39,900 million in total, up by 45% year-on-year, including the IPOs for JD.com (9618.HK) (the largest fundraising project on the Stock Exchange in the first half of the year), Peijia Medical Limited (9996.HK) (a global medical device platform) and other deals.

In the first half, due to significant decrease in the number of newly listed companies, the Group's relevant consultancy and financial advisory fee income decreased by 50% year-on-year to HK\$17.47 million (corresponding period in 2019: HK\$35.25 million). During the period, the Group completed a total of two IPO sponsor deals (corresponding period in 2019: five), including Zhongguancun Science-Tech Leasing Co., Ltd. (1601.HK) and Q P Group Holdings Limited (1412.HK).

III. Asset management (Fee and commission income)

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Asset management				
– management fee	7,432	31.1%	10,111	99.0%
– performance fee	16,503	68.9%	104	1.0%
Total	23,935	100.0%	10,215	100.0%

During the period, management fee and performance fee income from the asset management business increased substantially by 134% year-on-year to HK\$23.94 million, mainly due to the increased performance fee from some funds operated by the Group that outperformed the market in January and February. As at the end of June 2020, the total assets under custody for client accounts of the Group's asset management team amounted to approximately HK\$8,400 million, among which fixed income and equity linked funds amounted to approximately HK\$4,900 million and HK\$3,500 million, respectively.

IV. Loans and financing (Interest income)

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Customers and counterparty				
financing	350,252	67.6%	362,275	64.8%
Banks and others	168,023	32.4%	196,374	35.2%
Total	518,275	100.0%	558,649	100.0%

During the period, the Group's income from loans and financing business slightly decreased by 7% to HK\$518 million (corresponding period in 2019: HK\$559 million). Given that the Federal Reserve and other central banks lowered the benchmark interest rate during the period to mitigate the negative impact on the economy from the Pandemic, the Group's interest income from loans and financing accordingly decreased. On the other hand, benefitting from the development of the Company's wealth management business and increase of high-net-worth clients, the balance of loans and advances increased to HK\$14,987 million, representing an increase of 28% as compared to that as at the end of 2019. Moreover, the Group continued to optimize the loans and financing business structure and adjust the proportion of margin financing with collateral from small- and

mid-cap stocks. As of 30 June 2020, the proportion of margin financing income with large- and mid-cap stocks and US dollar-denominated bonds as collaterals steadily increased, and the Company continued to mitigate the risk of loans and financing products.

During the period, due to the year-on-year decrease in Hong Kong Interbank Offered Rate (“HIBOR”), the Group’s interest income from banks and others declined by 14% year-on-year to approximately HK\$168 million.

V. Financial products (Interest and handling income)

During the period, as the Pandemic has been limiting the daily economic activities in mainland China and Hong Kong, the financing needs from corporate and institutional clients were, to a certain extent, affected. In the first half of 2020, the interest and handling income from financial products decreased by approximately 17% year-on-year (increased by 49% half-on-half) to HK\$223 million (corresponding period in 2019: HK\$268 million).

VI. Market making (Investment income)

To facilitate the development of the debt capital market business, the Group provides market making services for debt securities. During the period, due to the significant fluctuations in the Chinese-issued US dollar-denominated bond market as a result of the Pandemic, the Group’s market making income decreased by 20% year-on-year (increased by 164% half-on-half) to approximately HK\$399 million (corresponding period in 2019: approximately HK\$498 million).

VII. Investments (Investment income)

For the long-term and healthy development of asset management and other businesses, the Group provides supports through investments under a prudent risk management system. Due to the significant fluctuations in markets such as the Hong Kong and US stock markets as well as Chinese-issued US dollar-denominated bond market during the period, the Company’s investment income recorded a year-on-year decrease by 53% to HK\$114 million (corresponding period in 2019: approximately HK\$242 million).

Costs and Expenses

	For the six months ended 30 June			
	2020		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Staff costs	329,919	30.1%	367,551	23.1%
Commission to account executives	74,574	6.8%	62,085	3.9%
Depreciation	34,038	3.1%	30,120	1.9%
Impairment charge	38,371	3.5%	512,041	32.1%
Other operating costs	186,767	17.0%	184,371	11.6%
Finance costs	432,741	39.5%	437,355	27.4%
Total costs	<u>1,096,410</u>	<u>100.0%</u>	<u>1,593,523</u>	<u>100.0%</u>

In the first half of 2020, the total costs of the Group dropped by 31% year-on-year (dropped by 34% half-on-half) to HK\$1,096 million, primarily benefited from the combined effects of decreases in impairment charge, staff costs and finance costs, etc.

During the period, the Group's staff costs, including salaries, bonuses and allowances, share-based compensation expenses and pension scheme contributions, decreased by 10% to HK\$330 million, which was due to the adjustments to the relevant staff costs as a result of year-on-year decrease in the Group's profits.

During the period, the amount of impairment charge of the Group decreased significantly by 93% year-on-year (decreased by 90% half-on-half) to HK\$38.37 million. Over the past years, the Group has exerted unremitting efforts in optimizing the structure of its margin financing operations, which led to the enhancement of diversity and liquidity of collaterals from clients of margin financing business as compared with prior years. In addition, as the Group increased impairment provisions for risky loan assets on a prospective basis in 2019, the Company's capacity in credit risk control was enhanced amidst fluctuations in the financial markets during the first half of 2020.

In March, as the Federal Reserve embarked on a more easing monetary policy and the HIBOR consequently decreased year-on-year, the Group's finance costs (including financing expenses from bank loans, debt securities in issue, securities borrowing and lending, repurchase agreements, etc.) for the first half of 2020 decreased by 1% to HK\$433 million.

On the other hand, the increased items in the Group's costs was mainly attributable to commission expenses. During the first half of the year, the Group's commission to account executives increased by 20% year-on-year to HK\$74.57 million, mainly attributable to the increase in commission income from related securities transactions.

Financial Position

As at 30 June 2020, the Group's total assets increased by 30% to approximately HK\$125,412 million (31 December 2019: approximately HK\$96,738 million) and the Group's total liabilities increased by 30% to HK\$110,811 million (31 December 2019: approximately HK\$85,326 million). The equity attributable to holders of Shares increased by 28% to approximately HK\$14,481 million as at 30 June 2020 (31 December 2019: approximately HK\$11,296 million). The leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 7.46 times as at 30 June 2020 (31 December 2019: 7.46 times).

Liquidity and Financial Resources

As at 30 June 2020, the net current assets of the Group increased by 3% to HK\$9,715 million (31 December 2019: HK\$9,434 million). As at 30 June 2020, the Group's current ratio was 1.10 times (31 December 2019: 1.12 times) and gearing ratio (defined as the sum of interest bearing borrowings and debt securities in issue at amortised cost divided by total equity) was 1.84 times (31 December 2019: 1.57 times).

The Group had a net cash outflow of HK\$228 million for the period ended 30 June 2020 (31 December 2019: inflow of HK\$3,112 million). As at 30 June 2020, the Group's bank balance was HK\$6,990 million (31 December 2019: HK\$7,217 million), and outstanding bank and other borrowings amounted to HK\$17,834 million (31 December 2019: HK\$11,201 million).

The Company, through its subsidiaries, maintained a US\$15,000 million Guaranteed Structured Note Programme under which unlisted notes denominated in any currency as determined by the issuer may be issued from time to time. On 16 July 2020, the Company also successfully renewed the Medium Term Note Programme of up to HK\$15,000 million (or the equivalent in other currencies at the date of issue), pursuant to which both listed and unlisted notes may be issued. On 30 June 2020, the structured notes and medium term notes issued and outstanding amounted to US\$3,800 million (31 December 2019: US\$3,500 million) and HK\$9,800 million (31 December 2019: HK\$5,800 million), respectively.

Taking into account the un-utilized facilities from various financial institutions and sufficient un-issued limit of the above-mentioned note programmes, we believe our operating cash flow is adequate and sufficient to finance our recurring working capital requirements and to meet any investment opportunities that may arise in the future.

Save as disclosed above, there were no other debt instruments issued by the Group for the period ended 30 June 2020.

Capital Structure

In order to support the Group's long term development, on 14 January 2020, the Company announced a proposal for rights issue of rights shares at the subscription price of HK\$1.45 each on the basis of one rights share for every three existing Shares with an underwriting arrangement (the "Rights Issue"). On 17 March 2020, the Rights Issue was completed and a total of 1,919,219,266 Shares was allotted and issued by the Company. The gross proceeds raised from the Rights Issue was approximately HK\$2,783 million.

During the period ended 30 June 2020, the Company bought back and cancelled a total of 20,000,000 Shares at an aggregate consideration of HK\$19,903,454.35 (inclusive all expenses) on the Stock Exchange at the prices ranging from HK0.92 to HK1.05 per Share.

As at 30 June 2020, there were 9,614,892,356 Shares in issue. Save as disclosed above, there was no other movement in the number of issued Shares during the period ended 30 June 2020.

The Group monitors its capital structure from time to time to ensure the compliance of the capital requirements under the Securities and Futures (Financial Resources) Rules (Cap. 571N) for its licensed subsidiaries and to support the development of new business. All licensed corporations within the Group have complied with their respective liquid capital requirements during the period and up to the date of this announcement.

Material Acquisitions, Disposals and Significant Investments

For the six months ended 30 June 2020, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies. As at 30 June 2020, the Group did not hold any significant investments.

Capital Commitments and Other Commitments

Details of capital commitments and other commitments of the Group are set out in note 15 to the interim financial information.

Prospects

Looking ahead, the Group will continue to step up efforts to develop financial institutional and corporate clients. At the same time, the Group shall constantly optimize and upgrade its wealth management platform and improve its product and service lines, to enhance the synergy among wealth management, corporate finance, asset management and other businesses, which will ultimately expand the high-net-worth client base and the assets under management. Moreover, the Group will continue to leverage on the core competencies of financial products and trading system to provide clients with differentiated and customized financial products and services. The Group will also actively enhance cooperation with its parent company, Guotai Junan Securities Co., Ltd., to explore new opportunities in the

cross-border financial product market. In addition, to seize the market trends, the Group will actively leverage fintech in the trading platform, to create better trading experience and investment environment for the clients.

Over the mid-to-long run, the Group will take the Belt and Road Initiative as an opportunity to expedite its pace in exploring the Southeast Asian markets, and further facilitate global development through its subsidiaries in Singapore and Vietnam. The Group determines to be the professional partner for domestic clients who invest globally and for overseas clients who invest in China.

The Group has been implementing a solid and steady operational strategy. As always, the Company will continue to improve its risk management measures and strengthen its execution, as well as consolidate and enhance its outstanding risk management capabilities through timely identification, measurement, hedging and mitigation of risks, so as to lay a solid foundation for further business development. The Group always aims to increase the risk-adjusted return on net asset with steady and solid compound growth to reward our investors for their continuous supports.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK\$0.034 per Share for the six months ended 30 June 2020 (“Interim Dividend”) (2019: an interim dividend of HK\$0.042 per Share) to the Shareholders whose names appear on the register of members of the Company on Tuesday, 25 August 2020. The Interim Dividend will be payable on Thursday, 10 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 25 August 2020 for ascertaining Shareholders’ entitlement to the Interim Dividend. No transfer of Shares will be registered on that day. In order to qualify for the Interim Dividend, all duly completed transfer documents accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, No. 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 24 August 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the six months ended 30 June 2020, the Company bought back a total of 20,000,000 Shares on the Stock Exchange at an aggregate consideration of HK\$19,903,454.35 (inclusive all expenses). All these Shares were cancelled during the period correspondingly.

Details of the Shares bought back during the period are as follow:

Month	Number of Shares bought back	Price paid per Share		Aggregate consideration (inclusive transaction costs)
		Highest	Lowest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
April 2020	4,313,000	1.05	0.97	4,389,318.18
May 2020	14,511,000	1.01	0.92	14,297,386.25
June 2020	1,176,000	0.99	0.94	1,146,549.92

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020 other than acting as an agent for the trustee of the Company's share award scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 ("Corporate Governance Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. Save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the period from 1 January 2020 to 30 June 2020.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, whereas the roles of chairman and chief executive officer of the Company are performed by Dr. YIM Fung. The directors of the Company (the "Directors") believe that Dr. YIM can provide strong and consistent leadership in the development and execution of the Group's business strategies which is beneficial to the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Appendix 10 of the Listing Rules regarding securities transactions by its Directors. On specific enquiries made by the Company, all Directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the period from 1 January 2020 to 30 June 2020.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's external auditor, KPMG, has carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the audit, internal control and financial reporting matters including the review of the unaudited interim financial information for the six months ended 30 June 2020.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, being Dr. YIM Fung (Chairman), Mr. WONG Tung Ching, Ms. QI Haiying and Mr. LI Guangjie, two non-executive directors, being Dr. XIE Lebin and Mr. LIU Yiyong and four independent non-executive directors, being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 30 June 2020 is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.gtjai.com>. The interim report of the Company for the six months ended 30 June 2020 will be dispatched to Shareholders and published on the aforesaid websites in due course.

By order of the Board
Guotai Junan International Holdings Limited
YIM FUNG
Chairman

Hong Kong, 10 August 2020