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## GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Guotai Junan International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 together with its comparative figures for the immediate preceding financial year as follows:

#### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Change
	2020 HK\$'000	2019 HK\$'000	
Fee and commission income			
– brokerage	649,471	531,233	22.3%
– corporate finance	591,872	809,047	–26.8%
– asset management	153,508	36,439	321.3%
Income from loans and financing	1,007,655	1,134,972	–11.2%
Gain from financial products, market making and investments	<u>2,470,446</u>	<u>1,733,845</u>	42.5%
Revenue	4,872,952	4,245,536	14.8%
Profit for the year	1,567,772	902,559	73.7%
Profit attributable to ordinary equity holders of the Company	1,562,587	895,303	74.5%
Dividend for the year	815,270	513,271	58.8%
Basic earnings per share (HK cents)	16.9	11.7	44.4%
Diluted earnings per share (HK cents)	16.8	11.7	43.6%
Dividend per share (HK cents)	8.5	6.2	37.1%
Equity per ordinary share (HK\$) (Note)	1.58	1.47	7.5%
Dividend Payment ratio	52%	57%	–5p.p.

Note: Based on 9,598,741,244 shares (2019: 7,678,783,690 shares) as at 31 December 2020, being 9,617,228,644 shares issued and fully paid less 18,487,400 shares held under the Company’s share award scheme (2019: 7,715,673,090 shares issued and fully paid less 36,889,400 shares held under the Company’s share award scheme).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
Revenue	4	4,872,952	4,245,536
Other income		5,448	4,635
Revenue and other income		<b>4,878,400</b>	4,250,171
Staff costs	5	(1,148,710)	(842,912)
Commission to account executives		(188,382)	(124,278)
Depreciation		(68,859)	(65,078)
Net loss allowance charge		(363,565)	(908,714)
Other operating expenses		(463,949)	(424,452)
Operating profit		<b>2,644,935</b>	1,884,737
Finance costs	6	(830,256)	(879,294)
Profit before tax	7	<b>1,814,679</b>	1,005,443
Income tax expense	8	(246,907)	(102,884)
<b>Profit for the year</b>		<b>1,567,772</b>	902,559
<b>Other comprehensive income for the year, net of tax</b>			
– Investments at fair value through other comprehensive income (net movement in investment revaluation reserve)		(7,255)	–
– Exchange difference on translation of foreign exchange		(496)	(455)
<b>Total comprehensive income for the year</b>		<b>1,560,021</b>	902,104
<b>Profit for the year attributable to:</b>			
Owners of the parent:		1,562,587	902,619
– Holders of ordinary shares		1,562,587	895,303
– Holders of other equity instrument		–	7,316
Non-controlling interests		5,185	(60)
		<b>1,567,772</b>	902,559
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent		1,554,836	902,164
– Holders of ordinary shares		1,554,836	894,848
– Holders of other equity instrument		–	7,316
Non-controlling interests		5,185	(60)
		<b>1,560,021</b>	902,104
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
– Basic (in HK cents)	<i>10(a)</i>	<b>16.9</b>	11.7
– Diluted (in HK cents)	<i>10(b)</i>	<b>16.8</b>	11.7

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2020*

	<i>Notes</i>	<b>2020</b>	2019
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>475,924</b>	508,939
Goodwill and other intangible assets		<b>22,886</b>	22,386
Other assets		<b>11,613</b>	8,526
Deferred tax assets		<b>150,880</b>	267,316
Loans and advances to customers	<i>11</i>	–	947,521
Bank deposits		–	66,440
Financial assets at fair value through profit or loss		<b>16,976,561</b>	7,862,292
– Financial assets held for trading and investments		<b>6,805,621</b>	1,594,507
– Financial products		<b>10,170,940</b>	6,267,785
<b>Total non-current assets</b>		<b>17,637,864</b>	9,683,420
<b>Current assets</b>			
Loans and advances to customers	<i>11</i>	<b>15,604,244</b>	10,768,381
Accounts receivable	<i>12</i>	<b>5,638,797</b>	4,151,021
Prepayments, deposits and other receivables		<b>143,744</b>	269,799
Financial assets at fair value through profit or loss		<b>53,937,004</b>	51,128,906
– Financial assets held for trading and investments		<b>24,595,855</b>	19,286,647
– Financial products		<b>29,341,149</b>	31,842,259
Financial assets at fair value through other comprehensive income		<b>105,574</b>	–
Derivative financial instruments		<b>1,261,354</b>	155,652
Receivable from reverse repurchase agreements		<b>3,022,800</b>	2,247,913
Tax recoverable		<b>153,555</b>	236
Client trust bank balances		<b>18,707,026</b>	11,181,982
Cash and cash equivalents		<b>5,508,779</b>	7,150,847
<b>Total current assets</b>		<b>104,082,877</b>	87,054,737

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current liabilities</b>			
Accounts payable	<i>13</i>	<b>(22,783,232)</b>	(14,587,372)
Other payables and accrued liabilities		<b>(930,801)</b>	(584,126)
Derivative financial instruments		<b>(862,429)</b>	(149,851)
Interest bearing borrowings	<i>14</i>	<b>(9,732,840)</b>	(11,226,513)
Debt securities in issue		<b>(36,076,779)</b>	(25,819,688)
– At amortised cost		<b>(13,798,151)</b>	(5,128,330)
– Designated at fair value through profit or loss		<b>(22,278,628)</b>	(20,691,358)
Financial liabilities at fair value through profit or loss		<b>(6,666,260)</b>	(6,810,580)
Obligations under repurchase agreements		<b>(17,396,163)</b>	(18,199,226)
Tax payable		<b>(165,492)</b>	(243,323)
<b>Total current liabilities</b>		<b>(94,613,996)</b>	(77,620,679)
<b>Net current assets</b>		<b>9,468,881</b>	9,434,058
<b>Total assets less current liabilities</b>		<b>27,106,745</b>	19,117,478
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>(17,928)</b>	(2,429)
Interest bearing borrowings	<i>14</i>	<b>(6,557)</b>	(23,368)
Debt securities in issue		<b>(11,843,093)</b>	(7,679,894)
– At amortised cost		<b>(1,549,563)</b>	(1,555,874)
– Designated at fair value through profit or loss		<b>(10,293,530)</b>	(6,124,020)
		<b>(11,867,578)</b>	(7,705,691)
<b>Net assets</b>		<b>15,239,167</b>	11,411,787

	<b>2020</b>	2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Equity</b>		
Share capital	<b>10,908,749</b>	8,125,856
Other reserve	<b>(1,236,460)</b>	(1,236,460)
Currency translation reserve	<b>(1,606)</b>	(1,110)
Share-based compensation reserve	<b>41,606</b>	56,089
– Share option reserve	<b>32,521</b>	30,513
– Share award reserve	<b>9,085</b>	25,576
Shares held under the share award scheme	<b>(30,672)</b>	(73,058)
Investment revaluation reserve	<b>(7,255)</b>	–
Retained profits	<b>5,443,757</b>	4,424,607
	<hr/>	<hr/>
Equity attributable to holders of the ordinary shares	<b>15,118,119</b>	11,295,924
Non-controlling interests	<b>121,048</b>	115,863
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<b>Total equity</b>	<b><u>15,239,167</u></b>	<b><u>11,411,787</u></b>

## NOTES TO 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 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 Company Limited (“GJSCL”) incorporated in the People’s Republic of China, respectively.

The unaudited financial information relating to the year ended 31 December 2020 and the financial information relating to the year ended 31 December 2019 included in this preliminary announcement of annual results for the year ended 31 December 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2019, 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 Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2020 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

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 Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements for the year ended 31 December 2019. 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 Hong Kong Companies Ordinance.

The financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise stated.

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

These financial information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance and the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss, debt securities in issue designated at fair value through profit or loss and derivative financial instruments which have been measured at fair value. Certain comparative figures have been reclassified to confirm with current year’s presentation.

## Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group.

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report. The group has not applied any new standard or interpretation.

### 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.

The executive directors realigned the Group's strategic focus on traditional brokerage and loans and financing business to serving targeted customers' investment needs. The institutional services segment provides financial services to corporations, governments and financial institutions. The wealth management segment provides a comprehensive financial services and solutions to individual investors and small to medium-sized businesses and institutions. In preparing the segment information for the year ended 31 December 2020, the executive directors considered that the business relating to corporate finance, institutional securities, wealth management, asset management and investments are considered a separate reportable segments. Accordingly, the comparative information has been re-presented to achieve a consistent presentation.

Details of each of the operating segments are as follows:

- (a) corporate finance services provides advisory services, placing and underwriting services of debts and equity securities;
- (b) institutional investor services provides market making, investments, structured product solutions, lending and other services to corporations, governments and financial institutions;
- (c) wealth management provides a comprehensive financial services and solutions to individual investors and small to medium-sized businesses and institutions including: brokerage, loans and financing and other wealth management services;
- (d) investment management provides asset management and fund management services to institutions and individuals, and also includes investment in funds, debts and equity securities; and
- (e) the "others" mainly represents rental income and the provision of information channel services.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties.

The segment results of the Group for the years ended 31 December 2020 and 2019 are as follows:

**Year ended 31 December 2020**

	Corporate Finance Services <i>HK\$'000</i>	Institutional Investor Services <i>HK\$'000</i>	Wealth Management <i>HK\$'000</i>	Investment Management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:						
Commission and handling income	609,281	227,304	571,176	155,911	–	1,563,672
Interest and coupon income	–	1,802,419	651,218	196,439	–	2,650,076
Investment income	1,200	138,765	226,822	292,417	–	659,204
Other income	–	–	–	–	5,448	5,448
Total	<u>610,481</u>	<u>2,168,488</u>	<u>1,449,216</u>	<u>644,767</u>	<u>5,448</u>	<u>4,878,400</u>
Segment results	278,859	790,432	391,340	354,048	–	<u>1,814,679</u>
Income tax expense						<u>(246,907)</u>
Profit for the year						<u>1,567,772</u>
Other segment information:						
Net loss allowance charge on loans and advances to customers	–	295,567	56,917	–	–	352,484
Net loss allowance charge/(reversal) on accounts receivable	452	(1,228)	792	(538)	–	(522)
Net loss allowance charge/(reversal) on other financial assets	–	–	10,327	(424)	–	9,903
Loss allowance charge on financial assets at fair value through other comprehensive income	–	1,700	–	–	–	1,700
Depreciation	8,394	3,145	51,775	5,545	–	68,859
Finance costs	–	315,891	439,550	74,815	–	830,256



Year ended 31 December 2019

	Corporate Finance Services <i>HK\$'000</i>	Institutional Investor Services <i>HK\$'000</i>	Wealth Management <i>HK\$'000</i>	Investment Management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue and other income:						
Commission and handling income	863,394	95,368	434,265	26,038	–	1,419,065
Interest and coupon income	–	1,672,996	660,030	28,368	–	2,361,394
Investment income	–	(28,774)	48,028	445,823	–	465,077
Other income	–	–	–	–	4,635	4,635
	<u>863,394</u>	<u>1,739,590</u>	<u>1,142,323</u>	<u>500,229</u>	<u>4,635</u>	<u>4,250,171</u>
Total						
Segment results	367,288	21,292	346,862	270,001	–	<u>1,005,443</u>
Income tax expense						<u>(102,884)</u>
Profit for the year						<u>902,559</u>
Other segment information:						
Net loss allowance charge/(reversal) on loans and advances to customers	–	913,764	(5,234)	–	–	908,530
Net loss allowance charge/(reversal) on accounts receivable	(3,280)	3,537	358	1,334	–	1,949
Net loss allowance charge/(reversal) on other financial assets	(5,945)	–	–	4,180	–	(1,765)
Depreciation	17,845	6,798	37,490	2,945	–	65,078
Finance costs	–	414,962	378,909	85,423	–	<u>879,294</u>

#### 4. REVENUE

The Group's revenue is disaggregated as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Brokerage:		
Securities	554,739	452,531
Futures and options	26,544	17,311
Handling income	60,056	52,688
Insurance	6,779	6,592
Leveraged foreign exchange	1,353	2,111
	<u>649,471</u>	<u>531,233</u>
Corporate finance:		
Placing, underwriting and sub-underwriting commission		
– Debt securities	461,737	594,446
– Equity securities	85,055	136,326
Consultancy and financial advisory fee income	45,080	78,275
	<u>591,872</u>	<u>809,047</u>
Asset management:		
Management fee income	9,446	12,772
Performance fee income	144,062	23,667
	<u>153,508</u>	<u>36,439</u>
Financial products, market making and investments:		
Handling income on financial products	168,821	42,346
<i>Revenue from other sources</i>		
Loans and financing:		
Interest and handling income from customers and counterparty financing	757,477	742,388
Interest income from banks and others	250,178	392,584
	<u>1,007,655</u>	<u>1,134,972</u>
Financial products, market making and investments:		
Market Making		
– Debt securities and exchange traded funds	768,200	649,252
Investments		
– Fixed income securities, funds, derivatives and equity investments	1,237,319	666,146
Interest on financial products	296,106	376,101
	<u>2,301,625</u>	<u>1,691,499</u>
	<u><u>4,872,952</u></u>	<u><u>4,245,536</u></u>

## 5. STAFF COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	1,112,330	769,174
Share-based compensation expense		
– Share option scheme	6,239	6,798
– Share award scheme	19,223	57,325
Pension scheme contributions	10,918	9,615
	<u>1,148,710</u>	<u>842,912</u>

## 6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank borrowings and overdrafts	335,288	324,624
Debt securities in issue	280,078	240,618
Securities borrowing and lending	2,319	7,272
Repurchase agreements	148,218	199,013
Short selling of debt securities	61,637	82,546
Lease liabilities	1,353	1,862
Others	1,363	23,359
	<u>830,256</u>	<u>879,294</u>

## 7. PROFITS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Auditor's remuneration		
(i) audit services	2,325	3,438
(ii) interim review	1,008	980
(iii) tax and other consultancy services	3,016	3,460
Foreign exchange differences, net	(61,944)	53,758
Other commission expenses	45,371	53,072
Information services expenses	45,398	35,439
Marketing, advertising and promotion expenses	10,135	11,823
Professional and consultancy fee	137,118	93,013
Repair and maintenance (including system maintenance)	65,211	59,980
Net loss allowance charge on loans and advances to customers	352,484	908,530
Net loss allowance (reversal)/charge on accounts receivable	(522)	1,949
Net loss allowance charge/(reversal) on other financial assets and loan commitments	9,903	(1,765)
Loss allowance charge on financial assets at fair value through other comprehensive income	1,700	–
	<u>1,700</u>	<u>–</u>

## 8. INCOME TAX EXPENSE

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 year.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
– Charge for the year	103,342	233,040
– Under provision in prior years	11,630	4,924
Deferred	<u>131,935</u>	<u>(135,080)</u>
Total tax charge for the year	<u><u>246,907</u></u>	<u><u>102,884</u></u>

## 9. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim, paid – HK\$0.034 (2019: HK\$0.042) per ordinary share	326,985	324,058
Less: Dividend for shares held under the Company's share award scheme	<u>(1,251)</u>	<u>(2,747)</u>
	<u>325,734</u>	<u>321,311</u>
Final, proposed – HK\$0.051 (2019: HK\$0.020) per ordinary share	490,479	192,698*
Less: Dividend for shares held under the Company's share award scheme	<u>(943)</u>	<u>(738)</u>
	<u><u>489,536</u></u>	<u><u>191,960</u></u>
	<u><u>815,270</u></u>	<u><u>513,271</u></u>

\* The Company paid a final dividend of approximately HK\$191,628,000 for the year ended 31 December 2019, 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.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

**(a) Basic earnings per share**

The calculation of basic earnings per share is as follows:

	2020	2019
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>1,562,587</u>	<u>895,303</u>
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in '000)	<u>9,268,622</u>	<u>7,653,126</u>
Basic earnings per share (in HK cents)	<u>16.9</u>	<u>11.7</u>

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit for the year 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 year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

The calculation of diluted earnings per share is as follows:

	2020	2019
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>1,562,587</u>	<u>895,303</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)	<u>9,268,622</u>	<u>7,653,126</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	<u>1,297</u>	<u>4,330</u>
Awarded shares under the share award scheme (in '000)	<u>15,603</u>	<u>14,272</u>
Number of ordinary shares for the purpose of the diluted earnings per share calculation (in '000)	<u>9,285,522</u>	<u>7,671,728</u>
Diluted earnings per share (in HK cents)	<u>16.8</u>	<u>11.7</u>

## 11. LOANS AND ADVANCES TO CUSTOMERS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current		
Term loans to customers	–	948,000
Less: loss allowance	–	(479)
	–	947,521
Current		
Margin loans	15,522,931	11,719,143
Term loans to customers	488,418	532,480
IPO Loans	1,429,100	–
Less: loss allowance	(1,836,205)	(1,483,242)
	15,604,244	10,768,381
	<u>15,604,244</u>	<u>11,715,902</u>

As of 31 December 2020, the contractual amount outstanding on loans and advances to customers that have been written off but were still subject to enforcement activity was nil at 31 December 2020 (2019: nil).

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

	12-month ECL (Stage 1) <i>HK\$'000</i>	Lifetime ECL not credit- impaired (Stage 2) <i>HK\$'000</i>	Lifetime ECL credit- impaired (Stage 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
ECL allowance 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 to 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)
ECL allowance as at 31 December 2019 and 1 January 2020	(7,193)	–	(1,476,528)	(1,483,721)
New assets originated or purchased	(715)	–	–	(715)
Assets derecognised or repaid	138	–	1	139
Changes to risk parameters	4,793	–	(356,701)	(351,908)
ECL allowance as at 31 December 2020	<u>(2,977)</u>	<u>–</u>	<u>(1,833,228)</u>	<u>(1,836,205)</u>

## 12. ACCOUNTS RECEIVABLE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	110,705	40,374
– the Stock Exchange and other clearing houses	1,642,743	1,366,064
– brokers and dealers	2,800,396	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	720,545	72,889
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	371,455	307,300
	<u>5,645,849</u>	<u>4,158,595</u>
Less: loss allowance	(7,052)	(7,574)
	<u><u>5,638,797</u></u>	<u><u>4,151,021</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	7,574	5,625
Loss allowance charged to profit or loss during the year	1,177	5,579
Loss allowance reversed during the year	(1,699)	(3,630)
	<u>7,052</u>	<u>7,574</u>
At 31 December	<u><u>7,052</u></u>	<u><u>7,574</u></u>

The contractual amount outstanding on accounts receivable that have been written off but were still subject to enforcement activity was nil at 31 December 2020 (2019: nil).

### 13. ACCOUNTS PAYABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	17,961,145	11,611,433
– brokers and dealers	2,652,515	926,467
– the Stock Exchange and other clearing houses	1,365,299	745,612
Accounts payable arising from securities borrowing and lending	17,299	519,380
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	785,658	782,358
Accounts payable arising from insurance brokerage services	1,316	2,122
	<u>22,783,232</u>	<u>14,587,372</u>

### 14. INTEREST BEARING BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current:		
Lease liabilities	6,557	23,368
Current:		
Lease liabilities	17,004	25,403
Unsecured bank borrowings	9,715,836	7,711,110
Secured bank borrowings	–	3,490,000
	<u>9,732,840</u>	<u>11,226,513</u>
Total interest bearing borrowings	<u>9,739,397</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\$17,772,000 which were contracted but not provided for as at 31 December 2020 (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 31 December 2020, the underwriting obligation was approximately HK\$5 million (2019: HK\$6 million).



## MANAGEMENT DISCUSSION AND ANALYSIS

### I. MARKET REVIEW

The COVID-19 caused unprecedented fluctuations in the global financial market in 2020. Following the historical meltdown of the US stock market in March 2020, the major economies across the world launched large-scale quantitative easing measures and economic stimulus packages, driving the liquidity and sentiment of the financial market to gradually stabilize. During the year, the expectation and performance of the capital market was affected by various factors such as the increasing number of confirmed COVID-19 cases on a global scale, the US presidential election, the secondary listing of the China concept stocks in the Hong Kong stock market and the rollout of mass vaccination programme across the world. The Hang Seng Index (“HSI”) closed at 27,231 at the end of 2020, representing a decrease of 3% year-on-year (“YOY”) while the average daily turnover of the Hong Kong stock market experienced a YOY increase of 49% to HK\$129,500 million. In 2020, industries that outperformed the HSI were in areas of renewable energy, consumption and technology, etc.

Regarding the debt market, the total amount of bonds issued in Asian (ex-Japan) G3 currencies (US dollar, euro and yen) in 2020 increased by about 3% YOY to US\$348.4 billion according to Bloomberg. On the other hand, the total number of initial public offerings (“IPO(s)”) in Hong Kong primary market in 2020 decreased by 16% YOY to 154, while the amount of funds raised from IPOs in the Hong Kong market rose by 27% YOY to HK\$397.5 billion, setting a record high since 2011. The total amount of funds raised in the Hong Kong market, including IPOs, increased by 64% YOY to HK\$743.7 billion.

### II. BUSINESS OPERATION REVIEW

The Group firmly believes that risk management is the core competency of securities companies. Since 2017, the Group took initiatives to make provisions for and divest its risky assets. During the year, the loss allowance of the Company decreased significantly YOY. In addition, the Group maintained global credit ratings at Standard & Poor’s BBB+ and Moody’s Baa2 long-term issuer rating with the outlook of the Company being “stable”, which is not only the leading rating among the Chinese securities houses in Hong Kong and also ranks among the first-tier global investment banks.

To offer quality products and services tailored for high-net-worth individual clients in a better way, the Group completed the internal strategic consolidation of wealth management and retail brokerage business in first half of 2020. Currently, the wealth management platform of the Group is equipped with professional teams specialized in investment consulting, customer service, wealth management for private clients and structured derivatives products, and offers a variety of asset classes not only covering regular investment portfolios such as equity and fixed income products, but also including a basket of investment products such as derivative warrants and callable bull/

bear contract (CBBC), customized wealth management products, foreign exchange, futures and private equity, etc. In addition, leveraging on its expertise in the finance products business, the Group consolidated its resources and established the structured solutions and derivatives business team in the third quarter of 2020 to cater to the increasing demands for customized services from corporate and institutional investors and provide flexible and practical investment and financing solutions continuously, so as to help clients to make optimal investment decisions and strategies under different market conditions.

As new economy industries driven by technology innovation started to reshape our lifestyle and led the global financial markets in 2020, the Group established a professional team in 2020 for equity investments, to support the development of quality new economy enterprises and lay a foundation for offering differentiated and a wider range of products and investment channels to wealth management clients. During the year, the Group participated in a number of private equity projects covering various new economy industries, including companies in new energy battery asset management, recycling platform for electronic devices, artificial intelligence chips, automated driving technology and other sectors, the substance and prospects of which are highly welcomed by wealth management clients.

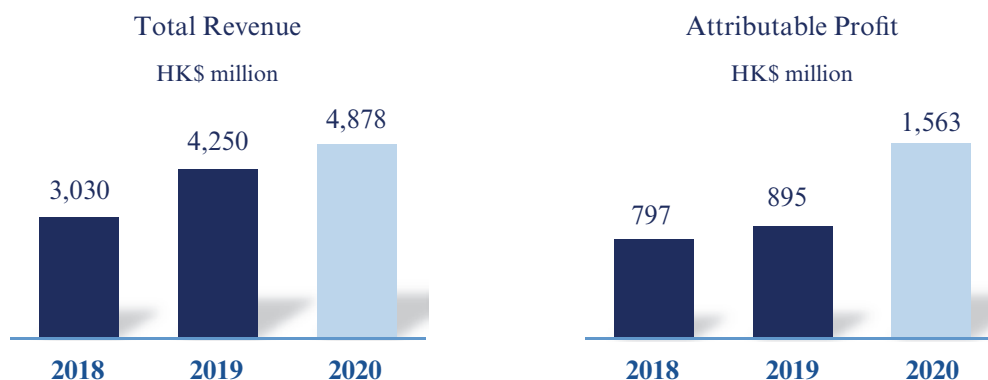
The Group has good reputation and brand credibility with its diversified products and professional services. In 2020, the Company obtained more than 30 awards from both international and local media, not only covering wealth management, corporate finance, fixed income, structured financial derivatives, asset management and research services, but also the general management areas such as risk management, corporate governance and information disclosure which are also highly acclaimed, demonstrating the Company's strength and advantages as a leading financial service platform.

### **III. RESULTS REVIEW**

For the year ended 31 December 2020, the Group has recorded a very strong result and robust performance, summarized as follows:

- Revenue and other income (total revenue) reached approximately HK\$4,878 million (2019: HK\$4,250 million), which represented an increase of 15% YOY, setting a new high since its establishment;
- The Group recorded a profit attributable to ordinary equity holders of the Company ("Attributable Profit") of approximately HK\$1,563 million (2019: HK\$895 million), which represented a significant YOY increase of 75%, setting a new high since its establishment;

- In terms of the nature of revenue, fee and commission income rose by 10% YOY to HK\$1,564 million (accounting for 32% of total revenue), interest and coupon income rose by 12% YOY to HK\$2,650 million (accounting for 54% of total revenue), while trading income rose by 42% YOY to HK\$659 million (accounting for 14% of total revenue);
- In terms of revenue from different business lines, the Group’s total revenue growth mainly came from: 1) brokerage income increased by 22% YOY to HK\$649 million; 2) asset management income surged by 321% YOY to HK\$154 million; and 3) financial products, market making and investments income increased 42% YOY to HK\$2,470 million;
- In terms of segment revenue, the Group’s total revenue growth mainly came from: 1) individual finance (wealth management) income increased by 27% YOY to HK\$1,449 million; and 2) institutional finance (including both institutional investor services and corporate finance services) income increased by 7% YOY to HK\$2,779 million. Overall, income from individual finance and institutional finance accounted for 30% and 57% of total revenue respectively<sup>1</sup>;
- The Company’s loss allowance decreased by 60% YOY to HK\$364 million as a result of prudent risk management and the significant improvement in assets quality; and
- Return on shareholder’s equity<sup>2</sup> (“ROE”) was 11.8%, representing a YOY increase of 3.7 percentage points.



<sup>1</sup> Please refer to “(II) Segment Revenue” for details

<sup>2</sup> ROE = Attributable Profit during the year / average equity attributable to holders of the ordinary shares during the year

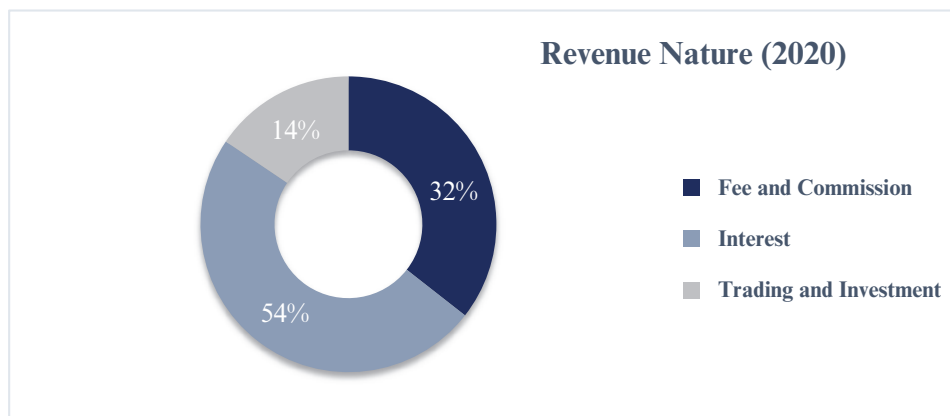
**(I) Revenue Structure: Fee and commission income and interest income accounted for nearly 90% of total revenue**

In recent years, the Group has diversified its businesses and covered brokerage, wealth management, corporate finance, asset management, financial products, market making and investments, and fee and commission along with interest income accounted for nearly 90% of the total revenue, which has largely enhanced the Group's financial stability and resilience in the volatile market.

In 2020, the Group recorded total revenue of HK\$4,878 million, up by 15% YOY, where:

- Fee and commission income amounted to HK\$1,564 million (accounting for 32% of total revenue), up by 10% YOY, mainly attributable to the increase in revenue from the brokerage, asset management and financial products businesses;
- Interest income amounted to HK\$2,650 million (accounting for 54% of total revenue), up by 12% YOY, mainly attributable to the increase in revenue from market making and investment businesses; and
- Trading and investment income, recorded by mark-to-market, amounted to HK\$659 million (accounting for 14% of total revenue), up by 42% YOY, mainly attributable to the YOY increase in the investment income from the financial derivatives instruments provided to wealth management clients as well as seed funding of asset management business.

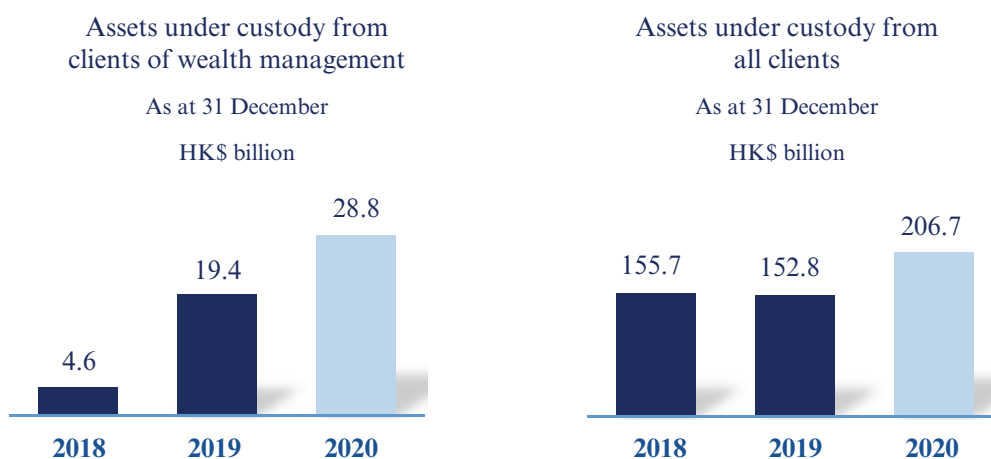
Business	Revenue Nature	For the year ended 31 December			
		2020		2019	
		HK\$'000	%	HK\$'000	%
Brokerage	Fee and commission	649,471	13.3%	531,233	12.5%
Corporate finance	Fee and commission	591,872	12.1%	809,047	19.1%
Asset management	Fee and commission	153,508	3.2%	36,439	0.9%
Loans and financing	Interest	1,007,655	20.7%	1,134,972	26.7%
Financial products	Fee and commission; Interest	464,927	9.5%	418,447	9.8%
Market making	Interest; Trading and investment	768,200	15.8%	649,252	15.3%
Investments	Interest; Trading and investment	1,237,319	25.4%	666,146	15.7%
<b>Revenue</b>		<b>4,872,952</b>	<b>100.0%</b>	<b>4,245,536</b>	<b>100.0%</b>
Other income	Other	5,448	–	4,635	–
<b>Total revenue</b>		<b>4,878,400</b>	<b>–</b>	<b>4,250,171</b>	<b>–</b>



### 1. Brokerage (Fee and Commission)

The Group provides comprehensive brokerage services across multiple securities markets around the globe to wealth management and institutional clients.

In 2020, the Group's income from brokerage services increased by 22% YOY to HK\$649 million (2019: HK\$531 million). As at 31 December 2020, the market share of the Group's brokerage business in the Hong Kong market recorded an increase as compared with that as at the end of last year. Although HSI dropped by 3%, the assets under custody of the wealth management platform of the Company recorded a steady increase of 48% to HK\$28.8 billion, while the assets under custody of all clients recorded an increase of 35% YOY to HK\$206.7 billion.

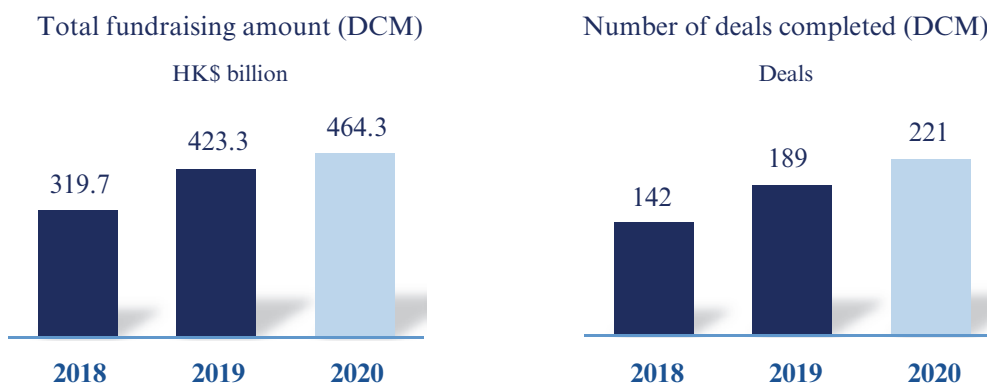


## 2. Corporate Finance (Fee and Commission)

The Group provides professional services in debt capital market (“DCM”), equity capital market (“ECM”) and consultancy and financial advisory to corporate clients and issuers. In 2020, corporate finance revenue fell by 27% YOY to HK\$592 million. The decrease was mainly due to delayed financing itinerary of target issuers of the Group caused by the pandemic.

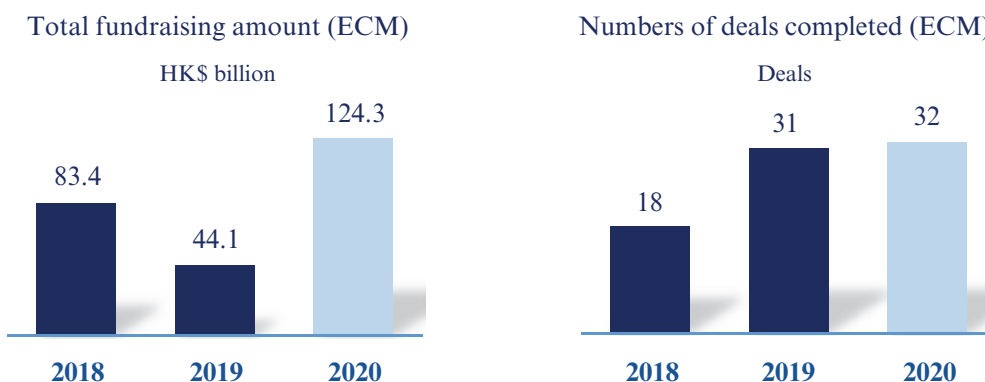
### *DCM*

In 2020, due to the fact that the business environment was affected by COVID-19 and the policy change on certain industries, we witnessed a slowdown in bond issuance for financing by corporate clients. The Group’s income from underwriting fees in DCM reduced by 22% YOY to HK\$462 million (2019: HK\$594 million). However, with our extensive market experiences and high-standard professional services, the Group continued to maintain its leading position in Chinese-issued US dollar-denominated bond market. In 2020, our team assisted corporate clients in raising funds of nearly HK\$464.3 billion (2019: HK\$423.3 billion) in the bond market, and completed a total of 221 bond underwriting and related projects (2019: 189). The Group ranked second in the Bloomberg’s Asia (ex-Japan) G3 Currency Corporate High-Yield Bond Underwritten League Table (彭博亞洲地區 (除日本外) G3貨幣企業高收益債券承銷排行榜) in terms of number of bond issuances underwritten.



### *ECM, consultancy and financial advisory*

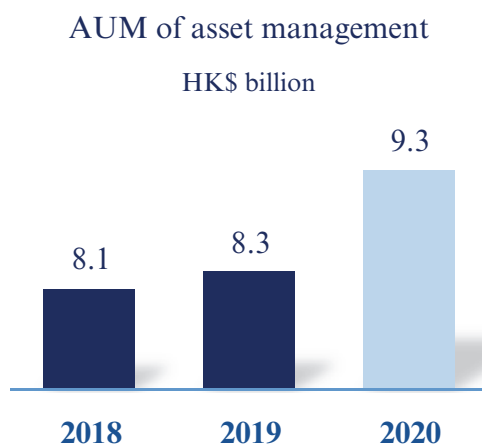
In 2020, due to the progress of IPOs of our corporate clients being delayed by COVID-19, the Group's income from ECM decreased by 38% YOY to HK\$85.1 million (2019: HK\$136.0 million). In addition, the Group's consultancy and financial advisory fee income decreased by 42% YOY to HK\$45.1 million (2019: HK\$78.3 million). The Group completed a total of 32 equity underwriting deals (2019: 31) in the Hong Kong stock market, and assisted corporations in raising funds of HK\$124.3 billion in aggregate, up by 182% YOY, including JD.com (9618.HK), JD Health (6618.HK), China Bohai Bank (9668.HK), GDS (9698.HK) and other large-scale IPO projects in the Hong Kong stock market. During the year, the team completed a total of four IPO sponsor deals (2019: eight), including Zhongguancun Science-Tech Leasing (1601.HK), and Financial Street Property (1502.HK) and etc.



### 3. Asset Management (Fee and Commission)

The Group provides a full range of asset management services to various types of clients, under which, the Group will strive to achieve ideal risk-adjusted return on investment for clients, according to their risk appetite and return needs.

Relying on good judgment of global capital market trends and sound risk management capabilities, the management fee and performance fee income in 2020 from the Group’s asset management increased significantly by 3.2 times to HK\$154 million (2019: HK\$36.44 million). In spite of the fluctuant market, the asset management team of the Group remained committed to realizing long-term stable appreciation of the assets of the clients, and Guotai Junan Asia High Income Bond Fund, under the Group’s management, won the 1st place in the category, namely “Private Funds — Greater China Fixed Income (both 1 year and 3 years) (私募基金類 — 大中華固定收益(1年) 及(3年))” in Offshore China Fund Awards 2020 jointly organised by China Asset Management Association of Hong Kong and Bloomberg. As at 31 December 2020, the total assets under management (“AUM”) of the Group rose by 12% YOY to approximately HK\$9.3 billion (2019: HK\$8.3 billion), of which, the sizes of the fixed income funds and equity funds reached approximately HK\$4.9 billion and HK\$4.4 billion, respectively.



#### 4. Loans and Financing (Interest Income)

The Group’s loans and financing income mainly came from services to clients, such as margin financing and IPO financing.

In 2020, income from loans and financing decreased by 11% YOY to HK\$1,008 million, which was mainly due to:

- The YOY decline in Hong Kong Interbank Offered Rate under the global low interest rate environment; and
- In recent years, the quality of collaterals for loans and financing businesses has continued to rise, and the effective interest rate has been adjusted downwards according to its risk level.



As at 31 December 2020, the balance of loans and advances to the customers by the Group increased by 33% YOY to HK\$15.6 billion. Client trust bank balances amounted to HK\$18.7 billion. In 2020, the Group expanded its quality high-net-worth client base. Meanwhile, driven by the active trading activities in the Hong Kong stock market and robust financing demands from the clients in 2020, the Group continued to optimize the loans and financing business structure, leading to steady increase in the proportion of loans with large and mid-cap stocks and US dollar-denominated bonds as collaterals and continuous improvement in the quality of assets and earnings.

Balances of loans and advances to customers



#### 5. Financial Products (Fee and Commission, Interest Income)

The Group provides diversified financial products and solutions to institutional and wealth management clients, income from which includes 1) fee and commissions from business such as holding financial products on behalf of clients; 2) coupon income from various types of notes.

In 2020, overall revenue from financial products increased by 11% YOY to HK\$465 million, mainly due to the reason that the handling fees from provision of financial products to institutional clients increased by 299% YOY to HK\$169 million.

#### 6. Market Making (Interest Income, Trading and Investment Income)

The Group provides bond market making services to institutional clients to support the development of its DCM underwriting business in the long run. In 2020, the Group's bond market making income increased by 18% YOY to HK\$768 million, mainly due to the interest income from bond market making that increased by 24% YOY to HK\$819 million. On the other hand, trading and investment income (recorded by mark-to-market) related to bond market making recorded a loss of HK\$51 million, mainly due to the fluctuations in the US dollar bond market caused by the pandemic in 2020.

## 7. Investments (Interest Income, Trading and Investment Income)

The Group's investment business income derived from seed funding in asset management, the financial derivatives provided to wealth management clients as well as structured financing products.

In 2020, the Group's total investment income was HK\$1,237 million (2019: HK\$666 million). The increase was mainly due to the substantial increase in interest income from structured financing products by 161% to HK\$529 million. Trading income (recorded by mark-to-market) was HK\$708 million, which was mainly from asset management seed funding and financial derivatives issued to wealth management clients, accounting for 15% of the Group's total revenue.

### (II) Segment Revenue: Jointly driven by institutional finance and individual finance

In recent years, the Group has successfully transformed from a “brokerage-oriented” securities company at early stages to a large “integrated financial service provider” with diversified businesses. At the same time, starting from the needs of clients, the Group has built the dual engines of institutional finance and individual finance (wealth management) business as well as based itself on strong risk management capabilities to create a quality profit model. In 2020, the Group's income from institutional finance in capital intermediary businesses (including corporate financing services and institutional investor services) has steadily increased by 7% YOY to HK\$2,779 million, accounting for 57% of total revenue. Individual finance – wealth management income increased by 27% YOY to HK\$1,449 million, accounting for 30% of the Group's total revenue.

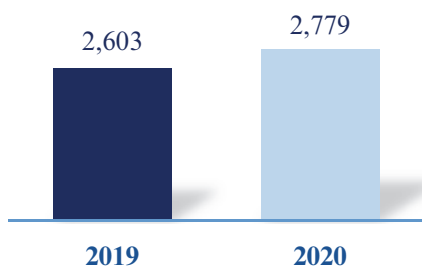
	2020		2019		Change
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	
Institutional finance					
– institutional investor services	<b>2,168,488</b>	<b>45%</b>	1,739,590	41%	25%
– corporate finance services	<b>610,481</b>	<b>12%</b>	863,394	20%	–29%
Individual finance					
– wealth management	<b>1,449,216</b>	<b>30%</b>	1,142,323	27%	27%
Investment management	<b>644,767</b>	<b>13%</b>	500,229	12%	29%
<b>Total</b>	<b><u>4,872,952</u></b>	<b><u>100%</u></b>	<b><u>4,245,536</u></b>	<b><u>100%</u></b>	15%

The Group believes that the evolution to a large “integrated financial service provider” has brought diversified business incomes and a balanced risk portfolio to the Group, which will continuously strengthen the stability and growth potential of Group’s earnings. To provide clear presentation on strategic development direction, the Group has re-presented its segment revenue as follows:

- Revenue from institutional investor services mainly arises from: 1) financial products (institutions); 2) market making; 3) brokerage (institutions); and 4) loans and financing (institutions);
- Revenue from corporate finance services mainly arises from: 1) DCM, ECM and consultancy and financial advisory services; 2) brokerage services provided to corporate finance clients;
- Revenue from wealth management mainly arises from: 1) brokerage (wealth management); 2) loans and financing (wealth management); and 3) financial products (wealth management); and
- Revenue from investment management mainly arises from: 1) asset management; and 2) proprietary investment.

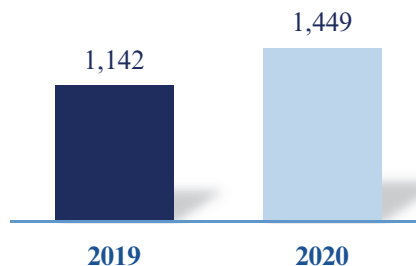
Institutional Finance – Institutional Investor Services and Corporate Finance Services Revenue

HK\$ million



Individual Finance – Wealth Management Revenue

HK\$ million



### (III) Cost Structure

	2020		2019		Change
	HK\$'000	%	HK\$'000	%	
Staff costs	1,148,710	38%	842,912	26%	36%
Commission to account executives	188,382	6%	124,278	4%	52%
Depreciation	68,859	2%	65,078	2%	6%
Loss allowance provision	363,565	12%	908,714	28%	-60%
Other operating expenses	463,949	15%	424,452	13%	9%
Finance costs	830,256	27%	879,294	27%	-6%
<b>Total costs</b>	<b>3,063,721</b>	<b>100%</b>	<b>3,244,728</b>	<b>100%</b>	<b>-6%</b>

Total costs of the Group in 2020 decreased by 6% YOY to HK\$3,064 million, which was mainly benefitted from the combined effects of multiple decreases in loss allowance and finance costs, etc., where during the year:

- Staff costs (including salaries, bonuses and allowances, share-based compensation expense and pension scheme contributions) increased by 36% YOY to HK\$1,149 million. As the Attributable Profit of the Group during the year increased YOY, staff costs were adjusted accordingly;
- Commission to account executives increased by 52% YOY to HK\$188 million, mainly due to the increase in the income of securities transaction commissions;
- Loss allowance amount decreased by 60% YOY to HK\$364 million. The loss allowance of the Group during the year was primarily derived from the high-risk financing business in and prior to 2017. The diversity and liquidity of the collateral from clients of the financing business were enhanced significantly as compared to previous years, by virtue of unwavering optimization of the financing business structure by the Group over the past few years. In 2019, the Group prospectively increased the loss allowance for high-risk loan assets, thereby strengthening the Company's capacity in credit risk control against fluctuations in the financial markets during the year; and
- Finance costs (including bank loans, debt securities in issue, securities borrowing and lending, repurchase agreements and other financial expenses) fell by 6% to HK\$830 million, which was primarily attributable to the corresponding decrease in Hong Kong Interbank Offered Rate resulting from the further implementation of the loose monetary policy, and downward adjustment to interest rate and maintaining of low interest rate by the United States Federal Reserve during the year to support economic recovery.

#### **IV. FINANCIAL POSITION**

As at 31 December 2020, total assets of the Group reached HK\$121.7 billion, representing an increase of 26% YOY, while the total liabilities of the Group was HK\$106.5 billion, representing an increase of 25% YOY. As at 31 December 2020, total equity amounted to HK\$15.2 billion, up by 34% YOY, of which, the Attributable Profit was HK\$15.12 billion, up by 34% YOY.

As at 31 December 2020, the Group's asset and liability structure mainly consists of the followings: 1) regarding assets, the financial assets from the financial products held on behalf of the clients reached HK\$39.51 billion, accounting for 32% of the total assets; other financial assets (mainly market making bonds) were HK\$31.51 billion, accounting for 26% of the total assets; the trust bank balances held on behalf of the clients amounted to HK\$18.71 billion, accounting for 15% of the total assets; and loans

and advances to customers were HK\$15.60 billion, accounting for 13% of the total assets; 2) regarding liabilities, financial liabilities at fair value through profit or loss were HK\$39.24 billion, accounting for 37% of the total liabilities; obligations under repurchase agreements reached HK\$17.40 billion, accounting for 16% of the total liabilities; and interest bearing bank borrowings were HK\$9.72 billion, accounting for 9% of the total liabilities.

The Group's assets are of sound liquidity and reasonably structured. In addition, due to the stringent risk management measures, the Group has made corresponding impairment allowance for assets which show any indication of impairment, as a result of which, the assets are of high quality.

As at 31 December 2020, the leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 6.81 times (2019: 7.46 times), and, excluding the financial assets from the financial products held on behalf of the clients, was 4.22 times (2019: 4.12 times). The gearing ratio (defined as the sum of interest bearing borrowings and debt securities in issue at amortised cost divided by total equity) was 1.64 times (2019: 1.57 times).

The Group's current ratio was 1.10 times (2019: 1.12 times).

### **Current Assets**

As at 31 December 2020, the Group's current assets were HK\$104.08 billion, increasing by 20% YOY, which was mainly attributable to the increase of HK\$4.8 billion in loans to clients and the increase of HK\$7.5 billion in client trust bank balances driven by the growth of the wealth management business. In particular, the bank balances of the Group as at 31 December 2020 were HK\$5.51 billion (2019: HK\$7.22 billion). For the year ended 31 December 2020, net cash outflow of the Group was HK\$1.71 billion (2019: inflow of HK\$3.11 billion).

### **Non-current Assets**

As at 31 December 2020, the non-current assets of the Group were HK\$17.64 billion, up by 82% YOY, primarily due to the increase of HK\$9.1 billion in non-current financial assets at fair value through profit or loss.

### **Current Liabilities**

As at 31 December 2020, the current liabilities of the Group were HK\$94.61 billion, increasing by 22% YOY, which was mainly attributable to the increase of HK\$6.3 billion in payables by clients and the increase of HK\$10.3 billion in debt securities in issue.

## **Non-current Liabilities**

As at 31 December 2020, the non-current liabilities of the Group were HK\$11.87 billion, up by 54% YOY, primarily due to the increase of HK\$4.2 billion in non-current debt securities in issue.

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 31 December 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. On 18 February 2021, the Company has increased the size of the Medium Term Note Programme from HK\$15,000 million to HK\$25,000 million.

On 3 March 2021, the Company issued USD400 million 2% medium term note due 2026 under the Medium Term Note Programme.

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 year ended 31 December 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 of the Company ("Share(s)") 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 year ended 31 December 2020, the Company bought back and cancelled a total of 20,000,000 Shares at an aggregate consideration of approximately HK\$19,903,454.35 (inclusive all expenses) on the Stock Exchange at the prices ranging from HK\$0.92 to HK\$1.05 per Share.

During the year, a total of 2,336,288 Shares were allotted and issued by the Company in respect of share options exercised under the share option scheme of the Company.

As at 31 December 2020, there were 9,617,228,644 Shares in issue. Save as disclosed above, there was no other movement in the number of issued Shares during the year ended 31 December 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.

### **Repurchase, Sale or Redemption of the Company's Listed Securities**

During the year ended 31 December 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 year are as follows:

<b>Month</b>	<b>Number of Shares bought back</b>	<b>Price paid per Share</b>		<b>Aggregate consideration (inclusive transaction costs)  HK\$</b>
		<b>Highest HK\$</b>	<b>Lowest HK\$</b>	
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

Save 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 year ended 31 December 2020 other than act as an agent for the trustee of the Company's share award scheme.

### **Material Acquisitions and Disposals**

For the year ended 31 December 2020, the Group had no material acquisition and disposal of subsidiaries, associated companies and joint ventures.



### **Significant Investments Held**

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 31 December 2020.

### **Charges on the Group's Assets**

No asset of the Group was subject to any charge as at 31 December 2020 and 2019, respectively.

### **Capital Commitments and Other Commitments**

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

## **V. PROSPECTS**

Entering into 2021, with the introduction of Covid-19 vaccines, it is expected that the global economy will gradually return to the recovery track. Low interest rate and sufficient liquidity may become the “New Norm” for the major Western economies, but the rising potential risks such as US dollar depreciation, governmental debts and corporate debts could subject the global market to uncertainties.

As one of the major economies to achieve economic growth in 2020, and supported by its moderately loose monetary policy and proactive fiscal policy, China is expected to expedite economic recovery and become the core growth engine for the global economy. The year 2021 unveils the implementation of the nation's “Dual Circulation” new development strategy, which aims to stabilise economic growth by focusing on developing a domestic circulation economy, boosting domestic consumption and increasing investments. As it is expected that the trend of the China concept stocks returning to the Hong Kong market for secondary listing will continue, the participants in the Hong Kong capital market will have more opportunities to invest in an increasing number of listed companies that are engaged in new economy, and owing to the further implementation of the stock connect mechanism, the investment sentiment and interest will be further revived. During the process, investors will seek more quality investment channels and wealth management platforms and explore various development opportunities to participate in the development of the Chinese economy.



In 2021, the Group will continue to step up efforts in implementing operational strategies to promote effectiveness:

- Leveraging fintech in the securities trading platform to provide better trading experience to clients;
- Taking proactive initiatives to optimise wealth management services, enhance products and services as well as investment channels for clients and strengthen the interconnectivity among wealth management and private equity, asset management, corporate finance and other businesses, continuing to create one-stop financial services for clients;
- Stepping up efforts to develop financial institutions and corporate clients and leveraging on the core competencies of financial products and trading system to provide clients with differentiated and customized products and services; and
- Enhancing cooperation with parent company to explore new opportunities in the cross-border financial market.

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 the business development in Southeast Asia 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.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.051 per Share for the year ended 31 December 2020 (the “Proposed Final Dividend”) (2019: a final dividend of HK\$0.020 per Share), subject to the approval by Shareholders at the annual general meeting of the Company (the “AGM”), which is expected to be held on Monday, 24 May 2021, and will be payable on Wednesday, 16 June 2021 to Shareholders whose names appear on the register of members of the Company on Monday, 31 May 2021. Together with the interim dividend of HK\$0.034 per Share which was paid on 10 September 2020, the total dividends for the year ended 31 December 2020 will amount to HK\$0.085 per Share (2019: HK\$0.062 per Share).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 18 May 2021 to Monday, 24 May 2021 (both days inclusive) for ascertaining Shareholders' entitlement to attend and vote at the AGM, during which period, no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, 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 not later than 4:30 p.m. on Monday, 17 May 2021.

The register of members of the Company will be closed on Monday, 31 May 2021 for ascertaining Shareholders' entitlement to the Proposed Final Dividend (subject to the approval of the Proposed Final Dividend by Shareholders at the AGM). No transfer of Shares will be registered on that date. In order to qualify for the Proposed Final 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 not later than 4:30 p.m. on Friday, 28 May 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 14 of 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 code provisions set out in the Corporate Governance Code throughout the year of 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 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 set out in Appendix 10 of the Listing Rules (the "Model Code") regarding securities transactions by directors. On specific enquiry made by the Company, all directors of the Company confirmed that they have fully complied with the required standard set out in the Model Code throughout the year of 2020.

## **AUDIT COMMITTEE**

The Audit Committee comprises Mr. TSANG Yiu Keung (chairman), Dr. FU Tingmei, Dr. SONG Ming, and Professor CHAN Ka Keung Ceajer, all of them are independent non-executive directors. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the 2020 annual results announcement and the consolidated financial statements of the Group for the year ended 31 December 2020.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been agreed with KPMG. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

## **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.

## **APPRECIATION**

The Board would like to take this opportunity to express its gratitude to the Shareholders and customers for their trust and support and to thank the colleagues and the staff members of the Group for their hard work, loyal service and contribution during the year.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement of final results for the year ended 31 December 2020 is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://www.gtjai.com>. The annual report of the Company for the year ended 31 December 2020 will be despatched 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, 23 March 2021